



# Glasgow City Region – City Deal Cabinet Joint Committee

**Annual Audit Report  
Year ended 31 March 2024**

**6 August 2024**

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# 1. Executive summary: Key conclusions from our 2023-24 audit

## Purpose of our report

This Annual Results report, prepared for the benefit of senior management and the Glasgow City Region City Deal Cabinet Joint Committee (“the Cabinet” or “the Joint Committee”) sets out results of our audit of the financial statements for the year ended 31 March 2024.

## | Financial Statements

We have concluded our audit of the Cabinet’s financial statements for the year ended 31 March 2024. There were four unadjusted misstatements above our reporting threshold that we are required to communicate. There was also one adjusted audit difference in respect of the financial statements’ presentation and disclosure above our reporting threshold that we are required to communicate. The draft financial statements and supporting working papers were provided in line with the agreed audit timetable. We have made a number of observations in relation to correcting the financial statements to comply with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (the CIPFA Code), as well as one recommendation around supporting improved preparation of the financial statements going forward.

We continued to work with the finance team to ensure the financial statement disclosures are appropriate and reflect the standards.

We concluded that the other information subject to audit, including the Annual Governance Statement were appropriate.

We were satisfied that, after the adjustments made during the course of the audit, the disclosures reflect the Cabinet’s compliance with the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (the CIPFA Code).

## | Going concern

In accordance with the International Financial

Reporting Standards (IFRS), the Cabinet prepares its financial statements on a going concern basis unless informed by the Scottish Government.

Under a revised auditing standard, ISA 570, we are required to undertake greater challenge of management’s assessment of going concern, including testing of the adequacy of the supporting evidence we obtained. After completing its going concern assessment the Cabinet has concluded that there are no material uncertainties around its going concern status.

We were satisfied that the Cabinet remains a going concern and has made appropriate required disclosures in the financial statements. We have considered the related risks to the financial sustainability of the Cabinet and its longer term delivery of strategic objectives in our wider scope reporting.

We have no matters to report in respect of our work around going concern or the conclusions reached by the Cabinet.

## | 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**.

# 1. Executive summary: Key conclusions from our 2023-24 audit (continued)

## Wider Scope

In line with the Audit Scotland Code of Audit Practice (2021), we have determined the Cabinet meets the definition of a less complex body. The audit of the wider-scope and Best Value in an audited body which meets the definition of a less complex body under the CIPFA Code may be limited to:

- a review of the Annual Governance Statement;
- concluding on the financial sustainability of the body and the services that it delivers over the medium to longer term and;
- for local government bodies, reporting on the arrangements for securing Best Value.

We summarise the conclusions we reached in response to our work on the wider scope dimensions below.



## Financial Sustainability

The Cabinet reported a significant surplus of £1.93 million which is carried forward to 2024/25 (2022/23: £1.39 million surplus carried forward to 2023/24). We were satisfied that the Cabinet's financial monitoring and reporting was clear and consistent throughout the year.

The Cabinet has established budget monitoring arrangements. Performance against budget is reported to the Joint committees on a quarterly basis. We are satisfied that the core financial management arrangements were not materially impacted as a result of Covid-19 or other external pressures, with clear financial reporting

continuing throughout the year.

The Cabinet continue to provide opportunities and support for the Region's business and communities over its lifetime to 31 March 2035.

## Vision, Leadership and Governance

The features of good governance are in place at the Cabinet and have been operating effectively throughout the year. Performance against budget is reported to the Cabinet on a quarterly basis via the performance reports.

All planned internal audit assignments were completed in 2023/24 with no findings requiring urgent attention from management. Internal audit concluded that adequate and effective governance arrangements were in place during the year.

## Best Value

We are required to conclude on the Cabinet's arrangements to demonstrate the achievement of Best Value. We are satisfied that the Cabinet has appropriate arrangements to secure Best Value, including performance and financial reporting arrangements.

## 2. Financial Statement Audit

### Financial Statements audit

The financial statements provide the Cabinet with an opportunity to demonstrate accountability for the resources that it controls, and report on its overall performance in the application of those resources during the year.

This section of our report summarises the audit work undertaken to support our audit opinion, including our conclusions in response to the significant and other risks identified in our Annual Audit Plan.

The plan highlighted two areas that we identified as a significant risk of material misstatement or fraud risk:

- the risk of fraud in revenue and expenditure recognition (significant risk).

### Compliance with Regulations

As part of our oversight of the Cabinet's financial reporting process, we report on our consideration of the quality of working papers and supporting documentation prepared, predominantly by the finance team, to support the audit.

The financial statements were prepared in accordance with the CIPFA code, IFRSs, as interpreted and adapted by the 2023/24 Code and the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Management provided draft financial statements in line with the agreed timetable. The financial statements have been updated in line with the requirements of the CIPFA Code through matters identified in the audit. We have raised one recommendation, in respect of the completion of a financial statements' disclosure checklist going forward.

We have discussed with management ensuring that arrangements are in place going forward

that the Local Government reporting timetable is met, and specifically that Cabinet's governance arrangements (Joint Committee's meetings) are aligned to the September reporting deadlines for audited accounts.

### Our review and reassessment of materiality

Our Annual Audit Plan explained that our audit procedures would be performed using a materiality of £36,000. We reassessed our materiality based on the Cabinet's financial statement for the year 2023/24. As a result of increased expenditure in the year, our materiality was revised to £47,000. This increase reflects the final yearend outturn compared to the figures used in our planning procedures.

We consider misstatements greater than 2% of the gross expenditure to be material. Our evaluation requires professional judgement and so takes into account qualitative as well as quantitative considerations.

Our key considerations and materiality values are set out in **Exhibit 1**, on the following page.

### Audit Status

We have completed our audit of the Cabinet financial statements for the year ended 31 March 2024 and have performed the procedures outlined in our Audit Planning Report.

## 2. Financial Statement Audit (continued)

### Exhibit 1: Materiality Assessment in 2023/24

Element	Explanation	Value
<b>Year-end materiality</b>	<p>The amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.</p> <p>This represents 2% (PY: 2%) of the <b>Cabinet's</b> Gross Expenditure.</p>	£47,000
<b>Performance materiality</b>	<p>Materiality at an individual account balance, which is set to reduce the risk that the aggregate of uncorrected and undetected misstatements exceeds Year-end Materiality to an acceptably low level.</p> <p>We have set it at 50% (PY: 50%) of planning materiality. This level reflects our risk assessment for prior year audit results and the significant amount of adjustments identified.</p>	£23,500
<b>Reporting Level</b>	<p>The amount below which misstatements whether individually or accumulated with other misstatements, would not have a material effect on the financial statements.</p>	£2,350

#### Specific Materiality

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

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

## 2. Financial Statement Audit (continued)

### Our response to significant risks

#### **Risk of fraud in income expenditure recognition, including through management override of control**

As we outlined in our Annual Audit Plan, misstatements that occur in relation to the risk of fraud in income and expenditure recognition could affect the expenditure accounts.

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.

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 have identified a risk around income and expenditure recognition, specifically the accounting for contributions from participating authorities and subsequent expenditure in the correct accounting period and in line with the terms and conditions of those transactions.

### Our approach and findings

We undertook the following specific procedures:

- Inquired of management about risks of fraud and the controls to address those risks;
- Considered the effectiveness of management's controls designed to address the risk of fraud;
- Understood the oversight given by those charged with governance of management's processes over fraud;
- Examined conditions (restrictions, performance conditions) attached to the

grants and confirm correct accounting treatment against existing accounting policies and the CIPFA Code; and

- Performed additional testing on income and expenditure incurred closer to the financial yearend.

We also performed mandatory procedures regardless of specifically identified fraud risks, including:

- Substantively tested income and expenditure transactions as appropriate and material;
- Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements;
- Assessed accounting estimates for evidence of management bias; and
- Evaluated the business rationale for significant unusual transactions.

Our testing identified four unadjusted and one adjusted misstatements relating to expenditure recognition, as outlined in **Appendix D** of this report.

## | 2. Financial Statement Audit (continued)

### | Testing of journal entries

We tested the appropriateness of journal entries recorded and other adjustments made in the preparation of the financial statements.

We obtained a full list of journals posted during the year to identify potentially unusual journals based on posting patterns, amounts or areas of greater risk of judgement or incentive for management to adjust according to our identified risk areas for the audit. We evaluated the business rationale for any significant unusual transaction. In particular we considered:

- Journal entries made to key accounts which are considered more likely to have an incentive to be manipulated;
- Journals entries made around year end.

We identified no unusual journals which could not be explained by management, or which indicated any additional risk of fraud.

### | Judgements and Estimates

There are no material accounting estimates included in the financial statements that have a direct impact of the Cabinet's financial statements.

We considered the consistency and application of accounting policies, and the overall presentation of financial information. We consider the accounting policies adopted by the Cabinet to be appropriate. There were no significant accounting practices which materially depart from what is acceptable under the CIPFA code.

We have not identified any material weaknesses in the design and implementation of controls around journal processing. We did not identify any instances of evidence of management override of controls.

### | Accounting policies

## 2. Financial Statement Audit (continued)

### ISA 315

ISA 315 deals with the auditor's responsibility to identify and assess the risks of material misstatement in the financial statements.

Increased scope in risk identification and assessment to promote better responses to the identified risks with:

- Increased focus on understanding the IT environment – for all audits regardless of audit strategy;
- New requirement to identify IT applications and the associated IT risks and evaluate the IT general controls;
- Specific requirements for inherent risk assessments;
- Strengthened audit documentation requirements.

The Cabinet's IT environment is supported by Glasgow City Council which is the administering body responsible for the Joint Committee.

We identified IT processes that support the relevant IT applications and other IT environment components.

An IT process is defined as a set of activities that are performed to enable an IT environment to meet the needs of the business (e.g., making a change to software, providing and removing the access of users, monitoring the operation of computer programs).

As part of procedures performed we did not identify control deficiencies that are considered to be significant deficiencies. We did however note that an ongoing ICT issue at Glasgow City Council has been highlighted by the Chief Internal Auditor within the Annual Governance Statement. The Council is working with the ICT provider to complete a lessons

learned review. The impact on the Joint Committee was limited, with manual processes being implemented to prevent any delays to payments.

Given the simple nature of the Cabinet accounting activity, including the small volume of transactions and lack of complexity in accounting arrangements, we do not anticipate any issues in internal control environment in light of ISA 315.

## | 2. Financial Statement Audit (continued)

### | Going concern

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.

The Cabinet prepares its financial statements on a going concern basis.

Management's going concern assessment and associated disclosures cover the period following approval of the financial statements, to March 2026. After completing its going concern assessment the Cabinet has concluded that there are no material uncertainties around its going concern status.

We have outlined our consideration of the Cabinet's financial position going forward in the financial sustainability section of this report. We considered this in conjunction with management's assessment on going concern,

focusing on:

- The completeness of factors considered in management's going concern assessment.
- The completeness of disclosures in the financial statements in relation to going concern and future financial pressures and how savings challenges in the short and medium term will be addressed.

We concur with management's assessment that there are no material uncertainties in relation to the going concern of the Cabinet.

## 2. Financial Statement Audit (continued)

### Our audit opinion

Element of our opinion	Basis of our opinion	Conclusions
<b>Financial statements</b> <ul style="list-style-type: none"> <li>• True and fair view of the state of affairs of the <b>Joint Committee</b> at 31 March 2024 and of its income and expenditure for the year then ended</li> <li>• Financial statements in accordance with the relevant financial reporting framework and 2023/24 Code</li> </ul>	<p>We report on the outcomes of our audit procedures to respond to our assessed risk of misstatements, including significant risks within this section of our report. We did not identify any areas of material misstatement.</p> <p>We are satisfied that accounting policies are appropriate and estimates are reasonable.</p> <p>We have considered the financial statements against the financial reporting requirements, and additional guidance issued by the CIPFA Code and Audit Scotland.</p>	<p>We issued an unqualified audit opinion on the 2023/24 financial statements for the <b>Joint Committee</b>.</p>
<b>Going concern</b> We are required to conclude and report on the appropriateness of the use of the going concern basis of accounting	<p>We conduct core financial statements audit work, including management's assessment of the appropriateness of the going concern basis.</p> <p>Wider scope procedures, including financial forecasts are considered as part of our work on financial sustainability.</p>	<p>In accordance with the work reported in this report, our audit opinion is unqualified in this respect.</p>
<b>Other information</b> We consider whether the other information in the financial statements is materially inconsistent with other knowledge obtained during the audit	<p>We conduct a range of substantive procedures on the financial statements. Our conclusion draws upon:</p> <ul style="list-style-type: none"> <li>• Review of committee minutes and papers, regular discussions with management, our understanding of the <b>Joint Committee</b> and the wider sector.</li> </ul>	<p>We are satisfied that the annual report materially meets the core requirements set out by the CIPFA Code.</p>

## 2. Financial Statement Audit (continued)

### Our audit opinion - continued

Element of our opinion	Basis of our opinion	Conclusions
<b>Matters prescribed by the Accounts Commission</b> <ul style="list-style-type: none"> <li>Audited part of the Remuneration Report has been properly prepared.</li> <li>Management commentary / annual governance statement are consistent with the financial statements and have been properly prepared</li> </ul>	Our procedures include: <ul style="list-style-type: none"> <li>Reviewing the content of narrative disclosures to information known to us.</li> <li>Our assessment of the Annual Governance Statement against the requirements of the CIPFA Code.</li> </ul>	We have no matters to report.
<b>Matters on which we are required to report by exception</b>	We are required to report on whether: <ul style="list-style-type: none"> <li>adequate accounting records have not been kept; or</li> <li>the financial statements and the audited part of the Remuneration Report are not in agreement with the accounting records; or</li> <li>We have not received all the information and explanations we require for our audit.</li> </ul>	We have no matters to report.

# 3. Wider Scope Dimensions

## Introduction

In line with the Audit Scotland Code of Audit Practice (2021), we have determined the Cabinet meets the definition of a less complex public body. The audit of the wider-scope and Best Value in an audited body which meets the definition of a less complex body under the CIPFA Code may be limited to:

- a review of the Annual Governance Statement;
- concluding on the financial sustainability of the body and the services that it delivers over the medium to longer term and;
- for local government bodies, reporting on the arrangements for securing Best Value.

We are required to reach conclusions in relation to the effectiveness and appropriateness of the Cabinet's arrangements for the two wider scope audit dimensions for less complex-public sector bodies in Scotland.

We apply our professional judgement to risk assess and focus our work on each of the wider scope dimensions. For each of the dimensions, we have applied a RAG rating, which represents our assessment on the adequacy of the Cabinet's arrangements throughout the year, as well as the overall areas of improvement and future risk associated with each dimension.

- **Financial Sustainability:** Considers the medium and longer term outlook to determine if planning is effective to support future

activity.

- **Vision, strategy and Governance:** Considers the effectiveness of scrutiny and governance arrangements and the transparent reporting of financial and performance information, in particular through the Annual Governance Statement.

We are required to comment on how effectively, in our view, the Cabinet demonstrates that it meets its Best Value responsibilities. The conclusions that we reach on the wider scope areas contribute to this consideration. We expect to develop our understanding of how the Cabinet meets its Best Value responsibilities over the course of our appointment.

Our assessment in 2023/24 therefore reflects the work conducted to support our wider scope responsibilities.

# 3. Wider Scope Dimensions (continued)

## Financial Sustainability

**Our overall assessment:**  
**Green**



The Cabinet reported a surplus of £1.93 million to be carried forward to 2024/25 (2022/23: £1.39 million surplus carried forward to 2023/24). We were satisfied that the Cabinet's financial monitoring and reporting was clear and consistent throughout the year.

The Cabinet has established budget monitoring arrangements. Performance against budget is reported to the Joint committees on a quarterly basis. We are satisfied that the core financial management arrangements were not materially impacted as a result of Covid-19 or other external pressures, with clear financial reporting continuing throughout the year.

The Cabinet continue to provide opportunities and support for the Region's business and communities over its lifetime to 31 March 2035.

## Financial performance and monitoring

The main financial objective of the Cabinet is to ensure that the financial outturn of the Project Management Office (PMO) for the year is within the agreed budget.

The Cabinet reported a significant surplus of £1.93 million which was carry forward to 2024/25 (2022/23: £1.39 million surplus carry forward to 2023/24). The Cabinet recorded an overspend of £0.61 million against the 2023/24 expenditure budget, principally due to higher salary costs.

The budget is balanced each year, with expenditure projected and funding used to offset it. This was £1.75 million in the 2023/24 budget. It was subsequently agreed that the member contributions would not increase from 2022/23 to 2023/24 and will remain £1.35 million with the deficit financed from the brought forward credit charge of £1.39 million. The total budget for 2024/25 is £2.11 million which is an increase of

£0.36 million from 2023/24.

Performance against budget is reported to the Cabinet on a quarterly basis via the performance reports. These reports cover service performance and progress against delivering infrastructure projects as well as performance against budget.

They are sufficiently detailed to allow Cabinet members to effectively scrutinise the performance of the PMO against budget. They broadly follow the same reporting format as the income and expenditure statement in the annual accounts and therefore there is consistency between internal and external reporting.

We were satisfied that the quality of reporting information provided to key decision makers is sufficient for effective decision making.

## Long-term financial planning

The Cabinet budget is set annually and there is not a formal long-term financial plan, given the size and complexity of the Cabinet. The fact that the PMO is funded from member contributions provides security over future funding.

The PMO also has a carried forward surplus of £1.39 million from the prior years and a carried forward surplus of £1.93 million from the current year. This provides headroom for additional expenditure should it materialise going forward.

In 2024/25 members will contribute £1.35 million which is at the same level as in 2023/24. Cash payments will remain consistent with the increase funded from any interest income accruing from grants received in 2023/24. Any further costs would be funded from carry forward balances.

# 3. Wider Scope Dimensions (continued)

## Vision, Leadership and Governance

**Our overall assessment:**  
**Green**



The key features of good governance are in place at the Cabinet and have been operating effectively throughout the year, and are reflected in the Annual Governance Statement within the financial statements.

All planned internal audit assignments were completed in 2023/24 with no findings requiring urgent attention from management. Internal audit concluded that adequate and effective governance arrangements were in place during the year.

### Annual Governance Statement

The key aspects of governance arrangements require to be disclosed in the Annual Governance Statement within the financial statements. We reviewed the governance statement against the requirements in accordance with Delivering Good Governance in Local Government: Framework (2016).

This includes the requirements to conclude on the Cabinet's compliance with Local Authority Accounts (Scotland) Regulations 2014, or to explain any areas of non-compliance. Our consideration of the governance statement has included:

- Ensuring that the Cabinet has met all requirements of the CIPFA Code; and
- Ensuring that the content of the statement is consistent with our understanding of the Cabinet's governance arrangements and any issues identified during the year.

We were satisfied that it was consistent with both the governance framework, key findings from relevant audit activity and management's assessment of its own compliance with the CIPFA

Code.

### Update of previously reported issues

There were no previously reported issues.

### Internal audit activity in the year

Internal audit's opinion for the year was based on its agreed audit plan, as approved by the Cabinet. Internal audit services are provided by Internal audit of Glasgow City Council and all planned assignments were completed during the year. The Internal auditor issued reports in the year in relation to:

- Relationship Management and Stakeholder Engagement
- Financial Monitoring

There were no issues reported by the internal audit in respect of the Cabinet.

The Cabinet disclosed within the Annual Governance Statement that no significant governance issues have been reported by the Internal Auditor.

# | 3. Wider Scope Dimensions (continued)

## | **Systems of internal control**

Within the Annual Governance Statement, the Cabinet has concluded that they have obtained assurance that the system of internal control was operating effectively during the year with no exceptions or issues identified.

Through our audit of the financial statements, we consider the design and implementation of key controls related to areas of significant risk to the financial statements. This work has included documenting the key internal financial controls and performing walkthroughs to ensure controls are implemented as designed.

We undertook an initial assessment of the financial control environment as part of our planning work in April 2024, and updated our understanding as part of the year-end audit. Our work did not identify any significant weaknesses in the Cabinet's systems of internal control.

Previously noted number of ongoing matters at the Council which have the potential to impact the systems of internal control at the Cabinet is mitigated by the simple nature of the Cabinet activity, including the small volume of transactions and lack of complexity in accounting arrangements. On this basis we consider the

system of internal controls to be effective.

# | Appendices

A – Code of Audit Practice: responsibilities

B – Independence and audit quality

C – Required communications

D – Summary of errors identified during the audit

E – Action plan, including follow up on prior year recommendations

F – Timing and deliverables of the audit

### **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.

## | Appendix A: Code of Audit Practice Responsibilities (continued)

### | **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.

## | Appendix A: Code of Audit Practice Responsibilities (continued)

### | 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.

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.

### **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

## | Appendix B: Independence and audit quality

### 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

#### | 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.

#### | Confirmations

We are not aware of any inconsistencies between the Cabinet's policy for the supply of non-audit services and FRC Ethical Standard. We are not aware of any apparent breach of that policy.

We confirm that, in our professional judgment, Ernst & Young is independent, our integrity and objectivity is not compromised and we have complied with the FRC Ethical Standard.

We confirm that your engagement team (partner, senior manager and all others involved with the audit) and others within the firm, the firm and network firms have complied with relevant ethical requirements regarding independence.

## | Appendix B: Independence and audit quality (continued)

### | Audit fees

	2023/24	2022/23
<b>Component of fee:</b>		
Total agreed auditor remuneration	<b>£10,560</b>	<b>£9,960</b>
Additional audit procedures (see below)	<b>£5,100</b>	<b>£9,000</b>
Audit Scotland fixed charges:		
<b>Total fee</b>	<b>£15,660</b>	<b>£18,960</b>

The expected fee for each body, set by Audit Scotland, assumes that it has sound governance arrangements in place and operating effectively throughout the year, prepares comprehensive and accurate draft financial statements and meets the agreed timetable for the audit. It also assumes there is no major change in respect of the scope of work in the year.

Through the 2023/24 audit cycle we have discussed with management areas of the audit which required additional work beyond that usually anticipated for the Cabinet annual audit process. These areas related additional procedures to mitigate the lack of internal quality assurance around the financial statement preparation process, and reduced materiality levels from our expected year 2 level, reflecting the level of audit differences identified in previous years. For these areas we have communicated the fee variation noted in the table above separately with management and Audit Scotland, based on the additional time required at the Audit Scotland day rates per our appointment through the 2021 tender process.

## Appendix C: Required Communications

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

		Our Reporting to you
Required communications	What is reported?	When and where
Terms of engagement	Confirmation by the Joint 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 results 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.	Annual planning report  This audit results report
Significant findings from the audit	<ul style="list-style-type: none"> <li>▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>▶ Significant difficulties, if any, encountered during the audit</li> <li>▶ Significant matters, if any, arising from the audit that were discussed with management</li> <li>▶ Written representations that we are seeking</li> <li>▶ Expected modifications to the audit report</li> <li>▶ Other matters if any, significant to the oversight of the financial reporting process</li> <li>▶ Findings and issues regarding the opening balance on initial audits</li> </ul>	This audit results report

## Appendix C: Required Communications (continued)

		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"> <li>▶ Whether the events or conditions constitute a material uncertainty;</li> <li>▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements; and,</li> <li>▶ The adequacy of related disclosures in the financial statements.</li> </ul>	This audit results report
Misstatements	<ul style="list-style-type: none"> <li>▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation;</li> <li>▶ The effect of uncorrected misstatements related to prior periods;</li> <li>▶ A request that any uncorrected misstatement be corrected;</li> <li>▶ Corrected misstatements that are significant; and,</li> <li>▶ Material misstatements corrected by management.</li> </ul>	This audit results report
Fraud	<ul style="list-style-type: none"> <li>▶ Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity;</li> <li>▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist; and,</li> <li>▶ A discussion of any other matters related to fraud.</li> </ul>	This audit results report
Internal controls	Significant deficiencies in internal controls identified during the audit.	This audit results report

## Appendix C: Required Communications (continued)

		Our Reporting to you
Required communications	What is reported?	When and where
Related parties	<ul style="list-style-type: none"> <li>▶ Significant matters arising during the audit in connection with the entity's related parties including, when applicable:               <ul style="list-style-type: none"> <li>▶ Non-disclosure by management;</li> <li>▶ Inappropriate authorisation and approval of transactions;</li> <li>▶ Disagreement over disclosures;</li> <li>▶ Non-compliance with laws and regulations; and,</li> <li>▶ Difficulty in identifying the party that ultimately controls the entity.</li> </ul> </li> </ul>	This Audit results report
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"> <li>▶ The principal threats</li> <li>▶ Safeguards adopted and their effectiveness</li> <li>▶ An overall assessment of threats and safeguards; and,</li> <li>▶ Information about the general policies and process within the firm to maintain objectivity and independence.</li> </ul>	This Audit results report
External confirmations	<ul style="list-style-type: none"> <li>▶ Management's refusal for us to request confirmations.</li> <li>▶ Inability to obtain relevant and reliable audit evidence from other procedures.</li> </ul>	This Audit results report
Representations	Written representations we are requesting from management and/or those charged with governance.	This Audit results report

## Appendix C: Required Communications (continued)

		Our Reporting to you
Required communications	What is reported?	When and where
Consideration of laws and regulations	<ul style="list-style-type: none"> <li>▶ 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.</li> <li>▶ Enquiry of the Joint Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Joint Committee may be aware of.</li> </ul>	This Audit results report
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise.	This Audit results report
Auditors report	Any circumstances identified that affect the form and content of our auditor's report.	This Audit results report
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.	This Audit results report
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 CIPFA Code.	This Audit results report

## | Appendix D: Summary of errors identified during the audit

This appendix sets out the significant adjustments processed as part of finalisation of the financial statements. There were three unadjusted audit differences identified above our reporting threshold which are disclosed below. Individually all balances are above our reporting threshold but below our materiality, and the net impact is also immaterial.

Unadjusted differences			
No.	Description	Income and Expenditure Impact / £	Balance Sheet Impact / £
1	Transaction not accrued for at Yearend, with invoice being received post YE. To increase expenditure and Creditors.	£4,500	(£4,500)
2	Audit Fee Accrual required to match increase in Fee. To increase expenditure and Creditors.	£5,100	(£5,100)
3	To remove expenditure and account as a prepayment as invoice relates to two periods.	(£5,000)	£5,000

In addition to the accounting adjustments identified above, one adjusted audit difference in respect of the financial statements' disclosures were identified above our reporting threshold which are set out on the following page.

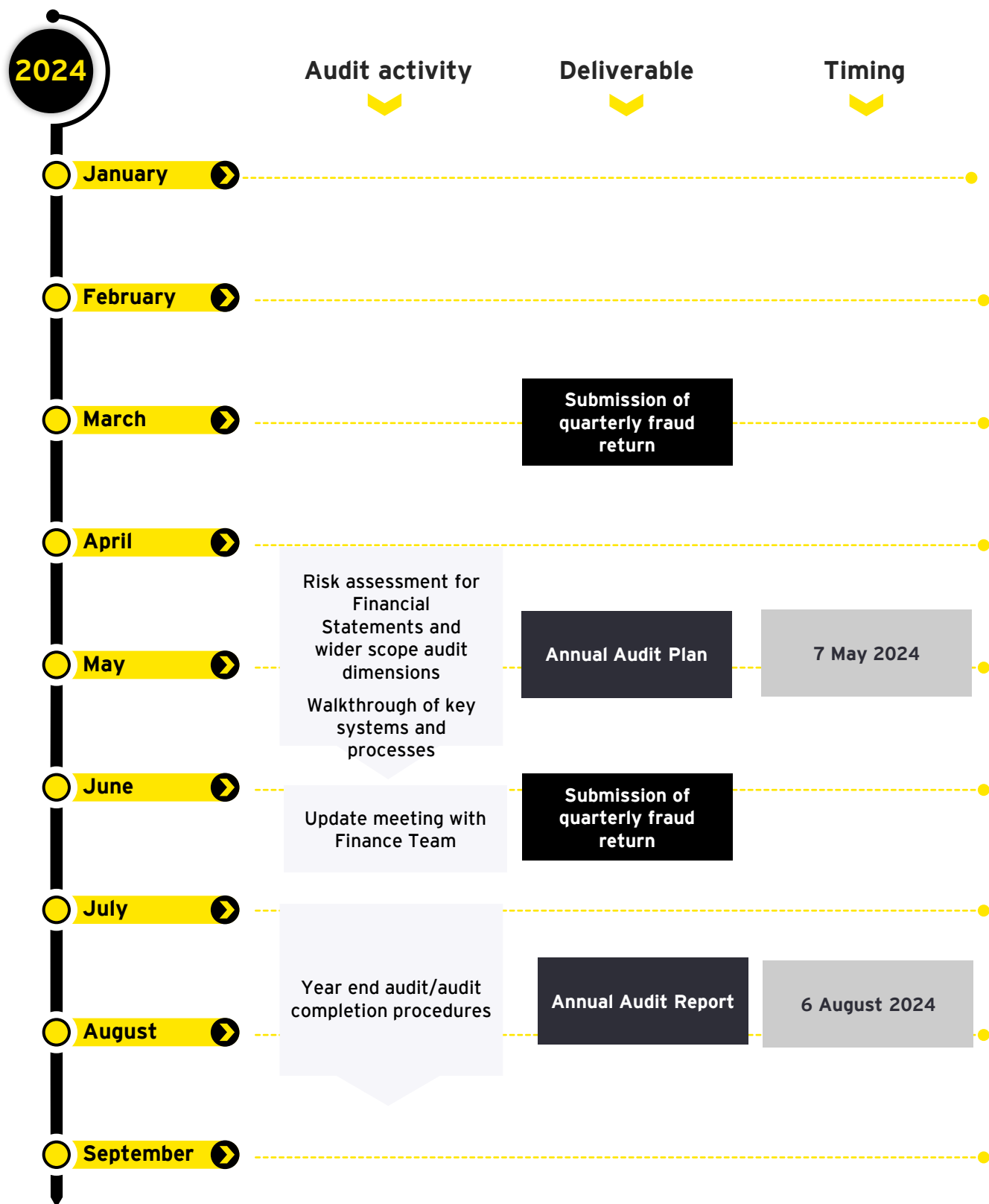
Adjusted differences (financial statements disclosures)		
No.	Description	Impact
1	Reclassification of the salary recharges between Supplies and Services and the Salary Costs line within Note 3.	Increase in Salary Costs by £93k and reduction in Supplies and Services by the same value.

## Appendix E: Action plan and recommendations

This action plan summarises specific recommendations included elsewhere within this Annual Audit Report. We have graded these findings according to our consideration of their priority for the **Cabinet** or management to action.

Classification of recommendations			
	<b>Grade 1:</b> Key risks and / or significant deficiencies which are critical to the achievement of strategic objectives. Consequently, management needs to address and seek resolution urgently.	<b>Grade 2:</b> Risks or potential weaknesses which impact on individual objectives, or impact the operation of a single process, and so require prompt but not immediate action by management.	<b>Grade 3:</b> Less significant issues and / or areas for improvement which we consider merit attention but do not require to be prioritised by management.
No	Findings / risk / grading	Recommendation / 2023 update	Management response / Implementation timeframe
2023/24 Recommendations			
1	<p>A key mitigation against potential non-compliance with financial statement disclosure requirements is a thorough internal quality assurance process, including the completion of a detailed disclosure checklist by management in advance of the audit process.</p> <p><b>Grade 2</b></p>	<p>We recommended management regularly review Guidance Notes to Practitioners and other recommendations provided by the CIPFA Code in respect of the financial statement.</p> <p>We also recommend management to complete Code of Practice on Local Authority Accounting UK Disclosure Checklist while preparing Financial statement.</p>	<p><b>Management Response:</b></p> <p>The Cabinet is subject to Glasgow City Council's governance arrangements, policies and procedures.</p> <p>Financial management and control arrangements within the council are also applicable to the Cabinet. The transactions and balances of the Cabinet are accounted for in accordance with Glasgow City Council's accounting policies and procedures, having regard to the Code of Practice on Local Authority Accounting UK.</p> <p>As such, reliance is placed on the Council, and it is not deemed an appropriate use of resources for this task to be undertaken for the Cabinet.</p> <p><b>Responsible Officer:</b> n/a</p> <p><b>Implementation date:</b> n/a</p>

## | Appendix F: Timing and deliverables of the audit



#### About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

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