

Glasgow City Council

Annual Audit Plan

Year ended 31 March 2024

18 September 2024



Building a better
working world

This plan has been prepared in accordance with Terms of Appointment Letter, through which Audit Scotland and the Accounts Commission have appointed us as external auditor to 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 Audit Scotland and the Accounts Commission (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 report 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 for Scotland 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 senior 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 2024. In preparing this plan, we have continued to develop our understanding of the Group and Council through:

- ▶ Regular discussions with management, and the Chair of the Finance and Audit Scrutiny Committee;
- ▶ Review of key documentation, including Council 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 will follow up on the prior year recommendations throughout our appointment to ensure implementation.

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:

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Financial Statements audit

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

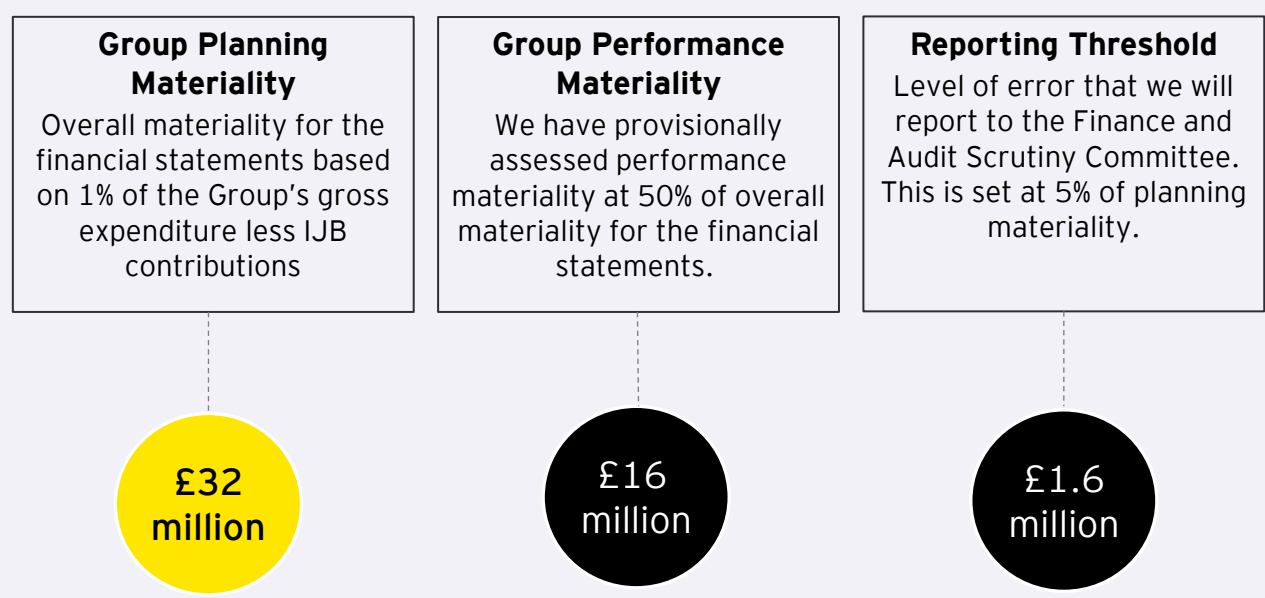
- ▶ give a true and fair view of the state of affairs of the Council and its group as at 31 March 2024 and of the income and expenditure of the Council and its Group for the year then ended;
- ▶ have been properly prepared in accordance with IFRSs, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 ('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.

Exhibit 1: Materiality Assessment in 2023/24



We provide further detail on the levels of materiality for the Group and Council on page 17. 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, Sundry trusts, the Common Good Fund and the Low Emissions Zone (LEZ) disclosure. We also apply professional judgement to consider the materiality of Related Party Transactions to both parties.

| Wider Scope and Best Value

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 put in place by the Council to meet their Best Value obligations as part of our proportionate and risk-based wider-scope audit work. This 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.

Best Value considerations are integrated with our wider scope annual audit work. We will report on how the Council demonstrates that it has Best Value arrangements in place to secure continuous improvement.

In addition, in 2023/24, the Accounts Commission has required auditors to conduct a thematic review of the Council's arrangements to respond to current workforce challenges.

| Exhibit 2: Summary of significant risks identified for the audit in 2023/24

Four significant risks impacting the audit of the financial statements have been identified in Section 3:

1. Risk of fraud in revenue and expenditure (fraud risk)	<p>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.</p> <p>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, depreciation, and financing and investment expenditure.</p>
2. Misstatement due to fraud or error (fraud risk)	<p>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.</p>
3. Valuation of property, plant and equipment and investment property	<p>The fair value of property, plant and equipment (PPE) and investment property 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.</p>

Exhibit 2: Summary of significant risks identified for the audit in 2023/24

4. Valuation of pension assets and liabilities	<p>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.</p> <p>Accounting for this scheme involves significant estimation and judgement, including financial and demographic assumptions. This includes ensuring that pension assets, including those harder to value assets, are appropriately valued at the balance sheet date. 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.</p> <p>The triennial valuation of Strathclyde Pension Fund was published in full on 29 March 2024. The scheme has remained in a surplus position. CIPFA has provided guidance (Bulletin 15) on recognising a net defined benefit asset in accordance with IFRS 14 when the pension fund reports a surplus.</p> <p>The Group and Council also recognises separately an unfunded pension liability totalling £271 million as at 31 March 2024 for the Council and £278 million for the Group (2022/23: Council £276 million and Group £283 million).</p>
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Exhibit 3: Summary of inherent risks identified for the audit in 2023/24

One inherent risk impacting the audit of the financial statements has been identified in Section 3:

1. Existence of property, plant and equipment	<p>The Council holds material infrastructure assets as well as vehicles, plant, furniture and equipment.</p> <p>In respect of 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 Council holds vehicles, plant, furniture and equipment as at 31 March 2024 with a gross book value of £206 million and a net book value of £75.3 million. These type of assets by nature are moveable and individual assets are often lower value which creates a greater risk in respect of asset existence.</p> <p>Challenges were encountered during the 2022/23 audit in obtaining sufficient detail from the fixed asset register and underlying records to identify individual infrastructure and vehicles, plant, furniture and equipment assets which could be physically verified.</p>
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Exhibit 4: Other areas of focus identified for the audit in 2023/24

Three other areas of focus have been identified impacting the audit of the financial statements:

1. IFRS 16	<p>CIPFA have confirmed there will be no further delay to the introduction of the new leases standard, IFRS 16. Assets being used by the authority under operating leases are likely to be capitalised along with an associated lease liability.</p> <p>The standard must be adopted by 1 April 2024. Disclosures are required to be made within the Group and Council financial statements for 2023/24 outlining the impact that adopting the new standard will have on the financial statement moving forward.</p>
2. LEZ	<p>Glasgow's low emission zone was effective from 1 June 2023. The Low Emission Zones (Scotland) Regulations 2021 requires local authorities to publish a statement of accounts in the annual accounts of the authority for the financial year.</p> <p>2023/24 will be the first year which the Council has included the disclosure within their annual accounts and the Council will also be the first authority to prepare disclosures under these regulations. To date, limited guidance exists out with the legislation on the disclosure and accounting requirements.</p>
3. Equal pay and pay and grading implementation	<p>During 2023/24, the Council made payments of £257.8 million in respect of equal pay settlements. In order to prevent future liabilities, the Council must implement a revised pay and grading structure. The implementation is currently planned for early 2025 with the potential for any amendments to be backdated to October 2023. Additional liabilities relating to 2023/24 could therefore be identified over the course of the next 6 months which may have an accounting impact on the 2023/24 financial statements.</p>

Exhibit 5: Summary of areas of audit focus in relation to the Best Value and Wider Scope audit

Five areas of audit focus have been identified that impact Best Value and wider scope audit in Section 4:

1. Financial Sustainability: Service redesign and income generation	<p>The Council's 2024/25 budget identified a significant programme to deliver service redesign, alongside the exploration of business cases for future income generation including the Transient Visitor Levy, Congestion Charging and Workforce Parking Levy.</p> <p>The governance arrangements to support the transformation process include specific project teams within the Chief Executive's office and a Political Oversight Group will oversee progress.</p> <p>The Council has targeted £33.5 million of savings and/or additional income to be delivered via this transformation project which will support reduction of the budget gap over the three-year period to 2026/27. For 2024/25, a total of £29 million of revenue saving options were identified alongside revenue investment of £13.1 million. Failure or delays in the achievement of the plans will therefore place additional pressure on required savings in future years.</p>
2. Financial Sustainability: Pay and Grading	<p>The Council has made settlement payments of £765 million in respect of equal pay claims in the last 5 years. In order to prevent further liabilities arising, the Council must implement a revised pay and grading system which is equal pay compliant.</p> <p>The project is complex, with a range of inter-dependencies, including the completion of a comprehensive job evaluation exercise, PGS design, financial modelling, gender pay gap analysis and significant payroll revision. The programme governance arrangements include representation from HR, Legal, Finance, and Technical Workstreams, with participation from trade unions.</p> <p>The project had made significant progress particularly in respect of the job evaluation exercise; however the project is now entering a crucial stage. Significant risks remain about the timescales for delivery.</p>

Exhibit 5: Summary of areas of audit focus in relation to the Best Value and Wider Scope audit

<p>3. Vision, Leadership and Governance: Group governance arrangements</p>	<p>The Council has a significant number of subsidiary and joint ventures who support the overall delivery of the Council's strategic objectives.</p> <p>In 2022, internal audit responded to a series of whistleblowing allegations in respect of the City Building companies. Significant compliance matters were identified covering governance, procurement and HR practices which have led to a delay in the approval of both entities' financial statements and modification of the group audit opinion.</p> <p>In response to the findings, an oversight board was jointly established by the Wheatley Group and the Council to oversee the completion of a comprehensive improvement plan. To date 36 recommendations have been marked complete, 49 are in review and 42 are ongoing. Both internal audit and the Council's Section 95 officer have noted concerns within the annual governance statement regarding the CBG executive management culture in relation to the role of audit and governance.</p> <p>We also note that a further significant governance matter in respect of health and safety at Scottish Events Campus Limited has been highlighted within the annual governance statement.</p>
<p>4. Vision, Leadership and Governance: ICT Governance</p>	<p>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.</p> <p>Technology is also rapidly changing and will play a key role in the way the Council delivers services moving forward. Therefore having a robust framework for ICT governance has never been more important.</p> <p>Internal audit has continued to highlight concerns around ICT security within their annual report for 2023/24 and the SAP outage in 2023 also highlighted the importance of robust IT controls.</p> <p>The Council has significant ICT dependent projects underway including the Future of ICT, the SAP replacement programme and pay and grading.</p>

Exhibit 5: Summary of areas of audit focus in relation to the Best Value and Wider Scope audit

The Accounts Commission require auditors to assess and report on the Council's performance in meeting its Best Value and community planning duties. These requirements include a requirement to report on an annual basis on a thematic topic prescribed by the Accounts Commission. For 2023/24, the Accounts Commission has directed auditors to report on workforce innovation. We will also follow up the agreed action plan from the 2022/23 thematic report on Strategic Leadership.

Best Value Thematic Review: Workforce Innovation	<p>The Accounts Commission has asked auditors to consider how the Council is responding to the current workforce challenges:</p> <ol style="list-style-type: none">1. How effectively are the Council's workforce plans integrated with strategic plans and priorities?2. How effectively digital technology has been used to support workforce productivity and improve service quality and outcomes?3. How effectively the Council used hybrid/remote working and other innovative working practice to achieve service and staff benefits?4. What innovative practice is the Council using to develop its future workforce capacity and skills needs and manage staff reductions in line with its priorities?5. What progress has the Council made with sharing roles or functions across its services and/or with other councils and partners?6. How effectively is the Council measuring the impact of its workforce planning approach?
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| 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 2022/23

In January 2024, the Accounts Commission published its annual report on Local Government finances in Scotland ([Financial Bulletin 2022/23](#)). The report notes that despite councils receiving more funding and income in cash terms, due to high inflation, total revenue funding from all sources fell by 2.8%.

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

Audit Scotland calculated ringfenced money to represent 26% of total revenue funding in 2022/23. A large amount of this was to fund Local Government pay deals and to support elements of educational and social care 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 to meet their own objectives. In order to combat this, there are commitments in the Verity House Agreement (New Deal with Local Government, outlined on the following page) to avoid defaulting to ring-fencing funding unless there is a clear and mutual understanding of the rationale for the funding being established in such a way.

The source of funding with the largest increase was non-domestic rates, however it is noted that this remains below pre-pandemic levels. Scottish Government core revenue funding increased by 7.4% in cash terms and 0.7% in real terms between 2021/22 and 2022/23, however this was predominantly driven by the increase in non-domestic rates in the year with the general revenue grant and specific revenue grants both decreasing in real terms by 4.2% and 8.5% respectively.

Looking ahead, the Accounts Commission notes that councils' budget gaps had increased significantly in 2023/24 in comparison to 2022/23. The most common bridging actions are noted to be recurring savings, however many proposals have faced public opposition, leading to increased difficulty delivering a balanced budget.

Scottish budget

Local government is the second largest area of Scottish Government spending. Audit Scotland calculates¹ that in 2013/14 local government (capital and revenue) accounted for 30% of the total spend but by 2022/23, it had fallen to 23%. Over this period, local government spend has been relatively static in real terms while total Scottish Government spend increased by 37%.

In December 2023, the Scottish Government published the Scottish Budget. The budget addressed plans only for 2024/25, in contrast to the commitment in the Verity House Agreement, to provide multi-year spending plans.

The budget included announcements that the Scottish government will:

- ▶ Provide funding of £147 million to fund the announced Council Tax freeze, noting that this is equivalent to a 5% increase;
- ▶ Baseline a number of previously specific grants into the general revenue grant, including the early learning and childcare expansion and the Living Wage funding.

Other specific funding for the local government sector includes funding for social care and childcare workers in commissioned services to be paid at least £12 per hour from April 2024.

Local government budgets 2024/25

In May 2024, the Accounts Commission published a budget briefing² summarising key issues arising from analysis of 2024/25 budgets which were agreed by Scotland's 32 councils.

The report highlights the wide range of approaches which councils take to budget setting and the challenges which this causes

in reporting a definitive national position.

A combined revenue budget of £16.6 billion was reported by councils' for 2024/25. Changes were made to the revenue funding from Scottish Government, taking cognisance of the commitments of the Verity House Agreement. This resulted in an increase in the revenue settlement for 2024/25 due to the Scottish Government including funding within the baseline general revenue grant which was previously ring-fenced or transferred in year from other portfolios.

In respect of budget gaps, at the time of setting their budgets, councils identified a total budget gap of £585 million with Glasgow City Council representing the lowest budget gap, albeit partially due to the multi-year approach to addressing and reporting on the budget gap. The council is focused on addressing their three-year cumulative budget gap to 2026/27 and as part of their 2024/25 budget approved savings of £94 million over the three years to 2026-27, of which £34.7 million related to 2024-25 as part of this longer-term plan. Councils are facing an estimated cumulative budget gap of £780 million by 2026/27.

¹ **Source:** [Financial Bulletin 2022/23, Paragraph 21.](#)

² **Source:** [Local Government budgets 2024/25](#)

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

Introduction

The publication of the annual financial statements allow the Council and its Group to demonstrate accountability for, and its performance in the use of its resources. They are prepared in accordance with proper accounting practice, which is represented by the 2023/24 Code of Practice on Local Authority Accounting in the United Kingdom (“the accounting code”).

Our responsibilities

We are responsible for conducting an audit of the Council and its Group’s 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 2024 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 2023/24; 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 by the Council and its Group along with its financial statements.

Other Statutory Information

The management commentary and narrative reporting within the financial statements continues to be an area of increased scrutiny as a result of rising stakeholder expectations. This includes climate related and emissions reporting, where we expect additional guidance from Audit Scotland for 2024/25 onwards.

Audit approach

We will continue to follow 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.

We will for the first time adopt a “data first” approach across all stages of the audit. This approach was unable to be fully adopted in the prior year due to the SAP outage. 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.

Audit Approach continued

- ▶ 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 to express an opinion on the 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 appropriately addresses matters communicated by us and whether it is materially consistent 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

Group materiality for 2023/24 has been set at £32 million (2022/23: £31 million) and Council materiality has been set at £30 million (2022/23: £30 million). This represents 1% of the Group and Council's unaudited 2023/24 gross expenditure on provision of services, excluding IJB expenditure (Exhibit 6). This level remains at the lower end of our materiality range recognising the complexity and risk of the Group and Council audits.

Our performance materiality for the Group and Council is set at 50% of overall materiality. This level is based on our expectation of misstatements based on the number and value of prior year errors.

Audit Scotland's planning guidance previously set a maximum level of £250,000 for all public sector audits for the reporting level for misstatements. This has been removed in 2023/24 and we have proposed setting a revised threshold of 5% of our overall materiality (Group: £1.6 million and Council: £1.5 million). We request that the Finance and Audit Scrutiny Committee specifically consider this and notes its understanding of this reporting level.

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.

Exhibit 6: Our assessment of materiality in 2023/24

Element	Explanation	Group Value	Council Value
Planning materiality	<p>The amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.</p> <p>This represents 1% (2022/23: 1%) of the Group and Council's Gross Expenditure excluding IJB contributions. In 2022/23 this was set at £31 million for Group and £30 million for Council.</p>	£32 million	£30 million
Performance materiality	<p>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.</p> <p>We have set this at 50% of planning materiality, in line with 2022/23 (Group: £15.5 million and Council: £15 million) but we will continue to update our assessment throughout the audit.</p>	£16 million	£15 million
Reporting level	<p>The amount below which misstatements whether individually or accumulated with other misstatements, would not have a material effect on the financial statements.</p> <p>This is set at 5% of planning materiality.</p>	£1.6 million	£1.5 million

| 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 that it is appropriate to use lower levels of materiality for some areas of the financial statements.

- ▶ **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.
- ▶ **Low Emission Zones (LEZ) disclosure** - The (LEZ) scheme came into force on 1 June 2023 and therefore 2023/24 will be the first year of disclosure within the financial statements. This disclosure is considered material due to the sensitivity around the disclosure and the media attention that the scheme has attracted since its introduction. We will apply a lower materiality threshold to our audit consideration around the associated income, expenditure and related disclosures.
- ▶ **Sundry trusts and Common good fund** - the Council and Group financial statements include specific statements in respect of the common good fund and Sundry trusts. We consider these

disclosures to be more sensitive due to the nature of the funds and therefore apply a lower materiality threshold to our audit consideration of these statements.

Group audit

The Council prepares its annual report and financial statements on a group basis. We 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 in Exhibit 6.

Exhibit 6: Group scoping

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. 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.

In respect of the two City Building entities, through discussions with management, we

agreed that we would modify our independent auditor’s report in respect of group balances of these entities, limiting the scope of our audit opinion issued in 2022/23. Progress has been made in completing the audits for 2021/22 with work underway for 2022/23 however at the current stage, it is not clear whether 2023/24 will be completed in sufficient time to enable an unmodified opinion to be issued for 2023/24. Therefore, at the planning stage, we have continued to treat the City Building entities as out of scope however this will be kept under review.

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

Exhibit 7: Group scope coverage based on the 2023/24 Group Financial Statements

Scope	Expenditure on provision of Services (percentage coverage)	Total assets (percentage coverage)
Full scope (audited by EY)	91.1%	71.4%
Excluded from group scope due to opinion modification	1.1%	0.3%
Specific scope	7.6%	28%
Review scope	0.1%	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 Glasgow City 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 Council.

One of the key purposes of our Annual Audit Plan is to communicate our assessment of the risk of material misstatement in 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

We set out in the following sections the significant risks (including fraud risks denoted by *) that we have identified for the current year audit, along with the rationale and expected audit approach. In 2023/24 we have identified four significant risks:

- ▶ Risk of fraud in expenditure recognition, including through management override of control*
- ▶ Misstatement due to fraud or error*
- ▶ Valuation of property, plant and equipment and investment property
- ▶ Valuation of pension assets and liabilities.

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.

We note that the number and scope of significant risks have changed from the prior year with the removal of significant risks in respect of heritage assets, valuation of public private partnerships ('PPP')/ Design Build Finance Maintain ('DBFM') liabilities and the SAP Outage. The removal of these risks takes account of the conclusion of work in these areas in prior year as well as our understanding of activity in the year.

Under the Code of Audit Practice, we are required to report on key audit matters as part of our annual reporting. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified.

These matters will include those which had the greatest effect on:

- ▶ the overall audit strategy;
- ▶ the allocation of resources in the audit; and
- ▶ directing the efforts of the engagement team.

Key audit matters have been annotated as such throughout this section however this will be kept under review throughout the audit and the final position reported through our Annual Audit Report.

1. Risk of fraud in revenue and expenditure recognition (Key audit matter)*

Financial statement impact

The relevant Council and Group 2023/24 account balances were:

- ▶ **Other grants and capital grants:** £0.54 billion (Group: £0.54 billion)
- ▶ **Other income:** £0.85 billion (Group: £0.72 billion)
- ▶ **Other expenditure:** £2.2 billion (Group: £2.3 billion)
- ▶ **Related creditor balances:** £0.44 billion (Group: £0.58 billion)
- ▶ **Related debtor balances:** £0.28 billion (Group: £0.31 billion)

What is the risk?

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.

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

- ▶ Incorrect income and expenditure cut-off recognition to alter the Group and Council's financial position around the financial year end.
- ▶ Incorrect recognition applied to grants income with performance conditions.

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 the respect of council tax and non-domestic rate income. With regards to expenditure, we have rebutted the risk of improper recognition of payroll, depreciation and financing and investment expenditure.

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

What work will we perform?

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

- ▶ Inquire of management and those charged with governance about risks of fraud and the controls to address those risks.
- ▶ Review and challenge management on any accounting estimates in respect of income and expenditure recognition for evidence of bias.
- ▶ Review and test income and expenditure cut-off at the period end date.
- ▶ Test a sample of grant income to ensure it satisfies recognition criteria tests.
- ▶ 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.

2. Misstatement due to fraud or error (Key audit matter)*

| 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.

| What work will we perform?

We will:

- ▶ Inquire of management about risks of fraud and the controls 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; and
- ▶ Consider the basis of any transfers between reserves.

We will perform mandatory procedures regardless of specifically identified fraud risks, including:

- ▶ Performing procedures to address the identified risk of fraud in revenue and expenditure recognition as set out on page 23;
- ▶ In line with our risk assessment, testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements;
- ▶ Assess accounting estimates for evidence of management bias; and
- ▶ Evaluate 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 Investment Property (Key audit matter)

| Financial statement impact

Within the 2023/24 financial statements, the Council Group held £4.2 billion (2022/23: £4 billion) of property, plant and equipment with £3.1 billion (2022/23: £3 billion) relating to land and buildings.

The Council Group also has investment property of £237 million (2022/23: £239 million).

| What is the risk?

The fair value of property, plant and equipment (PPE) and investment property 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 year-end balances recorded in the balance sheet.

The Council Group engages valuers within City Property (Glasgow) Limited Liability Partnership to value the Group and Council's estate in line with their asset valuation programme.

In 2023/24, approximately 40% of PPE is not currently due to be valued but as a result of current building cost inflation, the Council has performed an assessment of whether the non-revalued population remains appropriately valued.

Our 2022/23 audit identified a number of control weaknesses in respect of asset accounting including the use of out-of-date information for valuations, inconsistent use of useful lives and valuations for group assets not being performed in a timely manner.

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

| What work will we perform?

For property, plant and equipment and investment property we will:

- ▶ review and appraise the work performed by the Group and 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; and
- ▶ ensure investment property is correctly classified within the Group financial statements and appropriately valued.

4. Valuation of Pension assets and liabilities (Key audit matter)

Financial statement impact

The Group and Council's net pension asset, 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 Group and Council financial statements.

At 31 March 2024 the asset recognised by the Council was nil and the Group: £0.013 million (2022/23: Council £546 million and Group £711.8 million).

The Group and Council also recognises an unfunded pension liability totalling £271 million as at 31 March 2024 for the Council and £278 million for the Group (2022/23: Council £276 million and Group £283 million).

What is the risk?

Accounting for this scheme involves significant estimation and judgement, including financial and demographic assumptions. The Group and 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 latest triennial valuation of Strathclyde Pension Fund was published in March 2024 and the scheme remains in a surplus position. CIPFA has recently provided guidance (Bulletin 15) on recognising a net defined benefit asset in accordance with IFRS 14 when the pension fund reports a surplus. Where an asset ceiling is applied, the bulletin highlights requirements in the accounting code which require disclosure of the following:

- ▶ an explanation as to why the pension surplus reported under IAS 19 is not fully realisable and what 'realisable' means in this context; and
- ▶ the basis used to determine the amount of the economic benefit available.

The equal pay settlements in 2019 and 2023 include pension contributions with a significant exercise being required to update individual member records. A prior period adjustment was required to reflect the impact of these payments.

Membership of the pension fund includes admitted and scheduled bodies. The Council is a scheduled body whereas the Council's subsidiary companies and joint venture companies who are members of the scheme are admitted bodies. The nature of membership influences the rules under which each entity participates in the scheme and can therefore change the basis for which a pension asset can be recognised, adding an additional complexity to Group pension accounting arrangements.

What work will we perform?

- ▶ Liaise with the auditor (EY) 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 Group and Council's financial statements in relation to IAS19.

4. Valuation of Pension assets and liabilities continued

- ▶ Require IAS19 reports which reflect actual rather than estimated asset returns to ensure that there have been no material movement in the value of pension fund assets;
- ▶ Consider the valuation and disclosure of unfunded liabilities, for which there are no plan assets to meet the pension liabilities.
- ▶ As part of our audit procedures, we will request that the Group and Council obtain an asset ceiling report from its actuaries. Our actuarial specialists will review the asset ceiling report to satisfy themselves that it is materially correct.
- ▶ Assess the reasonableness of underlying data used to inform the triennial valuation by performing testing of membership data.
- ▶ Review the IAS 19 reports and asset ceiling reports for material group entities and in conjunction with component auditor instructions, ensure that pension assets and liabilities are appropriately recorded within the Group financial statements.

| Use of specialists

When auditing key judgements, such as the valuation of property, plant and equipment or defined benefit pension scheme 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.

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.

| Existence of property, plant and equipment

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 statutory override in place for infrastructure assets was scheduled to end at 31 March 2024 however the Scottish Government has extended the statutory override to 31 March 2025. The extension continues to carry an expectation that Council's will continue to address information deficits to ensure timely adoption of future Code requirements once a more permanent solution is delivered. Challenges were encountered in the prior year in obtaining sufficient detail from the fixed asset register and underlying records to identify individual assets which could be verified.

Vehicles, plant, furniture and equipment

The Council holds vehicles, plant, furniture and equipment as at 31 March 2024 with a gross book value of £206 million and a net book value of £75.3 million. These types of assets by nature are moveable and individual assets are often lower value. Challenges were encountered in the prior year in obtaining sufficient detail from the fixed asset register and underlying records to identify individual assets which could be verified.

Work we will perform:

- ▶ Test a sample of infrastructure assets per the asset register to determine their existence as at 31 March 2024;
- ▶ Review the depreciation policy for infrastructure assets and ensure it remains appropriate and in line with CIPFA guidance;
- ▶ Assess whether infrastructure asset additions for 2023/24 have been recorded in sufficient detail to enable verification of the underlying physical asset;
- ▶ Test a sample of vehicles, plant, furniture and equipment per the asset register to determine their existence as at 31 March 2024;
- ▶ Review the depreciation policy for vehicles, plant, furniture and equipment and ensure it remains appropriate; and
- ▶ Follow up of prior year recommendation in respect of Council asset existence checks.

Other areas of audit focus

| 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 at the latest.

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.

The Group and Council intends to adopt IFRS 16 from 1 April 2024. Management have commenced a project to identify leases and other contracts which will fall under the scope of the revised standard. There are no significant changes to the accounting requirements where the entity is acting as a lessor.

Disclosures are required to be made within the Group and Council financial statements for 2023/24 outlining the impact that adopting the new standard will have on the financial statement moving forward.

As part of our work, we will consider the Group and Council's approach to capturing additional information about leases, both new and existing, especially regarding future minimum lease payments and cost information.

| Low Emission Zone

Glasgow's low emission zone was effective from 1 June 2023. The Low Emission Zones (Scotland) Regulations 2021 requires local authorities to publish a statement of accounts in the annual accounts of the authority for the financial year.

2023/24 will be the first year which the Council has included the disclosure within their financial statements and the Council will also be the first authority to prepare disclosures under these regulations. To date, limited guidance exists out with the legislation on the disclosure and accounting requirements.

The Council has included disclosures for the low emission zone within its unaudited financial statements. We will review the low emission zone disclosures against the requirements of the legislation.

Other areas of audit focus

| Equal pay and pay and grading implementation

During 2023/24, the Council made payments of £257.8 million in respect of equal pay settlements. In order to prevent future liabilities, the Council must implement a revised pay and grading structure. The implementation is currently planned for early 2025 with the potential for any amendments to be backdated to October 2023. Additional liabilities relating to 2023/24 could therefore be identified over the course of the next 6 months which may have an accounting impact on the 2023/24 financial statements.

We will test a sample of payments made against the equal pay provision to ensure they are accurately recorded within 2023/24 financial statements.

We will assess the adequacy of contingent liability disclosures in respect of any further equal pay cases.

We will continue to monitor the status of the pay and grading project to assess any impact for the 2023/24 financial statements.



Going Concern

Audit requirements

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.

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.

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 substantial financial pressures facing the Group and Council, including the cost of living crisis, inflationary pressures, and other demand 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 Group, 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 throughout our audit;
- ▶ consider and challenge management expectations in relation to the ability to respond to future budget gaps, and/or the maintenance of general reserves;
- ▶ 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.

4. Best Value and Wider Scope Audit

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 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 these risks, identified as “areas of wider scope audit focus”, to be areas where we expect to direct most of our audit effort, based on:

- our risk assessment at the planning stage, including consideration of Audit Scotland’s Code of Audit Practice Supplementary Guidance (February 2022);
- our knowledge of the Council from prior year audits, including Best Value work; 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, including follow up of prior year findings, 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

Under the Code, 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. We anticipate conducting this work in 2024/25.

In addition, on an annual basis, we are required to prepare a separate report on thematic topics prescribed by the Accounts Commission. For 2023/24, the Accounts Commission has directed auditors to report on workforce innovation.

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.

Our 2022/23 annual audit report highlighted the significant risks facing the Council financially in the medium term. We highlighted the need for a robust medium term financial strategy to demonstrate how Council priorities will be achieved across a range of scenarios.

The Council agreed the 2024/25 budget in February 2024. This sets out significant saving and income generation requirements to meet a projected gap of £107.7 million in the three-year period to 2026/27. As part of both the 2024/25 budget and the three-year savings plan, the Council did not assume any contribution from reserves but sought instead to

achieve balance through savings and additional income generation and provide contingency for some of the financial risks including the impact of pay and grading and the housing emergency.

As at 31 March 2024, £53.5 million remains within the budget support fund to support the delivery of the budget, including costs associated with early retirement and severance schemes.

The period 4 monitoring report for 2024/25 highlights continuing cost pressures in Neighbourhoods, Regeneration and Sustainability and Education Services. Net expenditure against the general fund shows an overspend of £13.3million.

Exhibit 8: Financial sustainability area of focus

Service redesign and income generation	<p>The Council's 2024/25 budget identified a significant programme to deliver service redesign, alongside the exploration of business cases for future income generation including the Transient Visitor Levy, Congestion Charging and Workforce Parking Levy.</p> <p>The governance arrangements to support the transformation process include specific project teams within the Chief Executive's office and a Political Oversight Group will oversee progress.</p> <p>The Council has targeted £33.5 million of savings and/or additional income to be delivered via this transformation project which will support reduction of the budget gap over the three-year period to 2026/27. For 2024/25, a total of £29 million of revenue saving options were identified alongside revenue investment of £13.1 million. Failure or delays in the achievement of the plans will therefore place additional pressure on required savings in future years.</p>
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Exhibit 9: Financial sustainability area of focus

Pay and Grading

The Council has made settlement payments of £765 million in respect of equal pay claims in the last 5 years. In order to prevent further liabilities arising, the Council must implement a revised pay and grading system which is equal pay compliant.

The project is complex, with a range of inter-dependencies, including the completion of a comprehensive job evaluation exercise, PGS design, financial modelling, gender pay gap analysis and significant payroll revision. The programme governance arrangements include representation from HR, Legal, Finance, and Technical Workstreams, with participation from trade unions.

The project had made significant progress particularly in respect of the job evaluation exercise; however the project is now entering a crucial stage. Significant risks remain about the timescales for delivery.

Our response

We have identified two wider scope area of audit focus in Exhibits 8 and 9 in respect of financial sustainability. Our assessment of the Council's financial sustainability arrangements, will focus on:

- ▶ A review of the Council's updated financial forecasts, including the risk assessment and delivery of longer-term savings and income generation options, along with the impact on the general

reserves position;

- ▶ Consideration of the progress made in implementing a new pay and grading scheme; and
- ▶ Assessing the link between the financial and other strategic and operational plans.

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.

Within the Annual Governance Statement, the Council has concluded that only limited assurance can be placed on the governance and internal control which operated during 2023/24. This corresponds with the observations of the 2022/23 external audit which identified significant internal control weaknesses, contributing to the number of audit adjustments impacting the financial statements. This included 35 recommendations being identified.

Our 2022/23 Annual Audit Report highlighted the significant additional pressures on the finance team and the significant resilience demonstrated to respond to specific challenges. We noted a lack of capacity within the Council's finance function, particularly in light of increasing financial reporting complexity, the scale of the financial challenge within the three-year savings plan and anticipated challenges in implementation of new systems going forward.

The Council's 2023/24 financial outturn, presented to the City Administration Committee in June 2024, outlines a further overspend against budgeted service expenditure, totalling £28.6 million (2022/23: overspend of £13.4 million). This included overspend in Education Services and Neighbourhoods, Regeneration and Sustainability services.

Service overspends have a corresponding impact on the Council's reserves balances, including the unearmarked General Fund reserve and Budget Support Fund which are available to meet unforeseen costs in future years.

The Council's unearmarked general fund reserve as at 31 March 2024 was £26.25 million, representing 1.3% of the net budgeted expenditure which is below the policy of 2% over the medium term.

Our response

We have not identified any significant risks in relation to financial management. Our assessment of the Council's arrangements, will focus on:

- ▶ The assessment of arrangements to ensure systems of internal control are operating effectively including the follow up of prior year audit recommendations;
- ▶ Financial monitoring arrangements, including clarity about any changes to budgets and forecasts during the year;
- ▶ Ongoing consideration of the Council's financial team capacity;
- ▶ The Council's participation and progress in the National Fraud Initiative and other counter fraud arrangements; and
- ▶ The risk assessment and achievement of savings against plans (linked to our work on financial sustainability).

Vision, Leadership and Governance



The effectiveness of scrutiny and governance arrangements, leadership and decision making, and transparent reporting of financial and performance information.

The Council has set out its vision for the City within the Strategic Plan 2022-27. Appropriate governance arrangements have been established to monitor and scrutinise key policies and risks. However, the Annual Governance Statement reports on significant governance issues as set out in Exhibits 10 and 11.

The Finance and Audit Scrutiny Committee considered a self-assessment of its arrangements against the CIPFA guidance in March 2023. The self-assessment identified a number of areas of improvement which are being taken forward during 2024.

Exhibit 10: Vision, leadership and governance area of focus

Group governance arrangements	<p>The Council has a significant number of subsidiary and joint ventures who support the overall delivery of the Council's strategic objectives.</p> <p>In 2022, internal audit responded to a series of whistleblowing allegations in respect of the City Building companies. Significant compliance matters were identified covering governance, procurement and HR practices which have led to a delay in the approval of both entities' financial statements.</p> <p>In response to the findings, an oversight board was jointly established by the Wheatley Group and the Council to oversee the completion of a comprehensive improvement plan. To date 36 recommendations have been marked complete, 49 are in review and 42 are ongoing. Both internal audit and the Council's Section 95 officer have noted concerns within the annual governance statement regarding the City Building executive management culture in relation to the role of audit and governance.</p> <p>We also note that a further significant governance matter in respect of health and safety at Scottish Events Campus Limited has been highlighted within the annual governance statement.</p>
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Exhibit 11: Vision, leadership and governance area of 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.

Technology is also rapidly changing and will play a key role in the way the Council delivers services moving forward. Therefore, having a robust framework for ICT governance has never been more important.

Internal audit have continued to highlight concerns around ICT security within their annual report for 2023/24 and the SAP outage in 2023 also highlighted the importance of robust IT controls.

The Council has significant ICT dependent projects underway including the Future of ICT, the SAP replacement programme and pay and grading.

Our response

We have identified two wider scope areas of audit focus in Exhibit 10 and 11 in respect of vision, leadership and governance. Our assessment of the Council's governance arrangements, will focus on:

- ▶ Consideration of the disclosures within the annual governance statement;
- ▶ Review of the coverage of the 2023/24 internal audit arrangements, including any significant findings and the work done to address issues identified;
- ▶ Consideration of the Council's progress in addressing historic ICT related internal audit actions;
- ▶ Consideration of the governance framework established for the future of ICT and SAP replacement projects;
- ▶ Evaluation of progress made in implementing changes to the Finance and Audit Scrutiny Committee following the self-assessment in March 2023; and
- ▶ Review of the progress made in addressing the City Building improvement plan actions.

Use of Resources



The Council's approach to demonstrating economy, efficiency, and effectiveness through the use of resources and reporting outcomes.

The Council has a mission-based Strategic Plan 2022-27, outlining four “Grand Challenges” facing the city throughout the period and beyond. In 2022/23, we noted that the Council took the opportunity to refresh the performance management framework that supports scrutiny and accountability for the commitments within the Plan. An annual review process is in place to ensure that the Strategic Plan remains relevant and continues to focus on delivery in light of the ongoing financial challenges and emerging factors, such as the cost-of-living crisis. We noted that an annual performance report for 2022/23 was not produced, and we were unable to conclude that the Council had fully met the requirement of the Statutory Performance Direction.

The Council's Operational Performance and Delivery Scrutiny Committee (OPDSC) continues to oversee the development of a Performance Manual and Dashboard to allow scrutiny of each area of the Strategic Plan. In addition, the Committee continues to scrutinise one of the Grand Challenges, and progress against the relevant missions and commitments at each meeting.

In April 2024, the OPDSC considered the results of the 2022/23 Local Government Benchmarking Framework exercise. This presents a suite of measures of performance, comparing the Council's outcomes to comparators across Scotland.

The Council's scrutiny arrangements include exception reporting on areas where performance is in the lowest quartile nationally.

The Council has set an ambitious net zero carbon target. In May 2023, the Council estimated that £40 billion investment is required across all sectors to deliver the ambition. In February 2024, the City Administration Committee approved the creation of an investment vehicle for the city/city region to unlock access to capital from the private sector, as well as long-term capital from other sectors, such as Pension Funds. The Council has committed £4 million to the project, which includes the establishment of a specialist team to support delivery.

Our response

Our assessment of the Council's arrangements in 2023/24 will focus on:

- ▶ Public performance reporting arrangements;
- ▶ Progress towards the Council's Climate Change ambitions; and
- ▶ The effectiveness of performance scrutiny arrangements.

We will also review the Council's arrangements for considering national reports, including evaluating the findings and implementing recommendations, such as Local Government overview reports from the Accounts Commission.

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, Best Value assurance reporting is fully integrated with local audit arrangements.

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 5, below, in 2023/24, the thematic work will consider workforce innovation.

Our response

Our assessment of the Council's arrangements in 2023/24 will focus on:

- ▶ Reporting our findings against the Accounts Commission's thematic audit requirements.
- ▶ Follow up of prior year recommendations; and
- ▶ Use of our wider scope audit findings to continue to inform our Best Value risk assessment.

Exhibit 5: Best Value Area of Audit Focus

Workforce Innovation - how Councils are responding to workforce challenges	<p>The Accounts Commission has asked us to consider how the Council is responding to the current workforce challenges:</p> <ol style="list-style-type: none">1. How effectively are the council's workforce plans integrated with strategic plans and priorities?2. How effectively digital technology has been used to support workforce productivity and improve service quality and outcomes?3. How effectively the Council used hybrid/remote working and other innovative working practice to achieve service and staff benefits?4. What innovative practice is the Council using to develop its future workforce capacity and skills needs and manage staff reductions in line with its priorities?5. What progress has the Council made with sharing roles or functions across its services and/or with other councils and partners?6. How effectively is the Council measuring the impact of its workforce planning approach?
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| Appendices

A

**Code of audit practice:
Responsibilities**

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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.

| Responsibilities for 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
- 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
- ▶ hear any objection to the financial statements lodged by an interested person.

Appointed auditors should also be familiar with the statutory reporting responsibilities in section 102 of the Local Government (Scotland) Act 1973, including those relating to the audit of the accounts of a local government body.

B Independence Report

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; and
- ▶ An opportunity to discuss auditor independence issues.

We confirm that we have undertaken client and engagement continuance procedures, including our assessment of our continuing independence to act as your external auditor. We confirm that we remain independent to act as your external auditor.

C

Required communications

		Our Reporting to you
Required communications	What is reported?	When and where
Terms of engagement	Noting 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 audit planning report
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 audit planning report
Significant findings from the audit	<ul style="list-style-type: none"> ▶ 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 	Audit results report - February 2025

C Required communications

		Our Reporting to you
Required communications	What is reported?	When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ 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. 	Audit results report - February 2025
Misstatements	<ul style="list-style-type: none"> ▶ 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. 	Audit results report - February 2025
Fraud	<ul style="list-style-type: none"> ▶ Enquiries of the audit 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. 	Audit results report - February 2025
Internal controls	Significant deficiencies in internal controls identified during the audit.	Audit results report - February 2025

C

Required communications

		Our Reporting to you
Required communications	What is reported?	When and where
Related parties	<ul style="list-style-type: none"> ▶ 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. 	Audit results report - February 2025
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ 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 audit planning report and Audit results report - (February 2025)
External confirmations	<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations. ▶ Inability to obtain relevant and reliable audit evidence from other procedures. 	Audit results report - February 2025
Representations	Written representations we are requesting from management and/or those charged with governance.	Audit results report - February 2025

C Required communications

		Our Reporting to you
Required communications	What is reported?	When and where
Consideration of laws and regulations	<ul style="list-style-type: none"> ▶ 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. 	Audit results report - February 2025
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise.	Audit results report - February 2025
Auditors report	Any circumstances identified that affect the form and content of our auditor's report.	Audit results report - February 2025
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.	Audit results report - February 2025
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.	Audit results report - February 2025

D

Timeline of communication and deliverables

Audit timetable

The Group and Council financial statement audits for 2021/22 was completed in April 2023, seven months after the historic statutory deadline of 30 September with a marginal improvement in sign off to March 2024 for 2022/23. 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.

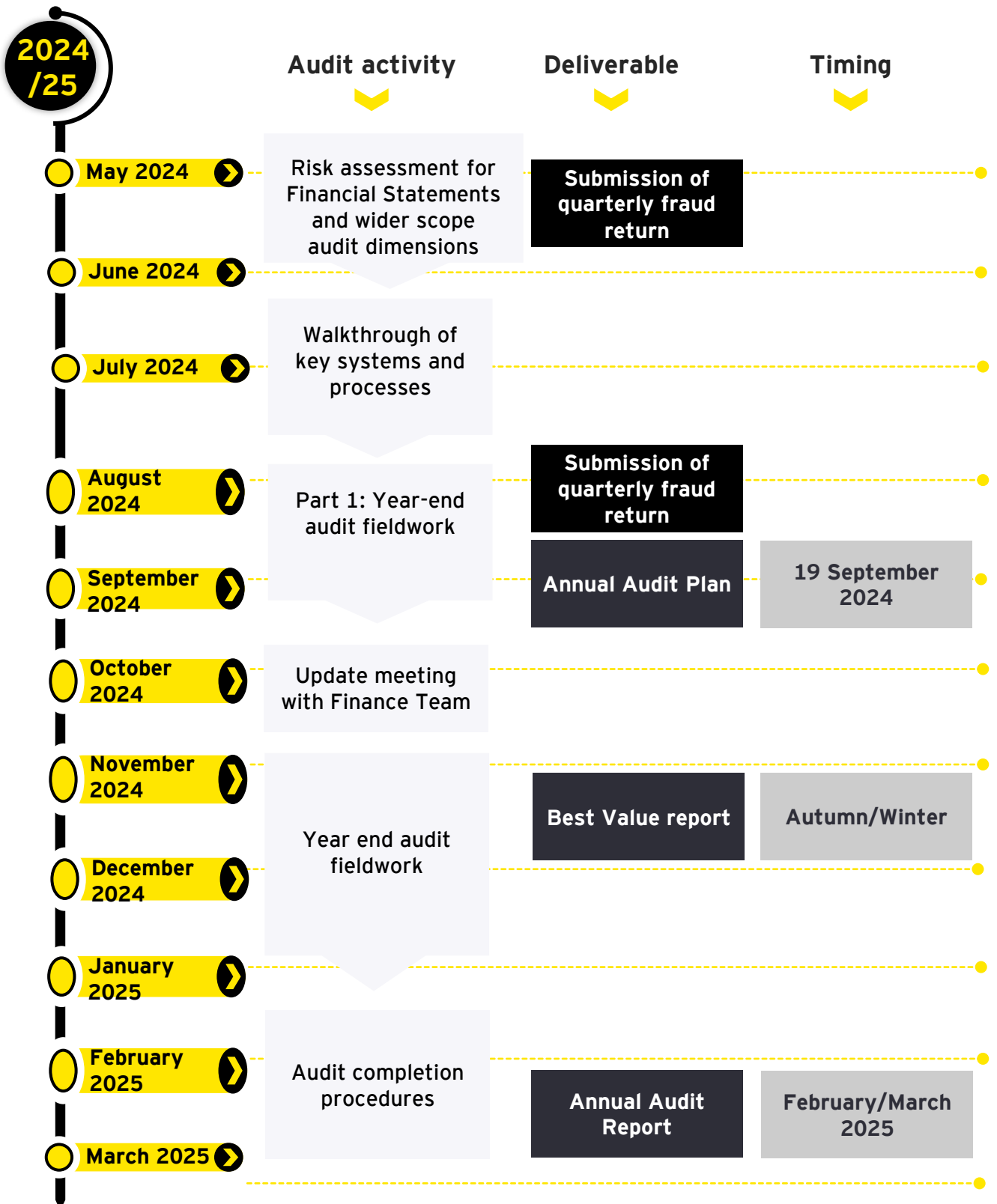
We recognise that the achievement of the 30 September timeline will not be immediately achievable following consecutive years of delayed reporting and therefore we have worked with the Council to develop a multi-year plan to return to this timeline with the key reporting dates planned for the next three years set out in the table below.

	2023/24	2024/25	2025/26
Audit plan to FASC	September 2024	June 2025	March 2026
Annual audit report to FASC	February 2025	November 2025	September 2026
Annual audit report to CAC	March 2025	December 2025	September 2026

Recognising the challenges of the 2022/23 audit, the timetable for 2023/24 as set out in detail on page 51 is not without risk. However, both management and the audit team remain committed to working together to deliver this timetable.

D

Timeline of communication and deliverables



E Audit Fees

2023/24 Fees

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

	2023/24	2022/23
Component of fee:		
Auditor remuneration - expected fee	£500,530	£472,200
Additional audit procedures (note 1)	TBD	£450,000
Audit Scotland fixed charges:		
Performance audit and best value	£182,180	£183,620
Pooled costs	£18,240	£17,900
Sectoral price cap	£98,110	£80,130
Total fee	£TBD	£1,203,850

The expected fee, set by Audit Scotland, is based on a risk assessment of publicly available information from the 2021 tender exercise. It assumes that the Group and 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.

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 with the requirements of the Code of Practice.

We will agree a timetable and expectations for the audit with management. Should additional audit requirements arise, we will raise these with management through the course of the audit and agree variations as appropriate and report the final position to the Finance and Audit Scrutiny Committee within our Annual Audit Report.

Note 1

During 2022/23, areas of additional work were required to complete the audit, with the detailed basis for the additional fee shared with management and Audit Scotland. These included new material issues and risks as well as the resolution and identification of historic matters not previously addressed. These were communicated as part of our Annual Audit Report in September 2023.

We will share an initial assessment with management of areas of additional work in 2023/24. An assessment of areas which are likely to reoccur moving forward and the impact on this year's audit has also been shared with Audit Scotland. Discussions are ongoing and we will agree a final fee with management and report this as part of our annual audit reporting.

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, the Finance and Audit Scrutiny Committee reporting

appropriately addresses matters communicated by us to the Committee and reporting 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 providing 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://audit.scot/publications/quality-of-public-audit-in-scotland-annual-report-202324>
- ▶ 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

This report

This report has been prepared in accordance with Terms of Appointment Letter from Audit Scotland through which the Auditor General 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 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.

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.

G Group audit scope

The below table sets out our approach to the scoping of the Group audit as explained on page 20. This will be subject to review throughout the audit. Any revisions to the proposed scope will be reported through our annual audit report.

Entity	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	Limitation	No	Refer to pages 20-21
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	Limitation	No	Refer to pages 20-21

G

Group audit scope continued

Entity	Scope	Statutory audit performed by EY	Current year rationale for scoping
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
Common good fund	Review	Yes	Not significant by size or risk
Sundry Trusts	Review	Partially	Specific significant accounts by size

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