Glasgow City Council

Annual Audit Plan (updated)
Year ended 31 March 2023
1 November 2023

EY
Building a better working world

This report

This report has been prepared in accordance with Terms of Appointment Letter, through which the Accounts Commission has appointed us as external auditor of Glasgow City Council for financial years 2022/23 to 2026/27.

This report is for the benefit of the Council and is made available to the Accounts Commission, the Controller of Audit and Audit Scotland (together the Recipients). This report has not been designed to be of benefit to anyone except the Recipients. In preparing this report we have not taken into account the interests, needs or circumstances of anyone apart from the Recipients, even though we may have been aware that others might read this report.

Any party other than the Recipients that obtains access to this report or a copy (under the Freedom of Information Act 2000, the Freedom of Information (Scotland) Act 2002, through a Recipient's Publication Scheme or otherwise) and chooses to rely on this report (or any part of it) does so at its own risk. To the fullest extent permitted by law, Ernst & Young LLP does not assume any responsibility and will not accept any liability in respect of this report to any party other than the Recipients.

Accessibility

Our Annual Audit Plan will be available on Audit Scotland’s website and we have therefore taken steps to comply with the Public Sector Bodies Accessibility Regulations 2018.

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1. Executive summary

Purpose of our plan

The Accounts Commission appointed EY as the external auditor of Glasgow City Council ("the Council") and its Group ("the Group") for the five year period to 2026/27.

This Annual Audit Plan, prepared for the benefit of management and the Finance and Audit Scrutiny Committee, sets out our proposed audit approach for the audit of the financial statements for the year ended 31 March 2023. In preparing this plan, we have developed our understanding of the organisation through:

- introductory planning discussions with management, and the Chair of the Finance and Audit Scrutiny Committee;
- review of key documentation and committee reports; and
- our understanding of the environment in which the Group and Council is currently operating.

Our audit quality ambition is to consistently deliver high-quality audits that serve the public interest. A key objective of our audit reporting is to add value by supporting the improvement of the use of public money. We aim to achieve this through sharing our insights from our audit work, including observations around where the Group and Council employs best practice and where processes can be improved. We use data insights to form our audit recommendations to support the Group and Council in improving its practices around financial management and control, and in aspects of the wider scope dimensions of audit. These are highlighted throughout our reporting together with our judgements and conclusions regarding arrangements.

After consideration by the Council's Finance and Audit Scrutiny Committee, the finalised plan will be provided to Audit Scotland and published on their website.

Scope and Responsibilities

We undertake our audit in accordance with the Code of Audit Practice (the Code), issued by Audit Scotland in June 2021; International Standards on Auditing (UK); relevant legislation; and other guidance issued by Audit Scotland. The Code sets out the responsibilities of both the Council and the auditor, more details of which are provided in Appendix A.

Independence

We confirm that we have undertaken client and engagement acceptance procedures, including our assessment of our independence to act as your external auditor. Further information is available in Appendix B.

Our key contacts:

Stephen Reid, Lead Engagement Partner
sreid2@uk.ey.com

Rob Jones, Engagement Partner
rjones9@uk.ey.com

Rachel Wynne, Group Senior Manager
Rachel.wynne@uk.ey.com

Grace Scanlin, Senior Manager – Best value reporting
Grace.scanlin@uk.ey.com

Financial Statements audit

We are responsible for conducting an audit of the Council and Group financial statements. We provide an opinion as to whether they:

- give a true and fair view of the state of affairs of the Council and its group as at 31 March 2023 and of the income and expenditure of the Council and its Group for the year then ended;
- have been properly prepared in accordance with IFRSs, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 ('the accounting code'); and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, the Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

We also review and report on the consistency of the other information prepared and published along with the financial statements.

We are required to plan our audit to determine with reasonable confidence whether the financial statements are free from material misstatement. The assessment of what is material is a matter of professional judgement over both the amount and the nature of the misstatement. Our key considerations and materiality values are set out in Exhibit 1, below.

Wider Scope Dimensions

As public sector auditors, our responsibilities extend beyond the audit of the financial statements. The Code of Audit Practice (2021) requires auditors to consider the arrangements the Council has in place to meet their Best Value obligations as part of our proportionate and risk-based wider scope audit work. Wider scope audit requires consideration of:

- the Council's arrangements to secure sound financial management;
- the regard shown to financial sustainability;
- clarity of plans to implement the vision, strategy and priorities of the Council, and the effectiveness of governance arrangements for delivery; and
- the use of resources to improve outcomes.

Exhibit 1: Group Materiality Assessment in 2022/23

Group Planning Materiality

- Overall materiality for the financial statements
- Assessment based on the Group's gross expenditure

£31 million

Group Performance Materiality

- We have assessed performance materiality at 50% of overall materiality for the financial statements.

£15.5 million

Reporting Threshold

- Level of error that we will report to the Finance and Audit Scrutiny Committee.

£250,000

We provide further detail on the levels of materiality for the Council and the Group on page 15. Based on our understanding of the expectations of financial statement users, we apply a lower materiality level to the audited section of the Remuneration Report. We also apply professional judgement to consider the materiality of Related Party Transactions to both parties.

Exhibit 2: Summary of financial statement risks identified for the audit in 2022/23

There are five significant risks, impacting the audit of the financial statements, as set out in more detail in Section 3:

1. Risk of fraud in revenue and expenditure (fraud risk)	Under ISA (UK) 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10, issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.
2. Misstatement due to fraud or error (fraud risk)	As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud due to the ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively.
3. Valuation and existence of property, plant and equipment (including heritage and infrastructure assets)	The fair value of property, plant and equipment (PPE) represent significant balances in the Group and Council's financial statements. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.
4. Valuation of Public Private Partnerships ('PPP') / Design, Build, Finance, Maintain ('DBFM') liabilities	The value of PPP/DBFM liabilities represent significant balances in the Council's financial statements with the Council holding two contracts, with a combined value of £541 million in 2021/22. Accounting for these contracts includes a number of complexities, including ensuring the financial models reflect any contract amendments and inflationary uplifts. The Council additionally intends to apply the service concession flexibility in year.
5. SAP Outage	The Group and Council experienced a significant outage of their SAP, financial ledger, IT system in January 2023 with system access and functionality being significantly impacted during the final quarter of the financial year. Business continuity plans were implemented and the Group and Council used manual processes during the outage. The financial system outage creates risks in respect of the increased manual processing, the delays in processing leading to increased cut-off risks and potential data integrity and completeness issues.

Exhibit 3: Summary of inherent risks identified for the audit in 2022/23

Three inherent risks impacting the audit of the financial statements are identified in Section 3:

1. Opening balances	As 2022/23 is the first year of our audit appointment, we are required to complete additional procedures in line with Auditing standard ISA (UK) 510. There is a possibility that we identify balances that we consider to be inappropriately recognised or valued incorrectly, in particular where we disagree with the basis for estimates and judgements made historically or the underlying accounting principles applied by management.
2. Valuation of Pension Assets and Liabilities	The Group and Council's net pension asset/liability, measured as the sum of the long term payments due to members as they retire against the Group and Council's share of the Strathclyde Pension Fund investments, is a material balance in the Council financial statements. Accounting for this scheme involves significant estimation and judgement, including financial and demographic assumptions. The Council engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.
3. Equal Pay Provision and associated transactions	In 2021/22, the Council recognised a provision of £260 million in respect of equal pay with payments currently anticipated to be made in 2022/23, In order to fund these payments, the Council has raised £210 million through sale and leaseback transactions with Council subsidiaries. Accounting for both the provision and sale and leaseback transactions requires management judgement and are significant and unusual transactions.

Exhibit 4: Summary of areas of audit focus in relation to the wider scope dimensions

Under the Code of Audit Practice, in addition to financial statement significant risks, auditors are required to identify significant risks within the wider scope dimensions as part of our planning risk assessment. We consider significant risks in this context to be areas where we expect to direct most of our audit effort, based on:

- our risk assessment at the planning stage; and
- the identification of any national areas of risk within Audit Scotland's annual planning guidance.

Any changes in this assessment will be communicated to the Finance and Audit Scrutiny Committee. We refer to these areas within Section 4 as "areas of audit focus":

1. Development of sustainable and achievable medium term financial plans	The Council's financial forecasts highlight a significant financial challenge over the next three years. The Council has paused longer term financial planning due to the ongoing significant uncertainties, including those caused by the inflationary environment and cost of living crisis. Updated financial forecasts will be reported in 2023 and will require robust risk assessment and savings delivery plans.
2. Information and Communication Technology ('ICT') Governance	There continues to be a significant risk of cyber attacks to public bodies. A number of recent incidents have demonstrated the significant impact that a cyber-attack can have on both the finances and operation of an organisation. In 2022/23 Audit Scotland asked us to consider risks related to cyber security at audited bodies. In addition, internal audit noted concerns around ICT security and ICT contract management arrangements and the pace at which remediation actions were taken forward. The SAP outage has additionally highlighted the importance of robust IT controls.
3. Climate change reporting	Scotland has set a legally binding target of becoming net zero by 2045, and has interim targets including a 75% reduction in greenhouse gas emissions by 2030. The Council should therefore have a plan to reduce their direct and indirect emissions. Audit Scotland asked for specific audit work to be conducted in 2022/23 on the arrangements to respond to climate change, as part of a developing programme of work.

In addition, we will consider the following thematic review, as part of our Best Value considerations which we will report on in Autumn 2023:

Best Value: Thematic review of leadership and strategic priorities	As part of the revised Best Value arrangements, the Accounts Commission has asked us to consider: ‣ The clarity of the Council's vision and priorities; ‣ How effectively community views have been reflected; ‣ The alignment of financial, workforce, asset and digital plans; and ‣ How the priorities reflect the need to reduce inequalities and climate change.

2. Sector developments

Introduction

In accordance with the principles of the Code, our audit work considers key developments in the sector. We obtain an understanding of the strategic environment in which the Council operates to inform our audit approach.

Local Government Finances

In January 2023, the Accounts Commission published it's annual report on Local Government finances in Scotland. The report notes that even with additional Covid-19 funding during 2021-22, councils had to make significant savings last year to balance their budgets.

An increasing amount of council funding is either formally ringfenced or provided on the expectation it will be spent on specific services and national policy objectives.

Audit Scotland calculated ringfenced money to represent 23% of total revenue funding in 2021/22. A large amount of this was to support elements of education and social care service provision. While this supports the delivery of key Scottish Government policies, it removes local discretion and flexibility over how these funds can be used by councils.

Looking ahead, the Accounts Commission notes that councils face the most difficult budget-setting context seen for many years with the ongoing impacts of Covid-19, inflation and the cost of living crisis. They will need to continue to make recurring savings and also make increasingly difficult choices with their spending priorities, including, in some cases, potential service reductions.

National Care Service Bill

In June 2022, the Scottish Government published the National Care Service Bill (the Bill). Proposals within the Bill would make the Scottish Ministers accountable for adult social care in Scotland. The National Care Service will define the strategic direction and quality standards for community health and social care across Scotland.

Decisions on delivery models have yet to be taken but current Integration Joint Board arrangements are expected to be replaced by local delivery boards, "Care Boards" which will work with the NHS, local authorities, and the third and independent sectors to plan, commission and deliver support and services for communities. Social care services currently provided in-house by local authorities, may continue under a commissioning arrangement.

The Bill explains that the detail of how the new service will work will be co-designed with people who have direct experience of social care services.

Initially, the timeline for the creation of a National Care Service is by the end of the current Parliament but in March 2023, the Scottish Government signalled that the work on the National Care Service will be paused.

Audit Scotland published a briefing paper on Social Care on 27 January 2022 which noted that:

- there are huge challenges facing the sustainability of social care, with the pressures of increasing demand and demographic change growing;
- the workforce is under immense pressure;
- there are around 700,000 unpaid carers who provide most of the social care support in Scotland, with most not knowing their rights under the Carers (Scotland) Act 2016;
- commissioning tends to focus on cost rather than quality or outcomes; and
- capacity and cultural differences are impacting leadership.

Scottish Government Budget

In December 2022, the Scottish Government published the 2023/24 Scottish Budget. The budget included announcements that the Scottish Government will:

- provide over £570 million in additional revenue and capital funding available to councils for 2023/24;
- allocate £2 billion to establish and improve primary health care services in the community;
- provide £1.7 billion for social care and integration to improve services and introduce the National Care Service; and
- an additional £100 million will be made available for health and social care, including support for the delivery of the £10.90 real living wage for adult social care, building on the increase provided in 2022/23.

COSLA's response to the budget notes the pressures associated with inflation, rising energy costs, pay and increased demands. They estimate that the funding gap facing Scottish councils in 2023/24 is around £1 billion.

In this context, the Council approved its 2023/24 revenue budget on 16 February 2023. The Council identified an initial spending gap of £119.4 million in September 2022 which reduced to £60.8 million following receipt of the local government settlement. The final budget gap of £49.3 million was met from:

- a 5% increase in Council Tax levels (£12 million);
- revenue savings of £31.2 million; and
- contribution from general fund balances of £6 million.

Verity House agreement

In June 2023, the Convention of Scottish Local Authorities (COSLA) and the Scottish Government agreed a new Partnership agreement, setting out their vision for a collaborative approach to delivering shared priorities for the people of Scotland.

The agreement sets out how both parties will work together, how shared priorities will be approached and how both parties will engage.

The agreement sets out a timeline for specific engagement to occur including on budgetary matters and the manner funding is allocated. A number of key actions are scheduled for completion by the end of September and October 2023.

Financial Flexibilities

In October 2020 the Cabinet Secretary wrote to COSLA to confirm three financial flexibilities for local government with further details to be brought forward in statutory guidance:

- Use of capital receipts to fund revenue Covid-19 expenditure in 2020/21 and 2021/22.
- Loans fund repayment holiday in either 2020/21 or 2021/22.
- Extension of PPP and other similar contract debt repayment periods to reflect asset lives.

While the capital receipts and loans repayment holiday were only to be used for the purposes of addressing Covid-19 related costs, the change to PPP accounting was expected to provide a wider flexibility.

In September 2022, statutory guidance was published to allow the service concession flexibility to be used. We understand that the Council intends to make use of the flexibility in the year to 31 March 2023. The Council estimates that the cumulative adjustment that would result following a change to repayment calculations is £109 million, resulting in an increase to the General Fund. We have had initial discussions with management around its planned approach and will review all detailed calculations as part of our annual audit work.

3. Financial statements: Our approach and assessment of significant risks

Introduction

The publication of the annual financial statements allow the Council to demonstrate accountability for, and its performance in the use of its resources.

Our responsibilities

We are responsible for conducting an audit of the Group and Council's financial statements. We provide an opinion as to:

- give a true and fair view of the state of affairs of the Council and its group as at 31 March 2023 and of the income and expenditure of the Council and its Group for the year then ended;
- have been properly prepared in accordance with IFRSs, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23('the accounting code');
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, the Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

We also review and report on the consistency of the other information prepared and published along with the financial statements.

ISA (UK) 315: Identifying and Assessing the Risks of Material Misstatement

Our objective is to form an opinion on the financial statements under International Standards on Auditing (ISA) (UK). There have been significant changes to ISA (UK) 315 (ISA 315) that will impact our 2022/23 audit approach and the procedures we need to perform.

ISA 315 is effective from 2022/23 onwards and will drive our approach to:

- risk assessment;
- understanding the Council's internal control arrangements;
- the identification of significant risks; and
- how we address significant risks.

Key changes as a result of the implementation of ISA 315

The required audit approach signifies a material change in the approach that management has been used to over the last appointment. Key changes will include:

- a significant increase in audit work on the Council's use of IT in the system of internal control;
- increased importance of our understanding of the entity and environment and system of internal control;
- a greater focus on professional scepticism including that audit approaches do not show bias to corroborative evidence or excluding contradictory evidence.
- we will make enhanced inquiries of management, or others within the Council who deal with fraud allegations, to determine whether they have knowledge of any actual, suspected or alleged fraud, including cases of fraud raised by employees or other parties.
- We will also hold a discussion with those charged with governance regarding the risks of fraud in the Council and to consider the implications for the audit.

Audit Approach

For 2022/23 we plan to adopt a substantive approach to the audit as we have concluded this is the most efficient way to obtain the level of audit assurance required to conclude that the financial statements are not materially misstated. This means we do not place reliance on the operation of the Group and Council's ICT systems.

We adopt a "data first" approach across all stages of the audit. We integrate technology into our audits to improve the way we are able to analyse and interact with your data, driving both audit quality and the insight that we can offer your Finance Team, Finance and Audit Scrutiny Committee and City Administration Committee.

During our planning procedures, we determine which accounts, disclosures and relevant assertions could contain risks of material misstatement.

Our audit involves:

- identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud, error or design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion;
- obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control;
- evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- concluding on the appropriateness of management's use of the going concern basis of accounting;
- evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Council to express an opinion on the Group and Council financial statements;
- reading other information contained in the financial statements to form assessment, including that the annual report is fair, balanced and understandable; and
- ensuring that reporting to the Finance and Audit Scrutiny Committee and City Administration Committee appropriately addresses matters communicated by us and whether it is materially inconsistent with our understanding and the financial statements.

Confirmation of independence

Auditing and ethical standards require the appointed auditor to communicate any relationships that may affect the independence and objectivity of audit staff. We rigorously maintain auditor independence. Further information is available in Appendix B, where we confirm that our procedures are complete and that we are not aware of any such relationships relating to the audit of Glasgow City Council.

Materiality

For planning purposes, Group materiality for 2022/23 has been set at £31 million and Council materiality has been set at £30 million. This represents 1% of the Group and Council's unaudited 2022/23 gross expenditure on provision of services, excluding IJB grant expenditure and the equal pay provision.

Materiality will be reassessed throughout the audit process and will be communicated to the Finance and Audit Scrutiny Committee and City Administration Committee within our Annual Audit Report.

We consider misstatements greater than 1% of the gross expenditure to be material. Our evaluation requires professional judgement and so takes into account qualitative as well as quantitative considerations. We have provided supplemental information about audit materiality in Appendix F.

Specific Materiality

We consider all accounts and disclosures within the financial statements individually to ensure an appropriate materiality is used. In determining their materiality, we consider both the quantitative and qualitative factors that could drive materiality for the users of the financial statements. Accordingly we determine it is appropriate to use lower levels of materiality for some areas of the financial statements, including:

- **Remuneration report** - given the sensitivity around the disclosure of senior staff remuneration we apply a lower materiality threshold to our audit consideration around the remuneration report and related disclosures.
- **Related party transactions** – which are considered material when they are material to either party in the transaction. We do not apply a specific materiality but consider each transaction individually.

Exhibit 5: Materiality

Element	Explanation	Value (Group)	Value (Council)
Planning materiality	The amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements. This represents 1% of the Council's gross revenue expenditure (excluding IJB expenditure and equal pay).	**£31 million**	**£30 million**
Performance materiality	Materiality at an individual account balance, which is set to reduce the risk that the aggregate of uncorrected and undetected misstatements exceeds planning materiality to an acceptably low level. We have set it at 50% of planning materiality.	**£15.5 million**	**£15 million**
Reporting Level	The amount below which misstatements whether individually or accumulated with other misstatements, would not have a material effect on the financial statements.	**£250,000**	**£250,000**

Group audit

The Council prepares its annual report and financial statements on a group basis. We have considered the arrangements in respect of each of the Council's group undertakings at the planning stage and will review throughout the audit.

Our audit strategy for performing an audit with multiple components is risk based. We identify components as:

- Significant components: A component is significant when it is likely to include risks of material misstatement of the group because of its relative financial size to the group (quantitative criteria), or because of its specific nature or circumstances (qualitative criteria). We generally assign significant components a full or specific scope given their importance to the financial statements.
- Not significant components: The number of additional components and extent of procedures performed depended primarily on: evidence from significant components, the effectiveness of group wide controls and the results of analytical procedures.

For all other components we perform other procedures to confirm that there is no risk of material misstatement within those locations. These procedures are detailed below.

Exhibit 6: Group scope

Scope
Full scope: components where a full audit is performed to the materiality levels assigned by the Group audit team for purposes of the consolidated audit. Procedures performed at full scope locations support an interoffice conclusion on the reporting package. These may not be sufficient to issue a stand-alone audit opinion on the local statutory financial statements because of the materiality used and any additional procedures required to comply with local laws and regulations.
Specific Scope: components where the audit is limited to specific accounts or disclosures identified by the Group audit team based on the size or risk profile of those accounts.
Review Scope: components where procedures primarily consist of analytical procedures and inquiries of management. On-site or desk top reviews may be performed, according to our assessment of risk and the availability of information centrally.
Specified procedures: locations where the component team performs procedures specified by the Group audit team in order to respond to a risk identified.
Other procedures: For those locations that we do not consider material to the Group financial statements in terms of size relative to the Group and risk, we perform other procedures to confirm that there is no risk of material misstatement within those locations.

We have considered the arrangements in respect of each of the Council's group undertakings at the planning stage and will review throughout the audit. The only significant component by size is the Council, which accounts for approximately 93% of the consolidated gross expenditure. We have additionally allocated City Building entities as significant by risk. 9 components have been identified as specific scope due to specific material balances and three have been identified as review scope.

The Glasgow City Integration Joint Board (IJB) is identified as a joint venture and consolidated in accordance with the requirements of the Accounting Code. We have been appointed as auditor to Glasgow City Integration Joint Board and will report separately on our audit of that entity.

We have set out the specific assigned scopes for each component within Appendix F. The allocation of scope means that the following coverage is obtained:

Exhibit 7: Group scope coverage per 2022/23 Unaudited group financial statements

Scope	Expenditure on provision of Services (percentage coverage)	Total assets (percentage coverage)
Full scope (audited by EY)	93.5%	71%
Full scope (audited by non-EY component auditors)	1.9%	1%
Specific scope	4.3%	27.7%
Review scope	0.3%	0.3%
Total	100%	100%

Our response to significant risks

Introduction

Auditing standards require us to make communications to those charged with governance throughout the audit. At the Council, we have agreed that these communications will be to the Finance and Audit Scrutiny Committee. The financial statements and our Annual Audit Report will also be reported to the City Administration Committee.

Key audit matters

ISA (UK) 701 is effective for periods commencing on or after 17 June 2016. Under appointment by the Auditor General we are required to communicate key audit matters in our Annual Audit Report. Key audit matters are selected from the matters we communicate to you that in our opinion are of most significance to the current period audit and required significant attention in performing the audit.

When determining key audit matters we consider:

- areas of higher or significant risk;
- areas involving significant judgment, including accounting estimates with high estimation uncertainty; and
- significant events or transactions that occurred during the period.

At this stage of the audit we do not know what key audit matters we will include in our Annual Audit Report. However, we have included within this section the most significant assessed risks of material misstatement (whether or not due to fraud), including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the audit team. We will confirm the key audit matters to you in our Annual Audit Report.

We set out in the following sections the significant risks (including fraud risks denoted by *) that we have identified for the audit, along with the rationale and expected audit approach. The risks identified may change to reflect any significant findings or subsequent issues we identify during the audit. We will provide an update to the Finance and Audit Scrutiny Committee if our assessment changes significantly during the audit process.

1. Risk of fraud in revenue and expenditure recognition*

Financial Statement Impact

Under ISA 240 there is a presumed risk that income may be misstated due to improper recognition of income. In the public sector, this requirement is modified by Practice Note 10, issued by the Financial Reporting Council, which means we also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

The financial statements accounts impacted by this risk had the following balances in the 2022/23 unaudited financial statements:

- Other grants and capital grants: £0.7 billion
- Other income: £0.8 billion
- Other expenditure: £2 billion
- Related Debtor balances: £0.3 billion
- Related Creditor balances: £0.5 billion

What is the risk?

We consider there to be a specific risk around income and expenditure recognition through:

- Incorrect income and expenditure cut-off recognition to alter the Council's financial position around the financial year end.
- Incorrect recognition applied to grant income with performance conditions.
- Incorrect capitalisation of revenue expenditure.

In line with auditing standards, we rebut the risk around income and expenditure where appropriate depending on the nature of the account.

Accordingly, we have rebutted the risk of improper recognition of income in respect of core grant funding from the Scottish Government, as well as in respect of council tax and non-domestic rate income. With regards to expenditure we have rebutted the risk of improper recognition of payroll costs and depreciation.

We consider this risk to be relevant to the Group and the Council as a single entity.

Our response: Key areas of challenge and professional judgement

We will take a fully substantive approach to testing the related accounts. We will:

- Inquire with management and those charged with governance about risks of fraud and the controls put in place to address those risks.
- Review and challenge management on any accounting estimates for evidence of bias.
- Review and test additional revenue and expenditure cut-off at the period end date.
- Ensure that grant income satisfies recognition criteria tests.
- Conduct additional substantive testing of related income and expenditure transactions where we have identified a significant risk.
- Assess and challenge manual adjustments / journal entries by management around the year end for evidence of management bias and evaluation of business rationale and supporting evidence.
- Develop a testing strategy to test material revenue and expenditure streams, including testing revenue and capital expenditure to ensure it has been correctly classified.

2. Misstatement due to fraud or error*

What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

We consider this risk to be relevant to the Group and the Council as a single entity.

Our response: Key areas of challenge and professional judgement

We will:

- inquire of management about risks of fraud and the controls put in place to address those risks;
- understand the oversight given by those charged with governance of management's processes over fraud;
- consider the effectiveness of management's controls designed to address the risk of fraud;
- Evaluating adjustments between reserves;
- Review the accounting treatment associated with the use of financial flexibilities and accounting for the pay award; and
- perform mandatory procedures regardless of specifically identified fraud risks, including:
  - testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements;
  - assessing accounting estimates for evidence of management bias; and
  - evaluating the business rationale for significant unusual transactions.

We will use our data analytics capabilities to assist with our work.

3. Valuation of Property, Plant and Equipment and existence and completeness of heritage and infrastructure assets

Financial Statement Impact

Within the 2022/23 financial statements, the Council held £3.87 billion of property, plant and equipment with £2.8 billion relating to land and buildings and £0.8 billion relating to infrastructure assets. Additions totalled £348 million. The Council additionally holds £1.42 billion of heritage assets, including £1.4 billion in respect of fine art.

What is the risk?

Property, Plant and Equipment

The fair value of property, plant and equipment (PPE) and heritage assets represent significant balances in the Council's financial statements. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.

For PPE, the Council engages valuers within their subsidiary, City Property (Glasgow) Limited Liability Partnership to value the Council's estate in line with their 5-year programme based on service areas. In 2021/22, the Council initially revalued 60% of their estate, however following audit challenge, a further £1 billion of assets was revalued resulting in approximately 97% of land and buildings being subject to valuation in 2021/22.

In 2022/23, approximately 60% of PPE is not currently due to be valued however due to the current building cost inflation, the Council has performed an additional sample of valuations to perform their assessment of whether the non-revalued population remains appropriately valued.

The Council additionally has a significant capital programme with judgement being applied to the valuation of additions and split between revenue and capital expenditure.

We consider this risk to be relevant to the Group and the Council as a single entity.

Heritage assets

In respect of heritage assets, the Council adopts an insurance valuation for fine art, with management providing insurers with the asset list and valuations. Fine art is held in collections across the Council's gallery and museum estate. Given the extensive collection of art, there is a risk in respect of the completeness and existence of these assets as well as the judgements made in determining the value.

Infrastructure assets

In 2021/22, local government auditors raised concerns that Accounting Code requirements were not being adhered to in respect of subsequent expenditure on infrastructure assets. Further concerns were raised in respect of the ability to evidence the existence of infrastructure assets at the balance sheet date.

The CIPFA/LASAAC Code of Practice for Local Authority Accounting in the United Kingdom (the Code) requires infrastructure assets to be measured using the historical cost measurement basis and carried at depreciated historical cost. Due to these assets being difficult to componentise and there often not being a clear linkage between spend and an identifiable asset, councils often capitalise schemes of expenditure and depreciate over an estimated economic life.

Assets are removed from the financial statements ("derecognised") when depreciated to nil, with there rarely being an exercise performed to derecognise the actual asset being replaced. It is possible that asset lives can therefore significantly vary from their estimated life.

The Accounting Code requires that where a component of an asset is replaced, the carrying amount (i.e. net book value) of the old component shall be derecognised to avoid double counting and the new component shall be reflected in the carrying amount of the infrastructure asset. However, largely due to data limitations, it is believed that most local authorities have been unable to comply with the requirement. Due to the information deficits in respect of infrastructure assets, further concerns were raised in respect of the ability to evidence the existence of infrastructure assets at the balance sheet date.

To date, CIPFA/LASAAC has been unable to find a solution that will both satisfy audit concerns and the requirement for high quality financial reporting. The Scottish Government however agreed to provide a temporary statutory override whilst a permanent solution is developed within the Accounting Code. This temporary solution has been issued with the expectation that local authorities will begin to address information deficits to ensure adequate accounting records for the measurement of infrastructure assets and timely adoption of the Code requirements once a permanent solution is agreed.

The override was issued on 29 August 2022 and has two areas:

- Statutory Override 1: For accounting periods commencing from 1 April 2021 until 31 March 2024 a local authority is not required to report the gross cost and accumulated depreciation for infrastructure assets.
- Statutory Override 2: For accounting periods commencing from 1 April 2010 until 31 March 2024, the carrying amount to be derecognised in respect of a replaced part of an infrastructure asset is to be taken to be and accounted for as a nil amount. No subsequent amendment shall be made to the carrying amount with respect to that part.

Local authorities can choose to adopt either or both of the statutory overrides. The Council adopted both overrides in 2021/22, and intends to do so again in 2022/23. The exemption does not remove the requirement for the Council to consider the underlying existence and useful lives of assets and we will therefore consider the Council's approach as part of our audit work.

Our response: Key areas of challenge and professional judgement

We will:

Property, Plant and Equipment

- review and appraise the work performed by the Council's valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- sample test key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre);
- involve EY internal specialists to challenge the work performed by the Council's valuers, where appropriate;
- assess any changes to useful economic lives;
- test accounting entries have been correctly processed in the financial statements;
- sample test transfers from assets under construction and confirm for a sample that remain within assets under construction that development is still in progress;
- gain an understanding of the level and nature of capital spend in year and perform testing on fixed asset additions ensuring an appropriate split between revenue and capital expenditure
- review operating expenditure for evidence of capital additions omissions;

Heritage Assets

- obtain the heritage asset insurance valuation as at 31 March 2023 assessing the information provided by the Council and any verification performed by the brokers and insurers;
- Where insurance valuations have not been updated, obtain the last asset valuation for a sample of heritage assets;
- assess the key judgements and assumptions used by management and the insurer to determine an appropriate valuation;
- Assess the completeness of records held in respect of heritage assets; and
- obtain a full schedule of heritage assets and verify to the underlying physical asset.

Infrastructure Assets

- test a sample of infrastructure assets per the asset register to determine their existence as at 31 March 2023;
- review the depreciation policy for infrastructure assets and ensure it remains appropriate and in line with CIPFA guidance; and
- assess whether infrastructure additions for 2022/23 have been recorded in sufficient detail to enable verification of the underlying physical asset.

4. Valuation of PPP and DBFM Liabilities

Financial Statement Impact

The value of PPP and DBFM liabilities represent significant balances in the Council's financial statements with the Council holding 2 different contracts. Accounting for these contracts includes a number of complexities ensuring the financial models reflect any contract amendments and inflationary uplifts.

Within the 2022/23 unaudited financial statements, the Council held £496 million in respect of PFI/PPP contract liabilities.

What is the risk?

Due to the complexity of accounting for PFI/PPP contracts and the high value of the transactions, there is a risk that the Council's financial statements do not show the correct accounting entries, reflect the correct accounting model and that related commitments are not correctly disclosed.

Our response: Key areas of challenge and professional judgement

We will:

- review the contractual agreements for the PPP and DBFM assets and confirm any contract amendments have been appropriately reflected within the liability valuation;
- ensure that that accounting models have been appropriately and accurately updated to reflect inflationary uplifts and actual unitary charge payments;
- test accounting entries have been correctly processed in the financial statements;
- involve EY internal specialists to review and challenge the accounting models for each PFI/PPP contract; and
- review financial statement disclosures to ensure commitments are appropriately disclosed.

5. SAP Outage

Financial Statement Impact

In January 2023, an error in respect of an upgrade to the server supporting the SAP system resulted in a significant outage of the Council's SAP system with system access restored in March 2023. The Council implemented business continuity procedures during the outage to ensure urgent payments could continue to be made. During the outage period, there was a number of manual procedures performed, including payments to staff and suppliers.

In addition, we note that internal audit qualified the 2021/22 internal audit opinion due to concerns around ICT security and ICT contract management arrangements and the pace at which remediation actions were taken forward.

What is the risk?

Given the significant impact of the outage, this risk is pervasive across the financial statements. In particular, there are risks that:

- data held within the system is not complete or accurate;
- due to the increase in manual processes and subsequent backlog activity to process, there is an increased risk of both fraud and error; and
- cut-off is not appropriate due to the delays in processing caused by the system outage.

We consider this risk to be relevant to the Group and Council as a single entity.

Our response: Key areas of challenge and professional judgement

We will:

- assess the work performed by the Council to address previous weaknesses identified in respect of their IT control environment;
- draw upon our work performed in respect of ISA 315 to determine further procedures required;
- review the root cause analysis reports from the Council's system provider to identify key risk areas;
- review the work of internal audit to determine additional areas of focus;
- perform specific and additional transaction testing during the outage period to ensure the accuracy and validity of transactions;
- perform extended testing around the Council's year end date to ensure the completeness of transactions; and
- assess the completeness and accuracy of data held within the system through review of Council and system provider reconciliations and checks. We will assess the need to involve our own IT specialists.

Inherent risks

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters that we will include in our annual audit report.

Opening balances As 2022/23 is the first year of our audit appointment, we are required to complete additional procedures in line with Auditing standard ISA (UK) 510. There is a possibility that we identify balances that we consider to be inappropriately recognised or valued incorrectly, in particular where we disagree with the basis for estimates and judgements made historically or the underlying accounting principles applied by management.	We will undertake the following procedures: ▸ agree the opening balance sheet position to the underlying financial records; ▸ review the prior year working papers by the departing auditors to understand the procedures completed and if they need to be supplemented or followed up in any way; ▸ consider unusual material transactions posted by management in the first accounting periods of 2022/23, which may indicate correction of previous errors, and understand the basis for these transactions; and ▸ review actual transaction data for estimates made at the previous balance sheet date to assess their reasonableness.
Equal pay provision and associated transactions In 2021/22, the Council recognised a provision of £260 million in respect of equal pay with payments being made in summer 2023. In order to fund these payments, the Council has raised £210 million through sale and leaseback transactions with Council subsidiaries. Accounting for both the provision and sale and leaseback transactions requires management judgement and are significant and unusual transactions.	We will undertake the following procedures: ▸ Review and test the calculation of the equal pay provision as at 31 March 2023; ▸ Assess the completeness of the equal pay provision; ▸ Compare the provision at year end to post year end payments; ▸ Review the accounting for the sale and leaseback transactions; and ▸ Test the sale and leaseback transactions.

Inherent risks

Valuation of Pension Assets and Liabilities

The Council's net pension asset/liability, measured as the sum of the long term payments due to members as they retire against the Council's share of the Strathclyde Pension Fund investments, is a material balance in the Council financial statements. At 31 March 2023, the valuation showed a net asset of £1 billion (2022: £575 million liability).

Where a net asset exists, IAS 19 and IFRIC 14 limits (via an asset ceiling) the extent to which a surplus can be recognised as a defined benefit asset on the balance sheet.

Accounting for this scheme involves significant estimation and judgement, including financial and demographic assumptions. The Council engages an actuary to undertake the calculations on their behalf.

ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

The Council's subsidiaries also hold significant pension liabilities which are likely to fall above Group materiality. The Council also recognises a potential liability for any unfunded pension costs which may arise in respect of some subsidiary companies.

We consider this risk to be relevant to the Group and the Council as a single entity.

Work we will perform:

- Liaise internally with the auditor of Strathclyde Pension Fund to obtain assurances over the information supplied to the actuary and confirm joint assurances in respect of employer and employee contributions.
- Engage our actuarial specialists to assess the work of the actuary (Hyman Robertson).
- Assessing the work of PWC, appointed to consider actuarial assumptions used at the year end for all local government sector bodies.
- Review and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.
- Require an updated IAS19 report in July to ensure that there have been no material movement in the value of pension fund assets between the initial IAS19 report, and the signing of the financial statements.
- Review the asset ceiling calculation prepared by the actuary and ensure that accounting entries have been appropriately reflected within the Group and Council's financial statements.
- Perform a roll forward of the Council's unfunded liability and ensure that accounting entries have been appropriately reflected within the Group and Council's financial statements.
- Ensure unfunded liabilities are appropriately disclosed separately from any funded asset/liability.
- Assess disclosures in respect of any guarantees provided by the Council in respect of unfunded pension costs.

Implementation of IFRS 16

The implementation of IFRS 16 has been delayed on a number of occasions in local government financial statements for various reasons. Most recently, CIPFA/LASAAC conducted an emergency consultation on the Code in March 2022. This resulted in a further deferral to the implementation of IFRS 16 until 1 April 2024. Early adoption will be permitted from either 1 April 2022 or 1 April 2023.

IFRS 16 eliminates the operating / finance lease distinction for leases and imposes a single model geared towards the recognition of all but low-value or short term leases. These will now be recognised on the Balance Sheet as a 'right of use' asset and lease liability reflecting the obligation to make lease payments.

Successful transition will depend on the Council having captured additional information about leases, both new and existing, especially regarding future minimum lease payments.

The Council will also needs to have developed systems for capturing cost information that are fit for purpose, can respond to changes in lease terms and the presence of any variable (e.g. RPI-based) lease terms where forecasts will need to be updated annually based on prevailing indices.

There are no significant changes to the accounting requirements where the entity is acting as a lessor but disclosure requirements around risk exposure are required.

The Council intends to adopt IFRS 16 from 1 April 2024, and have engaged with specialists to support the recognition. We have discussed audit requirements with management.

Use of specialists

When auditing key judgements, such as the valuation of property, plant and equipment, defined benefit pension scheme assets and liabilities, or certain assets and liabilities, we are often required to rely on the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Council's business and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable.
- Assess the reasonableness of the assumptions and methods used.
- Consider the appropriateness of the timing of when the specialist carried out the work.
- Assess whether the substance of the specialist's findings are properly reflected in the financial statements.

Going concern

Audit requirements

International Auditing Standard 570 Going Concern, as applied by Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom, requires auditors to undertake sufficient and appropriate audit procedures to consider whether there is a material uncertainty on going concern that requires reporting by management within the financial statements, and within the auditor's report. In accordance with the CIPFA Code of Practice on Local Government Accounting, the Group and Council prepares its financial statements on a going concern basis unless informed by the Scottish Government of the intention for dissolution without transfer of services or function to another entity.

However, under ISA (UK) 570, we are required to undertake challenge of management's assessment of going concern, including testing of the adequacy of the supporting evidence we obtained. In light of the unprecedented nature of Covid-19, the ongoing cost of living crisis and inflationary pressures, we place increased focus on management's assertion regarding the going concern basis of preparation in the financial statements, and particularly the need to report on the impact of financial pressures on the Council and its financial sustainability.

Our work on going concern requires us to:

- challenge management's identification of events or conditions impacting going concern, more specific requirements to test management's resulting assessment of going concern, an evaluation of the supporting evidence obtained which includes consideration of the risk of management bias;
- challenge management's assessment of going concern, thoroughly test the adequacy of the supporting evidence we obtain and evaluate the risk of management bias. Our challenge will be made based on our knowledge of the Council obtained through our audit, which will include additional specific risk assessment considerations which go beyond the current requirements;
- conduct a stand back requirement to consider all of the evidence obtained, whether corroborative or contradictory, when we draw our conclusions on going concern;
- necessary consideration regarding the appropriateness of financial statement disclosures around going concern; and
- Evaluate the Council's ability to provide financial support to their subsidiaries through letters of support.

Due to the anticipated continuation of service provision, the going concern basis of accounting is expected to continue to be appropriate for the Council and its Group. We will, however, discuss audit expectations in relation to management's going concern assessment and cash flow requirements with management.

4. Best Value and Wider Scope

Introduction

In June 2021, Audit Scotland and the Accounts Commission published a revised Code of Audit Practice. This establishes the expectations for public sector auditors in Scotland for the term of the current appointment.

Risk assessment and approach

The Code sets out the four dimensions that comprise the wider scope audit for the public sector in Scotland:

- Financial management;
- Financial sustainability;
- Vision, Leadership and Governance; and
- The use of resources to improve outcomes.

The Code of Audit Practice requires that, in addition to financial statement significant risks, auditors are required to identify significant risks within the wider scope dimensions as part of our planning risk assessment. We consider significant risks in this context to be areas where we expect to direct most of our audit effort, based on:

- our risk assessment at the planning stage; and
- the identification of any national areas of risk within Audit Scotland's annual planning guidance.

Any changes in this assessment will be communicated to the Finance and Audit Scrutiny Committee.

Our wider scope audit work, and the judgements and conclusions reached in these areas, contribute to the overall assessment of and assurance over the achievement of Best Value.

Best Value

The Code explains the revised arrangements for the audit of Best Value. The Accounts Commission require auditors to assess and report on the Council's performance in meeting its Best Value and community planning duties.

While our risk assessment will be used to determine the requirement for any additional audit work covering the seven Best Value characteristics, there is an expectation that equalities will be advanced through the audit process, and that we will therefore carry out work on the Fairness and Equality characteristic at least once during the audit appointment. At this stage, we anticipate conducting this work in 2024/25.

Best Value

The Accounts Commission requires the Controller of Audit (COA) to report to the Accounts Commission on each council at least once over the five-year audit appointment on the council's performance on its Best Value duty. This enables the Accounts Commission to make findings for improvement where appropriate.'

A programme of Controller of Audit reports will be in place to cover all 32 councils, starting in October 2023 and concluding by August 2027.

Under the revised Code of Audit Practice, there will be no Best Value Assurance Reports for individual councils. Instead, the Annual Audit Report for each council will be reviewed by the Accounts Commission at least once over the five year audit appointment, together with a summary of information and judgements on the pace and depth of continuous improvement.

Over the course of our five year appointment, we will consider each of the Best Value themes (including leadership, partnerships, working with communities, sustainability and fairness and equality) as part of our annual work. In addition, on an annual basis, the Accounts Commission will identify areas of risk where it requires thematic audit work to be carried out in councils. As we outline in Exhibit 7, below, in 2022/23, the thematic work will consider leadership and strategic priorities.

Our response

As part of our work on Best Value in 2022/23, we will consider the Council's arrangements to monitor the effectiveness of its own arrangements since the publication of the last Best Value Assurance Report in August 2018. In addition, we will:

- use our wider scope audit findings to continue to inform our Best Value risk assessment; and
- report our findings against the Accounts Commission's thematic audit requirements by Autumn 2023.

Exhibit 8: Best Value Area of Audit Focus

Leadership of the development of new local strategic priorities by councils following the local government elections in May 2022	The Accounts Commission has asked us to consider: ▸ The clarity of the Council's vision and priorities. ▸ How effectively community views have been reflected ▸ The alignment of financial, workforce, asset and digital plans. ▸ How the priorities reflect the need to reduce inequalities and climate change.

Financial Management

Financial management means having sound budgetary processes. Audited bodies require the ability to understand the financial environment and whether internal controls are operating effectively. Auditors consider whether the body has effective arrangements to secure sound financial management. This includes the strength of the financial management culture, accountability and arrangements to prevent and detect fraud, error and other irregularities, bribery and corruption.

Audit Scotland's 2021/22 Annual Audit Report did not identify any significant internal control weaknesses which could affect the Council's ability to record, process, summarise and report financial and other relevant data to result in a material misstatement in the financial statements.

The 2022/23 budget was approved by the full council on 17 February 2022. To address the identified spending gap of £19.7 million, the budget included a savings target of £16.1 million. The Council's most recent financial monitoring report outlines an additional allocation of reserves of £9.9 million will be required.

The level of general fund reserves held by the council decreased by £14.4 million from £240.1 million in 2020/21 to £225.7 million in 2021/22. The Council has a target of retaining earmarked reserves equating to 2% of the net budgeted expenditure over the medium term. The balance of unearmarked reserves represented 1.9% of the net budgeted expenditure in 2021/22.

Our response

As part of our year one assessment of the Council's financial management arrangements, we will consider:

- financial monitoring arrangements, including clarity about any changes to budgets and projections during the year;
- the achievement of savings against plans;
- whether there are sufficient financial skills and capacity within the finance function;
- the Council's participation and progress in the National Fraud Initiative and other counter fraud arrangements; and
- arrangements to ensure systems of internal control are operating effectively, drawing upon our ISA (UK) 315 procedures.

Financial Sustainability

Financial sustainability looks forward to the medium and longer term to consider whether the body is planning effectively to continue to deliver its services or the way in which they should be delivered.

We recognise that the pandemic, along with other economic and political uncertainties, continues to have a significant impact on the Council's financial planning. The Council previously had in place a five-year financial framework for the period 2018-2023. Given the current significant uncertainties, the Council has opted to focus on their medium term financial planning through their three-year financial forecast.

In November 2022, the Council's City Administration Committee considered the three-year financial forecast for the period 2023 – 2026. The forecast set out a budget gap of £196.2 million over the three-year period with scenario planning showing the gap could be between £114.6 million and £277.8 million. We understand that updated forecasts for both 2024/25 and 2025/26 will be reported in 2023.

The Council's forecasts include a number of risks including the financial settlement, inflation, equal pay settlement, the proposed pay and grading scheme, and the ongoing impact of Covid-19.

Our response

We have identified a wider scope significant risk in Exhibit 8 in respect of financial sustainability. Our assessment of the Council's financial sustainability arrangements, will focus on:

- the Council's updated financial forecasts, including the risk assessment and delivery of longer term savings options, along with the impact on the general reserves position;
- consideration of the fiscal flexibilities to ensure the Council's plans are in accordance with Scottish Government guidance;
- consideration of work in respect of the equal pay settlement and the pay and grading scheme;
- assessing the link between the financial and other strategic and operational plans including the workforce strategy; and
- the Council's plans to develop a longer-term financial framework.

Exhibit 9: Financial Sustainability Area of Audit Focus

Development of sustainable and achievable medium term financial plans	The Council's financial forecasts highlight a significant financial challenge over the next three years. The Council has paused longer term financial planning due to the ongoing significant uncertainties including those caused by the inflationary environment and cost of living crisis. Updated financial forecasts will be reported in 2023 and will require robust risk assessment and savings delivery plans.

Vision, leadership and governance

Vision, leadership and governance is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision making, and transparent reporting of financial and performance information.

The Council approved its Strategic Plan covering the period 2022-2027 in October 2022. The Plan identifies four key challenges which the Council hope to meet over the next four years. Given the ever-changing external environment, the Council are continuing to review the Strategic Plan to ensure it remains in keeping with the Council's priorities.

The Council's Governance Statement in 2021/22 noted two significant issues:

- The qualification of the internal audit opinion due to concerns around ICT security and ICT contract management arrangements and the pace at which remediation actions were taken forward.
- Internal audit has undertaken an investigation into whistleblowing allegations in respect of City Building Glasgow LLP.

An ongoing programme of work is underway to address both matters and has been disclosed in the 2022/23 governance statement.

Our response

As we outline in Exhibit 9, we will review the Council's arrangements for cybersecurity in response to a national risk highlighted by Audit Scotland. This will draw upon our work in response to ISA (UK) 315.

Other work in 2022/23 will consider:

- consideration of the disclosures within the Governance Statement;
- review of the coverage of internal audit arrangements during 2022/23, including any significant findings identified and the work done to address issues identified;
- consideration of the Council's progress in addressing internal audit actions both in respect of ICT security, ICT contract management and the SAP outage;
- review of the outcomes from the City Building Glasgow Partnership Oversight Board's review and the Glasgow Family review; and
- consideration of the quality of reporting and information provided to key decision makers, and evidence of effective challenge and scrutiny.

Exhibit 10: Vision, Leadership and Governance Areas of Audit Focus

ICT governance	There continues to be a significant risk of cyber attacks to public bodies. A number of recent incidents have demonstrated the significant impact that a cyber attack can have on both the finances and operation of an organisation. In 2022/23 Audit Scotland asked us to consider risks related to cyber security at audited bodies. In addition, internal audit noted concerns around ICT security and ICT contract management arrangements and the pace at which remediation actions were taken forward. The SAP outage has additionally highlighted the importance of robust IT controls.

Use of resources

Audited bodies need to make best use of their resources to meet stated outcomes and improvement objectives, through effective planning and working with strategic partners and communities. This includes demonstrating economy, efficiency, and effectiveness through the use of financial and other resources and reporting performance against outcomes.

The Council has a performance management framework to support the delivery of their Strategic Plan. The Council's performance report is updated annually and is used to report on progress against a range of indicators. 2023 will be the first year of the Council reporting against delivery of the new Strategic Plan.

The Accounts Commission issue a Statutory Direction to local government bodies which sets out performance information that they are required to publish, including participation in the Local Government Benchmarking Framework.

Audit Scotland has also identified a national risk in relation to tackling climate change. There are specific legal responsibilities placed on public bodies to contribute to reducing greenhouse gas emissions, to adapt to climate change, to act sustainably and to report on progress. As a result, we will consider the Council's strategy for climate change, alongside any narrative reporting in the financial statements.

Our response

We have identified an area of audit focus in relation to climate change in Exhibit 10 below. Our work in this area will include consideration of:

- the Council's climate change strategy and progress reporting arrangements; and
- any narrative reporting in the financial statements.

Other work in 2022/23 will consider the Council's arrangements to report performance, including conclusions on the Council's arrangements for preparing and publishing statutory performance information.

Exhibit 11: Use of Resources Area of Audit Focus

Climate change reporting	Scotland has set a legally binding target of becoming net zero by 2045, and has interim targets including a 75% reduction in greenhouse gas emissions by 2030. The Council should therefore have a plan to reduce their direct and indirect emissions. Audit Scotland has asked for specific audit work to be conducted in 2022/23 on the arrangements in place to respond to climate change, as part of a developing programme of work.

Appendices

A – Code of Audit Practice Responsibilities

B – Independence report

C – Required communications with the Finance and Audit Scrutiny Committee

D – Timing of communications and deliverables of the audit

E – Audit fees

F – Group Audit Scope

Audited Body Responsibilities

Audited bodies have the primary responsibility for ensuring the proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety and regularity that enable them to successfully deliver their objectives. The features of proper financial stewardship include the following:

Corporate governance

Each body, through its chief executive or accountable officer, is responsible for establishing arrangements to ensure the proper conduct of its affairs including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements. Audited bodies should involve those charged with governance (including audit committees or equivalent) in monitoring these arrangements.

Financial statements and related reports

Audited bodies must prepare annual accounts comprising financial statements and other related reports. They have responsibility for:

- preparing financial statements which give a true and fair view of their financial position and their expenditure and income, in accordance with the applicable financial reporting framework and relevant legislation;
- maintaining accounting records and working papers that have been prepared to an acceptable professional standard and that support their accounts and related reports disclosures;
- ensuring the regularity of transactions, by putting in place systems of internal control to ensure that they are in accordance with the appropriate authority
- preparing and publishing, along with their financial statements, related reports such as an annual governance statement, management commentary (or equivalent) and a remuneration report in accordance with prescribed requirements
- ensuring that the management commentary (or equivalent) is fair, balanced and understandable.

It is the responsibility of management of an audited body, with the oversight of those charged with governance, to communicate relevant information to users about the entity and its financial performance, including providing adequate disclosures in accordance with the applicable financial reporting framework. The relevant information should be communicated clearly and concisely.

Audited bodies are responsible for developing and implementing effective systems of internal control as well as financial, operational and compliance controls. These systems should support the achievement of their objectives and safeguard and secure value for money from the public funds at their disposal. They are also responsible for establishing effective and appropriate internal audit and risk-management functions.

Standards of conduct for prevention and detection of fraud and error

Audited bodies are responsible for establishing arrangements for the prevention and detection of fraud, error and irregularities, bribery and corruption and to ensure that their affairs are managed in accordance with proper standards of conduct by putting proper arrangements in place.

Maintaining a sound financial position

Audited bodies are responsible for putting in place proper arrangements to ensure that their financial position is soundly based having regard to:

- such financial monitoring and reporting arrangements as may be specified;
- compliance with any statutory financial requirements and achievement of financial targets;
- balances and reserves, including strategies about levels and their future use;
- how they plan to deal with uncertainty in the medium and longer term; and
- the impact of planned future policies and foreseeable developments on their financial position.

Best Value, community planning and performance

Local government bodies have a duty to make arrangements to secure Best Value. Best Value is defined as continuous improvement in the performance of the body's functions. In securing Best Value, the local government body is required to maintain an appropriate balance among:

- the quality of its performance of its functions
- the cost to the body of that performance
- the cost to persons of any service provided by it for them on a wholly or partly rechargeable basis.

In maintaining that balance, the local government body shall have regard to:

- efficiency
- effectiveness
- economy; and
- the need to meet the equal opportunity requirements.

The local government body shall discharge its duties under this section in a way which contributes to the achievement of sustainable development.

In measuring the improvement of the performance of a local government body's functions for the purposes of this section, regard shall be had to the extent to which the outcomes of that performance have improved.

The Scottish Government's Statutory Guidance on Best Value (2020) requires bodies to demonstrate that they are delivering Best Value in respect of seven themes:

1. Vision and leadership
2. Governance and accountability
3. Effective use of resources
4. Partnerships and collaborative working
5. Working with communities
6. Sustainability
7. Fairness and equality.

The Community Empowerment (Scotland) Act 2015 is designed to help empower community bodies through the ownership or control of land and buildings, and by strengthening their voices in decisions about public services.

Specified audited bodies are required to prepare and publish performance information in accordance with Directions issued by the Accounts Commission.

Internal audit

Public sector bodies are required to establish an internal audit function as a support to management in maintaining effective systems of control and performance. With the exception of less complex public bodies the internal audit programme of work is expected to comply with the Public Sector Internal Audit Standards and, other than local government, requirements set out in the Scottish Public Finance Manual.

Internal audit and external audit have differing roles and responsibilities. External auditors may seek to rely on the work of internal audit as appropriate.

Appointed Auditors' Responsibilities

Appointed auditors' statutory duties for local government bodies are contained within Part VII of the Local Government (Scotland) Act 1973, as amended.

These are to:

- audit the accounts and place a certificate (i.e. an independent auditor's report) on the accounts stating that the audit has been conducted in accordance with Part VII of the Act
- satisfy themselves, by examination of the accounts and otherwise, that:
  - the accounts have been prepared in accordance with all applicable statutory requirements
  - proper accounting practices have been observed in the preparation of the accounts
  - the body has made proper arrangements for securing Best Value and is complying with its community planning duties
  - where relevant, the body has made adequate arrangements for collecting, recording and publishing prescribed performance information
  - hear any objection to the financial statements lodged by an interested person.

Appointed auditors should also comply with the statutory reporting responsibilities in section 102 of the Local Government (Scotland) Act 1973.

Introduction

The FRC Ethical Standard and ISA (UK) 260 'Communication of audit matters with those charged with governance', requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in December 2019, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

During the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We ensure that the total amount of fees that EY charged to you for the provision of services during the period, analysed in appropriate categories, are disclosed.

Required Communications

Planning Stage

- The principal threats, if any, to objectivity and independence identified by EY including consideration of all relationships between you, your directors and us.
- The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review.
- The overall assessment of threats and safeguards.
- Information about the general policies and process within EY to maintain objectivity and independence.

Final Stage

- To allow you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed.
- Details of non-audit/additional services provided and the fees charged in relation thereto.
- Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us.
- Details of all breaches of the IESBA Code of Ethics, the FRC Ethical Standard and professional standards, and of any safeguards applied and actions taken by EY to address any threats to independence.
- Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy.
- An opportunity to discuss auditor independence issues.

We confirm that we have undertaken client and engagement continuance procedures, including our assessment of our independence to act as your external auditor. We have identified no relationships that impact the audit of Glasgow City Council.

We have detailed below the communications that we must provide to the Council.

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Terms of engagement	Confirmation by the Finance and Audit Scrutiny Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	Audit Scotland Terms of Appointment letter – audit to be undertaken in accordance with the Code of Audit Practice
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	This Annual Audit Plan
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.	This Annual Audit Plan
Significant findings from the audit	▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process ▶ Findings and issues regarding the opening balance on initial audits	Annual Audit Report – TBD

Required communications	What is reported?	Our Reporting to you When and where
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: ▸ Whether the events or conditions constitute a material uncertainty; ▸ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements; and, ▸ The adequacy of related disclosures in the financial statements.	Annual Audit Report - TBD
Misstatements	▸ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation; ▸ The effect of uncorrected misstatements related to prior periods; ▸ A request that any uncorrected misstatement be corrected; ▸ Corrected misstatements that are significant; and, ▸ Material misstatements corrected by management.	Annual Audit Report - TBD
Fraud	▸ Enquiries of the Finance and Audit Scrutiny committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity; ▸ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist; and, ▸ A discussion of any other matters related to fraud.	Annual Audit Report - TBD
Internal controls	Significant deficiencies in internal controls identified during the audit.	Annual Audit Report - TBD
Material inconsistencies/ misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise.	Annual Audit Report - TBD

Required communications	What is reported?	When and where
		Our Reporting to you
Related parties	▸ Significant matters arising during the audit in connection with the entity's related parties including, when applicable: ▸ Non-disclosure by management; ▸ Inappropriate authorisation and approval of transactions; ▸ Disagreement over disclosures; ▸ Non-compliance with laws and regulations; and, ▸ Difficulty in identifying the party that ultimately controls the entity.	Annual Audit Report - TBD
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: ▸ The principal threats ▸ Safeguards adopted and their effectiveness ▸ An overall assessment of threats and safeguards; and, ▸ Information about the general policies and process within the firm to maintain objectivity and independence.	This Annual Audit Plan and Annual Audit Report (TBD)
External confirmations	▸ Management's refusal for us to request confirmations. ▸ Inability to obtain relevant and reliable audit evidence from other procedures.	Annual Audit Report - TBD
Representations	Written representations we are requesting from management and/or those charged with governance.	Annual Audit Report - TBD
Auditors report	Any circumstances identified that affect the form and content of our auditor's report.	Annual Audit Report - TBD

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Consideration of laws and regulations	▸ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off. ▸ Enquiry of the Finance and Audit Scrutiny Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Finance and Audit Scrutiny Committee may be aware of.	Annual Audit Report – TBD
Best Value and Wider Scope judgements and conclusions	Our reporting will include a clear narrative that explains what we found and the auditor's judgement in respect of the effectiveness and appropriateness of the arrangements that audited bodies have in place regarding the wider scope audit.	Annual Audit Report – TBD
Key audit matters	The requirement for auditors to communicate key audit matters, which apply to listed companies and entities which have adopted the UK Corporate Governance Code in the private sector, applies to annual audit reports prepared under the Code.	Annual Audit Report – TBD
Group matters	▸ An overview of the type of work to be performed on the financial information of the components. ▸ An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components. ▸ Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work. ▸ Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted.	Annual Audit Report – TBD

Audit timetable

The Group and Council financial statement audit for 2021/22 was completed in April 2023, seven months after the historic statutory deadline of 30 September. As a result, the 2022/23 audit planning work, including our handover with predecessor auditors, was delayed and commenced in March 2023. Working outside of a 'standard' local government audit timescale creates inefficiencies for management and the audit process such as group reporting requirements being shared post component audit completion.

Our provisional audit plan set out a provisional audit timetable with the intention to complete the 2022/23 audit in December 2023. While both the audit and finance teams continue to work together to deliver this timetable, there is an increase in significant risks to it's achievement, including in particular:

- The delayed completion of the audits for 2021/22 City Building (Glasgow) LLP and City Building (Contracts) LLP due to whistleblowing investigations;
- The delayed commencement of the 2022/23 audits for City Building (Glasgow) LLP and City Building (Contracts) LLP due to the 2021/22 delays noted above;
- A planned outage of the Group and Council's finance system in October 2023 to enable system and server improvements has impacted the Council finance team's capacity as they accelerate the budget monitoring process before the outage. During the outage, it is expected that the Council can continue to obtain and review audit evidence contained on the system although there may be an impact; and
- Recognising, the financial challenges facing the Council, effective budgeting and financial monitoring remain critically important and therefore creates priority challenges for the Council.

The Council remain committed to returning to a 'normal' financial statement preparation and audit timetables however the above matters create an increasing significant risk that this timetable is not achievable. Initial audits are always resource intensive for both audit and Council finance teams with approximately 30% additional time required adding an additional layer of pressure in addition to the above. Further, there have been a high number of additional matters for consideration for 2022/23 including technical accounting matters such as pension asset recognition, sale and lease back and service concession flexibilities. This is in addition to the additional work required for ISA 315 implementation.

A final decision on the timetable will be made once further information on the whistleblowing allegations and the other factors set out above is available. This will enable a realistic timetable to be agreed. The timetable set out on the next page therefore remains subject to ongoing discussion with management.

Looking ahead to 2023/24, we recognise that the achievement of the 30 September timeline will not be immediately achievable following consecutive years of delayed reporting and therefore we anticipate a multi-year plan to return to this timeline.

	Audit Activity	Deliverable	Timing
March			
April	Risk assessment for financial statements and wider scope audit dimensions		
May		Submission of quarterly fraud return	
		Provisional Annual Audit Plan	17 May 2023
June	Walkthrough of key systems and processes and ISA 315 procedures.	Submission of quarterly fraud return	
July		Update meeting with Finance Team	August 2023
August	Year end audit fieldwork	Submission of quarterly fraud return	
September		Interim audit update	
		Final Annual Audit Plan	September 2023
October		Best Value Thematic Report: Leadership and Strategic Priorities	Autumn 2023
November		Audit progress update	TBD
December	Audit completion procedures	Annual Audit Report	TBD

2022/23 Fees

The Council's audit fee is determined in line with Audit Scotland's fee setting arrangements. Audit Scotland notify auditors about the expected fees each year following submission of Audit Scotland's budget to the Scottish Commission for Public Audit. The remuneration rate used to calculate fees is increased annually based on Audit Scotland's scale uplift.

	2022/23	2021/22
Component of fee:		
Auditor remuneration – expected fee	£472,200	
Additional audit procedures (note 1)	TBC	
Audit Scotland fixed charges:		
Performance audit costs	£183,620	
Audit support costs	£17,900	
Sectoral cap adjustment	£80,130	
Total fee	£753,860	£669,850

The expected fee for auditor remuneration, set by Audit Scotland, is based on a risk assessment of publicly available information from the 2021 tender exercise. It assumes that the Council has well-functioning controls, an effective internal audit service, and an average risk profile for its sector across a range of areas for consideration, including financial, operational and governance risks. This is the basis for the estimated level of time and skill mix involvement by auditors.

Note 1

Throughout the course of their work, auditors may identify new, developing or otherwise enhanced areas of risk that are required to be addressed to deliver an audit to the quality standards expected, and in line the requirements of the Audit Scotland Code of Practice. In these cases where subsequent additional work is required because of local risks and circumstances in a body, auditor remuneration may be increased by up to 10% of auditor remuneration in agreement with the Council, or above 10% in agreement with Audit Scotland. In particular, at this stage we have raised areas where additional audit work will be required with management, impacting on the quantum of the total audit fee. An initial estimate of the quantification of additional time and costs will be shared with management but will be subject to review until the finalisation of the audit.

These areas include ISA 315 (including the impact of internal audit qualification on ICT related matters), the SAP outage, equal pay (including the recent publication of the Section 102 report) and associated transactions, PPP and DBFM (including service concession flexibility), Group audit work (including City Building related matters), PPE valuations, Infrastructure assets, heritage assets, pensions, prior year adjustments and any unknown or additional risks identified through the course of our initial audit procedures.

Where additional audit requirements arise we aim to raise these with management as early as practically possible through the course of the audit, and discuss variations to the expected fee as appropriate, based on the rates provided by Audit Scotland in its supplementary audit planning guidance, and report the final position to the Finance and Audit Scrutiny Committee within our Annual Audit Report.

Introduction

In addition to the key areas of audit focus outlined within the plan, we have to perform other procedures as required by auditing, ethical and independence standards and other regulations. We outline the procedures below that we will undertake during the course of our audit.

Our responsibilities under auditing standards

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the going concern basis of accounting.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Read other information contained in the financial statements, assess whether the Finance and Audit Scrutiny Committee reporting appropriately addresses matters communicated by us to the Committee and report whether it is materially inconsistent with our understanding and the financial statements; and
- Maintaining auditor independence.

Purpose and evaluation of materiality

- For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.
- Materiality determines the locations at which we conduct audit procedures and the level of work performed on individual account balances and financial statement disclosures.
- The amount we consider material at the end of the audit may differ from our initial determination. At this stage it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

Audit Quality Framework / Annual Audit Quality Report

- Audit Scotland are responsible for applying the Audit Quality Framework across all audits. This covers the quality of audit work undertaken by Audit Scotland staff and appointed firms. The team responsible are independent of audit delivery and provide assurance on audit quality to the Auditor General and the Accounts Commission.
- We support reporting on audit quality by proving additional information including the results of internal quality reviews undertaken on our public sector audits. The most recent audit quality report can be found at: https://www.audit-scotland.gov.uk/publications/quality-of-public-audit-in-scotland-annual-report-202122
- EY has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained. Details can be found in our annual Transparency Report: https://www.ey.com/en_uk/about-us/transparency-report

Complaints

If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with Stephen Reid who is our partner responsible for services under appointment by Audit Scotland, telephone 0131 777 2839, email sreid2@uk.ey.com. If you prefer an alternative route, please contact Hywel Ball, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you.

Should you remain dissatisfied with any aspect of our service, or with how your complaint has been handled, you can refer the matter to Audit Scotland, 4th Floor, 102 West Port, Edinburgh, EH3 9DN. Alternatively you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

Appendix F: Group audit scope

The below table sets out our proposed approach to the scoping of the Group audit as explained on page 15.

In scope entities	**Scope**	**Statutory audit performed by EY**	**Current year rationale for scoping**
Glasgow City Council	Full	Yes	Significant by size
Glasgow City Integration Joint Board	Review	Yes	Not significant by size or risk
Scottish Event Campus Limited	Specific	No	Specific significant accounts by size
City Building (Contracts) Limited Liability Partnership	Full	No	Significant by risk
Culture and Sport Glasgow, trading as Glasgow Life	Specific	No	Specific significant accounts by size
City Property Glasgow (Investments) LLP	Specific	No	Specific significant accounts by size
City Property Glasgow (Operations SL1) LLP	Specific	No	Specific significant accounts by size
City Property Glasgow (Operations SL2) LLP	Specific	No	Specific significant accounts by size
City Property Glasgow (Operations SL) Limited	Specific	No	Specific significant accounts by size
City Property Glasgow (Operations SL3) LLP	Specific	No	Specific significant accounts by size
City Property Glasgow (SL Operations 3) Limited	Specific	No	Specific significant accounts by size
City Building (Glasgow) Limited Liability Partnership	Full	No	Significant by risk
Jobs & Business Glasgow	Review	No	Not significant by size or risk
Strathclyde Partnership for Transport	Specific	No	Specific significant accounts by size
Strathclyde Concessionary Travel Scheme	Review	No	Not significant by size or risk