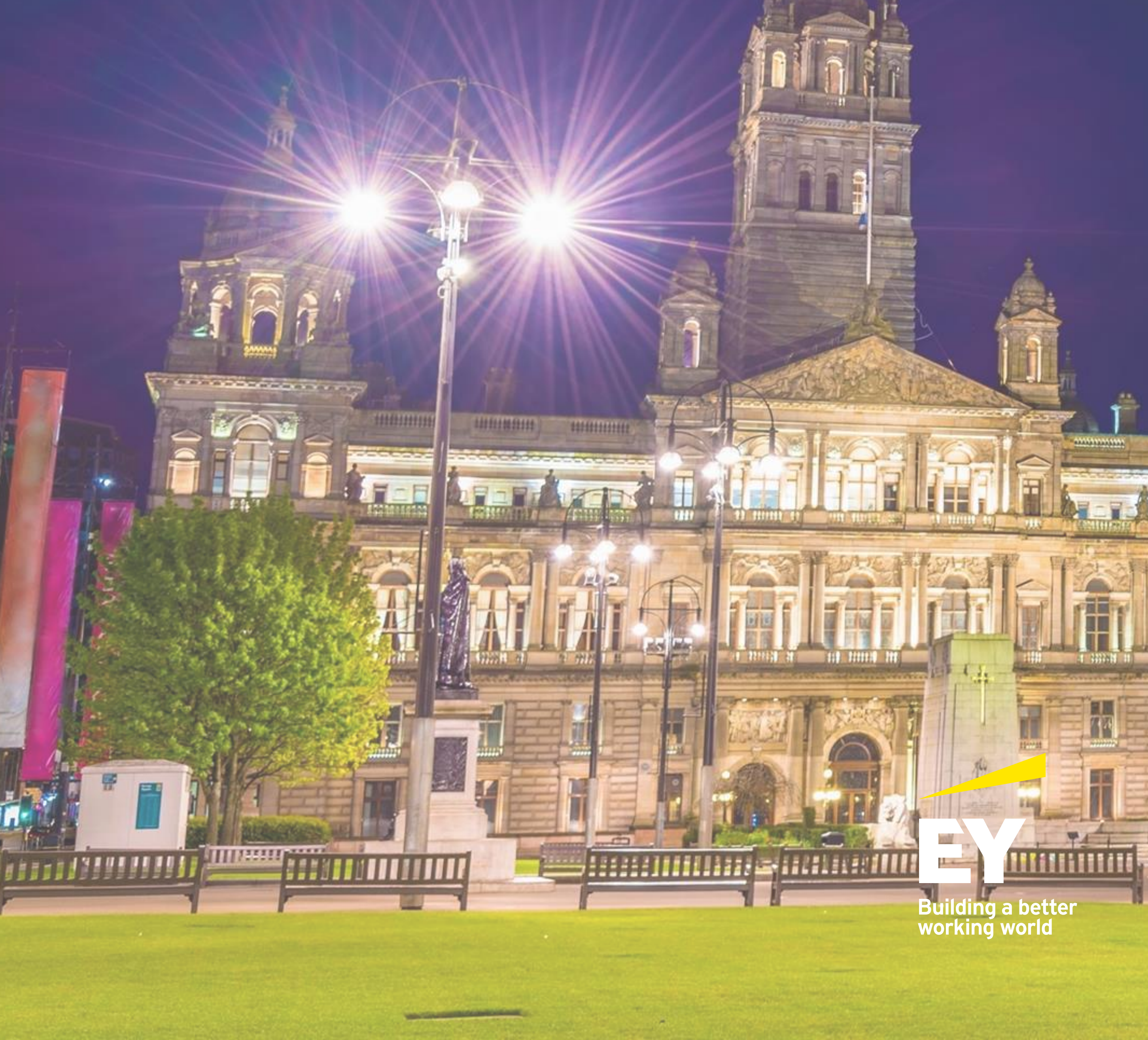
Glasgow City Council

Annual Audit Plan
Year ended 31 March 2025
18 June 2025



Building a better working world

This plan

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. Responsibility for compliance is with the body publishing the document.

Contents

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 2025. 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. In our 2023/24 audit report, 10 recommendations were marked as incomplete with 20 as partially completed. Of these 19 were Grade 1, 10 were Grade 2 and 1 was Grade 3.

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, in accordance with applicable law and the 2024/25 Code of Accounting Practice, of the income and expenditure of the Council and its group as at 31 March 2025; and
- Have been properly prepared in accordance with IFRSs, as interpreted and adapted by the 2024/25 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.

Revisions to auditing and accounting standards

In 2024/25, we will respond to an updated International Auditing Standard, ISA (UK) 600 (Revised). We have therefore tailored our audit scope to respond to identified risks that impact group conclusions, and this will influence the extent of procedures undertaken. We note on page 27 that IFRS 16 Leases has been adopted in the 2024/25 CIPFA Code of Practice on Local Authority Accounting and the Council will implement it from 1 April 2024.

Materiality Assessment

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 2024/25

Group Planning Materiality	**Group Performance Materiality**	**Reporting Threshold**
Overall materiality for the financial statements based on 1% of the Group's gross expenditure less IJB contributions	We have provisionally assessed performance materiality at 75% of overall materiality for the financial statements.	Level of error that we will report to the Finance and Audit Scrutiny Committee. This is set at 5% of planning materiality.
£32 million	£24 million	£1.6 million

We provide further detail on the levels of materiality for the Group and Council on page 18. Based on our understanding of the expectations of financial statement users, we apply a lower materiality level to some areas, including 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 continue to report on how the Council demonstrates that it has Best Value arrangements in place to secure continuous improvement throughout our remaining appointment. The thematic work that has been prescribed by the Accounts Commission for 2024/25 is on transformation.

Exhibit 2: Summary of significant risks identified for the audit in 2024/25

Five 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)	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. 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. 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.
2. Misstatement due to fraud or error (fraud risk)	As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud due to the ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively.
3. Valuation of property, plant and equipment and investment property	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. We identified 3 misstatements in 2023/24 in respect of the valuation of property, plant and equipment. The most significant of which related to a Council working paper error for sale and leaseback assets. This error resulted in land being double counted and an overstatement of sale and leaseback assets of £77.9 million.

Exhibit 2: Summary of significant risks identified for the audit in 2024/25

4. Valuation of pension assets and liabilities	The Group and Council's net pension asset/liability, measured as the sum of the long-term payments due to members as they retire against the Group and Council's share of the Strathclyde Pension Fund investments, is a material balance in the Council financial statements. This continues to be a significant risk as 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. CIPFA has provided guidance (Bulletin 15) on recognising a net defined benefit asset in accordance with IFRC 14 when the pension fund reports a surplus. As part of our 2023/24 audit, we identified two adjustments from our procedures in relation to recognising the impact of the equal pay settlement on the IAS 19 pension valuation and in respect of the pension asset recognition for subsidiary and joint venture entities. The Group and Council also recognises separately an unfunded pension liability. As of 31 March 2024, this totalled £271 million for the Council and £278 million for the Group.
5. Implementation of IFRS 16 and its effect on the valuation of PPP & DBFM Contracts	CIPFA has confirmed that there will be no further delay of the introduction of the leases standard IFRS 16 and therefore IFRS 16 Leases is applicable in Local Government for the period beginning 1 April 2024. The Council will therefore transition to IFRS 16 from 1 April 2024. As a result, assets being used by the authority under operating leases are likely to be capitalised along with an associated lease liability. PPP and DBFM contracts will also have new remeasurement requirements. Successful transition will depend on the Council having captured additional information about leases, both new and existing, especially regarding future minimum lease payments. We anticipate this standard to have a material impact on both the Council and Group with a key focus being the completeness of this assessment.

Exhibit 3: Summary of risks of material misstatement identified for the audit in 2024/25

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

1. Existence of property, plant and equipment	The Council holds material infrastructure assets (2023/24: £836.5 million) as well as vehicles, plant, furniture and equipment (2023/24 £75.3 million). 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 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 councils will continue to address information deficits to ensure timely adoption of future Code requirements once a more permanent solution is determined. Regarding vehicles, plant, furniture and equipment, challenges were encountered in prior years in obtaining sufficient detail from the fixed asset register and underlying records to identify individual assets which could be verified. Further challenges were encountered with some records for IT related assets being held by the Council's IT provider. Due to difficulties encountered in obtaining sufficient evidence to support the ongoing existence of equipment, a judgemental impairment difference of £5.6 million was identified.

Exhibit 4: Other areas of focus identified for the audit in 2024/25

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

1. LEZ	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 financial statements of the authority for the financial year. In 2023/24, the Council included an LEZ disclosure within their financial statements, being the first local authority to prepare disclosures under these regulations. From our review, we identified that employee costs were misstated for both 2022/23 and 2023/24. In August 2024, LASAAC issued guidance on the proper accounting practice for disclosing Low Emission Zone (LEZ) information that was voluntary for implementation in the prior year due to the late release. However, it is expected to become mandatory for the Council to align their disclosures to the released guidance as LASAAC seeks to issue an update on this in time for the preparation of the 2024/25 financial statements.
2. Pay and grading implementation	The Council has formed a pay and grading structure project (the PGS project) to implement the new pay and grading structure. Despite making progress, the implementation of the new pay and grading structure has been delayed, with a revised implementation date still to be agreed. Once the Council has implemented its new pay and grading structure it is preparing for a level of appropriate backdating of pay for the period between October 2023 and implementation. The impact of this will depend on the results of the job evaluation exercise. As a result, additional liabilities relating to 2024/25 could therefore be identified, which may have an accounting impact on the 2024/25 financial statements. A provision to account for backdated pay relating to 2023/24 and 2024/25 should be recognised assuming a reliable estimate can be made of the amount of the obligation. The Council has not yet recorded a provision in respect of this matter as the obligation to date has not been able to be reliably estimated.

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

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

1. Financial Sustainability: Development of longer term financial strategy	The Council continues to face significant risks in the medium and longer term, including its ability to generate new sources of income at the pace required within the budget, and financial implications of the new Pay and Grading scheme, including backdated pay, projected rates of homelessness within the City and the wider external funding uncertainty. There is a need for a robust longer-term financial strategy to demonstrate how Council priorities will be achieved across a range of scenarios. The Council's 2025/26 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. The Council has targeted £50.7 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 2025/26, a total of £23.2 million of revenue saving options were identified alongside revenue investment of £15 million. Failure or delays in the achievement of the plans will therefore place additional pressure on required savings in future years. The Budget Support Fund continues to be utilised to support budget pressures with the Fund projected to reduce to £39 million at 31 March 2025.

2. Financial Sustainability: 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 implementation date has been delayed, with no new implementation date set. Significant risks remain about the timescales for delivery and future liabilities for the Council.

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

3. Vision, Leadership and Governance: Group governance arrangements	The Council has a significant number of subsidiary and joint ventures who support the overall delivery of the Council's strategic objectives. 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. 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. A review of outstanding actions is underway by management which relate to the future strategy of the joint venture. The 2023/24 Annual Governance Statement also highlighted improvement areas at SEC in respect of health and safety. Both matters highlight the importance of a robust, proactive framework for monitoring of Group entities and determining what lessons can be learned across the Group.

4. Vision, Leadership and Governance: ICT Governance	There continues to be a significant risk of cyber-attacks to public bodies. Several recent incidents, including specifically at Scottish local authorities, 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. The Council has significant ICT dependent projects underway including the Road to Multi-Source (R2MS), the SAP replacement programme and pay and grading. The R2MS project has appointed the network provider and is going through the tender process for the other key service towers. The SAP replacement project has awarded the software provider and is currently undergoing the tender for the system implementor.

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

5. Vision, Leadership and Governance: Exit arrangements follow-up	The Council was unable to demonstrate effective scrutiny, governance and transparency in decision making or value for money in respect of the exit of 5 senior officers over the course of a three-year period between 2021 and 2024. The Council has begun making amendments to governance arrangements and policy in respect of early retirement and voluntary redundancy however further work will be required to ensure that such arrangements are adhered to and the Nolan principles upheld in future. The matter will be subject to a Section 102 report to the Accounts Commission in August 2025. We will assess progress made by the Council in addressing recommendations both from the prior year audit, Brodies report and the Section 102 report.

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 2024/25, the Accounts Commission has directed auditors to report on transformation. We will also follow up the agreed action plan for the 2023/24 best value findings.

Best Value Thematic Review: Transformation	The Accounts Commission has asked auditors to consider how the Council is responding to the current transformation challenges: 1. To what extent does the Council have clear plans for transformation that link to its priorities and support long-term financial sustainability? 2. To what extent do the Council's programme management arrangements facilitate effective oversight of its transformation plans? 3. To what extent are communities and partners involved in the development and delivery of the Council's plans for transformation? 4. To what extent has the Council considered the impact of its transformation activity, including on vulnerable or protected groups?

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 2024/25

In January 2025, the Accounts Commission published its annual report on Local Government finances in Scotland (Local government in Scotland: Financial bulletin). 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 3.3% in real terms compared to 2022/23.

Councils are reliant on Scottish Government funding, which makes up over 60% of income. Scottish Government core revenue funding increased by 4.2% in cash terms but noted a 1.8% reduction in real terms between 2022/23 and 2023/24. A large proportion of this funding is typically either formally ringfenced or provided on the expectation that it will be spent on specific services and national policy objectives. While ring fenced funding 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.

Audit Scotland calculated ringfenced money to represent 21% of total revenue funding in 2023/24. This represents a reduction as compared to 2022/23 following a commitment in the Verity House Agreement to reduce the level of ring-fenced funding (unless there is a clear and mutual rationale for the funding being established in such a way), with several previously ring-fenced or directed items being baselined into the general revenue grant.

Income from customer and client receipts reduced significantly during the Covid-19 pandemic and has not returned to previous levels, with a 12% decrease noted in comparison to 2019/20. This income covers a broad range of services, including waste and parking, however income generation and the councils' limited ability to increase income is often cited as a risk to financial sustainability.

Looking ahead, the Accounts Commission notes that councils are increasingly reliant on identifying savings, which becomes progressively difficult year-on-year, resulting in an increase in unplanned use of reserves to manage budget pressures (12 out of 29 councils in 2023/24).

Local government budgets 2025/26

In May 2025, the Accounts Commission published a budget briefing summarising the key issues arising from analysis of 2025/26 budgets which were agreed by Scotland's 32 councils (Local Government Budgets 2025/26).

In 2025/26, Scotland's councils, including Glasgow City Council, are facing significant financial pressures due to inflation, rising costs, and increasing demand for services. The Scottish Government funding to councils has increased by 6% in real terms to £15.2 billion, with councils approving £18 billion in net revenue budgets and £4.7 billion in capital budgets. Despite this, a combined revenue budget gap of £647 million was identified across councils, with Glasgow City Council reporting a £49.2 million gap.

Local government budgets 2025/26 (cont'd)

To bridge these gaps, councils have implemented measures such as council tax increases, with Glasgow City Council implementing a 7.5% increase, generating an additional £20.25 million.

Additionally, councils have approved recurring savings and utilised reserves, with Glasgow City Council contributing £26.2 million in savings and using £23 million in other bridging actions. Capital investment and borrowing remains significant, with councils allocating £1.5 billion to Housing Revenue Accounts, including £656 million for new builds and £521 million for refurbishments. Social care budgets account for 23% of total revenue, with financial risks due to reliance on non-recurring income and low reserve levels in Integrated Joint Boards (IJBs).

Community engagement and transparency in budget-setting processes have been emphasised, with Glasgow City Council consulting residents and completing Equality Impact Assessments. However, the future outlook remains challenging, with projected cumulative revenue gaps and sustainability concerns due to continued reliance on reserves and non-recurring savings.

Scottish budget

Local government is the second largest area of Scottish Government spending. In December 2024, the Scottish Government published the Scottish Budget. The budget addressed plans only for 2025 to 2026, 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:

- Increase local government funding by over £1 billion from 2024/25 to 2025/26, including a £289 million increase on the General Revenue Grant.
- Not implement a council tax freeze or cap for 2025/26, having provided funding of £147 million in the prior year to fund the announced council tax freeze, which was described as equivalent to a 5% increase. As a result, councils across Scotland are in the process of implementing council tax increases, ranging from 6% to 15.6%.

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 2024/25 Code of Practice on Local Authority Accounting in the United Kingdom ("the 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 2025 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 2024/25 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 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.

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.

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

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud, error or design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Audit Approach continued

- 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.
- 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 the Council.

Materiality

For 2024/25, Group materiality for has been set at £32 million (2023/24: £32 million) with Council materiality at £30 million (2023/24: £30 million). This represents 1% of the Group and Council's audited 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 is set to reduce the risk that the aggregate of uncorrected and undetected misstatements exceeds Planning Materiality to an acceptably low level. For the Group and Council this is set at 75% of overall materiality (2023/24: 50%). The movement in level is based on:

- Fewer misstatements identified in 2023/24 when compared to 2022/23 and improvements in the quality of financial statement working papers.
- Specific procedures performed at lower materiality thresholds over significant risks, risks of material misstatement and other areas of audit focus.
- A reduction in new audit recommendations being raised and progress in completing prior period audit recommendations. We perform additional procedures over areas associated with management recommendations.

With regards to the reporting level for 2024/25 misstatements, we have proposed setting a threshold of 5% of our overall materiality giving thresholds for Group of £1.6 million (2023/24: £1.6 million) and Council of £1.5 million (2023/24: £1.5 million). We request that the Finance and Audit Scrutiny Committee specifically consider this and confirms its understanding of, and agreement to this reporting level.

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

Our evaluation of materiality requires professional judgement and so considers qualitative as well as quantitative considerations. We have provided supplemental information about audit materiality in Appendix F.

Exhibit 6: Our assessment of materiality in 2024/25

Element	Explanation	Group Value	Council Value
Planning materiality	The amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements. This represents 1% (2023/24: 1%) of the Group and Council's audited 2023/24 Gross Expenditure excluding IJB contributions. In 2023/24 this was set at £32 million for Group and £30 million for Council.	£32 million	£30 million
Performance materiality	Materiality at an individual account balance, which is set to reduce the risk that the aggregate of uncorrected and undetected misstatements exceeds Planning Materiality to an acceptably low level. We have set this at 75% of planning materiality (2023/24: 50%).	£24 million	£22.5 million
Reporting level	The amount below which misstatements whether individually or accumulated with other misstatements, would not have a material effect on the financial statements. This is set at 5% of planning materiality, in line with 2023/24 (Group: £1.6 million and Council: £1.5 million).	£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** – Updates to requirements for the LEZ disclosure are expected for 2024/25 with LASAAC guidance expected to become mandatory. 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.

ISA (UK) 600 (revised September 2022) special considerations – Audits of group financial statements (including the work of component auditors) becomes effective for the first time in 2024/25. The revised auditing standard introduces several changes to the approach for auditing groups, moving to a risk-based approach with a focus on account level scoping. This is further described in Appendix G.

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 2023/24. While progress has been made in recent months, delays have been experienced in concluding the actions and signing the 2023/24 financial statements. Therefore, at the planning stage, it is not expected that 2024/25 will be completed in sufficient time to enable an unmodified opinion to be issued for 2024/25.

Group audit scope

The scoping of the group audit addresses the risks of material misstatement in the Council's financial statements, including those noted under 'Audit risks' and 'Other areas of audit focus'. For the year-end audit, aligned with ISA (UK) 600 (Revised), effective for periods starting on or after 15 December 2023, we have tailored our audit scope to respond to these identified risks.

In determining the scope of our audit, we consider, on an iterative basis the residual amount of balances and accounts of the group financial statements which are not included with the group scope. These amounts may comprise balances at multiple components where the balances may be material in aggregate. We perform risk assessment procedures to determine whether there is a risk of material misstatement within those amounts and our planned group audit scope is inclusive of our audit response to such residual risks of material misstatement, when applicable. We update and perform further risk assessment procedures as necessary to conclude our assessment.

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 (% coverage)	Total assets (% coverage)
Full scope (audited by EY)	92.2%	76.5%
Specific scope	6.6%	23.2%
Excluded from group scope due to opinion modification	1.2%	0.3%
Total	100%	100%

EY

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 2024/25 we have identified five 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.
- Implementation of IFRS 16 and its effect on the valuation of PPP/PFI Contracts.

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.

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 in the audited financial statements 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.

Our testing in 2023/24 resulted in 3 adjustments to misstatements relating to revenue and expenditure recognition primarily in respect of depreciation and 'gross up' of income and expenditure where internal recharges and intercompany transactions were not properly eliminated. The most significant of which related to a gross up of group debtors and creditors of £18.4 million.

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 an extended sample of grant income to ensure it satisfies recognition criteria tests; and
- 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 22;
- 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. This includes setting criteria for journals that we test including those that can be subject to management manipulation or impact Council performance;
- 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 audited 2023/24 financial statements, the Council Group held the following balances:

- £4.1 billion of property, plant and equipment with £3.1 billion relating to land and building;
- £237 million of investment property.

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.

Overall in 2023/24, we noted an improvement in the provision of information to support valuations however delays were encountered in obtaining an assessment of assets not revalued and 3 differences were noted through our procedures including one material error of £77.9 million.

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 balance which requires significant estimation and judgement.

At 31 March 2024 the asset recognised by the Council was nil and the Group was £198 million (2022/23: Council £546 million and Group £712 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 IFRC 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.

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.

As part of our 2023/24 testing, we noted that in respect of the group entities, with the exception of Strathclyde Partnership for Transport who are a scheduled body, the other group entities are all admitted bodies of Strathclyde Pension Fund. We did not consider the same asset recognition restrictions to apply to admitted bodies. As a result, we recorded an adjustment to recognise a pension asset of £293 million within the Group statements which includes a group pension asset of £198.3 million and an increase in investments in associates and joint boards of £94.7 million.

4. Valuation of Pension assets and liabilities continued

What is the risk? (continued)

Furthermore, in 2023/24 we identified that the IAS 19 valuation did not include the impact of the equal pay settlements on the Council's pension liability. Our testing of the pension fund's investments further identified an understatement of £106.5 million with the Council's share being £19.8 million.

We requested that the Council obtained an updated IAS 19 report reflecting these matters which resulted in an increase in pension liabilities of £26 million and an increase in pension assets of £33 million. This resulted in a net increase of £7 million to the net pension asset of £1,393 million with nil impact on the overall position recorded on the balance sheet due to the asset ceiling.

What work will we perform?

For pension assets and liabilities, we will:

- Liaise with the auditor of Strathclyde Pension Fund to obtain assurances over the information supplied to the actuary and confirm joint assurances in respect of employer and employee contributions;
- Engage our actuarial specialists to assess the work of the actuary (Hyman Robertson);
- Assess 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;
- 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;
- 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; and
- 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.

5. Implementation of IFRS 16 and its effect on the valuation of PPP & DBFM Contracts – (Key audit matter)

Financial statement impact

IFRS 16 Leases has been adopted in the 2024/25 CIPFA Code of Practice on Local Authority Accounting which sets out the financial reporting framework for the Council's 2024/25 accounts.

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.

What is the risk?

The Council intends to adopt IFRS 16 from 1 April 2024 and have engaged with specialists to support the recognition. We have determined that the recognition of assets under operating leases will need to be accounted for under IFRS 16.

We have discussed audit requirements with Management where we have noted that the Council plans to implement a new accounting software to help determine the appropriate disclosures for the Right-of-Use assets and the corresponding lease liabilities. One of the most significant challenges in adopting the new standard is identifying all relevant contracts and leases within the Group and Council therefore a key focus will be the completeness of management's assessment.

The Council will be required to record indexation linked payments relating to the PPP/DBFM liabilities in accordance with IFRS 16 from April 2024. This means that the liability must be remeasured if there is a change in future lease payments resulting from a change in an index/rate used to determine those payments.

Preliminary assessments performed to assess the impact of the adoption of IFRS 16 have also revealed that the Council are also facing a challenge to determine the valuation of their homelessness properties that are expected to be remeasured appropriately for purposes of IFRS 16 reporting.

What work will we perform?

For IFRS 16, we will:

- Consider the Council and Group's approach to capturing additional information about leases, both new and existing, especially regarding future minimum lease payments and cost information;
- Consider the implications of implementation from a group perspective and challenge the completeness of evidence that the Council obtain;
- Review lease agreements to determine the completeness of the information used to prepare the required disclosures;
- Review the IFRS 16 model output from the accounting software to ascertain that the accounting for leases identified is accurate and complete;
- Assess whether there is any indication of leases which have not been captured within the IFRS 16 assessment, through our expenditure testing;
- Review minutes to determine whether there are other leases entered into by the council not accounted for to ascertain completeness of the IFRS 16 assessment; and
- Perform an assessment of the remeasurement of PPP/DBFM liabilities including whether appropriate rates have been used.

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.

Risks of material misstatement

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.

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 have been encountered in prior years in obtaining sufficient detail from the fixed asset register and underlying records to identify individual assets which could be verified.

For the risk identified, we will:

- Test a sample of infrastructure asset additions per the asset register to determine their existence as at 31 March 2025;
- Review the depreciation policy for infrastructure assets and ensure it remains appropriate and in line with CIPFA guidance;
- Test a sample of vehicles, plant, furniture and equipment per the asset register to determine their existence as at 31 March 2025;
- Review the depreciation policy for vehicles, plant, furniture and equipment and ensure it remains appropriate; and
- Follow up of the prior year recommendation in respect of Council asset existence checks.

Other areas of audit focus

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.

In 2023/24, the Council included an LEZ disclosure within their financial statements, being the first local authority to prepare disclosures under these regulations.

In August 2024, LASAAC issued guidance on the proper accounting practice for disclosing Low Emission Zone (LEZ) information that was voluntary for implementation in the prior year due to the late release. However, it is expected to become mandatory for the Council to align their disclosures to the released guidance as LASAAC seeks to issue an update on this in time for the preparation of the 2024/25 accounts.

We will continue to review the low emission zone disclosures against the requirements of the legislation and LASAAC guidance in the 2024/25 accounts as a continued area of focus.

Other areas of audit focus

Pay and grading implementation

In August 2023, the Accounts Commission issued an updated Section 102 report that focused on the Council's progress in relation to equal pay since the publication of its previous report in February 2020.

The report noted the critical need to replace the Council's current pay and grading structure with one that is equal pay compliant and therefore, to prevent future liabilities, the Council must implement a revised pay and grading structure.

A pay and grading structure project (the PGS project) was subsequently formed to implement the new pay and grading structure. 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.

Despite making progress, the implementation of the new pay and grading structure has been delayed. The Council highlighted that further stages of the programme involve several critical milestones where the timetable is exceptionally challenging to forecast.

As a result, the February 2025 implementation date has been delayed. Throughout 2025, the Council believe that greater evidence will, through the progression and testing of these activities, increase the confidence required by the Council in setting a new implementation date.

Once the Council has implemented its new pay and grading structure it is preparing for a level of appropriate backdating of pay for the period between October 2023 and implementation. The impact of this will depend on the results of the job evaluation exercise.

As a result, additional liabilities relating to 2024/25 could therefore, be identified which may have an accounting impact on the 2024/25 financial statements.

We will continue to monitor the status of the pay and grading project to assess any impact for the 2024/25 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 2025/26.

In addition, on an annual basis, we are required to prepare a separate report on thematic topics prescribed by the Accounts Commission. For 2024/25, the Accounts Commission has directed auditors to report on transformation.

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 2023/24 annual audit report highlighted the significant risks facing the Council financially in the medium and longer term. We highlighted the need for a robust longer-term financial strategy to demonstrate how Council priorities will be achieved across a range of scenarios.

The Council agreed the 2025/26 budget in February 2025. This sets out significant saving and income generation requirements to meet a projected gap of £49.2 million for 2025/26.

As part of both the 2025/26 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 remained within the budget support fund to support the delivery of the budget, including costs associated with early retirement and severance schemes.

The 2025/26 budget includes a contribution of £500,000 to the budget support fund in year as a one-off investment. The budget support fund is expected to reduce to £39 million by 31 March 2025 which would be a reduction of £14.5 million from the position as at 31 March 2024.

In January 2025, the Council initiated a consultation regarding the proposed introduction of a 5% visitor levy on overnight stays within the city. This levy scheme has the potential to generate an additional £12.5 million in annual revenue for the Council. The consultation period has now concluded, and the findings are scheduled to be presented to the City Administration Committee before the summer recess.

Exhibit 8: Financial sustainability area of focus

Development of a longer term financial strategy	The Council continues to face significant risks in the medium and longer term, including its ability to generate new sources of income at the pace required within the budget, and financial implications of the new Pay and Grading scheme, including backdated pay, projected rates of homelessness within the City and the wider external funding uncertainty. There is a need for a robust longer-term financial strategy to demonstrate how Council priorities will be achieved across a range of scenarios. The Council's 2025/26 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. The Council has targeted £50.7 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 2025/26, a total of £23.2 million of revenue saving options were identified alongside revenue investment of £15 million. Failure or delays in the achievement of the plans will therefore place additional pressure on required savings in future years. The Budget Support Fund continues to be utilised to support budget pressures with the Fund projected to reduce to £39 million at 31 March 2025.

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 implementation date has been delayed, with no new implementation date set. 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;
- Assessing work performed by the Council to develop a medium to long term financial strategy;
- Assessing the use of the Budget Support Fund;
- 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. The improvements identified by internal audit related to senior officer exit payments, ICT services and resilience, health and safety arrangements at SEC, and governance arrangements at City Building.

Our 2023/24 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 2024/25 budget monitoring report for period 12, presented to the Finance and Audit Scrutiny Committee in April 2025, outlines a further overspend against budgeted service net expenditure, totaling £43.7 million (2022/23: overspend of £28.6 million). This included overspends 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. While the external environment has played a role in driving higher costs, we highlighted in 2023/24 that a renewed focus on both the accuracy of the budget and control of additional costs is required.

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 an annual self-assessment of its arrangements against the CIPFA guidance in January 2025. The self-assessment identified several areas of improvement and the agreed work programme of the committee.

In 2023/24, we noted that the Council was unable to demonstrate effective scrutiny, governance and transparency in decision making or value for money in respect of the exit of 5 senior officers over the course of a three-year period between 2021 and 2024. Steps to address the findings from prior year and the legal reports on the matter have been taken forward and will be assessed as noted in Exhibit 12.

Exhibit 10: Vision, leadership and governance area of focus

Group governance arrangements	The Council has a significant number of subsidiary and joint ventures who support the overall delivery of the Council's strategic objectives. 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 led to a delay in the approval of both entities' financial statements and modification of the group audit opinion. 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. A review of outstanding actions is underway by management which relate to the future strategy of the joint venture. The 2023/24 Annual Governance Statement also highlighted improvement areas at SEC in respect of health and safety. Both matters highlight the importance of a robust, proactive framework for monitoring of Group entities and determining what lessons can be learned across the Group.

Exhibit 11: Vision, leadership and governance area of focus

ICT Governance	There continues to be a significant risk of cyber-attacks to public bodies. Several recent incidents, including specifically at Scottish Local Authorities, 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. The Council has significant ICT dependent projects underway including the Road to Multi-Source (R2MS), the SAP replacement programme and pay and grading. The R2MS project has appointed the network provider and is going through the tender process for the other key service towers. The SAP replacement project has awarded the software provider and is currently undergoing the tender for the system implementor.

Exhibit 12: Vision, leadership and governance area of focus

5. Vision, Leadership and Governance: Exit arrangements follow-up	The Council was unable to demonstrate effective scrutiny, governance and transparency in decision making or value for money in respect of the exit of 5 senior officers over the course of a three-year period between 2021 and 2024. The Council has begun making amendments to governance arrangements and policy in respect of early retirement and voluntary redundancy however further work will be required to ensure that such arrangements are adhered to and the Nolan principles upheld in future. The matter will be subject to a Section 102 report to the Accounts Commission in August 2025. We will assess progress made by the Council in addressing recommendations both from the prior year audit, Brodies report and the Section 102 report.

Our response

We have identified three wider scope areas of audit focus in Exhibit 10, 11 and 12 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 2024/25 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;
- Review of the progress made in addressing the City Building improvement plan actions; and
- Review of the progress made by the Council in addressing the governance findings in respect of exit arrangements.

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 2023/24, we noted that the Council hoped to introduce a Performance Dashboard to support member scrutiny but system limitations have meant that this has not been progressed. In our view, the significant number of actions identified to respond to each of the Grand Challenges makes an overall assessment of progress and outcomes difficult for both elected member scrutiny, and public performance reporting.

We noted that an annual performance report for 2023/24 was produced for the first time. The content of the annual performance report focuses on the positive developments that have been achieved since the adoption of the Strategic Plan, rather than the balanced reporting expected within the Best Value guidance.

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 May 2025, the OPDSC considered the results of the 2023/24 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 to deliver the ambition. In April 2025, the Council received confirmation of becoming a European Union Net Zero Mission City. As a result of achieving the Mission Label status, the Council is now able to access specialist support on various aspects to the Net Zero transition.

As Glasgow has been awarded the host city for the Commonwealth Games 2026, an independent entity, Glasgow 2026 Limited, has been established to manage the event. This entity operates independently and has no affiliation with Glasgow City Council.

Consequently, this arrangement does not impose any direct financial burden on the Council, as no funding is being provided by Glasgow City Council. The Commonwealth Games will utilise Council Group assets with agreements being established for use of these.

Our response

Our assessment of the Council's arrangements in 2024/25 will focus on:

- Performance reporting against the Strategic plan;
- 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 13, below, in 2024/25, the thematic work will consider transformation.

Our response

Our assessment of the Council's arrangements in 2024/25 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 13: Best Value Area of Audit Focus

Transformation	The Accounts Commission has asked us to consider how the Council is responding to the current transformation challenges: 1. To what extent does the Council have clear plans for transformation that link to its priorities and support long-term financial sustainability? 2. To what extent do the Council's programme management arrangements facilitate effective oversight of its transformation plans? 3. To what extent are communities and partners involved in the development and delivery of the Council's plans for transformation? 4. To what extent has the Council considered the impact of its transformation activity, including on vulnerable or protected groups?

Appendices

A Code of audit practice: Responsibilities

B Independence report

C Required communications with the Finance and Audit Scrutiny Committee

D Timeline of communications and deliverables

E Audit fees

F Additional audit information

G Group audit scope

A Code of audit practice: Responsibilities

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.

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.

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.

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 for periods beginning after December 2024) requires that we communicate both at the planning stage and at the conclusion of the audit. 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.

C Required communications

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Terms of engagement	Confirmation by the Finance and Audit Scrutiny Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	Audit Scotland Terms of Appointment letter – audit to be undertaken in accordance with the Code of Audit Practice
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	This annual audit plan
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.	This annual audit plan
Significant findings from the audit	▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures; ▶ Significant difficulties, if any, encountered during the audit; ▶ Significant matters, if any, arising from the audit that were discussed with management; ▶ Written representations that we are seeking; ▶ Expected modifications to the audit report; ▶ Other matters if any, significant to the oversight of the financial reporting process; and ▶ Findings and issues regarding the opening balance on initial audits.	Annual audit report – November 2025

C Required communications continued

Our Reporting to you

Required communications	What is reported?	When and where
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: ▶ Whether the events or conditions constitute a material uncertainty; ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements; and ▶ The adequacy of related disclosures in the financial statements.	Annual audit report - November 2025
Misstatements	▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation; ▶ The effect of uncorrected misstatements related to prior periods; ▶ A request that any uncorrected misstatement be corrected; ▶ Corrected misstatements that are significant; and ▶ Material misstatements corrected by management.	Annual audit report - November 2025
Fraud	▶ 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.	Annual audit report - November 2025
Internal controls	Significant deficiencies in internal controls identified during the audit.	Annual audit report - November 2025

C Required communications continued

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Related parties	Significant matters arising during the audit in connection with the entity's related parties including, when applicable: ▶ Non-disclosure by management; ▶ Inappropriate authorisation and approval of transactions; ▶ Disagreement over disclosures; ▶ Non-compliance with laws and regulations; and ▶ Difficulty in identifying the party that ultimately controls the entity.	Annual audit report – November 2025
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence. Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: ▶ The principal threats; ▶ Safeguards adopted and their effectiveness; ▶ An overall assessment of threats and safeguards; and ▶ Information about the general policies and process within the firm to maintain objectivity and independence.	This annual audit plan and Annual audit report – November 2025
External confirmations	▶ Management's refusal for us to request confirmations. ▶ Inability to obtain relevant and reliable audit evidence from other procedures.	Annual audit report – November 2025
Representations	Written representations we are requesting from management and/or those charged with governance.	Annual audit report – November 2025

C Required communications continued

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Consideration of laws and regulations	▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off. ▶ Enquiry of the Finance and Audit Scrutiny Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Finance and Audit Scrutiny Committee may be aware of.	Annual audit report - November 2025
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise.	Annual audit report - November 2025
Auditors report	Any circumstances identified that affect the form and content of our auditor's report.	Annual audit report - November 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.	Annual audit report - November 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.	Annual audit report - November 2025

D

Timeline of communication and deliverables

Audit timetable

The Group and Council financial statement audits for 2021/22 were 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. For the 2023/24 financial statement audit, the audit was materially complete in March 2025 with signing delayed due to governance matters requiring additional consultations.

Working outside of a 'standard' local government audit timescale creates inefficiencies for management and the audit process. We recognise that the achievement of the 30 September timeline will not be immediately achievable following consecutive years of delayed reporting and timely delivery of the audit is projected to occur for the 2025/26 review where we anticipate to complete by September 2026. We anticipate to do so by working with the Council to develop a multi-year plan to return to this timeline with the key reporting dates from 2023/24 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	**May 2025**	**November 2025**	**September 2026**

Recognising the challenges of the 2022/23 and 2023/24 audits, the timetable for 2024/25 as set out in detail on page 54 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 continued

2025/26

Month	Audit activity	Deliverable	Timing
March	Risk Assessment for Financial Statements and Wider Scope audit dimensions		
April			
May	Walkthrough of key systems and processes	Submission of quarterly fraud return	
June	Year end audit procedures	Annual Audit Plan	18 June 2025
July			
August		Submission of quarterly fraud return	
September	Finalisation of procedures, Update meeting with Finance Team	Best Value report	Autumn 2025
October	Audit Completion Procedures		
November		Submission of quarterly fraud return	
December		Annual Audit Report	November/ December 2025

E Audit Fees

2024/25 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.

	2024/25	2023/24
Component of fee:		
Auditor remuneration (note 1)	£521,550	£500,530
Additional audit procedures (note 2)	£241,176	£594,350
Audit Scotland fixed charges:		
Performance audit and best value	£178,950	£182,180
Pooled costs	£13,100	£18,240
Sectoral price cap	£100,730	£98,110
Total fee	**£1,055,506**	**£1,393,230**

Note 1

The initial base audit 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. For 2024/25 the base fee is £521,550.

For 2024/25 this figure has been updated by £762,726 to reflect known variations in the scope of the audit work required for the Council and Group's financial statements, which are expected to be recurring through the remaining three years of our audit appointment. This additional work is driven by changes in accounting and auditing standards since 2021 that are recurring, changes in the Council Group arrangements and statutory reporting requirements, and changes in the scope of work required around the valuation of key estimates and judgements, namely pension assets and properly, plant and equipment, following our appointment in 2022/23.

All areas of additional work noted here were reflected in the fee variation reported for 2023/24, now uplifted for the standard inflationary increase based on rates provided by Audit Scotland. This brings the total expected fee to £1,055,506.

Note 2

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. In line with previous years, given the risk profile of the Council and Group, and matters identified in previous audits, we anticipate further additional work required to conclude the 2024/25 financial statements' audit.

E Audit Fees (Continued)

We have provided management with an assessment of the potential areas of additional work, including areas of additional work from previous years where management has not been able to address the underlying root causes in time for the close of the 2024/25 accounts, and also new accounting and auditing standards applicable this year which we have highlighted through this plan. At this stage quantification of any further time is pending completion of our detailed plans for yearend testing, and management's progress in preparing a robust set of financial statements and supporting evidence for audit.

We have agreed with management that we will seek to quantify estimates of any further additional work as matters arise and our work progresses sufficiently for estimates to become reliable. This will enable our final fee to be agreed and reported in line with Audit Scotland protocols as part of the final annual audit report presented to the Committee.

F Additional audit information

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 Audit and 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.

F Additional audit information continued

Audit Quality Framework / Annual Audit Quality Report

- Audit Scotland are responsible for applying the Audit Quality Framework across all audits. This covers the quality of audit work undertaken by Audit Scotland staff and appointed firms. The team responsible are independent of audit delivery and provide assurance on audit quality to the Auditor General and the Accounts Commission.
- We support reporting on audit quality by proving additional information including the results of internal quality reviews undertaken on our public sector audits. The most recent audit quality report can be found at: https://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 Anna Anthony, 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

Overview of approach to group scoping

In 2024/25 we will respond to an updated International Auditing Standard, ISA (UK) 600 (Revised). Our audit strategy for performing an audit of a group is risk-based and our scoping of the group audit responds to the risks of material misstatement that we have identified for the group financial statements.

We identified the components that are individually relevant to the group for which audit procedures will need to be performed to respond to the assessed risks of material misstatement of the group financial statements.

We considered the following matters to determine which components were individually relevant:

- The significant risks (including fraud risks), and other areas of higher assessed risk associated with the component and the nature of the circumstances related to those risk(s) of material misstatement, including the relative size of the balance at the component; and
- The financial size of the component relative to the group.

We identified the accounts to be included in the work to be performed at these components based on the components' financial information. We also applied professional judgment in determining those accounts having considered:

- The reasons the component was identified as individually relevant and the accounts affected by risks associated with the component;
- The extent of centralised procedures;
- Whether the accounts are affected by other assessed risks of material misstatement of the group financial statements; and
- The relative size of the balance at the component.

We considered the balance of group accounts not yet subject to planned audit procedures and determined whether it is necessary to perform audit procedures on further accounts in components which are individually relevant and/or include accounts in additional components within the group audit scope to address the risks of material misstatement of the group financial statements.

The number of additional components and extent of procedures to be performed took into consideration:

- The extent of evidence already planned to be obtained from components which are individually relevant and the related in-scope accounts;
- Whether centralised procedures can be performed on the residual account balances, including testing direct entity-level controls that operate throughout the group;
- The results of risk assessment analytical procedures performed; and
- The results of the analysis on the residual significant account balances

Having identified the components for which work will be performed, we determined the scope to assign to each component.

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

G Group audit scope continued

As explained on page 20, the Primary Team assigns one of the following audit scopes to the component team:

- Full scope – the design and performance of audit procedures on the entire financial information of the component;
- Specific scope – the design and performance of audit procedures on one or more significant accounts, or disclosures of the financial information of a component;
- Specified procedures – the design and performance of specific audit procedures to obtain audit evidence for one or more relevant assertions only.

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	Specific	Yes	Statutory audit performed by EY
Scottish Event Campus Limited	Specific	No	Specific significant accounts by size or risk
City Building (Contracts) Limited Liability Partnership	Limitation	No	Refer to page 20
Culture and Sport Glasgow, trading as Glasgow Life	Specific	No	Specific significant accounts by size or risk
City Property Glasgow (Investments) LLP	Specific	No	Specific significant accounts by size or risk
City Property Glasgow (Operations SL1) LLP	Specific	No	Specific significant accounts by size or risk
City Property Glasgow (Operations SL2) LLP	Specific	No	Specific significant accounts by size or risk
City Property Glasgow (Operations SL) Limited	Specific	No	Specific significant accounts by size or risk

G Group audit scope continued

Entity	Scope	Statutory audit performed by EY	Current year rationale for scoping
City Property Glasgow (Operations SL3) LLP	Specific	No	Specific significant accounts by size or risk
City Property Glasgow (SL Operations 3) Limited	Specific	No	Specific significant accounts by size or risk
City Building (Glasgow) Limited Liability Partnership	Limitation	No	Refer to page 20
Jobs & Business Glasgow	Specific	No	Specific significant accounts by size or risk
Strathclyde Partnership for Transport	Specific	No	Specific significant accounts by size
Strathclyde Concessionary Travel Scheme	Specific	No	Specific significant accounts by size or risk
Common good fund	Specific	Yes	Statutory audit performed by EY
Sundry Trusts	Specific	Yes	Statutory audit performed by EY

EY | Building a better working world

EY exists to build a better working world, helping to create long-term value for clients, people and society and build trust in the capital markets.

Enabled by data and technology, diverse EY teams in over 150 countries provide trust through assurance and help clients grow, transform and operate.

Working across assurance, consulting, law, strategy, tax and transactions, EY teams ask better questions to find new answers for the complex issues facing our world today.

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