



Glasgow City Council

City Administration Committee

Report by Executive Director of Financial Services

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Item 5 (a)

8th May 2025

Annual Audit Report 2023-24

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 2023-24.

Recommendations:

The City Administration Committee is asked to note the Annual Audit Report for 2023-24 prepared by Ernst and Young LLP.

Ward No(s):

Citywide Yes

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

1. Introduction

- 1.1 The attached Annual Audit Report (AAR) outlines the findings 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 18 September 2024.
- 1.2 This is the second year of EY's appointment and council officers have worked with EY throughout the audit with the aim of agreeing findings and to provide appropriate assurances. Although this year's audit was as extensive as the previous year the knowledge gained by council officers from the 2022-23 audit approach was applied as far as possible in the provision of information to ensure fewer questions and clarifications from EY.
- 1.3 EY have made 8 new recommendations in their 2023-24 AAR. This excludes recommendations made from the Best Value Thematic Report for 2023-24 which will be brought to a future FASC. Further information on recommendations is noted at section 3 of this report including progress on the implementation of the 2022-23 AAR recommendations.
- 1.4 A number of adjustments have been highlighted through the audit process and these are listed at Appendix F of the AAR. None of the adjustments affected the level of useable reserves including general fund reserves as at 31 March 2024.

2. Executive Summary

- 2.1 The AAR's executive summary highlights the key themes of the audit and the auditor's findings. EY use a Red/Amber/Green (RAG) assessment of each of the key areas they have considered in their report. This was a new approach for the council when introduced last year compared to the previous reporting style of Audit Scotland.
- 2.2 There are two themes noted as red this year compared to three last year. Financial Statements has received an amber rating this year compared to red last year with no change to the remaining two themes rated as red last year. Additional information is provided below in relation to the themes reported as red by EY.

Financial Sustainability

- 2.3 The recently approved budget for 2025-26 includes a contribution to general fund reserves and an allocation of budget pressures to address recurring overspends in recent years. The Financial Forecast for 2026-27 has been updated and a new Forecast created for 2027-28 to inform the planning for future years budgets. The council will continue to review and update its financial forecasts for each year to reflect the most up to date position.

The red rating reflects some of the financial uncertainties arising from the new Pay and Grading Scheme and projected rates of homelessness. It also reflects the uncertainty of the external funding environment.

Vision, Leadership and Governance

- 2.4 FASC considered the report on Senior Officer Exit Arrangements at its meeting on 11 March. EY have considered that report and included a summary and a number of specific recommendations in the AAR.
 - 2.5 Since the report to FASC a report setting out the conclusions and recommendations from the review of arrangements for chief officer departures has been considered by
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the Wellbeing, Equalities, Communities, Culture and Engagement Policy Committee on the 17th April and has been referred to City Administration Committee for approval. This report will also be considered at a future FASC meeting and its actions will be subject to regular review by Internal Audit with regular reporting to FASC on progress.

- 2.6 The Controller of Audit has also indicated that a separate report on this matter, called a Section 102 report, would be prepared for the Accounts Commission.
- 2.7 Also noted in the summary is that EY recognize 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 the limited assurance on the system of internal control and that these should be addressed as a matter of urgency. The matters which influenced the limited assurance have been documented and reported to Members including through the Finance and Audit Scrutiny committee 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. Action Plan

- 3.1 Appendix E of the AAR sets out the status of recommendations from the 2022-23 audit and also provides a management response for new recommendations from the 2023-24 audit.
- 3.2 A number of recommendations from 2022-23 AAR have been closed however a number remain ongoing with many of these noted as partially complete. Officers will continue to work towards the closure of these recommendations. It should be noted that the nature of some of these recommendations will mean that they are likely to continue beyond 2024-25. A regular report on progress will continue to be included in updates to FASC by Internal Audit.

4. Audit Certificate

- 4.1 The council's audit certificate includes one audit qualification in respect of a limitation of scope in relation to the completion of the 2023-24 accounts for both City Building LLPs. This resulted from the delay to the 2021-22 audit associated with the investigation into whistleblowing allegations. Those investigations were completed during 2023 however resulted in a delay to the audit of the 2021-22 City Building accounts which, in turn, has resulted in a subsequent delay to the audit of the 2022-23 and 2023-24 accounts. The auditors of City Building have now issued an unmodified audit certificate for both LLPs in relation to their 2022-23 accounts and work is ongoing on the 2023-24 audit.

5. Policy and Resource Implications

5.1 Resource Implications:

Financial: Audit Scotland have agreed that EY can levy an additional audit fee for the 2023-24 audit. This relates to a range of additional work to allow completion of the audit, some of which is one-off but some which will be recurring in future years. The final value is still to be confirmed but is expected to be circa £500,000. This will be accrued in the 2024-25 out-turn position for Financial Services.

Legal: None

Personnel: None

Procurement: None

5.2 Council Strategic Plan: No impact

5.3 Equality impacts: No impact

5.4 Sustainability impacts: No impact

5.5 Privacy and Data Protection: No impact

6. Recommendations

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