Item 2(a)
20th March 2024

Glasgow City Council

Finance and Audit Scrutiny Committee

Report by Executive Director of Finance

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Annual Audit Report 2022-23

Purpose of Report:

The audit of the accounts is now substantially complete, and the council must now consider the audited annual accounts having regard to any report made on those accounts and any advice given by the auditor or proper officer.

The attached papers include the Annual Audit Report prepared by Ernst and Young LLP in respect of the Annual Accounts for 2022-23.

Recommendations:

The Finance and Audit Scrutiny Committee is asked to consider the Annual Audit Report prepared by Ernst and Young LLP. This report will be considered by the City Administration Committee on the 21 March 2024.

Ward No(s): Citywide: ☐

Local member(s) advised: Yes ☐ No ☐ Consulted: Yes ☐ No ☐

1. Introduction

1.1 The attached report outlines the finding from the council's auditors Ernst and Young LLP (EY) relating to the audit of the council's financial statements and the wider scope dimensions identified in the audit plan presented to the Finance and Audit Scrutiny Committee on 1 November 2023.

1.2 The findings of the report are extensive and reflect the more detailed approach taken by external audit in the first year of an audit appointment. Council officers have worked with EY throughout the audit with the aim of agreeing findings and to provide appropriate assurances.

1.3 EY have made a number of recommendations as a result of their audit work to which the council has provided planned actions and implementation dates.

2. Executive Summary

2.1 The audit report's executive summary highlights the key themes of the audit and the auditor's findings. While these represent the conclusions of the auditor, the RAG assessments are not recognisable to the council and are not consistent with previous external scrutiny assessments. Additional information is provided below in relation to the themes reported as red by EY.

Financial Statements

2.2 The financial statements are a large and complex set of financial information subject to a detailed statutory and regulatory framework. Within this framework the council interprets guidance on how this should be applied to the council's accounts. As 2022-23 is the first year of this audit appointment EY have reviewed and challenged aspects of these interpretations which applied in previous years to various areas of the annual accounts. This has resulted in a number of differences in interpretation where the council has decided to update its approach aligned to the recommendations from EY and incorporate these into the updated Annual Accounts to allow the completion of the audit.

2.3 The adjustments made to the Council's unaudited accounts have not changed the value of usable reserves of £566 million.

Financial Sustainability

2.4 As part of the 2024-25 budget the council approved budget savings to agree a balanced budget for 2024-25 and to meet the forecast spending gap for 2025-2027. These decisions result in the council making contributions to the budget support fund to mange the council's overall financial position over the medium term without recourse to general fund reserves. The council has been clear throughout, that this multi-year approach was necessary to sustain the council over the medium term in light of the funding outlook for local government. The council will continue to review and update its financial forecasts for each year to reflect the most up to date position.

Vision, Leadership and Governance

2.5 EY recognise that the council has an approved Strategic Plan and appropriate governance arrangements to monitor and scrutinise key policies and risks. However, the assessment by EY is influenced by specific issues relating to ICT system failures and City Building whistleblowing allegations highlighted in the Annual Governance Statement in the accounts. These have been documented and reported to Members

including through the Finance and Audit Scrutiny committee on a number of occasions as have the actions proposed to address any weaknesses. This is part of the council's approach to openness and transparency and reflects the principles of good governance adopted by the council.

3. Audit Certificate

3.1 The council's audit certificate includes one audit qualification in respect of a limitation of scope in relation to the completion of the 2022-23 accounts for both City Building LLPs. This resulted from the delay to the 2021-22 audit associated with the investigation into whistleblowing allegations. These investigations are now complete and the auditors of City Building have now issued an unmodified audit certificate for both LLPs in relation to their 2021-22 accounts. Work will now commence on the completion of both the 2022-23 audit and the 2023-24 audit in the current year.

4. Policy and Resource Implications

4.1 Resource Implications:

Financial: None

Legal: None

Personnel: None

Procurement: None

4.2 Council Strategic Plan: No impact

4.3 Equality impacts: No impact

4.4 Sustainability impacts: No impact

4.5 Privacy and Data Protection: No impact

5. Recommendations

5.1 The Finance and Audit Scrutiny Committee is asked to consider the Annual Audit Report prepared by Ernst and Young LLP. This report will be considered by the City Administration Committee on the 21 March 2024.