Glasgow City Council

[Provisional] Annual Audit Report

Year Ended 31 March 2024

30 APRIL 2025

Building a better working world

This report has been prepared in accordance with Terms of Appointment Letter, through which Audit Scotland and the Accounts Commission have appointed EY 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 the 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.

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1. Executive summary

Financial statements

Financial statements Our assessment: Amber	We *[have concluded]* our audit of the financial statements of Glasgow City Council and its Group for the year ended 31 March 2024. We *[have issued]* a qualified audit opinion on the 2023/24 financial statements for the Council and its Group in respect of the two City Building group entities. The draft financial statements were provided in line with legislative deadlines. Supporting working papers were generally of a good quality and there was an improvement noted in the provision of information compared to the previous year's audit. During the course of the audit, we identified 15 audit differences that management adjusted in the financial statements ncluding 7 disclosure adjustments. A further 5 unadjusted differences were identified in respect of the Council and Group financial statements. Overall, we were satisfied that the Annual Governance Statement reflects the requirements of CIPFA's updated *Delivering Good Governance Framework*. We made *3* new recommendations in relation to the financial statements and followed up on progress in respet of *19* recommendations from prior year. We also highlighted our observations on areas for potential future improvement in the financial statements.
Going concern Our assessment: Green	In accordance with the CIPFA Code of Practice on Local Authority Accounting, the 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. Under auditing standard ISA 570, we are required to undertake greater challenge of management's assessment of going concern, including testing of the adequacy of the supporting evidence we obtained. The Council and its Group has concluded that there are no material uncertainties around its going concern status, however it has disclosed the nature of its financial position in the financial statements to reflect the ongoing impact of recovery from the Covid-19 pandemic, increased demand for services and inflationary pressures. *[We have no matters to report in respect of our work around going concern or the conclusions reached by the Group and Council.]*

Our auditor judgements are RAG rated based on our assessment of the adequacy of the Council Group's arrangements throughout the year, as well as the overall pace of improvement and future risk associated with each area. This takes account of both external risks not within the Council Group's control and internal risks which can be managed by the Council Group, as well as control and process observations made through our audit work.

Wider Scope

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 assessment: Red	The Council agreed its three-year savings plan in February 2024. This sets out significant saving and income generation requirements to meet a projected gap of £107.7 million in the three-year period to 2026/27. As part of 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 those identified below. The Budget Support Fund reduced to £53.6 million at 31 March 2024 and is projected to reduce to £39 million by 31 March 2025. The Council continue 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 the financial implications of both the implementation 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. Despite making progress, the implementation of the new pay and grading structure has been delayed, with a revised implementation date to be agreed. Recognising the immense complexity of this project, the Council must look to agree a revised date for implementation to provide certainty to the workforce and allow sufficient time for the operational implementation and financial impact to be effectively planned.
Financial management Financial management means having sound budgetary processes, sufficient finance team capacity and expertise. Audited bodies require the ability to understand the financial environment and whether its financial processes and financial statement control arrangements are operating effectively. Our assessment: Amber	The Council concluded that only limited assurance could be placed on the systems of internal control in the year as a result of significant findings, which has been reflected in our consideration of vision, leadership and governance. The Council finance function has again been required to demonstrate significant resilience above that embedded within its own formal arrangements, following significant turnover within the finance function. Overall, our observation is that the current capacity of the finance function does not meet the complex and extensive demands across the Council, particularly in light of increasing financial reporting complexity and anticipated challenges in implementation of new systems. The Council needs to critically reassess the sufficiency of its financial management capacity in the context of external audit findings, the current system and internal control weaknesses, and the scale of the financial challenge and change ahead. The Council recorded a net overspend of £28.5 million in service expenditure, the highest overspend incurred by the Council in the last 5 years. While the external environment has played a role in higher costs, a renewed focus on both the accuracy of the budget and control of additional costs is required. In the prior year we identified a number of areas where there is scope to enhance the budget monitoring reporting to Members to support better scrutiny arrangements. Some amendments have been made during the year, with some remaining under consideration by Members and management.

Vision, leadership & governance The effectiveness of scrutiny and governance arrangements, leadership and decision making, and transparent reporting of financial and performance information. Our assessment: Red	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 is planning 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 are upheld in future. 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. The Annual Governance Statement reports on significant ongoing governance issues identified over the course of 2021/22, 2022/23 and 2023/24. As a result of the matters identified, the Council concluded that limited assurance can be placed on the system of internal control in 2021/22, 2022/23 and 2023/24. While the Council centrally can demonstrate responsiveness to these matters, there remains significant outstanding work to address the issues identified and mitigate the associated risks. These must be addressed as a matter of urgency. The Council has significant projects underway including the Future of ICT, SAP replacement and pay and grading. We continue to highlight that the scale and critical nature of the projects, and inherent legal and procurement risks, will add further strain to leadership capacity within the Council. Council leadership need to balance the numerous demands on both capacity and financial resources to progress each project.

Use of resources The Council's approach to demonstrating economy, efficiency, and effectiveness through the use of resources and reporting outcomes. Our assessment: Amber	The Council updated its Strategic Plan to reflect emerging commitments and priorities in October 2024. The OPDSC has approved the Council's approach to reporting performance against the Strategic Plan. 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. The Council published its Annual Performance Report for 2023/24 in January 2025. The report focuses on the positive developments that have been achieved since the adoption of the Strategic Plan, rather than the balanced reporting expected within Best Value guidance. The Council's performance against the Local Government Benchmarking Framework continues to highlight areas of good performance, although 44% of indicators declined over the reporting year.

Best Value

Throughout our work, we have been satisfied that the Council can demonstrate that it has the key elements needed to deliver Best Value arrangements in place. The Council continues to face a range of significant challenges, including the implementation of the new pay and grading structure. A range of financial challenges led to a net overspend of £28.5 million in 2023/24.

We have highlighted 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.

We continue to note the need to develop a robust medium to longer-term financial strategy to demonstrate how Council priorities will be achieved across a range of scenarios in an uncertain financial environment.

The Council's approach to performance monitoring and reporting continues to evolve to meet the needs of the Strategic Plan and to respond to partner priorities. We will therefore monitor arrangements against increasing expectations across the sector.

2. Introduction

Purpose of our report

The Accounts Commission for Scotland appointed EY as the external auditor of Glasgow City Council and its Group ('the Council' or 'the Group') for the five-year period to 2026/27.

We undertake our audit in accordance with the Code of Audit Practice (June 2021); Auditing Standards and guidance issued by the Financial Reporting Council; relevant legislation; and other relevant guidance issued by Audit Scotland.

This [provisional] Annual Audit Report is designed to summarise the key findings and conclusions from our audit work. It is addressed to both the Council and the Accounts Commission and presented to those charged with governance. This report is provided to Audit Scotland and is published on their website.

A key objective of 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, our observations around where the Council employs best practice and where practices can be improved, and how risks facing the organisation can be mitigated. We use these insights to form audit recommendations to support the Council.

Such areas we have identified are highlighted throughout this report together with our judgements and conclusions regarding arrangements, and where relevant recommendations and actions agreed with management. We also report on the progress made by management in implementing previously agreed recommendations made in 2022/23 (Appendix E).

We draw your attention to the fact that our audit was not designed to identify all matters that may be relevant to the Council. Our views on internal control and governance arrangements have been based solely on the audit procedures performed in respect of the audit of the financial statements and the other procedures performed in fulfilling our audit plan.

Our independence

We confirm that we have undertaken client and engagement continuance procedures, which include our assessment of our continuing independence to act as external auditor. Further information is available in Appendix B.

Scope and responsibilities

The Code sets out the responsibilities of both the Council and the auditor (summarised in Appendix A). We outlined these in our Annual Audit Plan which was presented to the Council's Finance, Audit and Scrutiny Committee on 18 September 2024.

Our review and assessment of materiality

In our Annual Audit Plan we communicated that our audit procedures would be performed using an overall group materiality of £32 million. Exhibit 1 confirms that we have assessed that this level of materiality remains appropriate.

Group performance materiality remains at 50% of overall materiality at £16 million.

Exhibit 1: Our materiality assessment in 2023/24

Our Annual Audit Plan explained that our audit procedures would be performed using a materiality of £32 million for the Group and £30 million for the Council. Our materiality levels have been subject to review throughout the audit, with no amendments required.

	Planning Materiality	Performance materiality	Reporting materiality
Group	£32 million	£16 million	£1.6 million
Council	£30 million	£15 million	£1.5 million

Based on our understanding of the expectations of financial statement users, we apply a lower materiality level to the audited section of the Remuneration Report, Sundry trusts, the Common Good Fund and the Low Emissions Zone (LEZ) disclosure. We also apply professional judgement to consider the materiality of Related Party Transactions to both parties.

Financial Statements audit

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

- Whether they give a true and fair view of the state of affairs of the Council and its Group as at 31 March 2024 and of the income and expenditure of the Council and its Group for the year then ended.
- Have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2023/24 Code.
- Whether they have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

We also review and report on the consistency of the other information prepared and published along with the financial statements.

We outlined the significant risks and other focus areas for the 2023/24 audit in our Annual Audit Plan. Four significant risks and key audit matters were identified that impacted the audit of the financial statements:

1. The risk of fraud in revenue and expenditure recognition (fraud risk);
2. Misstatement due to fraud or error (fraud risk);
3. Valuation of property, plant and equipment and investment property; and
4. Valuation of pension assets and liabilities

One inherent risk impacting the audit of the financial statements was identified, relating to the existence of property, plant and equipment. We have also identified 3 areas of audit focus:

- implementation of IFRS 16;
- statutory disclosures in respect of the Low emission zone; and
- equal pay and pay and grading implementation.

Our findings of all are summarised in Section 3 of this report.

Wider scope and best value

Under the Code of Audit Practice, our responsibilities extend beyond the audit of the financial statements. Due to the nature of the Council, our wider scope work requires significant allocation of resources in the audit. The Code requires auditors to provide judgements and conclusions on the four dimensions of wider scope public audit:

- 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.

Our Annual Audit Plan identified five areas of audit focus in relation to wider scope and best value audit:

- the Council’s service redesign and income generation plans;
- pay and Grading implementation;
- group governance arrangements;
- ICT governance; and
- the Best Value thematic review in 2023/24, relating to workforce innovation.

During the audit process, one additional area of audit focus in relation to wider scope was identified in respect of exit arrangements for senior officers with further detail set out in Section 4 of this report.

Our annual assessment of the Council’s arrangements to secure best value is integrated within our wider scope annual audit work.

As part of our responsibilities under the Code of Audit Practice, we prepare a separate report on annual thematic topics prescribed by the Accounts Commission. For 2023/24, the Accounts Commission directed auditors to report on the Council’s arrangements in respect of workforce innovation.

Our wider scope and Best Value findings are summarised in Section 4 of this report.

3. Financial statements

Introduction

The annual financial statements allow the Council and its Group to demonstrate accountability for the resources that it has the power to direct, and report on its overall performance in the application of those resources during the year.

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

Compliance with regulations

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

The financial statements were prepared materially in accordance with the CIPFA Code of Practice on Local Authority Accounting 2023/24.

The draft financial statements were submitted for audit by 30 June 2024, in line with requirements. We were satisfied that the Council made the financial statements available for public inspection in accordance with Regulation 9 of The Local Authority Accounts (Scotland) Regulations 2014.

Financial statement timetable and working papers

In line with other local authorities across the United Kingdom, the Council has been working outside of a 'standard' local government audit timeline since 2020. The Group and Council financial statement audit concluded in March 2024, 6 months after the statutory deadline of 30 September.

This timeline results in challenges for the Council finance team in being able to implement meaningful changes to the production of financial statements and associated working papers as there has been no gap between the conclusion of one set of financial statements and the production of the next set of financial statements.

Despite the challenges that the current timetable brings, the finance team worked closely with the audit team regarding the provision of working papers and responses to audit requests. Through this process, we did note an improvement in the timeliness and quality of responses to audit requests. However, limitations in the quality of information remained, primarily linked to ongoing challenges with existing finance systems due for replacement. We will continue to work with the finance team in this area for the 2024/25 audit.

As part of the audit process, we continued to work with the finance team to make enhancements to the presentation of the financial statements. We will continue to discuss good practice as part of our 2023/24 debrief and ongoing engagement with the finance team.

In line with our prior year finding as set out in Appendix E, recommendation 3, we noted that a disclosure checklist was not completed by the Council. While we did not identify any material areas of non-compliance with Code requirements and we understand that the finance team did an informal review of Code requirements, we believe that completion of the disclosure checklist is best practice and will be particularly beneficial when there are material changes to the Code such as IFRS 16 implementation in 2024/25.

Looking ahead to 2024/25, we recognise that the achievement of the 30 September timeline for completion of audited financial statements will not be immediately achievable for the Council following five consecutive years of delayed reporting.

We have agreed a multi-year plan to return to this timetable with management, subject to continued review through our audit appointment. The timetable for the 2024/25 audit is subject to ongoing discussion with the finance team but we recognise that there are significant matters associated with the bringing forward the timetable including:

- the impact of significant turnover within the finance team;
- impact of amended accounting standards including IFRS 16 implementation; and
- changes to group auditing standards.

An update on the planned timetable for the 2024/25 audit will be presented within the Annual Audit Plan.

Audit outcomes

We identified 8 adjustments arising from the audit which were reflected within the 2023/24 financial statements. There was 5 unadjusted audit differences and 7 disclosure and other differences.

There has been an improvement in the number of audit adjustments identified. However, we do recognise that this is impacted by the change in our reporting threshold for errors. For the 2022/23 audit there was a reporting threshold of £250,000 that was prescribed by Audit Scotland. This prescribed reporting threshold was removed by Audit Scotland for 2023/24 audits which resulted in our reporting threshold increasing to £1.5 million in line with our methodology. The overall audit opinion is summarised on pages 16-17.

Exhibit 2 highlights the status of audit recommendations including the follow up of prior year recommendations and new recommendations. There remains a significant number of recommendations for a public sector body. Management must ensure that appropriate focus is given to the recommendations to ensure they are addressed in a timely manner.

Exhibit 2: Audit recommendation status

Scope	Grade 1	Grade 2	Grade 3	Total
In progress recommendations	15	5	0	20
Incomplete	1	1	0	2
Not yet due recommendations	3	4	1	8
Closed recommendations	(8)	(11)	(0)	(19)
Total open recommendations	19	10	1	30

Audit Status

[Our audit work is substantially complete. The following are areas ongoing up to the date of the approval of the financial statements and our audit opinion:

- Finalisation of our audit quality assurance procedures, including manager and partner review of audit documentation;
- As part of this process, in particular the finalisation of audit matters which require additional consultation, such as in respect of our independent auditor's report, including modifications arising in respect of the limitation of scope to our Group audit reporting as noted through this report, and matters arising related to the consideration of compliance with applicable laws and regulations;
- Post balance sheet subsequent event procedures which must be considered up to the date of approval of the financial statements and our audit opinion, including all matters impacting the completeness and accuracy of key financial statement disclosures and associated Officer and Member representations; and
- Review of updated financial statements, including final checks.

Until all our audit procedures are complete, we cannot confirm the final form of our audit opinion as new issues may emerge or we may not agree on final detailed disclosures in the annual report and accounts. At this point no issues have emerged that would cause us to modify our opinion except from the matter in respect of the City Building entities.]

Remuneration report

In line with the requirements of the Code and regulations, the Council must produce a remuneration report which includes disclosures in respect of both senior employees for the Group and Council as well as senior councillors. As noted within our Annual Audit Plan, we audit the remuneration report to a lower materiality.

The production of the remuneration report requires collation of a significant volume of information from a range of sources including the Council's subsidiary entities and the Strathclyde Pension Fund.

For 2023/24, there has been an increase in the number and value of exit packages disclosed from £0.728 million in 2022/23 to £6.258 million in 2023/24.

Our procedures in respect of the remuneration report have noted the following observations:

- 1 adjusted computation error in the calculation for an individual's salary;
- 7 adjusted errors in relation to differences between the actual and estimated strain on the fund payments to Strathclyde Pension Funds;
- 2 adjusted errors in relation to incorrect accrual for strain on fund costs for individuals above retirement age; and
- 1 exit agreement which has been signed but not dated by the employee.

Recommendation 46:

Management should ensure that exit agreements are appropriately signed and dated. The Council should engage with SPF to ensure that strain on fund calculations are only made for relevant individuals and consider whether any amendments are required to improve the accuracy of estimated costs. **(Grade 1)**

We have considered the governance arrangements in respect of exit packages within section 4 of this report.

Common Good Assets

In May 2023, the Local Authority Accounting Scotland Accounts Advisory Committee (LASAAC) issued updated guidance on accounting for Common Good Assets. LASAAC note that there is a requirement to maintain asset registers for all Common Good assets under the Community Empowerment Act 2015. However, previous assessments by LASAAC have noted that problems may have arisen over time as a likely consequence of:

- the historic nature of the Common Good which may encompass assets which are more than 100 years old;
- the compound effect of successive local government reorganisations; and
- no requirement for local authorities in Scotland to maintain formal asset registers until 1994.

The Council maintains a Common Good Asset register on their website in line the legislative requirements however to date only 14 core assets have been identified with 8 investment assets also noted.

An ongoing exercise is underway to review title deeds to ensure the Common Good register is materially complete. Significant work is still underway in this area with limited additions to the common good register identified to date.

While regular updates on the Common Good fund financial performance are reported to the Finance and Audit Scrutiny Committee, we note that updates on the steps taken by the Council to comply with the Community Empowerment Act requirements have not been provided.

We further note that the Common Good Fund disclosed within the financial statements does not include all assets identified as being Common Good. This is in line with the Council's common good fund policy whereby the Council continues to use and account for common good assets in an operational capacity. All income and expenditure associated with these assets is recognised within the Council's financial statements and only if a surplus is made in respect of these assets is a transfer made to the Common Good Fund.

This approach was last considered by the Finance and Audit Scrutiny Committee in February 2019.

We note that there has been limited progress in respect of addressing the recommendations raised within the 2022/23 Annual Audit Report (Refer to recommendation 16 within Appendix E).

Group audit

The Council prepares its annual report and financial statements on a group basis. We considered the arrangements in respect of each of the Council's group undertakings at the planning stage and reviewed throughout the audit. 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 which is consistent with the approach taken for 2022/23.

Our audit strategy for performing an audit with multiple components is risk based. We identify components as:

- Significant components: A component is significant when it is likely to include risks of material misstatement of the group because of its relative financial size to the group (quantitative criteria), or because of its specific nature or circumstances (qualitative criteria). We generally assign significant components a full or specific scope given their importance to the financial statements.
- Not significant components: The number of additional components and extent of procedures performed depended primarily on: evidence from significant components, the effectiveness of group wide controls and the results of analytical procedures.
- For all other components we perform other procedures to confirm that there is no risk of material misstatement within those locations. These procedures are detailed below in Exhibit 3.

Exhibit 3: Group scoping

Full scope: components where a full audit is performed to the materiality levels assigned by the Group audit team for purposes of the consolidated audit. Procedures performed at full scope locations support an interoffice conclusion on the reporting package. These may not be sufficient to issue a stand-alone audit opinion on the local statutory financial statements because of the materiality used and any additional procedures required to comply with local laws and regulations.

Specific Scope: components where the audit is limited to specific accounts or disclosures identified by the Group audit team based on the size or risk profile of those accounts.

Review Scope: components where procedures primarily consist of analytical procedures and inquiries of management. On-site or desk top reviews may be performed, according to our assessment of risk and the availability of information centrally.

Specified procedures: locations where the component team performs procedures specified by the Group audit team in order to respond to a risk identified.

Other procedures: For those locations that we do not consider material to the Group financial statements in terms of size relative to the Group and risk, we perform other procedures to confirm that there is no risk of material misstatement within those locations.

Group Coverage

We considered the arrangements in respect of each of the Council's group undertakings throughout the audit. The only significant component by size is the Council, which accounts for approximately 92% of the consolidated gross expenditure.

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 which is consistent with the approach taken for 2022/23. Progress has been made by completing the audit for 2021/22 in March 2024 and 2022/23 in March 2025, however at the time of writing, work remains underway for 2023/24.

Ten components were identified as specific scope due to specific material balances and two were identified as review scope.

The Glasgow City Integration Joint Board (IJB) is identified as a joint venture and consolidated in accordance with the requirements of the Accounting Code. We have been appointed as auditor to Glasgow City Integration Joint Board and have reported separately on our audit of that entity.

We have set out the specific assigned scopes for each component within Appendix I. The allocation of scope means that the following coverage is obtained as set out in Exhibit 4 below.

Exhibit 4: Group scope coverage per 2023/24 unaudited group financial statements

Scope	Expenditure on provision of Services (percentage coverage)	Total assets (percentage coverage)
Full scope (audited by EY)	91.1%	71.4%
Excluded from group scope due to opinion modification	1.1%	0.3%
Specific scope	7.6%	28%
Review scope	0.1%	0.3%
Total	100%	100%

Audit approach

We adopted 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 Group and Council's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting. Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtaining sufficient appropriate audit evidence to express an opinion on the Group and Council 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, Audit and Scrutiny Committee appropriately addresses matters communicated by us and whether it is materially inconsistent with our understanding and the financial statements.
- We rigorously maintain auditor independence (refer to Appendix B).

Key audit matters

Under the Code of Audit Practice (the Code), issued by Audit Scotland in June 2021. 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 included 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. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Exhibit 5: Our audit opinion

Element of our opinion	Basis of our opinion	Conclusions
Financial statements ▶ Truth and fairness of the state of affairs of the Council and its Group at 31 March 2024 and its expenditure and income for the year then ended. ▶ Financial statements in accordance with the relevant financial reporting framework and relevant legislation.	▶ We report on the outcomes of our audit procedures to respond to the most significant assessed risks of material misstatement that we have identified, including our judgements within this section of our report. We did not identify any areas of material misstatement. ▶ We are satisfied that accounting policies are appropriate and estimates are reasonable. ▶ We have considered the financial statements against Code requirements, and additional guidance issued by CIPFA and Audit Scotland.	[*We have issued a qualified audit opinion on the 2023/24 financial statements for the Council and its Group in respect of the two City Building group entities.*]
Going concern ▶ We are required to conclude on the appropriateness of the use of the going concern basis of accounting.	▶ We conduct core financial statements audit work, including review and challenge of management's assessment of the appropriateness of the going concern basis. ▶ Wider scope procedures including the forecasts are considered as part of our work on financial sustainability.	[*In accordance with the work reported on page 37, we have not identified any material uncertainties.*]
Other information ▶ We are required to consider whether the other information in the financial statements is materially inconsistent with other knowledge obtained during the audit.	▶ The Director of Financial and Business Services is responsible for other information included in the financial statements. ▶ We conduct a range of substantive procedures on the financial statements and our conclusion draws upon review of committee and Council minutes and papers, regular discussions with management, our understanding of the Council and its Group and the wider sector.	*[We are satisfied that the other information meets the core requirements set out in the Code of Practice on Local Authority Accounting except for the matter in respect of the City Building entities.]*

Exhibit 5: Our audit opinion (continued)

Element of our opinion	Basis of our opinion	Conclusions
Matters prescribed by the Accounts Commission ▶ Audited part of remuneration report has been properly prepared. ▶ Management commentary / annual governance statement are consistent with the financial statements and have been properly prepared.	**Our procedures include:** ▶ Reviewing the content of narrative disclosures to information known to us. ▶ Our assessment of the Annual Governance Statement against the requirements of the CIPFA Delivering Good Governance Code.	[*We have no matters to report other than the matter raised in respect of the City Building entities.*]
Matters on which we are required to report by exception	**We are required to report on whether:** ▶ Adequate accounting records have been kept. ▶ Financial statements and the audited part of the remuneration report are not in agreement with the accounting records. ▶ We have not received the information or explanations we require.	[*We have no matters to report.*]

Our response to significant and fraud audit risks

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

What is the risk?

As we outlined in our Annual Audit Plan, ISA (UK) 240 requires us to assume that fraud risk from income recognition is a significant risk. In the public sector, we extend our consideration to the risk of material misstatement by manipulation of 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 Council's financial position around the financial year end and incorrect recognition applied to grant income with performance conditions. We therefore consider this risk to be most prevalent in the following income and expenditure balances within the 2023/24 unaudited financial statements:

- **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)

Refer to accounting policies with Note 1 pages 22-32 and notes 5, 9, 13, 24 and 26 of the Council Financial Statements and accounting polices within note 1 of the Group financial statements pages 92-93 and notes 3 and 9.

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

What did we do?

We undertake specific, additional procedures for income and expenditure streams where we identify a fraud risk. For 2023/24 our work included:

- Inquiring with management and those charged with governance about risks of fraud and the controls put in place to address those risks.
- Reviewing and challenging management on any accounting estimates in respect of income and expenditure recognition for evidence of bias.
- Reviewing and testing revenue and expenditure cut-off at the period end date.
- Conducting substantive testing over grant income to ensure it satisfies recognition criteria tests.
- Conduct substantive testing of related income and expenditure transactions where we have identified a significant risk.
- Assessing and challenging manual adjustments / journal entries by management around the year end for evidence of management bias and evaluation of business rationale and supporting evidence.

Our findings

▶ Internal recharges

Our procedures in respect of income and expenditure recognition identified one error in relation to internal recharges which had not been properly eliminated resulting an overstatement of income and expenditure of £5.5 million. This error is similar in nature to adjustments identified in the prior year. As noted within recommendation 4, appendix E, a review of the process for identifying and eliminating internal recharges should be performed to ensure this error does not reoccur.

▶ Developer contributions

The Council holds £54.4 million in respect of developer contributions on the balance sheet. The nature of developer contributions means that they can be retained on the balance sheet for many years. While no errors were identified, our procedures did however note that there is an opportunity for the Council to improve the records supporting developer contribution balances in the financial statements which would enable greater checks to be performed on historic balances.

▶ Recommendation 42:

Management should review the current working papers and supporting evidence in place to support developer contributions with a view to improving the ability to analyse the data and more readily identify historic balances or other outliers. A review of historic balances should be performed to determine whether the funds could be utilised or whether they require return. (Grade 3)

▶ Group eliminations

In preparation of the group financial statements, the Council must eliminate intercompany balances including debtors and creditors balances.

Our review of the consolidation working papers identified a formula error which has resulted in these balances not being properly eliminated. This has resulted in a reduction to group debtors and creditors of £18.4 million in 2023/24. The impact for 2022/23 is an increase of £40.6 million which has not been adjusted on the basis of materiality and significance within the financial statements.

Additional audit procedures: Non-significant risk areas

▶ Council Tax Income

We established detailed expectations of income based on properties and rates and compared to actual income in the year. We audited the reconciliation between the financial statements and the relevant feeder systems.

▶ Non-Domestic Rates

We established expectations of income to be collected by the billing authority and agreed the reconciliation between the general ledger and the feeder system. We also audit the Council’s Non-Domestic Rates grant return to the Scottish Government to ensure that reliefs have been applied appropriately.

▶ Non ring-fenced grant income

We substantively tested these balances to grant confirmation letters from third parties.

▶ Depreciation, amortisation & impairment:

We tested these balances in conjunction with our work on property, plant and equipment. We considered the appropriateness of useful lives of assets and recalculated depreciation charged in the year.

In line with prior year, we identified one error in respect of accounting for depreciation. The Council adopts a policy of not charging for depreciation or amortisation in the year of an asset's purchase. In accordance with the accounting Code, depreciation should be charged over an asset's useful life, starting from when the asset is available for use. This resulted in an estimated overstatement of depreciation of £1.6 million.

As set out within recommendation 5, appendix E, this matter will be considered as part of evaluation of the new finance system and whether changes can be made within the asset module.

- **Pension costs:**

We have outlined our consideration of the valuation of pension assets and liabilities held by the Group and Council on page 28.

In respect of all pension transactions impacting the Comprehensive Income and Expenditure Statement we agreed these journals to the underlying IAS 19 report prepared by the Group and Council's actuary.

- **Employee expenses**

We established expectations of payroll costs in the year based on staff numbers and salary movements and compared our expectations to actual results and investigated variances. Our bespoke data analysers provided analysis of all payroll transactions in the year, from which we investigated and corroborated material and unusual transactions.

There were no issues identified through the work that has been performed in relation to employee expenses.

Our conclusions

- Our testing has 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.
    - Depreciation differences were identified over hundreds of assets, with an impact of approximately £1.6 million. There were no particular patterns to the differences identified in respect of increasing or decreasing the net financial position.
    - Internal recharge and inter-company transaction differences were identified, with a total impact of grossing up income and expenditure by £5.5 million.
    - Gross up of group debtors and creditors of £18.4 million.
- There was no disagreement during the course of the audit over the correct accounting treatment or disclosure and we encountered no significant difficulties in the audit.

2. Risk of misstatement due to fraud or error (Key audit matter)

Our Annual Audit Plan recognises that under ISA (UK) 240, management is considered to be in a unique position to perpetrate fraud in financial reporting because of its ability to manipulate accounting records directly or indirectly by overriding controls that otherwise appear to be operating effectively. We respond to this risk on every engagement and consider this risk to be relevant to the Group and the Council as a single entity.

Risk of fraud

We considered the risk of fraud, enquired with management about their assessment of the risks of fraud and the controls to address those risks. We also developed our understanding of the oversight of those charged with governance over management's processes over fraud.

Bank accounts

The Council holds a large number of bank accounts including accounts which they hold on behalf of schools, group entities and social work clients. We noted in the prior year audit (refer to recommendation 6, Appendix E) that the reconciliation arrangement did not identify inactive bank accounts or, in many cases, the purpose of the account.

We have noted an improvement in records held in respect of these bank accounts and reviews of inactive accounts is now forming part of standard procedures.

Testing of journal entries

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

We obtained a full list of journals posted to the general ledger during the year, and used our bespoke data analysers to identify potentially unusual journals based on posting patterns, amounts or areas of greater risk of judgement or incentive for management to adjust according to our identified risk areas for the audit.

We evaluated the business rationale for any significant unusual transactions.

In particular we considered:

- Journal entries made directly into the general ledger of a material nature to key accounts which are considered more likely to have an incentive to be manipulated;
- Journals transferring funds between useable reserves and restricted or separated accounts;
- Evaluating the business rationale for significant and unusual transactions; and

We have not identified any indicators of unusual journals which could not be explained by management, or which indicated any additional risk of fraud.

In the prior year, we highlighted that during our review of financial control processes, we noted a lack of segregation of duties in respect of the posting of journals. Journals continue to be posted without any evidence of secondary review or authorisation before posting. A mitigating control is in place where journals over £50,000 are reviewed as part of period end procedures. Following the recommendation made in prior period (refer to recommendation 7 with Appendix E), no amendments have been made to procedures.

We outlined on page 60 the future changes to financial and other related systems the Council will undertake. New systems should have fully integrated control functions to ensure segregation of duties, specifically approval of journals posted by management by a separate individual. In the interim period , management should ensure risk based arrangements are in place to mitigate the more material risks associated with the absence of approvals.

Judgements and estimates

ISA (UK) 540 on accounting estimates was issued in December 2019 and was applicable to the Group and Council's audit from 2020/21. Risk factors relevant to the public sector included the following examples for consideration by auditors:

- a very high degree of estimation uncertainty caused by the need to project forecasts far into the future, including the valuation of local government pension assets and liabilities, considered on page 28 of this report; and
- areas where there may be a lack of available comparators for estimates that are unique to the public sector, such as the valuation of important public assets (such as property, plant and equipment, outlined on page 24 of this report).

Our procedures included:

- Testing management's process method, key assumptions, data;
- Testing management's process-estimation uncertainty;
- Considering evidence from events up to the report date; and
- Developing our own point estimate of the appropriate valuation.

We reviewed each significant accounting estimate for evidence of management bias, including retrospective consideration of management's prior year estimates.

Accounting policies

We considered the consistency and application of accounting policies, and the overall presentation of financial information. We consider the accounting policies adopted by the Council and Group to be appropriate with the exception of depreciation accounting policies where amendments have been identified as noted on pages 21 and 25.

Our conclusions

- We have not identified any material weaknesses in the design and implementation of controls around journal processing. However, in line with prior year, we continue to note areas for improvement through more robust journal review and approval procedures. We have not identified any instances of evidence of management override of controls.
- There have been no disagreements during the course of the audit over any accounting treatment or disclosure and we have encountered no significant difficulties in the audit to date.

3. Valuation of Property, Plant and Equipment and investment property (Key audit matter)

Financial statement impact

Within the 2023/24 financial statements, the Council Group held £4.1 billion (2022/23: £4 billion) of property, plant and equipment with £3.1 billion (2022/23: £3 billion) relating to land and buildings.

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

Refer to accounting policies in Note 1 pages 22-34 and note 19 and 20 of the Council financial statements.

Refer to accounting policies in Note 1 pages 92-93 and note 13 and 14 of the Group Financial Statements.

What is the risk?

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 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.

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

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

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

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

What did we do

Our work focused on the following areas:

Property, Plant and Equipment and Investment Property

- reviewed and appraised 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 tested key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre);
- involved EY internal specialists in selected areas of focus to challenge the work performed by the Council's valuers, where appropriate;
- assessed any changes to useful economic lives;
- tested accounting entries were correctly processed in the financial statements;
- sample tested transfers from assets under construction and confirm for a sample that remain within assets under construction that development is still in progress;

- gained 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;
- reviewed operating expenditure for evidence of capital additions omissions; and
- ensured investment property is correctly classified within the Group financial statements and appropriately valued.

Our findings

Property, Plant and Equipment

During the final audit visit, we requested a sample of valuations to conduct our own testing, and selected a number to be reviewed by our valuation specialists. Our valuations specialist identified one judgemental unadjusted difference of £7.5 million as noted in Appendix E.

There have been two instances where errors have been identified, both in respect of spreadsheet calculation errors which were not identified during initial review:

- The first related an understatement of £3 million which was due to a computation error within the valuation report provided by City Property.
- In respect of sale and leaseback assets, these are currently recorded within a spreadsheet rather than the Council's fixed asset register. An error was made when updating the working paper to reflect the latest asset valuations with land being double counted. This has resulted in an overstatement of sale and leaseback assets of £77.9 million.

Management have corrected both errors within the audited financial statements.

While we have noted three errors in respect of valuations, we note that these are both calculation errors which should be easily addressed through enhanced review procedures both in respect of City Property's production of valuation reports and the finance team's check of the valuation reports and valuation accounting adjustments.

In the prior year, we identified a large number of audit differences within valuations. We have noted an improvement both in the use of the latest data and documentation of approach within the valuation reports reviewed.

In line with prior year, we identified one error in respect of accounting for depreciation. The Council adopts a policy of not charging for depreciation or amortisation in the year of an asset's purchase. In accordance with the accounting Code, depreciation should be charged over an asset's useful life, starting from when the asset is available for use. This resulted in an estimated overstatement of depreciation of £1.6 million. We also continue to note that the Council does not update asset useful lives on a routine basis including following valuations, partially due to system limitations. Our procedures performed for 2023/24 has noted that this does not have a material impact for the current year however management keep this under review as it could become material in future years.

In respect of the Group, SEC Limited hold material assets. SEC prepare their own financial statements under FRS 102 and value their estate under the cost model.

A consolidation adjustment is therefore required to bring the valuation of the estate in line with the Group's accounting policy. We identified issues in the prior year surrounding the estate being understated significantly, which was corrected for within the 2022/23 audited financial statements.

For 2023/24, management has concluded that the valuation remains materially correct. Following review of management's assessment and performance of our own procedures, we are content that the valuation of the estate remains within an acceptable range.

Please refer to recommendation 10 within Appendix E for the update surrounding the recommendation raised within the 2022/23 annual audit report and progress made in relation to valuation programme surrounding the wider Group assets.

Investment Property

In 2023/24 the Group held £237 million (2022/23: £239 million) in respect of investment property. The investment property of the Group is comprised of over 400 properties throughout Glasgow to generate rental income and capital appreciation. To gain assurance over this balance, we have performed reviews of component auditor's files and also performed our own considerations of the valuation of a sample of the investment properties. We are satisfied that the investment property is classified and valued correctly within the Group financial statements.

Reinforced Autoclaves Aerated Concrete (RAAC)

The Council has followed the decision tree guidance issued by the Department of Education as part of its assessment of whether RAAC exists within Council assets.

In respect of the school estate, only one school was identified as containing RAAC, Whitehill Secondary which was discovered in 2021 and has been mitigated, managed and monitored. No impairment in respect of this asset has been made, recognising that the asset remains in use.

In respect of the culture and leisure estate, RAAC has been identified in 6 properties. RAAC has also now been identified in a small non-public section of the Burrell and is now subject to ongoing monitoring. To date the following sites remain closed due to RAAC being identified:

- Glasgow Club Whitehill;
- Glasgow Club Drumchapel Pool; and
- Cardonald library.

Management has performed an impairment assessment for these assets and included additional financial statement disclosures in this area.

[Management has made representations that no other assets within Glasgow City have been impacted within the letter of representation that we require as part of our finalisation of the audit.]

Our conclusions

- We have identified 3 misstatements in the current year in respect of the valuation of property, plant and equipment in Appendix F, and we have followed up on 11 recommendations from prior year with 5 remaining open.
- There was no disagreement during the course of the audit over any accounting treatment in respect of valuations of property, plant and equipment and investment property.

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

Financial statement impact

The Group and Council's net pension asset, measured as the sum of the long-term payments due to members as they retire against the Group and Council's share of the Strathclyde Pension Fund investments, is a material balance in the Group and Council financial statements.

At 31 March 2024 the asset recognised by the Council was nil and the Group: £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. A prior period adjustment was required to reflect the impact of these payments.

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

What did we do?

Our procedures included:

- liaised with the auditor (EY) of Strathclyde Pension Fund to obtain assurances over the information supplied to the actuary and confirmed joint assurances in respect of employer and employee contributions;
- engaged our actuarial specialists to assess the work of the actuary (Hyman Robertson);
- assessed the work of PWC, appointed to consider actuarial assumptions used at the year-end for all local government sector bodies;
- reviewed and test the accounting entries and disclosures made within the Group and Council's financial statements in relation to IAS 19;
- required 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;
- considered the valuation and disclosure of unfunded liabilities, for which there are no plan assets to meet the pension liabilities;
- we requested that the Group and Council obtain an asset ceiling report from its actuaries. Our actuarial specialists reviewed the asset ceiling report to satisfy themselves that it is materially correct;
- assess the reasonableness of underlying data used to inform the triennial valuation by performing testing of membership data; and
- reviewed 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.

Our findings

Equal pay

As noted on page 36, the Council paid out £258 million in respect of equal pay settlements during 2023/24. This included £32.9 million in respect of additional pension contributions which were paid to the Strathclyde Pension Fund in March 2024. Due to the timing of the payment, this was not recorded within the Council's IAS 19 valuation report and therefore an adjustment was required to reflect this payment.

In addition, 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.

Asset ceiling

Accounting standards place a limit on the amount of pension surplus that can be included as an asset on an organisation's balance sheet. A Council cannot show an asset on its balance sheet relating to a defined benefit pension scheme which exceeds the economic value it is likely to derive from the pension scheme.

The amount that can be included as an asset is therefore restricted to the surplus which can be returned to the Council by way of refunds or reductions in future contributions. This restriction is known as the "asset ceiling".

As part of our audit procedures, we requested that the Council obtain an updated asset ceiling report by its actuaries. Our actuarial specialists reviewed the asset ceiling report and were satisfied that it was materially correct.

Unfunded liabilities

The IAS19 actuarial valuation reported that the Council has unfunded pension obligations at 31 March 2024 totalling £271 million (Group: £278 million). These have been recognised separately on the balance sheet as an obligation on the basis that there are no plan assets to meet the pension liabilities. Our actuarial specialists reviewed the unfunded liability and were satisfied that it was materially correct.

Group pension asset recognition

The Group has a number of entities who also participate in the LGPS. Within the unaudited group financial statements, a £13,000 net pension asset balance was recognised.

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 do 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.

Our conclusions

- We engaged specialists to support our work on the reasonableness of the underlying assumptions used by the Group and Council's actuary.
- We undertook procedures to ensure that the information supplied to the actuary in relation to the Group and Council was complete and accurate and that our own estimate of the valuation based on those inputs was materially consistent with the actuarial reports.
- We considered the findings of the appointed auditor of the Strathclyde Pension Fund to obtain assurances over the information supplied to the actuary in relation to the Group and Council, in particular in relation to the valuation of the Pension Fund assets at 31 March 2024 and we audited the accounting entries and disclosures made in the financial statements were consistent with the actuary's report.
- 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.

Existence of property, plant and equipment

Audit requirements

Infrastructure assets

In 2021/22, local government auditors raised concerns that Accounting Code requirements were not being adhered to in respect of subsequent expenditure on infrastructure assets. Further concerns were raised in respect of the ability to evidence the existence of infrastructure assets at the balance sheet date.

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

Vehicles, plant, furniture and equipment

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

What did we do?

Our procedures included:

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

Our findings

Infrastructure assets

Taking into account the statutory override, there was an improvement in respect of the availability and timeliness of information provided to support the existence of a sample of infrastructure assets.

We did not identify any new errors from our work however our procedures in the prior period noted one error in respect of the treatment of land associated with infrastructure assets which was incorrectly being depreciated. This resulted in an unadjusted reclassification difference of £5.2 million and a reversal of depreciation of £0.4 million. This error remains applicable for 2023/24.

Existence of property, plant and equipment continued

The statutory override in place for infrastructure assets was extended by the Scottish Government 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 delivered.

While there remains some uncertainty around the future accounting requirements for infrastructure assets, the Council should ensure that in line with the Scottish Government request, work is undertaken to address information deficits to ensure timely adoption of the permanent solution. Refer to recommendation 13 in appendix E.

Vehicles, plant, furniture and equipment

The Council holds £75.3 million of vehicles, plant, furniture and equipment with the material element of this balance relating to IT related equipment. In line with our observations in prior year, challenges were encountered in identifying underlying assets from the records held within the fixed asset register.

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, an estimated impairment of £5.6 million was identified.

Consistent with prior year, we identified the following from our procedures:

- Capitalisation of low value items including moveable IT accessories which are challenging to prove ongoing existence and are likely to have limited useful lives.
- No existence testing was performed by management and similarly, an impairment assessment had not been performed.

Please refer to recommendation 14, within appendix E where we note the enhancements required to both records and procedures.

Our conclusions

- Consistent with prior periods, we continue to highlight improvements required to the Council's records in respect of both infrastructure assets and vehicles, plant, furniture and equipment.
- We have identified 2 errors from procedures performed relating to impairment of equipment and a misclassification of land within infrastructure assets.

Implementation of IFRS 16

Audit requirements

The implementation of IFRS 16 in local government financial statements has been delayed on a number of occasions for various reasons. Most recently, CIPFA/LASAAC conducted an emergency consultation on the Code in March 2022. This resulted in a further deferral to the implementation of IFRS 16 until 1 April 2024 at the latest.

IFRS 16 eliminates the operating / finance lease distinction for leases and imposes a single model geared towards the recognition of all but low-value or short-term leases. These will now be recognized on the Balance Sheet as a 'right of use' asset and lease liability reflecting the obligation to make lease payments.

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

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

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

Our findings

Our procedures included:

- Reviewing and commenting upon the disclosures that the Council had made within the draft financial statements; and
- Consideration of the process undertaken to quantify the impact of the revised standards on the Group and Council's financial statements.

Within the unaudited financial statements, the Council has disclosed the material impact that the implementation of the standard will have with £152 million right of use assets and associated lease liabilities estimated. While work has been undertaken by the Council to arrive at this estimate, significant further work is required in advance of the implementation including ongoing review of leases and other contracts as well as procurement of a system to support the collation of records and calculation of the accounting impact.

We noted that the impact of the new standard on the Group financial statements is still to be quantified. The introduction of the standard will create a divergence between the lease accounting required in individual statutory accounts for subsidiary companies preparing their financial statements under FRS 102 and the Council who prepare the Group accounts under IFRS. This will create an additional complexity to the Group accounting and consolidation adjustments required for 2024/25, including requiring component entities of the Glasgow City Council Group to undertake significant additional work to support the consolidation of accounts compliant with IFRS 16.

In line with our prior year recommendation (recommendation 34 within appendix E), the implementation of IFRS 16 should be a focus area for the finance team with a clear plan in place to support implementation.

Implementation of IFRS 16 continued

Our conclusions

- The Council has commenced work on collating data to support IFRS 16 implementation in 2024/25 with an estimated impact calculated for the Council. Work is ongoing to update this estimate and also assess the impact for the Council Group.
- Management should ensure that there is a clear plan in place for implementation which includes data gathering, system procurements and developing a model for calculating the accounting entries.

Low Emission Zone

Audit requirements

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

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

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

Our findings

In August 2024, LASAAC ('Local authority accounting Scotland Accounts advisory committee') published guidance on the disclosure of low emission zone costs and revenue within financial statements. Due to the late publication of the guidance, it is voluntary for 2023/24 however the intention is for mandatory guidance to be issued for 2024/25.

The low emission zone disclosure in the financial statements is in line with the requirements as set out in regulations. Some challenges were encountered in obtaining detailed transactional breakdowns to enable substantive testing to be performed. Following resolution of this matter, we are satisfied that the disclosure is appropriate.

In line with our prior year recommendation, the Council should ensure that a review of the latest guidance is performed for 2024/25 to ensure compliance with LASAAC requirements. A further review of the mechanisms for obtaining and extracting the data should be performed as noted within recommendation 35 within Appendix E.

Our conclusions

- The disclosure is in line with our understanding of the requirements as per the regulations.
- Updates to requirements for the disclosure are expected for 2024/25 with LASAAC guidance expected to become mandatory and therefore the Council should ensure that a review of this guidance is performed.

Equal pay and pay and grading implementation

Audit requirements

During 2023/24, the Council made payments of £257.8 million in respect of equal pay settlements. In order to prevent future liabilities, the Council must implement a revised pay and grading structure.

For 2023/24, our audit procedures included:

- Testing a sample of payments made against the equal pay provision to ensure they are accurately recorded within 2023/24 financial statements.
- Assessing the adequacy of contingent liability disclosures in respect of any further equal pay cases.
- Continuing to monitor the status of the pay and grading project to assess any impact for the 2023/24 financial statements.

Our findings

In respect of the equal pay settlements payments, we tested a sample of payments to confirm that the payments were appropriate and accurately record with no issues identified.

We have confirmed that the appropriate adjustments have been made between the employee statutory adjustment account and the general fund in line with the regulations.

The Council continues to recognise the potential for further claims in respect of equal pay as a contingent liability within the financial statements. Through our audit procedures and discussions with management, we are not aware of any further material equal pay cases which would give rise to a provision at the reporting date.

The new pay and grading structure will be backdated to October 2023 and therefore, once agreed, could give rise to backdated pay relating to 2023/24. As further described at page 47, the implementation of the new pay and grading structure has been delayed and at the time of writing this report, the project is still too early in the process to determine whether additional pay liabilities will arise. This will be kept under review until the date of signing the financial statements.

Our conclusions

- We performed audit procedures in relation to the payments made in respect of equal pay and confirmed that reserve adjustments in respect of the provision and payments were in line with the regulations.
- At the time of writing, we are satisfied that the contingent liability disclosure is appropriate and that there is insufficient information available at the current time to account for the 2023/24 impact of the new pay and grading structure.

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.

Management's going concern assessment must therefore include consideration of support guarantees provided across the group entities, and any contractual support it is obliged to provide where group entities cannot meet payments, such as with the sale and leaseback subsidiary entities.

Management's assessment covers the 12-month period following approval of the financial statements, to May 2026.

After completing its going concern assessment in line with the information and support provided through earlier discussions in the audit process, the Council has concluded that there are no material uncertainties around its or the wider Group's going concern status. We have outlined our consideration of the Council's financial position going forward in the financial sustainability section of this report. We considered this in conjunction with management's assessment on going concern, focusing on:

- The completeness of factors considered in management's going concern assessment.
- The accuracy of management's supporting cash flow and liquidity forecasts for the going concern period.
- The completeness of disclosures in the financial statements in relation to going concern and future financial pressures and how savings challenges in the short and medium term will be addressed.
- The completeness of the assessment for group entities including the potential impact of support provided and other group financing arrangements.

Going concern continued

Our conclusions

- We reviewed and challenged the going concern assessment provided by management. Due to the wide-ranging Group support arrangements in place at the Council, and financial sustainability challenges outlined in this report.
- We verified the assessment to supporting information, including key reports to the Council and financial plans. We concur with management's assessment that there are no material uncertainties in relation to the going concern of the Council or Group.

ISA (UK) 315: Identifying and assessing the risks of material misstatement

Audit requirements

For the 2022/23 audit there had been a significant change to the auditing standard, ISA (UK) 315 and this impacted our 2022/23 and 2023/24 audit approach and the procedures we needed to perform.

The standard drives our approach to consideration of the specific systems used to create the financial statements, including:

- Risk assessment.
- Understanding the Council's internal control arrangements.
- The identification of significant risks.
- How we address significant risks.

Key changes to our audit approach as a result of the implementation of ISA 315 were:

- A significant increase in audit work on the Council's use of IT in the systems of internal control across partner organisations.
- Increased importance of our understanding of the entity and environment, the applicable financial reporting framework, and system of internal control.
- A greater focus on professional scepticism including ensuring that audit approaches do not show bias to look for corroborative evidence or excluding contradictory evidence.
- We made enhanced inquiries of management and others within the Council who deal with fraud allegations, to determine whether they have knowledge of any actual, suspected or alleged fraud, including cases of fraud raised by employees or other parties.
- We held discussions with key members of the Council including in respect of the risks of fraud and considered the implications for the audit.

Our findings

In line with the requirements of ISA 315, our audit approach was updated to reflect a number of matters identified through risk assessment, including:

- Internal audit's qualified opinion on the Council's systems.
- Our assessment of the functionality of key financial systems, and the subsequent challenges that would be encountered in adopting a more modernised, automated approach to the audit.
- The Council's understanding of the IT processes across the various systems and who manages these.

Our audit approach was therefore tailored to reflect the risk assessment of the Council, the more material general changes being:

- Significantly increased levels of additional review and challenge through the audit process, through both the audit manager, partner and engagement quality control reviewer.
- A greater focus on professional scepticism around key estimates and judgements, and significant and unusual transactions.
- We had a greater focus on the IT processes and identified issues with obtaining responses across the Council and IT provider on various IT processes.

ISA (UK) 315: Identifying and assessing the risks of material misstatement continued

- We obtained the required information to support our procedures in respect of the relevant systems which support the production of the financial statements however this was significantly delayed and should be an area of focus for the Council to ensure that this is managed and recorded appropriately going forward. This includes ensuring that there is sufficient provision within contracts with third party IT providers to support audit.

In addition to these changes, we have set out the specific additional risk responses to each significant and inherent risk throughout this report. We maintained a continuous review of our risk assessment arrangements through the audit, including through our conclusion procedures.

Our conclusions

- We identified 7 relevant IT systems and applications which materially contribute to the production of the Council's financial statements.
- Our audit approach was updated to reflect our findings and overall assessment of both the Council's control environment and the robustness of the systems contributing to the financial statements.
- We reported on our control observations pertinent to the financial statements' production through this report.

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.
- The use of resources to improve outcomes.

We apply our professional judgement to risk assess and focus our work on each of the wider scope areas. In doing so, we draw upon conclusions expressed by other bodies including the Council's internal auditor and the Care Inspectorate, along with national reports and guidance from regulators and Audit Scotland.

For each of the dimensions, we have applied a RAG rating, which represents our assessment on the adequacy of the Council's arrangements throughout the year, as well as the overall pace of improvement and future risk associated with each dimension.

Best Value

The Code explains the revised arrangements for the audit of Best Value. The Accounts Commission require auditors to assess and report on the Council's performance in meeting its Best Value and community planning duties. This includes the follow up of actions that were previously agreed.

The findings from our wider scope work have informed our assessment of Best Value in 2023/24. In addition, the Accounts Commission requested that we conduct a thematic review of workforce innovation, based on a work programme provided by Audit Scotland.

Exhibit 6: Our RAG ratings

Red Amber Green	Our auditor judgements are RAG rated based on our assessment of the adequacy of the Council's arrangements throughout the year, as well as the overall pace of improvement and future risk associated with each area. This takes account of both external risks not within the Council's control and internal risks which can be managed by the Council as well as control and process observations made through our audit work.

Financial Sustainability

Our overall assessment: Red

The Council agreed its three-year savings plan in February 2024. This sets out significant saving and income generation requirements to meet a projected gap of £107.7 million in the three-year period to 2026/27. As part of 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 those identified below. The Budget Support Fund reduced to £53.6 million at 31 March 2024 and is projected to reduce to £39 million by 31 March 2025.

The Council continue 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 the financial implications of both the implementation 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.

Despite making progress, the implementation of the new pay and grading structure has been delayed, with a revised implementation date to be agreed. Recognising the immense complexity of this project, the Council must look to agree a revised date for implementation to provide certainty to the workforce and allow sufficient time for the operational implementation and financial impact to be effectively planned.

The context for financial sustainability within the local government sector

The Accounts Commission publishes an annual report on the financial performance of councils. [Financial Bulletin 2023/24] was published in January 2025.

The report highlights that during 2023/24, councils' total revenue and income fell, including another real terms decrease in revenue funding from the Scottish Government. The result is that councils are becoming increasingly reliant on identified savings, which becomes progressively more difficult year-on year, and again, councils' used reserves to remain within their agreed budgets.

The 2024/25 settlement for local government reversed the trend of real term funding reductions year on year since 2020/21. The 2025/26 draft settlement published in 2024 indicates another real-terms uplift in funding for councils.

However, there is still uncertainty as to how increased employers' National Insurance contributions, announced by the UK Government, will be funded. The Convention of Scottish Local Authorities (COSLA) estimates that this will be an additional £265 million cost pressure for councils in 2025/26.

While the funding increase for councils' is welcome, it does not change the fact that the outlook for councils' financially remains challenging considering factors such as the increasing demand for services, and requirements to reform and improve services.

The 2025/26 Scottish Budget was largely an improvement on the Council's expectations

The Scottish Government published the Scottish Budget in December 2024 and was ratified in March 2025.

The budget addresses plans only for 2025/26, rather than the multi-year spending plans that were expected as a result of a commitment within the Verity House Agreement. The budget included announcements that the Scottish government will provide:

- £15 billion for local government to support the services communities rely on and £768 million to provide 8,000 more affordable homes;
- A real term uplift of 3% for spending on education and skills to maintain teacher levels and invest in school infrastructure; and
- A £34 million uplift in culture in 2025-26.

The Council previously adopted a Budget Strategy to respond to a significant funding gap in the three-year period to 2027

The Council agreed its high-level medium-term Budget Strategy at the City Administration Committee in November 2023. The report noted that there was sufficient certainty around Scottish Government funding estimates to allow the Council to proceed with three-year savings plans.

The Council has assumed that Local Government will receive a minimum of flat cash for the next three years.

The report notes that the Council will benefit from a "windfall" effect of reducing employer contributions as a result of the recent triennial review of the Strathclyde local government pension scheme. While this offers some mitigation to manage immediate financial pressures for 2024/25 and 2025/26, an estimated spending gap of £120 million was initially set out for the three-year period 2024/25 to 2026/27.

As a result, the committee, agreed the principles that will underpin the identification and development of savings options. This approach allowed officers to agree savings targets for most services, and develop budget options for discussion at the Cross-Party Budget Working Group, and thereafter Council consideration of the 2024/25 budget in February 2024.

The assumptions within the Budget Strategy were updated following the receipt of the draft Local Government Settlement for 2024/25 in December 2023. The projected gap was then reported at £107.7 million over the three-year period.

The Council's three-year budget was set in February 2024 and aims to bridge the current £107.7 million funding gap

The Council met to agree the 2024/25 budget on 15 February 2024. The Council has adopted a three-year savings plan, recognising that savings of this scale require lead time to plan and implement budget proposals.

The budget agreed a significant programme of savings, including budget options of:

- £29.1 million to be delivered in 2024/25;
- £22.9 million in 2025/26; rising to
- £32.7 million in 2026/27.

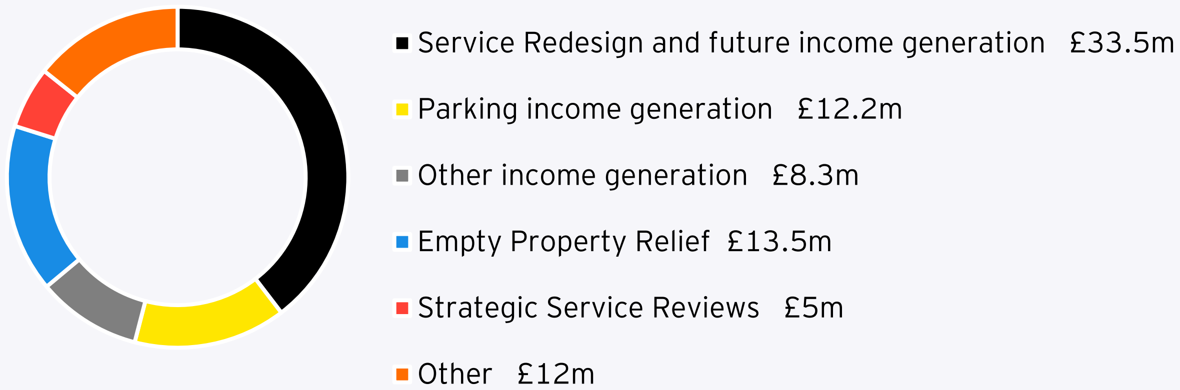
Exhibit 6 highlights that one key project will be responsible for closing £33.5 million (31%) of the funding gap, including £8 million in 2024/25. The Council has outlined plans for a Service Redesign and Future Income generation project to progress areas with the potential to generate additional revenue, including:

- The Transient Visitor Levy;
- Congestion charging; and
- The Workplace Parking Levy.

The Council has allocated a one-off investment of £2 million in 2024/25 to create a team within the Chief Executive's Department to progress business cases for each area of additional revenue, alongside the roll out of bin hubs and the development of a Glasgow Green Investment model. There is a need to realise financial benefits from these projects at pace.

Progress has been made during 2024/25 with the Council confirming in January 2025 that it would move to the formal consultation stage for implementing the Visitor Levy scheme in Glasgow. It is estimated that a 5% levy could bring revenue of £12.5 million.

Exhibit 6: **The Council's three-year savings plan outlines a number of strategies to bridge the funding gap, including income generation, increases in parking charges and removing empty property relief**



Source: *Glasgow City Council Revenue Budget 2024-25*

The scale of savings to be delivered within the three-year budget, alongside the level of risk associated with any new income streams is significant. The Council continues to provide detailed reports on progress to the Corporate Management Team with updates routinely presented to the Finance and Audit Scrutiny Committee and Political Oversight Group as required.

The Council set the 2025-26 budget on 20 February 2025

Following the announcement of the Scottish Government budget and subsequent provision of the local government settlement, the Council approved their budget for 2025-26 on 20 February 2025.

The establishment of the three-year budget in 2024/25 has resulted in a number of principles being agreed previously and therefore the focus of the 2025/26 budget is to update for known changes and priorities since the original three-year budget was set.

In particular, the Council will have to respond to and consider risks in respect of:

- the financial implications from the implementation of the new Pay and Grading Scheme;
- the ability to secure new income streams within the timescales envisaged, including for those subject to approval by the Scottish Government;

- ongoing areas of financial risk, such as the current level of overspend on homelessness services reported by the Council's partner, the Glasgow Integration Joint Board;
- brought forward pressures from underdelivery of savings and overspends in 2023/24; and
- ongoing uncertainty in respect of how increased employers' national insurance contributions will be funded.

The Council's usable reserve balances decreased significantly in 2023/24 as a result of funding arrangements for equal pay liabilities

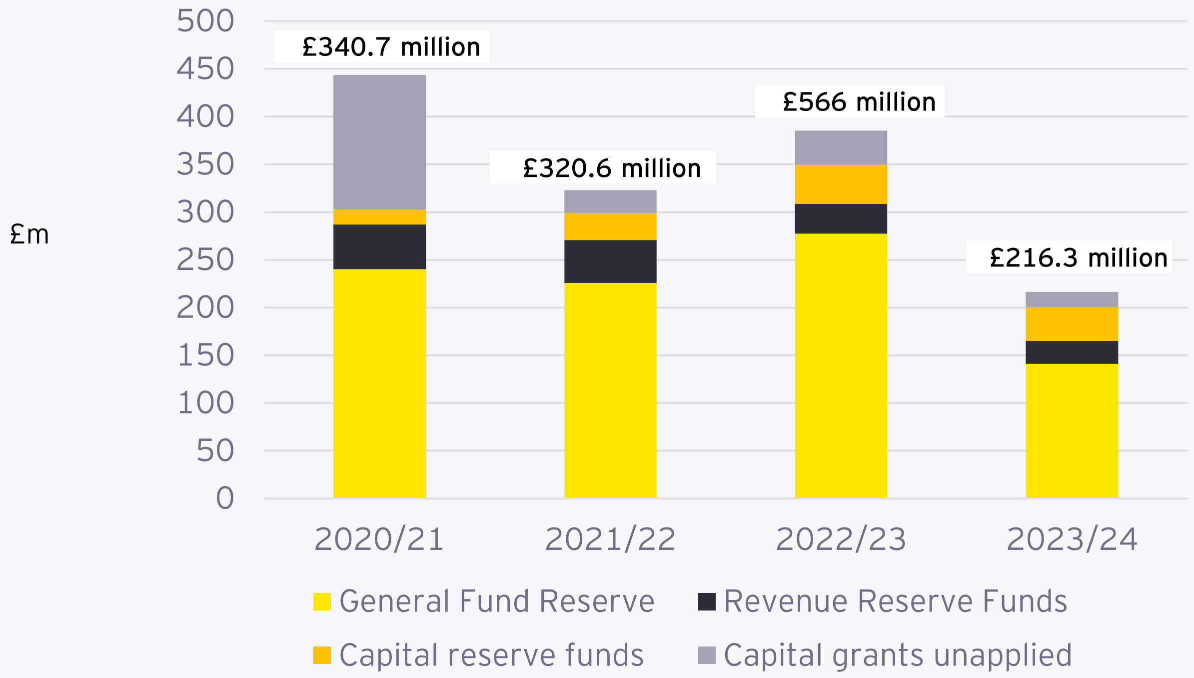
Exhibit 7 highlights that the Council's usable reserves decreased by £350 million during 2023/24 to £216.3 million, the lowest level in the last 4 years. There are two key factors underpinning this movement:

- The impact of sale and leaseback arrangement to fund the Council's equal pay obligations (resulting in a £200 million decrease in the Capital Grants Unapplied Reserve and corresponding increase in general fund) (refer to page 36); and
- The impact of the payment of equal pay obligations and release of the equal pay provision (resulting in a £260 million decrease to the general fund) (refer to page 36).

The Council benefitted from changes to accounting for service concessions, allowing it to create a £109.5 million Budget Support Fund

The Council has taken advantage of the fiscal flexibilities that have been available to local government since October 2020 in relation to service concessions.

Exhibit 7: Reserves balances decreased by £350 million during 2023/24, principally as a result of equal pay settlement payments



Source: *Glasgow City Council Financial Statements*

The Budget Support Fund is earmarked to meet the implementation costs associated with budget savings options, including severance costs. As Exhibit 8, below, highlights, the Budget Support Fund reduced to £53.6 million at 31 March 2024 and is projected to reduce to £39 million by 31 March 2025.

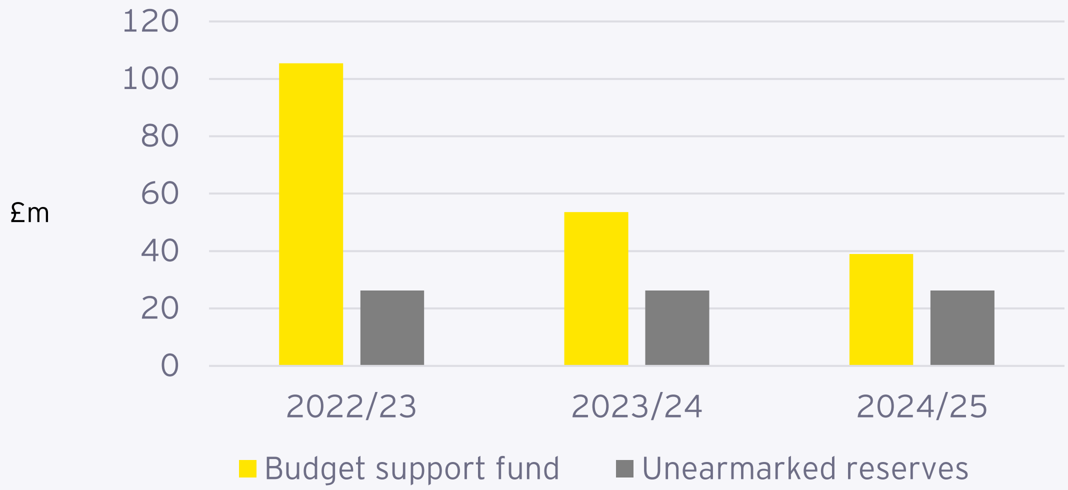
The use of the Fund was not reported consistently within budget monitoring reports in 2023/24 however reporting has been enhanced during 2024/25 to include further details on any drawdowns from the fund. Refer to recommendation 21 within Appendix E.

The Council's unearmarked reserves continue to fall below the target level of 2% in the medium-term

The Council's unearmarked reserve balance is £26.3 million, representing 1.3% of net budgeted expenditure. As in prior years, this level falls below the Council's medium-term target of 2%. The Council last held reserves in line with the medium-term target in 2020/21.

The Council does not expect to draw upon General Fund reserves in 2024/25 as key areas of overspend will be met by the Budget Support Fund. In addition, the three-year budget sets out arrangements to replenish reserves as part of the medium-term financial planning arrangements.

Exhibit 8: The Council projects that the unearmarked General Reserve will remain below its target in 2024/25. The significant use of the Budget Support Fund in 2023/24 and 2024/25 limits the flexibility to manage the risk associated with savings requirements in the medium term.



Source: *Glasgow City Council Revenue Monitoring Report, P7, November 2024*

Background to equal pay and pay and grading

In 2021/22, the Council recognised a provision of £260 million in respect of equal pay with payments being made in summer 2023. In order to fund these payments, the Council raised £210 million through sale and leaseback transactions with Council subsidiaries.

In 2022/23, the Council continued to recognise a provision of £260 million in respect of equal pay liabilities with final negotiations with the claimant groups still underway at the balance sheet date.

In May and June 2023, the Council reached settlements through Memorandum of Understandings (MoUs) with each of the three claimant groups. Through the MoU, all parties have agreed to broad terms for settling equal pay claims for all residual and ongoing equal pay liabilities up to October 2023.

The claims being settled under the MoU include new claims and all updated claims from those claimants that previously received settlements in 2019 along with any of the previous unresolved claims that missed the 2019 deadline, and which were still outstanding.

The MoUs set out wider agreed principles that allow the Council to mitigate and manage its ongoing equal pay risks during the period in which it aims to implement its new pay and grading system, including an agreement that no further equal pay claims will be pursued before 2027.

Following agreement of the MoUs and agreement with HMRC, offer letters were issued to claimants from late June 2023 with payments commencing in July 2023. To date, the Council has paid over 97% of claims.

Funding the equal pay costs: Sale and Leaseback arrangements

In September 2022, the City Administration Committee agreed the approach to funding the Council's remaining equal pay obligations. The Council agreed to adopt similar sale and leaseback arrangements as adopted in 2019.

The Council considered a range of cultural and sporting venues, primary schools and care homes for sale and lease back to raise capital. The Council obtained independent advice in relation to the value of the properties and annual lease rentals. This consideration resulted in the following 6 assets being identified:

- Kelvingrove Art Gallery
- Kelvin Hall
- Gallery of Modern Art
- City Chambers
- Sighthill School Campus
- Gowanbank School Campus

In February 2023, City Property Glasgow (Operations SL3) LLP purchased the six noted assets from the Council at a cost of £210 million and leased them back over a period of 32 years.

The annual rent payable to City Property by the council for these six properties is expected to be £11.7 million plus annual inflation. The total annual rent payable to City Property for all 17 sale and leaseback properties is now £32.1 million plus annual inflation.

Section 102 report on the 2021/22 audit of Glasgow City Council: Update on equal pay arrangements

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 Accounts Commission findings noted that the Controller of Audit advised of the effective governance processes and arrangements in place for overseeing the programme of work.

The report noted the critical need to replace the Council's current pay and grading structure with one that is equal pay compliant. A pay and grading structure project (the PGS project) has been 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. The programme governance arrangements include representation from HR, Legal, Finance, and Technical Workstreams, with participation from trade unions.

Once the Council has implemented its new pay and grading structure it is preparing for a level of appropriate backdating of pay, depending on the results of job evaluation and the pay and grading structure for the period between October 2023 and implementation.

Any changes to role gradings and pay levels and the cost of backdating pay will have potential implications for future affordability.

In implementing a new pay and grading structure, a key component was the completion of a comprehensive job evaluation process.

In September 2022, a report to the City Administration Committee (CAC) indicated a revised implementation date of April 2024. Through the remainder of 2023/24 a significant risk related to delivery on this date became apparent.

This risk was based on discussions with Trade Unions on the scale of 'benchmark' jobs (circa 350) to be evaluated, including evaluating around 900 identified 'unique' jobs. The Council developed a job evaluation recovery plan to allow it to implement its new pay and grading structure during financial year 2024/25, this was communicated to CAC in its August 2023 report.

A workforce communication was issued in November 2023 outlining February 2025 for PGS implementation and the challenges that remain in achieving this.

In December 2024, the Controller of Audit provided the Accounts Commission with a further update on progess since the publication of the Section 102 report in August 2023.

Throughout 2023 and 2024, the Council has progressed the job evaluation process and while progress has been made, the April 2024 deadline for completing job evaluations was not achieved. In September 2024 a further workforce communication was issued followed by an update on the equal pay programme to the CAC in October 2024.

While progress has been made, the Council highlighted that further stages of the programme involve several critical milestones where the timetable is exceptionally challenging to forecast.

These milestones include:

- Matching of ‘primary benchmark’ roles to around 18,000 employees;
- Evaluation, followed by matching, of ‘secondary benchmarks’ which cover around 220 roles, circa 4,000 employees, by group interviews;
- Evaluation of around 900 ‘unique’ roles by questionnaires and desk top exercises, covering around 1,300 employees;
- Consultation with Trade Unions on the new pay and grading structure and associated steps which will bring an end to the Workforce Pay and Benefits Review terms and conditions and their replacement with new terms and conditions across the non-teaching workforce; and
- Assessment of technical and system change requirements for implementing the new pay and grading structure.

As a result, the February 2025 implementation date has been delayed. Throughout the next months, 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.

Delivering an equal pay compliant pay and grading structure is a key strategic priority for the Council. Significant and complex decisions will be required as the project progresses into this critical stage. While agreeing a revised date which can be adhered to is critically important, the Council must also recognise the current risks that uncertainty in respect of timelines brings both strategically and operationally.

Financial Management

Our overall assessment: Amber

The Council concluded that only limited assurance could be placed on the systems of internal control in the year as a result of significant findings, which has been reflected in our consideration of vision, leadership and governance.

The Council finance function has again been required to demonstrate significant resilience above that embedded within its own formal arrangements, following significant turnover within the finance function. Overall, our observation is that the current capacity of the finance function does not meet the complex and extensive demands across the Council, particularly in light of increasing financial reporting complexity and anticipated challenges in implementation of new systems. The Council needs to critically reassess the sufficiency of its financial management capacity in the context of internal and external audit findings, the current system and internal control weaknesses, and the scale of the financial challenge and change ahead.

The Council recorded a net overspend of £28.5 million in service expenditure, the highest overspend incurred by the Council in the last 5 years. While the external environment has played a role in higher costs, a renewed focus on both the accuracy of the budget and control of additional costs is required.

In the prior year we identified a number of areas where there is scope to enhance the budget monitoring reporting to Members to support better scrutiny arrangements. Some amendments have been made during the year, with some remaining under consideration by Members and management.

The Council recorded a net overspend of £28.5 million in service expenditure in 2023/24

The Council's overspend in 2023/24 totalled £28.5 million against budgeted service expenditure. Financial pressures across service budgets included:

- overspends in employee costs due to increasing school rolls and additional staffing requirements and inflationary increases within Education Services (£8.6 million);
- overspends in housing benefits, food costs and under-recovery of income (£3.7 million); and
- overspends within Neighbourhood, Regeneration and Sustainability due to overtime and agency staffing costs, higher transport costs and increased utility, rates and rent costs (£16.8 million).

In 2022/23, the Council established a budget support fund which was to be used to support a number of budget options with implementation costs, primarily in respect of severance and also to support cashflow around the implementation of budget options in 2023/24 and future years.

During 2023/24 costs of £28.5 million were charged to the budget support fund, primarily relating to voluntary severance and early retirement costs as well as to support the phasing of budget options. In addition, £23.3 million was utilised to support the 2023/24 outturn position.

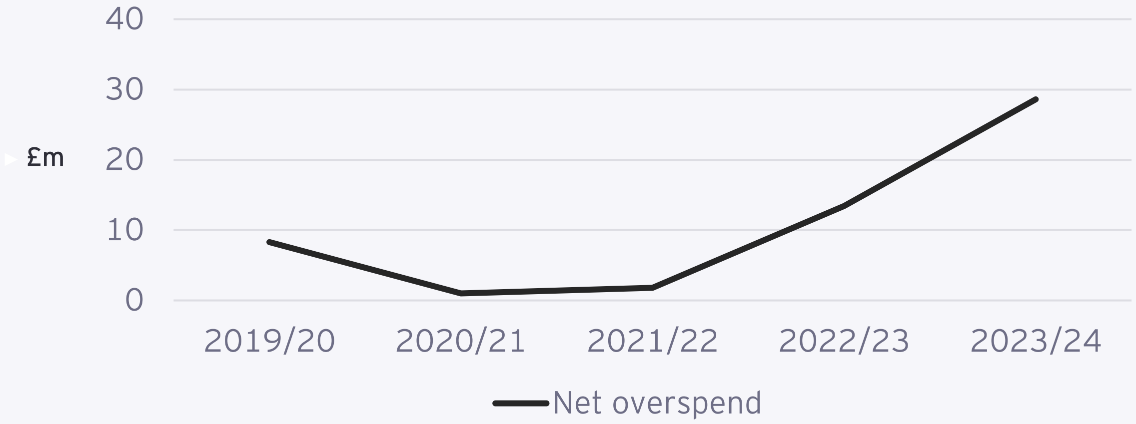
The closing position for the fund as at 31 March 2024, shown as an earmarked element of the general fund, was £53.6 million (£105.439 million at 31 March 2023.)

The 2023/24 outturn position shows an increasing trend of overspends against budget

The Council has historically had a strong record of performing in line with budget however as illustrated by Exhibit 9, in recent years, this has proven to be more challenging. The level of net overspend between 2022-23 and 2023-24 has doubled, with the overspend in 2023/24 being the largest incurred by the Council in the last 5 years.

This position highlights the significant challenges faced by the Council in preparing accurate forecasts when pressures exist in respect of inflation, increased demand and staffing pressures. In Audit Scotland's recent reports on the sector, [Local Government in Scotland Financial Bulletin 2022/23] and [Local Government in Scotland Financial Bulletin 2023/24], they note that the scale of the financial challenge ahead means that councils should act to strengthen their monitoring and reporting of financial resilience.

Exhibit 9: The level of overspend reported by the Council has increased significantly in the last 5 years



Source: *Glasgow City Council financial statements*

Budget monitoring reports reflected a growing overspend against services throughout the financial year

The City Administration Committee and Finance, Audit and Scrutiny Committee consider quarterly budget monitoring reports.

Budget monitoring reports are critical for elected members to make decisions about the prioritisation of resources. Exhibit 10 highlights that forecasting for most of the year projected a growing overspend against service budgets.

These overspends are predominantly as a result of significant inflationary and staffing pressures as well as increasing demand for some services. The trend in 2023/24 of a growing overspend is consistent with 2022/23, with the key difference being the scale of the challenge.

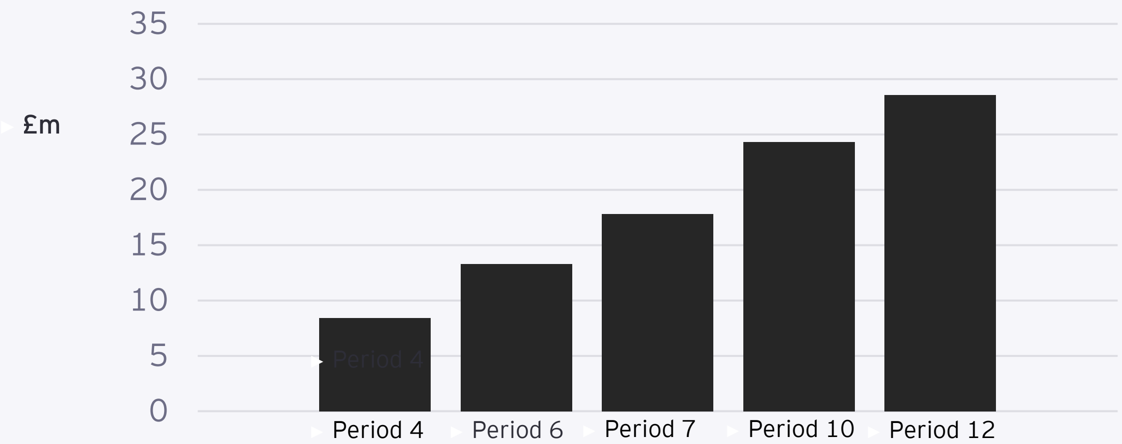
We also recognise that there is commonality year on year in respect of the pressures leading to the overspends. The Council should continue to review its budget and forecasts with specific consideration to areas where overspends have been more challenging to control and/or harder to predict.

For those harder to forecast areas, there should be clear articulation of the risk in delivering those against saving targets; and budgets. In line with prior year, we noted that there is scope to improve the transparency, and subsequent scrutiny, of financial monitoring reports by focusing on key factors that impact elected member decision-making, including:

- information on key variances and areas of financial risk;
- risk assessed progress against savings targets; and
- the projected impact of service outcomes on the General Fund reserve, and Budget Support Fund.

The Council's review of financial monitoring reports presented to elected members is ongoing and will be reviewed following completion of the latest committee effectiveness review. We highlight specifically that there has been greater detail included with financial monitoring reports on the use of the budget support fund and associated drawdowns in year. Refer to Appendix E, recommendations 20, 21 and 23 for further consideration.

Exhibit 10: The net expenditure overspend increased throughout the financial year



Source: *Glasgow City Council Budget Monitoring Reports 2023-24*

The Council estimates that it delivered over £32.5 million (82% of target) savings in 2023/24

Performance against annual efficiency savings is included within individual service narratives provided to the Finance, Audit and Scrutiny Committee regularly throughout the financial year.

Services expected to deliver £32.5 million (82%) of savings in 2023/24 and estimate that they will deliver £41 million (88%) in 2024/25.

This represents an increase of £9.5 million in total value of annual savings delivered compared to 2022/23 where £23 million of savings were delivered, however there is a slight reduction in performance against target of 6% (88% of savings target was achieved in 2022/23 compared to 82% in 2023/24.)

Consistent with prior years, unachieved savings predominantly related to the Neighbourhood, Regeneration and Sustainability service (£7.5 million) which contributed to the overall overspend position.

The Council concluded that limited assurance can be placed upon the adequacy and effectiveness of the systems of governance and internal control

Within the Annual Governance Statement, the Council has concluded that they have obtained limited assurance that the system of internal control was operating effectively during the year as a result of significant governance matters across the Council Group.

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

We undertook an assessment of the financial control environment as part of our planning work, and updated our understanding as part of the year end audit. Following the revisions to the ISA (UK) 315, our audit methodology included a greater focus on the use of IT in the system of internal control.

We were able to conclude our work in this area, however we continue to highlight that:

- based on our risk assessment of the Council's internal control environment, we adopted both a fully substantive audit approach to reflect the lack of assurance that could be provided by either the financial control environment or the underlying finance and related systems;
- we have followed up on 7 recommendations from prior year directly or indirectly related to financial management control arrangements, of which 3 are rated as high risk.
- 3 new recommendations have been raised either directly or indirectly relating to financial management control arrangements.

Throughout the audit we have also made observations relating to the operation of controls. We raised 20 audit adjustments and 13 recommendations remain open or in progress aimed at improving the financial control environment. While there remains a high number of in progress actions, progress has been made in both addressing prior year audit recommendations and work undertaken to support the production of the financial statements and audit process. This should be a continued area of focus for management in order to achieve the target of returning to a 'normal' audit timeline.

The Council's Counter Fraud and Investigations Team identified over £2 million of savings in 2023/24

The Council has a Corporate Fraud and Investigation (CFI) Team within the Internal Audit department. This allows the Council to respond to whistleblowing and other allegations, and respond to the National Fraud Initiative (NFI). A whistleblowing response policy is in place and was last updated in October 2021. Contact details for whistleblowers are signposted on the Council's website.

The NFI programme is a counter-fraud exercise co-ordinated by Audit Scotland and overseen by the Cabinet Office to identify fraud and error. The annual exercise produces data matches by comparing information held on public bodies' systems to identify potential fraud or error.

The Council most recently reported on progress against NFI within the Internal Audit Mid-Year Report (November 2024). This noted that the Council has received 28,029 matches to investigate, of which 26,404 are high priority. The majority of matches (17,352) relate to creditor matches.

9,041 matches have been investigated or are actively being investigated with 56 errors identified to date with a value of £86,236. There has been less progress on the follow up of matches, particularly relating to payroll, creditors and Companies House.

The Council has noted that this approach is in line with its internal approach to prioritisation based on its assessment and experience of the likelihood of matches resulting in potential savings.

The Council's Corporate Fraud and Investigation team identified savings of over £2.09 million for the Council and wider public sector which represented an increase from £1.55 million in 2022/23. This includes £1.79 million of savings in respect of false homeless applications. To date for 2024/25, savings of almost £0.66 million from work performed to date have been identified.

This falls below the levels identified in the same period in 2023/24, primarily due to a decrease in referrals for fraudulent homeless applications.

The Council reports on the delivery of its significant capital investment programme

The Council reports annually on the performance of the Capital Investment Programme, including the status of projects across financial years. Gross capital expenditure was £108.1 million with the largest funding source being grants and contribution of £64.1 million.

The scale of projects mean that they often straddle financial years, and management has therefore established arrangements for internal monitoring in a Capital Programme Board, which is chaired by the Director of Financial and Business Services. A total of 54 projects were underway in 2023/24, of which 44 were already in progress at the start of the financial year.

Reporting to the Board noted that six projects were categorised as "red" throughout the financial year as they were behind the scheduled programme and/or over budget. The Council assess the main factor in each of these cases as relating to materials and labour shortages, longer delivery timescales, supply chain disruption and higher project costs. It is also highlighted that some delays to programme delivery were related to difficulty resourcing projects and business change, particularly within some ICT projects. These challenges are likely to continue to impact projects for the foreseeable future.

Of the 12 projects that were completed in year:

- 5 were completed after the planned timescales;
- 1 project was achieved within a restated schedule but not within the approved budget;
- 1 project was removed and reported via City Deal governance structures;
- 1 project was de-scoped and consolidated with a new project; and
- 4 were completed within the approved budget.

The Depute Leader and City Treasurer provides a quarterly progress updates to the City Administration Committee, the committee responsible for approving budget virements. In addition, more detailed monitoring reports are provided to the Finance, Scrutiny and Audit Committee.

The current reporting arrangements do not fully reflect the size or complexity of the capital programme. In some instances, the level of detail provided may undermine effective scrutiny. For example, the quarterly Investment Programme reports to the Finance, Audit and Scrutiny Committee are typically over 80 pages long.

Increased oversight and transparency on the progress of capital projects against key milestone dates, would provide additional assurance that investments will be delivered as planned. Refer to recommendation 26 of Appendix E.

Financial management arrangements need to meet the scale and complexity of the Council's requirements

We have considered the strength and depth of the finance team, including the arrangements for workforce and succession planning.

The Council has experienced significant turnover within the finance team including a number of experienced senior members of the team such as the Director of Finance retiring during 2024. A new Director of Finance has been appointed and is due to take on the role in Spring 2025. An interim arrangement is in place whereby the Director of Financial and Business Services is acting as Section 95 officer.

The Council, like many other public sector and corporate bodies, has experienced challenges in recruiting to fill vacant posts. This is against the Council's context of increasing challenges in the effectiveness of underlying financial systems, increased workloads linked to financial process requirements, and an increasingly onerous external financial monitoring, technical accounting and external scrutiny environment.

Our experience is that key personnel with financial management responsibility have extensive experience and demonstrate a strong working knowledge of the Council's arrangements. However, the capacity of the finance team is significantly under pressure. This has been exacerbated in recent years by:

- increasing failures in the underlying control environment;
- a significant increase in the number of significant and unusual transactions requiring significant technical consideration; and
- a number of years of the external audit cycle no longer being in line with traditional timetables.

We reported in the prior year that the capacity of the finance team does not reflect the difference in both scale and complexity of the Council compared to other local government bodies. The turnover within the team has strengthened this view and we consider there to be an increased risk due to the dependence on key individuals.

Looking ahead, this pressure will continue to increase in the next four years as aged systems require updating and replacing, and new accounting standards create additional work which falls to a small number of sufficiently skilled accountants. The finance team are also required to play a key role in the Council's strategic plans such as implementing a new pay and grading structure and supporting savings and income generation activities.

The Council has started to take steps to future proof the finance function including a focus on developing and expanding the Council's professional trainee programme. Further initiatives such as this may be required to ensure the finance team is sufficiently resilient to the challenges which lie ahead. Refer to recommendation 27 within Appendix E.

Vision, Leadership and Governance

Our overall assessment: Red

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 is planning 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 are upheld in future.

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. The Annual Governance Statement reports on significant ongoing governance issues identified over the course of 2021/22, 2022/23 and 2023/24.

As a result of the matters identified, the Council concluded that limited assurance can be placed on the system of internal control in 2021/22, 2022/23 and 2023/24. While the Council centrally can demonstrate responsiveness to these matters, there remains significant outstanding work to address the issues identified and mitigate the associated risks. These must be addressed as a matter of urgency.

The Council has significant projects underway including the Future of ICT, SAP replacement and pay and grading. We continue to highlight that the scale and critical nature of the projects, and inherent legal and procurement risks, will add further strain to leadership capacity within the Council. Council leadership need to balance the numerous demands on both capacity and financial resources to progress each project.

The Council approved the Strategic Plan 2022-2027 in October 2022

The Council's Strategic Plan 2022-27 is mission-based and seeks to address four grand challenges for the City:

- Reduce poverty and inequality in our communities;
- Increase opportunity and prosperity for all our citizens;
- Fight the climate emergency in a just transition to a net zero Glasgow; and
- Enable staff to deliver essential services in a sustainable, innovative and efficient way for our communities.

Our work on the Best Value Thematic Review in 2022/23 focused on strategic planning and noted that the commitments within the Plan are intended to be stretching but that a review process is in place to consider and update the plan to reflect emerging priorities and pressures. The first review took place in October 2024 which has considered further on page 66.

The Council has a wide variety of strategies and plans including economic, investment and asset strategies. There is not full alignment between individual plans with the Strategic Plan or medium or long term financial plans.

The Annual Governance Statement demonstrates that it has the key requirements for good governance in place but highlights significant matters

The key aspects of the Group and Council's governance arrangements are required to be disclosed in the Annual Governance Statement within the financial statements. This includes the arrangements for managing the "Council Family" of arms-length organisations, the arrangements in place to scrutinise key policies, anti-fraud and whistleblowing arrangements and the Council's approach to risk management.

We reviewed the governance statement against the requirements outlined in the CIPFA framework for *Delivering Good Governance in Local Government*, and against our understanding of the Group and Council's arrangements in the period to 31 March 2024.

The key requirements for good governance are in place, commensurate with an authority the size and scale of Glasgow City. However, the Annual Governance Statement discloses a number of significant governance areas across the Group, which have resulted in a conclusion that limited assurance can be placed upon the adequacy and effectiveness of the systems of governance and internal control that operate in Glasgow City Council and its subsidiaries and relevant associates.

The significant governance issues can be grouped into two main categories which we specifically identified as areas of focus for 2023/24:

- Group governance arrangements; and
- ICT governance.

The Annual Governance Statement highlights three significant governance areas over arms-length bodies, known as the 'Council Family'

The Council has a significant number of subsidiary and joint ventures who support the 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.

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.

Both internal audit and the Council's Section 95 officer have noted concerns within the annual governance statement regarding the City Building executive management culture in relation to the role of audit and governance during 2023/24.

As noted on page 15, there continues to be delays in finalising the financial statements and the audits for 2022/23 and 2023/24. It is important that there is a focus on returning to a timelier cycle and ensuring that the action plan is progressed in a timely manner.

A further matter at City Building was identified in respect of an upgrade to its Servitor system which was subject to an unsatisfactory internal audit report in 2022/23. The audit concluded that expected project management processes were not fully followed and this resulted in significant operational and financial issues. There was a resulting impact on transactions activity between City Building and the Council with a subsequent impact on City Building Group's cashflows. Recommendations raised have now been implemented.

During 2024, there has been turnover within the management team at City Building with an interim managing director and director of finance in place for 2023/24. A permanent managing director has now been appointed who will take forward improvement plans.

Additionally, the Annual Governance Statement highlighted improvement areas at SEC in respect of health and safety. During 2023/24, an external health and safety audit was performed and a remediation plan developed to respond to the findings. Mitigations were also put in place to ensure the continued safe operation of the SEC venues.

In response, a further programme of internal and external health and safety checks and audits are being introduced with progress being reported through the SEC Board.

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.

The Council has governance arrangements in place to oversee the 'Council Family'

Local authorities have a statutory responsibility to comply with the Accounts Commission/COSLA Code of Guidance on funding external bodies and "following the public pound".

The Council maintains a number of Arms Length External Organisations (ALEOs) as individual legal entities, either constituted as a Limited Liability Partnership (LLP) or a company, some with charitable status.

The Council's ALEOs operate their own governance frameworks and Boards, to which Elected Members are appointed.

The Council has established arrangements to govern its relationship with the ALEOs to ensure that services that are delivered for the Council or on its behalf continue to be effective and to hold ALEOs to account for delivery of these services.

In May 2023, the Council's Operational Performance and Delivery Scrutiny Committee (OPDSC) considered an update on arrangements to monitor ALEO performance and governance, based on recommendations with the Council's most recent "Family Review" of Glasgow Life.

The ALEO Governance Framework sets out the annual programme of reporting, including how each ALEO aligns to one or more of the grand challenges within the Strategic Plan and is based on the contractual arrangements that specify the services to be delivered by the ALEOs.

The Council reports on corporate risks on a six-monthly basis, which incorporates strategic ALEO risks

The Finance, Audit and Scrutiny Committee consider a report on the corporate risk register every six months. The Corporate Management Team also sits as risk board every six months. During 2023/24, this has included a deep dive of a topical risk area as well as discussion around horizon risks.

The Risk Management Forum, an officer led group, is responsible for reviewing and updating the corporate risk register. The most recent update identified 11 very high rated risks, including:

- Fiscal uncertainty;
- The impact of the rising cost of living;
- ICT security;

- Failure to successfully implement Pay and Grading Scheme;
- Failure to fulfil duty of care to children and vulnerable adults; and
- Significant industrial action.

Each quarter, the Risk Management Forum selects one risk from the CRR for in-depth review. This is designed to ensure that the description and focus of each risk remains appropriate, it is assessed appropriately and all mitigating actions have been identified.

The Council continues to respond to ICT findings and changing technology requirements

There continues to be a significant risk of cyber-attacks to public bodies. A number of recent incidents have demonstrated the significant impact that a cyber-attack can have on both the finances and operations of an organisation.

Technology is also rapidly changing and will play a key role in the way the Council delivers services moving forward.

Internal audit has continued to highlight concerns around ICT security within their annual report for 2023/24 and the SAP outage in 2023 also highlighted the importance of robust IT controls. Both matters continue to be highlighted within the Council's annual governance statement.

In respect of ICT service and security, it's noted that a number of high-risk areas have now been mostly mitigated but there are other areas where work is ongoing. This means that the Council remained exposed to significant risk in this area during 2023/24. The remaining issues are planned to be addressed through the Future of ICT project.

Future of ICT

The Council has begun a fundamental project on the future delivery of the Council's digital and ICT services in a programme known as the Future of ICT ('FICT').

An Outline Business Case was considered by the City Administration Committee in September 2023 and a preferred option for delivery was selected.

The project is significant and represents a fundamental change in how ICT is delivered and maintained within the Council. It represents a significant change in how the Council works with partners to deliver IT services. Recognising the scale of the project, the Council has established a comprehensive governance structure to monitor delivery.

The first significant milestone of the project is from 1 April 2025 where the first transition to the first pillar of the new model will occur.

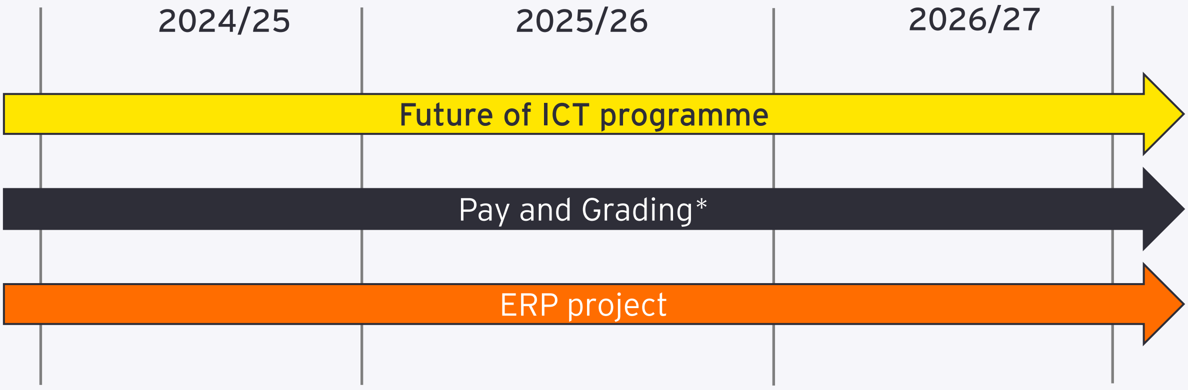
SAP replacement

The Council's current finance system is scheduled for replacement in 2027. Replacing a finance system at any organisation is a significant and complex project, however the scale and nature of the Council and its group presents further challenges. There have been several high-profile examples of such projects having significant operational failures as well as significant additional costs.

A project team has been established by the Council and procurement for both the system and implementation partner is taking place over the course of 2025. The current planned implementation date for the system is late 2027.

We continue to highlight that the scale and critical nature of the projects, and inherent legal and procurement risks, will add further strain to leadership capacity within the Council. The projects underway, including both FICT and the SAP replacement, have interdependencies with other strategic priorities for the Council, such as implementing a new pay and grading structure. Council leadership need to balance the numerous demands on both capacity and financial resources to progress each project.

Exhibit 11: The Council expects to implement major changes to its workforce and ICT network over the next 3-5 years that will stretch organisational capacity



Source: *Glasgow City Council*

** As noted on page 49, a revised timeline for implementation of pay and grading has yet to be agreed.*

As noted on page 49, the ongoing uncertainty regarding the timing of implementation of the pay and grading structure means that robust planning on the logistical and operational impact on systems cannot be fully performed.

Exhibit 11 highlights how these three significant strategic projects for the Council are going to overlap and emphasises the need for continued oversight of how they link together, including any challenges arising from delays.

The Finance, Audit and Scrutiny Committee self-assessed its arrangements against updated good practice guidance

In October 2022, CIPFA updated its guidance on good practice for local authority audit committees. At the Council, the role of the audit committee is fulfilled by the Finance, Audit and Scrutiny Committee.

The committee considered a formal self-assessment of its arrangements against the CIPFA guidance in March 2023. The Council's standing orders further require that an annual assessment of the work of each scrutiny committee is performed.

Through these assessments, several improvement areas were identified and progressed over the course of the last year including:

- Introduction of private meetings between the Chair and Depute Chair with internal and external audit.
- While not successful to date, there has been an attempt to recruit co-opted independent members to the committee.

While improvements have been made, we note that 57% of members felt that the committee has the right mix of skills and and experience to carry out the remit. Members and lead officers should therefore continue to work together to ensure that an appropriate training programme for members is in place to support members in performing their roles.

The Council concluded its restructure of the Chief Executive Department

The Council published its unaudited financial statements in June 2024 which included within the remuneration report:

- A strain on the fund cost of £317,417 in respect of the early retirement of the former Chief Executive; and
- A strain on the fund cost of £223,065 and a compensation for loss of office payment of £59,971 in respect of the former Director of Legal and Administration.

The disclosure of these amounts resulted in questions and requests under Freedom of Information legislation in relation to the financial terms associated with these departures as well as concerns being raised by the Leader of the Council and the City Treasurer regarding these payments.

An internal review was commissioned by the new Chief Executive and performed by the Council's Monitoring Officer and Head of Audit and Inspection. The Council subsequently instructed Brodies LLP to investigate and prepare a report on these matters. Thereafter, Brodies LLP instructed a KC to prepare an opinion to confirm the findings of this review.

Our consideration of the remuneration report is set out on page 12 of this report.

Background to Chief Executive's department restructure

In early 2021, a business case was developed which set out the proposed financial arrangements relating to the exit of 5 former senior officers within the Chief Executive's Department. The departures took place over a period of time between April 2021 and May 2024 with the 5 senior officers being:

- The former Solicitor to the Council and Director of Governance;
- the former Principal Adviser to the Chief Executive;
- the former Head of Human Resources;
- the former Head of Legal and Administration and laterally Director of Legal and Administration; and
- the former Chief Executive.

The total cost of the exit packages was £1.035 million with £0.268 million relating to redundancy payments and £0.77 million relating to strain on the pension fund costs.

Brodies LLP Findings and conclusions

The Council presented the legally privileged report from Brodies LLP and the opinion from the KC in public to the Finance and Audit Scrutiny Committee on 11 March 2025. The decision to allow consideration of the report in public signalled a strong commitment from the Council to ensure greater transparency and openness on the matter.

The key findings from this report and the KC opinion are included within Exhibit 12.

An internal review of the Council's governance arrangements relating to workforce and service reform activity is being undertaken which will take account of the findings and recommendations arising from the independent review as well as recommendations within this report.

Recognising the need for swift change in approach, the Council has presented the outcome of the review to the Wellbeing, Equalities, Communities, Culture and Engagement City Policy Committee in April 2025. This included setting out proposed changes to the Council's Scheme of Delegated Functions. It is expected that this will be considered by the City Administration Committee in May 2025.

Exhibit 12: Brodies report key findings

- Severance terms offered to each of the officers were in accordance with applicable Council policies in terms of redundancy payments, pension strain costs and payback periods however there is some uncertainty as to whether Ms Forrest's departure could be said to fall within the scope of the Council's policies on redundancy and early retirement.
- The restructure report should have been the subject of elected member input, rather than being approved solely by officers, particularly as the officers who were involved in approving it also benefitted from its terms by being proposed for early retirement / severance packages. No evidence was found that elected members were asked to approve the report or individual applications for severance / retirement. There was also no evidence that elected members had any knowledge of the details of the departures prior to the publication of the remuneration report as part of the unaudited Annual Accounts for 2023/24.
- It is considered that the former Chief Executive's application for early retirement was not, on the face of it, lawfully approved in terms of the Council's scheme of delegated functions.
- That the pension strain costs which formed part of four of the five redundancy / early retirement packages under investigation were mandatory in terms of the Council's policy and the Local Government Pension Scheme Regulations.
- It is considered that there is no reasonable basis for the recovery of the sums paid by the Council in respect of the 5 early retirement / redundancy packages.

Source: *Brodies LLP 'Report: Investigation into exit packages of former senior officers at Glasgow City Council and Opinion of senior counsel in re Investigation into exit packages of former senior officers at Glasgow City Council*

The Council must ensure that clear and robust documentation is retained regarding early retirement and redundancy arrangements

Our review of exit packages disclosed within the remuneration report, as noted on page 12 of this report, highlighted a number of areas for improvement in respect of documentation of exit packages.

Each employee leaving under the Council's early retirement / redundancy policy will have an application considered by the Workforce Planning Board with a standard spreadsheet template completed to evidence the key details including costs, savings and payback period. The standard template includes a section to be completed detailing when the departure was approved by the Head of Service, the date of consideration by the Workforce Planning Board and who authorised the request on behalf of the Workforce Planning Board. We noted that in practice these templates were rarely completed to evidence when and who approved the applications, however email evidence was provided to evidence this instead.

We further noted that once approved, agreements with employees often included typed names rather than signatures and were sometimes not dated. As noted before, further inquiry resulted in email evidence was available to evidence the employee's agreement to their departure.

Recommendation 47:

Management should review the current operational processes for recording approvals and agreements to early retirements and redundancies. This should include clear guidance on requirements for electronic approvals.

The Council must ensure that they can demonstrate appropriate consideration of the value for money for any service reform or restructure

The Brodies report and KC opinion do not conclude on whether the reform was designed to allow staff to leave on enhanced terms rather than the enhanced terms being incidental to reform which was in the interests of the Council.

The restructure paper highlighted two key reasons for the structural change:

- The ongoing requirement to make significant savings; and
- A need to address the demographics of the senior team and put in place robust succession planning arrangements.

In line with the findings from Brodies and the KC, we note that it is not possible to reach a conclusion on this point due to:

- the lack of consideration within the Restructure report of the benefits to the Council for the reform out with the financial savings noted (which were ongoing savings of £0.65 million); and
- there was no reference within the restructure report to alternative mechanisms for change which had been evaluated by officers. While we note in circumstances where restructures involve senior officers, alternative options such as redeployment are often not practical or possible, we would expect consideration of all options to be evaluated. In this specific instance, it's unclear why early retirement and redundancy was the best solution to address concerns around succession planning.

While restructuring can be an effective way to achieve savings, it is important that the Council can demonstrate the wider benefit to the organisation. Restructures and loss of key members of staff with significant corporate knowledge can be disruptive.

The Accounts Commission's report, ['Bye now, pay later? The management of early retirement in local government'] highlights that authorities should not turn to early retirement as the first and only option when faced with budget cuts. The need for early retirements could be better controlled by taking a strategic approach to planning the size and composition of the workforce which limits the need to deal reactively with budget fluctuations.

Our Best Value thematic work has highlighted that while detailed workforce planning occurs at a service level, there is no overall workforce plan or strategy which supports the Council's Strategic or financial plans. There will be a need for the Council to implement future restructures, particularly in the context of public sector reform, and it is imperative that the Council can demonstrate appropriate consideration of how any restructure provides value for money including how any restructures support the Council's strategic plan, financial plans and workforce plans.

Recommendation 48:

Management should set clear guidance on minimum expectations for any future restructure papers. This should how the restructure achieves value for money, what alternatives to early retirement or voluntary redundancy were considered and how the restructure meets the Council's strategic priorities.

There was an absence of clear demonstration of the application of the seven Nolan principles in the restructure

The restructure paper was written and approved by the individuals who were impacted by the restructure with only one independent individual involved, being the former Executive Director of Finance. The lack of political scrutiny of the paper results in the appearance of a conflict of interest and a possible failure to act in line with the 7 Nolan principles, including specifically selflessness and objectivity.

The Scheme of Delegated Functions contained some ambiguity and we agree with the recommendation from Brodies LLP that provisions for senior officers exits could be better defined.

For an organisation as large and complex as the Council, the Scheme of Delegated Functions cannot cover every situation which may arise however it can set high level provisions and principles which officers should apply. This is done in conjunction with the Council's Corporate HR Code of Conduct for Employees ('the Code of Conduct') and its Employee Handbook which incorporate the seven Nolan Principles of Public Life. In this situation, it's clear that this did not occur.

The Council are underway in making updates to governance structures and policy in respect of early retirements and voluntary redundancy. A key aspect for the Council to address is how the Council ensures that the Scheme of Delegated functions and Codes of Conduct are applied in practice. This will include a number of aspects including training, communications and cultural changes.

► **Recommendation 49:**

Management should ensure that there is a clear plan in place to ensure that the Scheme of Delegated Functions and Code of Conduct are understood and applied in practice. This should include a training programme, employee communications / reminders and consideration of the requirement for culture audits.

The Controller of Audit is considering whether further reporting to the Accounts Commission on this matter is required.

Use of resources

Our overall assessment: Amber

The Council updated its Strategic Plan to reflect emerging commitments and priorities in October 2024. The OPDSC has approved the Council's approach to reporting performance against the Strategic Plan. 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. The Council published its Annual Performance Report for 2023/24 in January 2025. The report focuses on the positive developments that have been achieved since the adoption of the Strategic Plan, rather than the balanced reporting expected within Best Value guidance. The Council's performance against the Local Government Benchmarking Framework continues to highlight areas of good performance, although 44% of indicators declined over the reporting year.

The Council refreshed the Strategic Plan in October 2024

The Council approved a mission-based Strategic Plan for the period 2022-27 in October 2022. The Plan identified over 230 individual commitments to be undertaken over the period to 2027. The ability to achieve the ambitions within the plan will be significantly impacted by the pressures and uncertainties in the wider economic environment.

The Council's review process is intended to provide an opportunity to reflect emerging pressures and commitments. The first review of the Strategic Plan was approved in October 2024 and there are now 244 individual commitments to be undertaken in the period.

The Operational Performance and Delivery Scrutiny Committee (OPDSC) is responsible for scrutiny of progress against the plan, although individual policy committees also consider actions relevant to their agendas. Progress reporting is based on a Performance Manual template which has been refined and agreed with OPDSC, most recently in October 2024.

The nature of the commitments mean that the reporting to committee encompasses primarily operational actions. To date, reporting to the OPDSC has focused on individual missions underpinning the four Grand Challenges outlined in the Strategic Plan. However, the number of actions identified under each commitment means that the reporting is at a level that does not fully support elected members in scrutinising overall progress or outcomes against the challenges identified in the Strategic Plan.

In our 2022/23 Best Value reporting, we noted that the Council had plans to develop a Performance Dashboard, which would support scrutiny and oversight by elected members. The plans were unable to progress as a result of system limitations, which have been reported to the OPDSC.

The ability to summarise progress against the overall Strategic Plan priorities remains an area for further focus for the Council to support the delivery of tangible outcomes against the Grand Challenges identified in the Strategic Plan. Refer to recommendation 41, within Appendix E.

The Council published the 2023/24 annual performance report as planned

All councils have a responsibility, under the duty of Best Value, to report performance to the public. The Accounts Commission has a statutory duty to direct councils to publish information that will:

- Enable comparisons of performance between councils and over time; and
- Show how well they are improving local outcomes with community planning partners in their area.

In January 2025, the Council published its first annual performance report against the Strategic Plan. This focuses on highlights and achievements against the Grand Challenges including:

- The approval of a City Centre Strategy and regeneration programme for four city centre districts;
- The launch of a new Investment Strategy;
- The development of a partnership with the Smart Things Accelerator Centre (STAC) and the UK Government; and
- The approval of funding to make Glasgow homes more energy efficient.

The content of the annual performance report focuses on the positive developments that have been achieved since the adoption of the Strategic Plan.

While a link is provided to the Improvement Service Local Government benchmarking framework, the current format does not fully meet the expectation set within the current or future SPI Direction (Exhibit 13) and Best Value Statutory Guidance that public performance reporting will provide a balanced view of performance, reflecting financial or other challenges to deliver key priorities. Additional information on the progress, including the commitments reported to date and current RAG rating was included within the covering report to the Wellbeing, Equalities, Communities, Culture and Engagement Committee.

Exhibit 13: Statutory Performance Information Direction 2024 reiterates public performance reporting criteria

In satisfying the requirements, the Accounts Commission requires each council to ensure that its reporting meets the following three criteria:

- **Balanced:** in respect of areas in which performance has improved and those in which it has not improved or has declined. It is important to avoid reporting in a way that is, or could reasonably be perceived as being, selective, misleading or biased.
- **Timely:** in the interests of transparency and to enable the council to respond promptly where remedial action is required. It should be possible for councils to publish an annual performance report within nine months – and no later than twelve months – after the end of the respective year. In addition, councils should be updating and reviewing information on their performance on a quarterly basis (or otherwise as determined by data availability or reporting cycles), and where possible making that information publicly available.
- **Accessible:** able to be easily understood by all citizens. For example, councils should publish summaries to communicate key messages, produce easy-read versions of reports wherever possible, and make appropriate use of technology to display performance information in a variety of formats whilst adhering to statutory requirements in relation to equalities.

Source: Accounts Commission Statutory Performance Information Direction 2024

The Accounts Commission's expectations for public performance reporting continues to evolve. The Accounts Commission issued a revised Statutory Performance Information Direction in December 2024, which will take effect from 2025/26. The updated Direction requires that the Council's public performance reporting should be sufficient to demonstrate:

- how they are working with partners to achieve local shared outcomes how they are responding to the needs of their local communities;
- how they are learning from best practice elsewhere;
- what factors are impacting on their performance;
- how they are using data to inform decision-making; and
- how they measure success.

In our view, further work is required to ensure that the Council can demonstrate that it fully meets the expected scrutiny requirements within its public performance reporting. Refer to recommendation 32 within Appendix E.

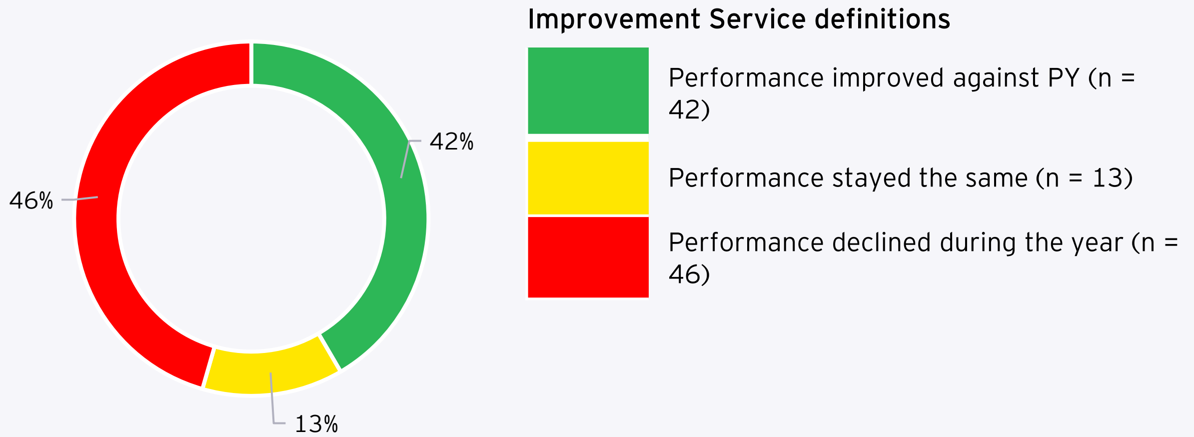
The Council's performance against the Local Government Benchmarking Framework continues to demonstrate varied performance

In May 2024, the OPDSC considered an overview of the Council's performance against the suite of measures reported by the Improvement Service as part of the LGBF for the most recent year subject to analysis, 2022/23.

Overall, as Exhibit 14 highlights, performance was mixed but 46% of indicators declined year on year in 2022/23. This included 82% of satisfaction indicators, and 30% of cost indicators.

As in prior years, the Council's reporting to elected members on the OPDSC focused on the indicators within the top and bottom quartiles.

Exhibit 14: 46% of the indicators used to benchmark Glasgow City's performance against other Scottish local authorities declined on the prior year in 2022/23.



As in prior years, the Council's reporting to elected members on the OPDSC focused on the indicators within the top and bottom quartiles. The Council report that for 16 (16%) of the indicators, the Council performs in the highest quartile of all Scottish councils.

These indicators include:

- The proportion of people earning less than the living wage, where Glasgow has the fourth lowest percentage of people at 7.7%;
- The proportion of Glasgow properties that receive superfast broadband (99.03%, and the third highest in Scotland; and
- The level of investment in economic development and tourism per population, where Glasgow is the fifth of all Scottish councils.

For 23 (23%) of the indicators, Glasgow performs in the lowest quartile of Scottish Councils. These include:

- The percentage of adults satisfied with local schools (64.3%);
- School attendance rates (88.9%);
- The percentage of income due from council tax received by the end of the financial year (93.8%); and
- The percentage of household waste recycled (27.2% against a national average of 43.5%).

The Council's analysis highlights that the performance is impacted by the specific demographic and other factors that uniquely impact Glasgow. For example, areas where the Council is in the bottom quartile include the net cost of street cleaning, which is impacted by the number of large scale and sporting events hosted in Glasgow.

In other cases, such as the cost of planning per application, the Council has indicated that they will work with the Improvement Service to understand whether the costs reflected within the indicator allows comparable analysis, as other benchmarking has suggested that the Council's costs were comparable to others.

The Council approved its Net Zero Routemap in November 2024 but the delivery of ambitious climate change plans will remain challenging

In 2022/23, we considered the Council's arrangements for climate change as part of our wider work on the Best Value thematic report. Scotland has set a legally binding target of becoming net zero by 2045. Glasgow City's target is more ambitious, and aims to achieve net-zero carbon emissions across the City by 2030. The Council's internal target is to achieve net zero for Scope 1 and 2 emissions in the same timeline, and agreed the third phase of it's Carbon Management Plan (CMP), to 2030, in March 2024. The Plan aims to deliver actions that will reduce emissions across all three Scopes, where measurement is possible.

The Council achieved it's interim target (set by the second Carbon Management Plan) to reduce its own carbon emissions by 30% in 2017/18, three years ahead of schedule.

The CMP sets out plans for the period to 2030 including:

- Reducing the consumption of energy across its building estate;
- Reducing emissions from fleet, which encompasses around 1,600 vehicles;
- Business travel including personal car use, taxis and flights; and
- Energy consumed by other Council assets such as street lighting and traffic controls.

Where the Council is unable to reduce emissions to net zero, offsetting arrangements will be used, but the strategy aims to avoid any reliance as a principal mechanism of achieving net zero by 2030.

Progress against the Council's City-Wide Climate Plan is reported to Elected Members annually, and in November 2024, the Council published a Net Zero Route Map to update its assessment of the work needed to deliver its carbon ambitions. The Net Zero Route Map shows:

- A projected 60% reduction in carbon emissions by 2030 if backed by £23.5 billion of investment; or
- An accelerated reduction in carbon emissions that would achieve an 80% reduction in carbon emissions by 2030 with support of investment worth £36.8 billion.

The Council has set out its plans for securing the level of funding necessary to deliver substantial reductions in emissions. In May 2024, the City Administration Committee approved the investment of £4 million over two years to establish a specialist Climate Investment delivery vehicle. This aims to drive innovation on how to attract investment in the city to fulfil its ambitions, learning from existing models elsewhere in the UK.

The Council intends to report on progress to securing investment to support climate activity to the Net Zero and Climate Progress Monitoring Committee in May 2025. Any delays in securing investment will place the Council's ambitions at risk. Refer to recommendation 38 in Appendix E.

Best Value

Throughout our work, we are satisfied that the Council can demonstrate that it has the key elements needed to deliver Best Value arrangements. The Council continues to face a range of significant challenges, including the implementation of the new pay and grading structure. A range of financial challenges led to a net overspend of £28.5 million in 2023/24.

We continue to note the need to develop a robust medium-term financial strategy to demonstrate how Council priorities will be achieved across a range of scenarios in an uncertain financial environment.

The Council's approach to performance monitoring and reporting continues to evolve to meet the needs of the Strategic Plan and to respond to partner priorities. We will therefore monitor arrangements against increasing expectations across the sector.

Basis for our assessment

Under the Code of Audit Practice (June 2021) we perform an annual programme of work in relation to Best Value and wider scope responsibilities. This work includes reviews based on annual thematic Best Value topics prescribed by the Accounts Commission.

As auditor of the Council, we are required to comment on how effectively, in our view, the Council demonstrates that it meets its Best Value responsibilities.

In forming this judgement, we draw upon the thematic Best Value work and our wider planning work, alongside the work conducted to support our wider scope responsibilities, and specifically:

- Documentation review and interviews with officers.
- Our consideration of the Council's financial planning processes including the financial planning and budget monitoring reports.
- Governance arrangements, including monitoring the use of resources and scrutiny arrangements.
- Our assessment of performance reporting to the Council, including observation of scrutiny and policy committee meetings.

Annual Best Value Thematic Review

Within our 2022/23 reporting, we were directed to consider the effectiveness of the Council's leadership of strategic priorities, drawing on the vision set out within the Strategic Plan 2022-27. In Appendix E, we set out our follow up on the progress of recommendations made, including accountability and scrutiny arrangements to monitor progress against the Plan. Three of the recommendations that we made in 2022/23 have been closed as completed. Further progress has been made against 3 remaining recommendations; we will continue to monitor implementation for remaining actions.

In 2024, the Accounts Commission directed auditors to report on workforce innovation. The key lines of enquiry that we were asked to consider related to:

1. How effectively the Council's workforce plans are integrated with strategic plans and priorities.
2. How effectively digital technology has been used to support workforce productivity and improve service quality and outcomes.
3. How effectively the Council uses hybrid and remote working and other innovative working practices to achieve service and staff benefits.

4. What innovative practice the Council is using to develop its future workforce capacity and skills needs and manage staff reductions in line with its priorities.
5. What progress the Council has made with sharing roles or functions across its services and/or with other councils and partners.
6. How effectively the Council is measuring the impact of its workforce planning approach.

The Council's Strategic Plan 2022-27 outlines the risks and opportunities associated with its workforce, and includes a range of actions to address key priorities including:

- attracting and developing a younger workforce;
- the implementation of the Staff Health and Wellbeing Strategy;
- addressing areas of under-representation; and
- establishment of an Employment Equality Action Plan.

There are workforce planning arrangements, reflecting the size and complexity of the organisation and its Group. Service level arrangements include the detailed service plans prepared on an annual basis and there are workforce planning boards which are supported both by Strategic HR and Finance teams. The full Best Value Thematic Report will be presented to the Finance and Audit Scrutiny Committee in May 2025 which will outline recommendations for improvement against sector guidance, including monitoring staff engagement and establishing a workforce strategy that links to the Strategic Plan.

Exhibit 15 highlights some of the innovative practice that we identified as part of the review, and that we will share with the Accounts Commission as part of our reporting.

Exhibit 15: Areas of Good Practice identified within Workforce Innovation

- A Strategic Workforce Board is in place to support a corporate response to policy decisions, and allow the escalation of emerging issues from services, including the implementation of budgetary decisions.
- The Council has a Workforce Board with cross-party elected member representation, which is chaired by the Workforce Convenor and Policy Lead. This provides an important escalation and discussion forum for the Council's trade union representatives to meet directly with elected members. The Council was able to demonstrate evidence of the effectiveness of this approach in practice, including the establishment of a cultural change programme within NRS, following the identification of recurring issues.
- There are a range of examples of innovative practice across the Council, particularly within priority areas. These include:
    - The Youth Employment Strategy, which addresses the Council's approach to modern apprenticeships, the corporate graduate employment and outcomes.
    - The approach to communicating staff health and wellbeing messages and opportunities, including the use of posters with QR codes, and roadshow events, to allow frontline staff to access the same opportunities as office-based teams. Staff are also able to sign up to text alerts.
    - The rollout of key technology, particularly within front line services, has led to significant efficiencies, including live tracking of NRS vehicles and the implementation of smart devices for home care staff.

Appendices

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 (cont.)

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 Report to deal with uncertainty in the medium and longer term.
- The impact of reporting future policies and foreseeable developments on their financial position.

Responsibilities for best value, community reporting 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 (cont.)

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.

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 reporting duties.
- Hear any objection to the financial statements lodged by an interested person.

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

B Independence report

Introduction

The FRC Ethical Standard and ISA (UK) 260 'Communication of audit matters with those charged with governance', requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in December 2019, requires that we communicate formally both at the reporting stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

During the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We ensure that the total amount of fees that EY charged 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.
- An opportunity to discuss auditor independence issues.

We confirm that we have undertaken client and engagement continuance procedures, including our assessment of our independence to act as your external auditor. We have identified no relationships that impact the audit of Glasgow City Council.

C

Required communications

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

Required communications	What is reported?	Our reporting to you When and where
Terms of engagement	Confirmation by the Finance, Audit and Scrutiny Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	Audit Scotland Terms of Appointment letter (December 2022) - 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.	Annual Audit Plan - September 2024
Reporting and audit approach	Communication of the reporting scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.	Annual Audit Plan - September 2024
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. ▶ Findings and issues regarding the opening balance on initial audits.	This [provisional] Annual Audit Report.

C Required communications (cont.)

Required communications	What is reported?	Our reporting to you 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 ▸ The adequacy of related disclosures in the financial statements	This [provisional] Annual Audit Report.
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. ▸ Material misstatements corrected by management.	This [provisional] Annual Audit Report.
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. ▸ A discussion of any other matters related to fraud.	This [provisional] Annual Audit Report.
Internal controls	Significant deficiencies in internal controls identified during the audit.	This [provisional] Annual Audit Report.

C Required communications (cont.)

Required communications	What is reported?	Our reporting to you 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 ▸ Difficulty in identifying the party that ultimately controls the entity	This [provisional] Annual Audit Report.
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 ▸ Information about the general policies and process within the firm to maintain objectivity and independence	Annual Audit Plan and this [provisional] Annual Audit Report.
External confirmations	▸ Management's refusal for us to request confirmations. ▸ Inability to obtain relevant and reliable audit evidence from other procedures.	This [provisional] Annual Audit Report.
Representations	Written representations we are requesting from management and/or those charged with governance.	This [provisional] Annual Audit Report.
Best value and wider scope judgements and conclusions	Our reporting will include a clear narrative that explains what we found and the auditor's judgement in respect of the effectiveness and appropriateness of the arrangements that audited bodies have in place regarding the wider-scope audit.	This [provisional] Annual Audit Report and thematic Best Value report.

C Required communications (cont.)

Required communications	What is reported?	Our reporting to you 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, Audit and 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, Audit and Scrutiny Committee may be aware of.	This [provisional] Annual Audit Report.
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise.	This [provisional] Annual Audit Report.
Auditors report	Any circumstances identified that affect the form and content of our auditor's report.	This [provisional] Annual Audit Report.
Group matters	▸ An overview of the type of work to be performed on the financial information of the components. ▸ An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components. ▸ Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work. ▸ Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted.	This [provisional] Annual Audit Report
Key audit matters	The requirement for auditors to communicate key audit matters, which apply to listed companies and entities which have adopted the UK Corporate Governance Code in the private sector, applies to annual audit reports prepared under the Code.	This [provisional] Annual Audit Report.

D Timeline of communication and deliverables

Audit timetable

The Group and Council financial statement audits for 2021/22 was completed in April 2023, seven months after the historic statutory deadline of 30 September with a marginal improvement in sign off to March 2024 for 2022/23. Working outside of a 'standard' local government audit timescale creates inefficiencies for management and the audit process such as group reporting requirements being shared post component audit completion.

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

The multi-year timeline set out below is subject to ongoing review and will be subject to further discussion with the Council finance team.

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

D Timeline of communication and deliverables

2024/25

Month	Audit activity	Deliverable	Timing
May 2024	Risk assessment for Financial Statements and wider scope audit dimensions	Submission of quarterly fraud return	
June 2024			
July 2024	Walkthrough of key systems and processes		
August 2024	Part 1: Year-end audit fieldwork	Submission of quarterly fraud return	
September 2024		Annual Audit Plan	19 September 2024
October 2024	Update meeting with Finance Team		
November 2024	Part 2: Year end audit fieldwork		
December 2024			
January 2025			
February 2025	Audit completion procedures	Annual Audit Report	April 2025
March 2025			
April 2025		Best Value report	May 2025

Action Plan Summary

We include an action plan to summarise specific recommendations included elsewhere within this Annual Audit Report and raised in prior year audits. We grade these findings according to our consideration of their priority for the Council or management to action. Progress against prior year recommendations was assessed in March 2025.

Classification of recommendations

Grade 1: Key risks and / or significant deficiencies which are either critical to the achievement of strategic objectives or significant risks to material compliance with regulatory requirements. Consequently, management needs to address and seek resolution urgently.

Grade 2: Risks or potential weaknesses which impact on objectives and compliance, or impact the operation of a single process, and so require prompt but less urgent immediate action by management.

Grade 3: Less significant issues and / or areas for improvement which we consider merit attention but do not require to be prioritised by management.

Audit recommendation status

Scope	Grade 1	Grade 2	Grade 3	Total
In progress recommendations	15	5	0	20
Incomplete	1	1	0	2
Not yet due recommendations	3	4	1	8
Closed recommendations	(8)	(11)	(0)	(19)
Total open recommendations	19	10	1	30

Action Plan

No.	Findings and risk	Recommendation / grading	Initial management response / updated management response Implementation timeframe	EY Conclusion/response
1.	**Financial statement timetable** The Council has been working on a delayed financial statement and audit timetable for the last 4 years. The focus for future years is returning to a timetable in line with the statutory requirements however this will require a multi-year plan.	Management should ensure that a realistic timetable for both financial statement production and the audit are developed. This should ensure that there is sufficient capacity within the finance team to support this alongside business as usual activities. Grade 1	**Response:** The Council will work with EY to agree the timetable for the 2023-24 accounts and audit process. This will inform the resource requirements to meet the audit. **Responsible officer:** Head of Corporate Finance **Implementation date:** June 2024 **Management update as of March 2025:** The financial statement production timetable has been updated in line with normal practice and production deadline achieved. The audit timetable has been developed in partnership with EY and progressing.	**Partially complete.** The Council achieved the production deadline for the unaudited financial statements however continues to be impacted by the delayed audit cycle. Work is continuing to progress with bringing forward the audit timeline with the 2024/25 audit being a key milestone in this journey.

Action Plan continued

No.	Findings and risk	Recommendation / grading	Management response and update	EY Conclusion/response
2.	**Financial statement working papers** The expected challenges in year one of an audit relating to understanding requirements expected from new auditors had an impact on our timetable. We will work with management to ensure that audit requirements for individual sections are fully understood as part of our 2022/23 audit debrief. This will include ensuring the sufficiency of quality assurance arrangements for working papers and ensuring technical accounting papers being ready in line with the financial statements.	Management should ensure that the 2023/24 financial statement working papers and technical accounting papers reflect the additional requirements for the 2022/23 audit and ensure that these are provided in line with the financial statements timetable. Grade 1	**Response:** The Council will work with EY to agree a timetable for the 2023-24 audit. This include ensuring that working papers, as far as possible, reflect additional requirements identified during the 2022-23 audit. Some information, particularly around valuations of PPE may require more time to implement given the timing of the 2023 accounts and audit conclusion against the 2023-24 year end. **Responsible officer:** Head of Corporate Finance **Implementation date:** June 24 but may require more time for some aspects. **Management update as of March 2025:** Report to FMSG and Finance Managers have been circulated. Working papers produced in 2023/24 were in line with 2022/23 requirements. Elements of working papers around valuation are being developed throughout the 2023/2024 audit process.	**Partially complete.** Progress has been made in improving the quality and timeliness of working papers being provided. However, there has been some significant delays to technical accounting papers, particularly in respect of valuations, and some errors noted in valuation workings. This should be a continued areas of focus.

Action Plan continued

No.	Findings and risk	Recommendation / grading	Management response and update	EY Conclusion/response
3.	**Disclosure checklist** As part of the audit process, we worked with the finance team to make enhancements to the presentation of the financial statements. We will continue to discuss good practice as part of our 2022/23 debrief and ongoing engagement with the finance team. We noted that a disclosure checklist was not completed by the Council. While we did not identify any material areas of non-compliance with Code requirements, we did identify a number of areas for enhancements to disclosures.	Management should ensure that the Code amendments are fully reflected, ideally through completion of a disclosure checklist to ensure the financial statements remain Code compliant on an annual basis. Grade 2	**Response:** The council will continue to ensure that the requirements of the Code are fully reflected in the financial statements and consider the adoption of the checklist in light of best value. **Responsible officer:** Head of Corporate Finance **Implementation date:** Ongoing – date of finalised implementation to be agreed with audit as part of 23/24 planning arrangements. **Management Update as of March 2025:** Review of Code requirements has been undertaken as part of 2023-24 accounts closedown	**Partially complete.** While a review of Code requirements was undertaken as part of the 2023/24 closedown, best practice is for management to complete the disclosure checklist. This will be particularly important when there are significant changes to the Code which will be the case in 2024/25 with IFRS 16 implementation.

Action Plan continued

No.	Findings and risk	Recommendation / grading	Management response and update	EY Conclusion/response
4.	**Income and expenditure recognition** Our procedures in respect of income and expenditure recognition identified a number of errors including: ▸ Expenditure recognised in 2022/23 which related to prior years which had not been accrued for of £2.1 million; ▸ Expenditure relating to 2022/23 which had not been accrued for totalling £0.9 million; ▸ Internal recharges which had not been properly eliminated resulting an overstatement of income and expenditure of £4.6 million; ▸ capital grant income which had been incorrectly recognised when no eligible activity had yet taken place in respect of this grant. This resulted in a reduction in grant income of £0.465 million; and ▸ Common good rental income which had been omitted from prior year financial statements of £140,000.	Management should ensure that a lessons learned review is performed of the income and expenditure errors identified through the 2022/23 audit to identify improvements and ensure they do not occur in future years. Grade 2	**Response:** The council will undertake a review and, through the Financial Management Steering Group, share the lessons learned to minimise a re-occurrence. **Responsible officer:** Head of Corporate Finance **Implementation date:** April 2024 **Management update as of March 2025:** Report to FMSG and finance managers has been circulated. Officers have considered the review points as part of the 2023/2024 closedown.	**Partially complete.** We have confirmed that reminders have been shared to FMSG and finance managers however as noted throughout the report, we have identified a reoccurrence of internal recharges not being properly eliminated and therefore further reminders and checks should be built into year end processes to ensure they do not occur in future years.

Action Plan continued

No.	Findings and risk	Recommendation / grading	Management response and update	EY Conclusion/response
5.	**Accounting for depreciation** We identified two errors in respect of accounting for depreciation: ▶ The Council adopts a policy of not charging for depreciation or amortisation in the year of an asset's purchase. In accordance with the accounting code, depreciation should be charged over an asset's useful life, starting from when the asset is available for use. ▶ The Council's valuers assess buildings useful lives as part of asset valuations performed. These updated useful life assessments are not then utilised to update the Council's fixed asset register and therefore results in depreciation charged not being based on the latest useful life assessment.	The Council should ensure that depreciation is accounted for in line with Code requirements. This should include ensuring that depreciation is charged when an asset is brought into use and ensure that asset useful lives are subject to regular review with appropriate consideration given to updated useful lives included within asset valuation reports. Grade 1	**Response:** The Council assigns a uniform operational date of 31 March for all new build and refurbishment works, completed within a particular financial year. This is considered an efficient and pragmatic approach reflecting systems limitations and exact operational dates. In the event that any future extensive refurbishment works project is identified to materially extend the useful life of an asset, the Council will create a new asset and rebase its useful life for accounting purposes. **Responsible officer:** Head of Corporate Finance **Implementation date:** June 2024 **Management update as of March 2025:** A uniform operational date of 31 March has been assigned for all new build and refurbishment works completed within a particular financial year. It was considered whether any major refurbishment substantially extended useful life, and if so, a new asset is created for this.	**Partially complete.** The Council's policy remains inconsistent with the Code requirements however we recognise that there remains systems limitations which make full compliance challenging. We continue to report an unadjusted error in Appendix F in respect of this. We recognise that a further interim arrangement has been established to consider refurbishments. The Council should ensure as part of the SAP replacement project that the system supports Code compliance in respect of asset accounting.

Action Plan continued

No.	Findings and risk	Recommendation / grading	Management response and update	EY Conclusion/response
6.	**Bank accounts** The Council holds a large number of bank accounts including accounts which they hold on behalf of schools, group entities and social work clients. The reconciliation arrangements do not currently identify active bank accounts or, in many cases, the purpose of the account.	The Council should continue to take steps to mitigate the risk of fraud from inactive accounts. Grade 2	**Response:** The banking team have been working with the council's bankers (RBS), Education, and the Social Work banking team to review these accounts. They are split into 3 Customer Identification Numbers (CINs) by RBS and the Education and Social Work accounts are now in a separate CIN from the main GCC accounts. The banking team have identified those accounts that have not been used by Education for a considerable period of time and are working to gain agreement to close them. Social Work and the banking team have been working with RBS on a similar exercise under the Social Work CIN. Work on this is ongoing and progressing well. **Responsible officer:** Head of Customer Operations/Head of Corporate Finance **Implementation date:** Ongoing – in line with business as usual **Management update as of March 2025:** Education and Social Work accounts are held under separate Customer Identification Numbers (CIN)s from Glasgow City Council's main accounts within the bank's portfolio. Collectively; Education, Social Work, and GCC Banking have reviewed all accounts within the bank's portfolio. There were a number of dormant accounts with zero or minimal balances. These have all now been closed.	**Complete.** We are satisfied with the steps taken to review the bank accounts held by the Council and the closure of the inactive bank accounts.

Action Plan continued

No.	Findings and risk	Recommendation / grading	Management response and update	EY Conclusion/response
7.	**Journal review** During our review of the financial controls processes, we noted a lack of segregation of duties in respect of the posting of journals. Journals are prepared and posted without any evidence of secondary review or authorisation. An exercise is performed to review journals posted over £50,000 after each period by a senior officer. We have outlined on page 60 the future changes to financial and other related systems the Council will undertake. New systems should have fully integrated control functions to ensure segregation of duties, specifically approval of journals posted by management by a separate individual. In the interim, management should ensure risk based arrangements are in place to mitigate the more material risks associated with lack of approval in advance of journal posting.	While our audit work did not identify any indications of management override, we recommend that interim arrangements are put in place to review or authorise journals before posting and that the Council ensures that new systems include the functionality to have fully integrated control functions to ensure segregation of duties. Grade 1	**Response:** The council already has a process for independently reviewing journals over £50,000 after each period end by a senior officer will agree with audit any further interim changes required as part of 23/24 audit planning. **Responsible officer:** Head of Corporate Finance **Implementation date:** Ongoing – to be discussed as part of 2023/24 audit planning **Management Update as of March 2025:** This was considered as part of the 2023/24 accounts and discounted as there was no system process available. This will be reconsidered on implementation of any new financial system.	**Incomplete.** As noted within this report, we have identified that there have been no amendments to the Council's controls in respect of journal approval and therefore the original finding, risk and recommendation continues to apply.

Action Plan continued

No.	Findings and risk	Recommendation / grading	Management response and update	EY Conclusion/response
8.	**Valuation updates** Due to the scale of the Council's estate, valuations are performed throughout the financial year with a final check at the balance sheet date to ensure the value remains appropriate. Despite this check at the balance sheet date being performed, we noted material differences in valuations due to forecast valuation data being used when more up-to-date information was available. We further noted that one instance where an extension to a building completed in year was not reflected in the valuation of the asset.	The Group and Council should ensure that valuations are properly assessed at the balance sheet date to reflect all information available including the latest market information. Management should ensure that City Property have details of all capital additions to assets due to be revalued in year to ensure they can be reflected in valuations. Grade 2	**Response:** The indicated disparity between forecast and actual valuation rates only occurred due to recent inflationary spikes. The actual valuation rate for March is published too late for the Council to meet the statutory deadline for submission of its unaudited annual accounts. Notwithstanding, the Council's valuers have already undertaken to review the valuation rates applied for FY23/24 to ensure these reflect the most up to date forecast rates, published at effective for the year end date of 31 March 2024. The Council's finance team have already implemented a process which ensures that valuers are informed of any significant improvement/extension works recently undertaken. **Responsible officer:** Valuation and Disposals Manager (City Property); Head of Corporate Finance **Implementation date:** June 2024 **Management Update as of March 2025:** To assist with this City Property have set up regular meetings with finance to ensure all information is captured and will track all new additions and capital expenditure to ensure ease of access to the information for the team. Manager will track information has been requested from departments and will escalate information not received.	**Completed.** We are satisfied that a review of the findings from prior year was performed and updates made to ensure valuations reflected the latest information. We have not identified any findings in this area during 2023/24.

E

Action Plan continued

No.	Findings and risk	Recommendation / grading	Management response and update	EY Conclusion/response
9.	**Valuation review** City Property have a detailed valuation template in place to document the valuation calculations and judgements applied in reaching valuations. We identified a number of inconsistencies in how this template was completed including omissions of information or old data from previous valuations not being updated. We also noted inconsistencies in judgements applied by valuers within City Property. While individual valuers should apply their own professional judgement, checks should be performed to ensure some level of consistency in approach. Both of these matters have led to some challenges where valuers have now left City Property as key judgements made were not appropriately documented within valuation reports.	City property should implement a more formal, robust peer and supervisor review process, including but not limited to pre-emptively identifying the issues raised in this report. Management should also satisfy itself these checks have been completed in line with its responsibilities around use of specialists. Grade 1	**Response:** The Council's valuers have already extended their peer review process to ensure all valuations in are subject to secondary review, to ensure consistency in both application and approach. **Responsible officer:** Valuation and Disposals Manager (City Property) **Implementation date:** June 2024 **Management update as of March 2025:** This has been completed.	**Completed.** Through our detailed testing of valuation reports, we have not identified the same levels of inconsistency noted in the prior year and verified that increased peer review has been performed. We did identify one calculation error in a valuation report which resulted in a £3 million error as reported in Appendix F. Therefore, this should be a continued area of focus.

Action Plan continued

No.	Findings and risk	Recommendation / grading	Management response and update	EY Conclusion/response
10.	**Valuation programme and assets not revalued** In the last two years, the Council has had to perform additional asset valuations out with their planned asset valuation programme to ensure those assets not subject to valuation remain materially correct. In 2021/22, Group assets were not subject to consideration through this assessment resulting in a prior period adjustment.	Management should ensure that Group assets are included as part of the review of the rolling asset valuation programme and assets not subject to valuation. Grade 2	**Response:** The Council has undertaken an unprecedented high number and frequency of asset revaluations, in order to address the impact that the recent inflationary spike had on its wider asset portfolio. It is neither economic nor practical to revalue all assets within a particular year. The reported change to the only single group asset of significance was below the FY21/22 audit materiality level and the asset was appropriately scheduled for valuation under the FY22/23 programme. The council will ensure that group assets are considered as part of the rolling revaluation programme. **Responsible officer:** Head of Corporate Finance **Implementation date:** **June 2024** **Management Update as of March 2025:** Group assets are now included in the regular valuation exercise.	**Incomplete.** Management has updated the valuation programme as noted in the response provided. Group assets did fall within scope for valuation during 2023/24 and therefore should have been considered within the assets not revalued consideration which remains outstanding at the time of writing this report.

Action Plan continued

No.	Findings and risk	Recommendation / grading	Management response and update	EY Conclusion/response
11.	**Heritage asset existence** Existence testing of heritage assets is performed by museum staff following an internal audit recommendation however this is based on sample of 10 items. Given the volume of the collection, we recommend that this work is extended to a higher number and performed to align with the Council's year end. Specific confirmation of the exercise performed should be provided to central finance to consider as part of the financial statement working papers.	Management should extend their own existence testing performed in respect of heritage assets to ensure the sample size is commensurate to both the volume and value of heritage assets. Confirmation of completion of this exercise alongside a summary of work performed should be provided to central finance. Grade 2	**Response:** The Council will consider the most effective means to enhance testing procedures and volumes. **Responsible officer:** Head of Museums and Collections **Implementation date:** June 2024 **Management update as of March 2025:** The review of the 2009 Audit policy has been completed. Remaining steps are in progress with expected date for full implementation being Summer 2025.	**Partially complete.** As reported in Appendix F, an error of £5.1 million was identified due to inconsistencies in data held between central finance and the museums team.

E

Action Plan continued

No.	Findings and risk	Recommendation / grading	Management response and update	EY Conclusion/response
12.	**Heritage asset records** Heritage assets hold significant value both from a financial and non-financial perspective, not just to the Council but to wider stakeholders across Glasgow, Scotland and beyond. Over the last 30 years, significant work has been undertaken to modernise records and ensure consistent records are held for the extensive collection managed by the Council through ALEO, Glasgow Life. The volume of work still required to fully catalogue the collections is significant.	Recognising the significance of the collections and the significant work required to catalogue in a consistent manner, management should have a clear timetable in place for completion of the cataloguing projects which takes into account both resources available and the risks associated with not having a complete collection catalogue. This plan should give due consideration to what level of detail should be held, the costs associated with the project and how and when regular updates to members should be provided. Grade 1	**Response:** The Council continue to update and maintain its cataloguing of the collections in line with the Collections Documentation Policy and Plan 2024-29. **Responsible officer:** Head of Museums and Collections **Implementation date:** Ongoing up to 2029 **Management update as of March 2025:** 7 tasks have been identified to support completion of this recommendation with 2 identified as complete and the remainder ongoing.	**Partially complete.** Work continues to address this recommendation with 7 steps being identified to support implementation with a range of dates for these to be addressed.

Action Plan continued

No.	Findings and risk	Recommendation / grading	Management response and update	EY Conclusion/response
13.	**Infrastructure assets** The statutory override in place for infrastructure assets was scheduled to end at 31 March 2024 however the Scottish Government has now consulted on extending the 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 delivered.	While there remains some uncertainty around the future accounting requirements for infrastructure assets, the Council should ensure that in line with the Scottish Government request, work is undertaken to address information deficits to ensure timely adoption of the permanent solution. Grade 1	**Response:** The council will continue to liaise with other councils, regulatory bodies and the Scottish Government to develop a permanent solution and an appropriate implementation period. **Responsible officer:** Executive Director of Finance **Implementation date:** Ongoing – date of finalised implementation to be agreed with audit as part of 23/24 planning arrangements. **Management update as of March 2025:** Discussions will take place with the Auditor on additional requirements as part of the Audit Planning process.	**Partially complete.** The Scottish Government are yet to release updated guidance on the statutory override as this is due to end after March 2025. The original recommendation therefore remains applicable at the current time.

Action Plan continued

No.	Findings and risk	Recommendation / grading	Management response and update	EY Conclusion/response
14.	**PPE Existence** Misclassification of a recycling facility which had subsequently been disposed of resulting in an adjustment of £0.15 million. Capitalisation of low value items including moveable IT accessories which are challenging to prove ongoing existence and are likely to have limited useful lives. No existence testing was performed by management and similarly, an impairment assessment had not been performed.	The Council should ensure that: ▸ Asset owners should be assigned and reminded of their responsibilities to maintain detailed supporting records for Council assets; ▸ An annual sample check of existence of equipment is performed; ▸ An impairment assessment is performed to identify assets which may no longer be in use or may be damaged/lost; and ▸ A review of the policy for capitalising equipment is performed to consider the approach for low value moveable equipment. Grade 1	**Response:** The council will reissue guidance on capitalisation and existence criteria to the Financial Management Steering Group and Capital Board to minimise reoccurrence. **Responsible officer:** Head of Corporate Finance **Implementation date:** April 2024 **Management update as of March 2025:** Officers have considered the points within the report to Capital Board.	**Partially complete.** While we note that guidance has been shared, as noted on pages 31 and 32, we continued to experience challenges in verifying the existence of IT equipment.

Action Plan continued

No.	Findings and risk	Recommendation / grading	Management response and update	EY Conclusion/response
15.	**RAAC assessment and impact on asset valuations** The Council has completed surveys on their education estate with only one school identified as containing RAAC. Work is ongoing for the remainder of the Council and Group estate with 12 properties still subject to survey with 3 buildings subject to closure until further investigation is performed.	The Council should ensure complete surveys of their estate as a matter of urgency to ensure all buildings impacted by RAAC are identified. The results of these surveys should then be factored into any valuation or impairment assessment performed to inform the 2023/24 financial statements with ongoing monitoring after the balance sheet date. Grade 1	**Response:** The council is progressing the completion of outstanding surveys and will consider these as part of the 2023-24 accounts. **Responsible officer:** Divisional Director, Property, Housing & Major Projects/ Head of Corporate Finance **Implementation date:** June 2024 (as surveys are completed) **Management update as of March 2025:** All properties within the Education, Social Work, NRS and Corporate estate have been surveyed by the NRS Property Team, and Glasgow Life and City Property have also completed surveys of all of their portfolio of properties. Within the core GCC estate, only Whitehill Secondary School and a building at the NRS Daldowie Training Centre complex have been identified as containing RAAC. The RAAC at Whitehill Secondary School is being "managed" by the Council's PPP partner as this building is within the PPP estate, and the building at Daldowie has been closed.	Complete.

No.	Findings and risk	Recommendation / grading	Management response and update	EY Conclusion/response
16.	**Common Good Fund reporting** While regular updates on the Common Good fund financial performance are reported to the Finance and Audit Scrutiny Committee, we note that updates on the steps taken by the Council to comply with the Community Empowerment Act requirements have not been provided. We further note that the Common Good Fund disclosed within the financial statements does not include all assets identified as being Common Good. This is in line with the Council's common good fund policy whereby the Council continues to use and account for common good assets in an operational capacity. All income and expenditure associated with these assets is charged to through the Council's financial statements and only if a surplus is made in respect of these assets is a transfer made to the Common Good Fund. This approach was last considered by the Finance and Audit Scrutiny Committee in February 2019.	Management should review the Common Good fund reporting to ensure that: ▸ Updates are presented on a frequent basis to note progress in maintaining an accurate and complete common good fund asset register ▸ The Council's policy for accounting for Common Good fund assets is reviewed in conjunction with both legislative requirements and the latest LASAAC guidance published in 2023. *Grade 2*	**Response:** The reporting of common good will be reviewed to include updates on the review of titles and also any changes required resulting from the latest LASAAC guidance. **Responsible officer:** Head of Corporate Finance/Head of Legal **Implementation date:** December 2024 **Management update as of March 2025:** Common Good budget report was considered at Finance and Audit Scrutiny Committee on 27 February 2025 which included updates on the policy and reference to adherence with LASAAC guidance.	**Complete.**

Action Plan continued

No.	Findings and risk	Recommendation / grading	Management response and update	EY Conclusion/response
17.	**Rights and obligations** We identified one asset, City Building Training Academy whereby the Council were unable to demonstrate legal ownership. This related to an asset whereby the Council and related group entities had agreed arrangements for a new building to be constructed by the Council and a revised lease arrangement to put in place. While Committee approval was obtained, the Group has failed to ensure that the legal agreements have been put in place to match the nature of the arrangements in place. There is therefore now uncertainty regarding the legal ownership of the building.	The Council Group should ensure that the legal agreements in respect of this arrangement are corrected urgently. The Council should perform a lessons learned exercise to identify any other assets where the appropriate legal arrangement have not been put in place. Grade 2	**Response:** The Council will progress the completion of the appropriate legal structure and assess any similar outstanding. **Responsible officer:** Head of Corporate Finance/Head of Legal **Implementation date:** December 2024 **Management update as of March 2025:** The missives have now been completed in respect of the lease for the training academy.	**Complete.** We have reviewed the signed missives for the training academy lease.

Action Plan continued

No.	Findings and risk	Recommendation / grading	Management response and update	EY Conclusion/response
18.	**PPP schemes and central documentation storage** In respect of the Council's PPP scheme, the scheme is now in its 24th year of operation and therefore understandably, individuals' involved in the establishment of the original models and contract are no longer in post. The responsible individual for reviewing the PPP accounting entries has changed twice in recent years. This has resulted in a loss of knowledge of how the contract should operate and how the models are constructed. Significant delays were encountered in receiving all information in respect of the PPP including original contracts and operator models. This issue has been replicated through other audit procedures whereby supporting evidence was not available to all of the finance team due to different shared drives being used.	The Council should ensure that all documentation to support financial statement balances including relevant contracts and leases are retained in a central location to ensure they are readily available both for new finance team members and to support audit requests. Grade 1	**Response:** The Council will consolidate existing data in a secure repository for future reference. **Responsible officer:** Head of Corporate Finance **Implementation date:** June 2024 **Management update as of March 2025:** PPP documentation is available centrally.	**Complete.** Through performance of our audit procedures, we have been able to obtain documentation as requested.

Action Plan continued

No.	Findings and risk	Recommendation / grading	Management response and update	EY Conclusion/response
19.	**SAP Outage lessons learned** Internal audit have raised concerns regarding disaster recovery procedures in place. These concerns were proven following the SAP system outage where there were repeated challenges in restoring the system. While the Council were able to successfully implement disaster recovery procedures, they should assess any improvements required to procedures and ensure relevant processes	Management should ensure that appropriate disaster recovery plans are in place which include regular testing of back-ups for key systems. Disaster recovery plans should be reviewed following recent implementation to identify further areas for improvement. Grade 1	**Response:** Since the SAP outage, CGI has conducted a programme of application back-up and restore testing, across over 100 servers. The council will continue to progress the development of disaster recovery to support system resilience **Responsible officer:** Head of Strategic Information, Innovation and Technology **Implementation date:** Ongoing and as agreed as part of future IT arrangements **Management update as of March 2025:** CGI has conducted a programme of application back-up and restore testing, across over 100 servers. Work is continuing to progress the development of disaster recovery to support system resilience, and this is also a key focus on the Future of Digital and ICT Services (FICT) project.	**Partially complete.** While testing has been performed, a routine disaster recovery programme has not been established.

Action Plan continued

No.	Findings and risk	Recommendation / grading	Management response and update	EY Conclusion/response
20.	**Monitoring the delivery of the 2024-25 budget** The Council's 2024/25 budget sets out a phased approach to bridge the £107.7 million funding gap over the next three years. Most of the gap in the first year of the plan is expected to be met by: ▸ increases in fees and charges; and ▸ plans to redesign services. It is critical that savings are tracked to provide assurance to elected members on the pace and impact of the agreed programme of measures.	The Council should establish reporting arrangements to monitor the achievement of savings within the three-year budget. This should include an assessment of the return on investment against key projects. *Grade 1*	**Response:** The council currently reports the achievement of savings in the monitoring reports considered by FASC. Detailed reports are also considered by the Council Management Group. These processes will continue for the 2024-27 budget savings and investments. **Responsible officer:** Director of Financial and Business Services **Implementation date:** Current processes will continue **Management update as of March 2025:** The achievement of savings is reported through the detailed monitoring reports reported to Finance & Audit Scrutiny Committee. The first report will be reported at Period 4. Future Income Generation projects will be progressed and reported to the Political Oversight Group with reports to committee as required.	**Completed.** Achievement of savings is reported through the standard monitoring reports with more detailed reports presented to the Corporate Management Team.

Action Plan continued

No.	Findings and risk	Recommendation / grading	Management response and update	EY Conclusion/response
21.	**Use of Reserve balances: Budget Support Fund** The Council took advantage of financial flexibilities available to Scottish local government in 2022/23 to create a Budget Support Fund. The Fund is intended to underpin the delivery of savings options, including associated severance costs. There has been limited reporting on the use of the Fund to date, but we understand that the Council expects that £49.5 million will be used by 31 March 2024, leaving a balance of £60 million to support the three year budget to 2026/27. As part of the approved 2024-27 savings plan, further contributions will made to the fund in the next two financial years.	The Council should set clear criteria for the use of Budget Support Fund balances and report on the use of the Fund within regular budget monitoring reports. *Grade 1*	**Response:** The criteria for use of the fund were set out in the report to CAC on 23rd March. Any use of the Budget Support Fund has been approved at CAC and reported to FASC through the regular revenue monitoring reports. **Responsible officer:** Director of Financial Business Services. **Implementation date:** Current processes will continue. **Management update as of March 2025:** Any draw from the Budget Support Fund, including its purpose, is reported in the Monitoring Reports to CAC and FASC.	**Complete.** Reporting on the use of the budget support fund has been included within monitoring reports.

Action Plan continued

No.	Findings and risk	Recommendation / grading	Management response and update	EY Conclusion/response
22.	**Longer Term Financial Strategy** We recognise that three year budget approved in February 2023 represented a step change in the Council's ability to meet the unprecedented financial pressures and challenges facing Scottish Local Government. The Council has, however, not yet translated the budget into a longer term financial strategy to assess the impact of a number of scenarios on the reserves position, including significant areas of uncertainty such as future income projections, the cost of implementation of the new pay and grading structure, and areas of financial risk such as the ability to deliver all savings in full and the current level of overspend on homelessness services reported by the Council's partner, the Glasgow Integration Joint Board.	There is a need to translate the three year budget into a longer term strategy to model the impact of a range of risks both on the Council's reserves and the priorities set out in the Strategic Plan. *Grade 1*	**Response:** The three year budget savings approved in February 2023 align to the remaining period of the Council and the Strategic Plan in 2027. The approved savings will result in planned contributions to the Budget Support Fund which was established to support future years' budgets including the management of financial risks. These risks will continue to be assessed and considered as part of future years' budgets. **Responsible officer:** Executive Director of Finance **Implementation date:** Ongoing as part of annual budget processes **Management update as of March 2025:** As part of the 2025-26 budget process a Financial Forecast for the period 2025 to 2028 was undertaken. Due to levels of financial uncertainty, it is challenging to prepare plans beyond that timeframe however that will continue to be kept under review.	**Partially complete.** Refer to commentary on page 42 onwards in respect of financial sustainability.

Action Plan continued

No.	Findings and risk	Recommendation / grading	Management response and update	EY Conclusion/response
23.	**Budget Monitoring Reports** In our view, there is scope to improve the transparency, and therefore scrutiny, of financial monitoring reports by focusing on key factors that support elected member scrutiny, including: ▸ Information on key variances and areas of financial risk; ▸ Risk assessed progress against saving targets; and ▸ The projected impact of service outcomes on the General Fund reserve, and Budget Support Fund.	The Council should review the content and focus of budget monitoring reports to ensure that they reflect key indicators to monitor financial resilience and support elected member scrutiny. *Grade 2*	**Response:** A review of Monitoring Reports will be incorporated into the next FASC Self-assessment review to seek elected members views on changes to the report which would aid scrutiny. **Responsible officer:** Director of Financial and Business Services. **Implementation date:** December 2024 **Management update as of March 2025:** The survey results from the Review of Effectiveness work with FASC raised no specific matters with regard to budget monitoring. However, the content of monitoring reports will continue to be kept under review to respond to members comments during the budget process for greater clarity on a number of areas including delivery of savings and actions to address budget pressures.	**Complete.** We will continue to monitor the reporting and scrutiny of budget monitoring reports and agree areas of improvement with management.

Action Plan continued

No.	Findings and risk	Recommendation / grading	Management response and update	EY Conclusion/response
24.	**CIPFA Financial Management Code** The Council's Finance Department conducted a self-assessment against the CIPFA Financial Management Code, which was considered by the FASC in April 2023. This identified only one area for improvement, relating to governance arrangements within an ALEO, City Building. Following the completion of improvement actions identified during the 2022/23 audit, the Council should update its consideration against the good practice guidance.	The FASC should consider an updated self-assessment against the Financial Management Code as part of the wider improvement actions following conclusion of the 2022/23 annual accounts. *Grade 2*	**Response:** The council will update the self-assessment as part of the 2023/24 annual accounts. **Responsible officer:** Head of Corporate Finance **Implementation date:** June 2024 **Management update as of March 2025:** An updated self-assessment was completed as part of the 2023/24 annual accounts referencing areas considered in the 2022/23 audit.	**Complete.** The Council should continue to perform self-assessments and report updates to FASC as appropriate.

No.	Findings and risk	Recommendation / grading	Management response and update	EY Conclusion/response
25.	**National Fraud Initiative** At the date of drafting this report, 3,127 matches have been investigated, and 10 errors have been identified to date with a value of £35,317. There has been less progress on the follow up of matches, particularly relating to payroll, creditors and Companies House. The Council has noted that this approach is in line with its internal approach to prioritisation based on its assessment and experience of the likelihood of matches resulting in potential savings. In addition, the team has indicated that the completion of the Corporate Fraud Workplan is at risk within the Mid-Year report.	The Council should formally agree a prioritisation of actions related to the NFI programme internally and through engagement with Audit Scotland, as the leader of the NFI programme in Scotland. *Grade 2*	**Response:** Similar to other Council teams, there are resource pressures within the Internal Audit and Corporate Fraud team. However, this will be kept under continuous review to ensure resources are deployed and targeted at priority areas to maximise impact. **Responsible officer:** Director of Financial and Business Services **Implementation date:** Ongoing **Management update as of March 2025:** We have reviewed the approach to prioritisation of matches to be investigated. The approach remains to focus on the data matches categories that have the highest accuracy and are most likely to generate savings. The investigations for the 2022/23 NFI have been concluded on this basis and work has commenced on the 2024/25 NFI. Internal Audit will continue to include updates on NFI investigations in the 6-monthly and annual Internal Audit reports to FASC.	**Complete.** Progress with NFI will be subject to ongoing monitoring through standard audit procedures.

Action Plan continued

No.	Findings and risk	Recommendation / grading	Management response and update	EY Conclusion/response
26.	**Monitoring of Investment Programme** The Council has a significant programme of investment, typically spending over £140 million annually. The Council's capital programme supports key investments that will support delivery of the Strategic Plan, and key strands of the three year budget. The Council reports on progress against the investment programme quarterly. The nature of the projects mean that they straddle financial years, but current reporting arrangements do not reflect milestone dates. In addition, the reports are very narrative-based and provide a level of detail that may undermine effective scrutiny.	The Council should ensure that capital monitoring arrangements provide clear and concise reporting against individual programme progress and budgets. *Grade 2*	**Response:** A review of Monitoring Reports, including capital monitoring, will be incorporated into the next FASC Self-assessment review to seek elected members views on changes to the report which would aid scrutiny. **Responsible officer:** Director of Financial and Business Services **Implementation date:** December 2024 **Management update as of March 2025:** Following the survey results from the Review of Effectiveness work with FASC it was identified that the detailed Investment Programme monitoring papers could be updated to highlight the salient points.	**Partially complete.**

Action Plan continued

No.	Findings and risk	Recommendation / grading	Management response and update	EY Conclusion/response
27.	**Financial Management Capacity** The capacity of the finance team does not reflect the difference in both scale and complexity of the Council compared to other local government bodies. This creates a significant key personnel dependency and lack of sufficient time to adequately address technical accounting requirements, such as those around PPE valuations sale and leaseback transactions and equal pay accounting. This pressure will continue to increase in the next four years as aged systems require updating and replacing, and new accounting standards create additional work which falls to a small number of sufficiently skilled accountants.	The Council needs to critically reassess the sufficiency of its financial management capacity in the context of audit findings, the underlying financial statement control weaknesses, and the anticipated challenges going forward. *Grade 1*	**Response:** Financial Services regularly reviews its workforce planning requirements in the context of demand but also has to take into account budget capacity. There is regular discussion around support for key projects and finance officers are assigned to reflect both the demands and experience required to support projects. This approach will continue with additional resource considered where appropriate. The recent audit by EY was significantly more resource intensive for council staff in part due to the requirement for EY to audit opening balances and the additional associated work for a Year 1 audit. The resource impacts for the 2023-24 audit will be considered once the audit plan is available. **Responsible officer:** Director of Financial and Business Services **Implementation date:** June 2024 **Management update as of March 2025:** Corporate Finance have restructured the division and successfully recruited staff to fill vacancies created by recent turnover. In addition, we have reviewed our approach to trainee accountant recruitment and have enhanced our approach and linkages with Universities.	**Partially complete.** We note that since the original recommendation was made, the finance team has experienced significant turnover which creates both challenges and opportunities for the team.

Action Plan continued

No.	Findings and risk	Recommendation / grading	Management response and update	EY Conclusion/response
28.	**Annual Governance Statement** The Council's Annual Governance Statement does not fully meet the requirements of the Delivering Good Governance in Local Government Framework. While the current Statement is transparent about the significant governance issues that have been responded to during the financial year, it does not include a clear action plan showing actions taken, or proposed, to aid accountability.	The Council should review the content of the Annual Governance Statement against the requirements of good practice to ensure that risks and accountability are fully explained. *Grade 2*	**Response:** We will review the AGS against best practice guidance each year as part of its development for the annual accounts and update the statement accordingly. **Responsible officer:** Head of Internal Audit **Implementation date:** Ongoing **Management update as of March 2025:** This is complete. The AGS has been reviewed against best practice guidance, and the statement has been updated accordingly.	**Complete.**

Action Plan continued

No.	Findings and risk	Recommendation / grading	Management response and update	EY Conclusion/response
29.	**Significant governance actions** The City Building improvement plan contains 76 individual actions. To date, 9 of the actions have been fully closed following audit confirmation, while a further 35 are assessed as complete by management. Further work is underway to resolve internal audit concerns in relation to the ALEO's Servitor system upgrade. We also note that, at the time of drafting this report, the City Building Financial Statements for 2021/22 are due to be concluded imminently.	The improvement actions in relation to the significant governance matters at City Building must be concluded at pace. *Grade 1*	**Response:** The Council is working with Wheatley Housing Group and City Building to progress the action plan as a matter of priority. **Responsible officer:** Director of Financial and Business Services **Implementation date:** June 2024 **Management update as of March 2025:** Implementation of actions is continuing with oversight by a Steering Group made up of the Chief Executives of both the Council and Wheatley Group. The actions relating to the system of internal control, specifically around procurement and HR governance, have been completed. The steering group is developing a longer-term action plan, in conjunction with the new Managing Director, that incorporates the remaining outstanding actions from the review with other priority actions from GCC and WHG. The 2022-23 financial statements have recently been signed, and progress has been made by City Buildings external auditor on the 2023-24 audit.	**Partially complete.** While progress has been made in recent months, delays have been experienced in concluding the actions and signing the 2022/23 and 2023/24 financial statements. The longer-term objective of building back assurance for the Group accounts will be challenging based on current timetables and pace of progress.

No.	Findings and risk	Recommendation / grading	Management response and update	EY Conclusion/response
30.	**Organisational capacity** The Council has plans to transform its digital and ICT infrastructure, alongside: ▸ the implementation of a pay and grading scheme ▸ Projects to develop untested new income streams; and ▸ Deliver substantial savings over the net three years. Projects of this scale will significantly challenge the leadership and organisational capacity of the Council. The Council must therefore ensure that it has the right project management office function to support delivery, including a team with the appropriate capacity and capabilities. Arrangements to report to elected members will be critical to ensure that decisions are based on quality data.	The Council must ensure that clear roles and responsibilities are established in a robust accountability framework. *Grade 1*	**Response:** The council has well established governance processes for major projects, and these are already in place for the Future of ICT Project and the Pay and Grading replacement project. This includes clear roles and responsibility for named officers. Both projects report to the Chief Executive and the Executive Director of Finance through these governance processes with reporting to elected members through a Political Oversight Group and committee where required. The delivery of changes related to budget savings is overseen by the Council Management Group, a senior officer group chaired by the Director of Financial and Business Services. Updates on progress are reported to the Council Management Team on a regular basis and through the detailed Revenue and Investment Monitoring Reports to FASC. This will be augmented in 2024-25 with the project to manage the implementation of the Service Redesign budget options approved by Council as part of the 2024-25 Budget. This will include a political oversight group to be chaired by the City Treasurer. **Responsible officer:** Director of Financial and Business Services **Implementation date:** Ongoing in line with policies and procedures **Management update as of March 2025:** This recommendation referred to 3 significant projects - Future of ICT, Pay & Grading and ERP Replacement. Each of these projects has its own governance arrangements which follow the council's guidelines including setting out clear roles and responsibilities. There is also regular engagement between the leads for each of the projects to ensure alignment of interdependencies.	**Partially complete.** Following the original recommendation, the Council has experienced turnover in its Corporate Management Team. There has also been delays to the pay and grading project which means that key dates for the 3 significant projects will overlap more significantly than initially planned.

Action Plan continued

No.	Findings and risk	Recommendation / grading	Management response and update	EY Conclusion/response
31.	The Finance, Audit and Scrutiny Committee considered a formal self-assessment of its arrangements against the CIPFA guidance in March 2023. The self-assessment identified a number of areas of areas of improvement.	The Council's self-assessment identified a range of improvements to the audit committee arrangements. Improvement actions should be adopted prior to the next committee cycle. *Grade 2*	**Response:** Since the self-assessment was undertaken, officers have been consulting other local authorities via existing networks and groups (Core Cities and Scottish Local Authorities Chief Internal Auditors Group) to compare arrangements and identify best practice to assist with implementing the actions arising from the self-assessment. **Responsible officer:** Head of Internal Audit **Implementation date:** June 2024 **Management update as of March 2025:** Full update on progress went to June FASC. In relation to the appointment of an independent member, we have explored a number of avenues to identify a suitable candidate, including placing an advertisement with a professional body. To date, we have not been sucessful but officers will continue to progress this.	**Complete.**

E Action Plan continued

No.	Findings and risk	Recommendation / grading	Management response and update	EY Conclusion/response
32.	The Council's performance monitoring arrangements are evolving to reflect the complexity of the Strategic Plan. However, in 2022/23 we were unable to conclude that the Council had fully met its public performance reporting responsibilities under the Account Commission's Statutory Performance Indicators Direction.	The Council should consider its performance reporting arrangements to ensure it is compliant with statutory performance indicators requirements. *Grade 1*	**Response:** The council planned and co-ordinated a pause of the Annual Performance Plan (APR) in agreement with internal Audit to allow the Strategic Plan to bed in as result of our publicly reported approach; agreed with elected members, to focus on cost of living measures. Following this pause the Strategic Plan will be reported as per schedule in the APR in September 2024. This has been clearly articulated and accepted in the council's Best Value report. **Responsible officer:** Head of Corporate Policy and Governance **Implementation date:** September 2024 **Management update as of March 2025:** The Annual Performance Report was published in January 2025.	**Partially complete.** The Council's OPDSC considered the updated Performance Manual in September 2024, and the Annual Performance Report was published in January 2025. We do, however, note that the standalone Performance Report does not fully meet the Accounts Commission's expectations for public performance reporting. Requirements will also change for reporting year 2025/26 and as a result, we consider that this recommendation remains outstanding.

Action Plan continued

No.	Findings and risk	Recommendation / grading	Management response and update	EY Conclusion/response
33.	Audit Scotland has highlighted the ongoing threat associated with cyber security across the public sector. We noted that the Council has not yet completed key recommendations relating to cyber security following two internal audit reviews.	The Council must prioritise the implementation of recommendations in relation to cyber security as a matter of urgency. *Grade 1*	**Response:** The Council continues to work towards the completion of the security action plan. **Responsible officer:** Head of Strategic Information, Innovation & Technology/Head of Internal Audit **Implementation date:** Ongoing **Management update as of March 2025:** Through recent contract extension negotiations, the Council has agreed its requirements for security services. A further recruitment campaign is planned for the Cyber Security Manager post. In the meantime, the Council has enhanced its existing security team through the services of external specialists and work is also ongoing to procure a Security Assurance Services (SAS), that will work with the Council to provide support and advice and re-baseline the security action plan.	**Partially complete.**

Action Plan continued

No.	Findings and risk	Recommendation / grading	Management response and update	EY Conclusion/response
34.	IFRS 16 must be adopted by Councils from 1 April 2024. The Council should make key IFRS 16 policy decisions in accordance with the Code before 1 April 2024. To date, the Council has not prepared a readiness assessment for IFRS 16 implementation.	The Council should prepare an IFRS 16 implementation readiness assessment in advance of the standard coming into effect in April 2024. *Grade 2*	**Response:** The council has and will continue to engage with services ALEOs and external advisors to develop our approach to implementation of this standard. Work has been initiated to review existing leases and will be developed further through 2024/25. **Responsible officer:** Head of Corporate Finance **Implementation date:** Ongoing – date of finalised implementation to be agreed with audit as part of 23/24 planning arrangements. **Management update as of March 2025:** Will be considered as a part of the 2023/2024 accounts.	**Completed:** Management have included an implementation disclosure in the 2023/24 financial statements. A further recommendation with regard to IFRS 16 implementation has been included at recommendation 43.

Action Plan continued

No.	Findings and risk	Recommendation / grading	Management response and update	EY Conclusion/response
35.	**Low Emission Zone reporting** The Council's low emission zone was implemented from June 2023. The Low Emissions Zone (Scotland) Regulations 2021 introduces specific financial reporting requirements for the scheme which the Council will have to comply with for 2023-24.	The Council should ensure a review of the legislative requirements is performed to ensure the statutory reporting requirements can be met. *Grade 2*	**Response:** The Council will review the requirements and incorporate the necessary information as required. **Responsible officer:** Head of Corporate Finance **Implementation date:** June 2024 **Management update as of March 2025:** The statutory reporting requirements for Low Emission Zone reporting were incorporated into the 2023/24 financial statements.	**Completed.** We are satisfied that this recommendation has been completed, and that the statutory reporting requirements had been incorporated into the 2023/24 financial statements. A further recommendation has been included in respect of data and future changes to requirements.

Best Value Thematic Report Action Plan

No.	Findings and risk	Recommendation / grading	Management response and update	EY Conclusion/response
36.	The Strategic Plan outlines an ambitious programme of work, formed of over 230 individual commitments. Since the publication of the plan, the Council has continued to respond to increasing financial pressures and uncertainties, which risk impacting the delivery of the Strategic Plan. The Strategic Plan makes provision for an annual review process, to allow the Council to respond to emerging risks and opportunities.	The Council should ensure that the annual review process sufficiently refines the commitments within the Strategic Plan to clarify priorities and promote accountability for delivery. *Grade 1*	**Response:** Accepted. At the time of reporting the review is underway and will be completed post the budget being agreed. Significant work has been undertaken to ensure that the Strategic Plan remains flexible enough to incorporate areas of emerging priority; and utilises the agreed change control process to review the suitability of Commitments as appropriate. **Responsible officer:** Head of Corporate Policy and Governance **Implementation date:** June 2024 **Management update as of March 2025:** The Strategic Plan review has been through a process of comment and refinement by officers and elected members. The officer-led Performance Management Working Group made a number of proposals based on member feedback and the emergence of new Commitments brought forward by services primarily due to the cost of living crisis. This was in response to a full council motion in June 2023 instructing officers to prioritise measures to support citizens through this crisis. The reviewed SP will be considered by full council in October. The implementation date was moved due to the general election in May.	**Completed.** The Strategic Plan was updated as planned in October 2024 and added a small number of additional commitments.

Best Value Thematic Report Action Plan

No.	Findings and risk	Recommendation / grading	Management response and update	EY Conclusion/response
37.	The Council continues to develop the performance management framework that will support the delivery of the Strategic Plan. The Council's progress reporting makes use of Red/Amber/Green (RAG) ratings, but in a number of cases no definition or explanation is provided for individual ratings.	The Council should ensure that performance reporting allows elected members to monitor progress against each of the commitments in Strategic Plan, against an agree set of criteria. *Grade 1*	**Response:** Accepted. The Council has an Operational Performance Delivery and Scrutiny Committee (OPDSC), which noted the Performance Management Framework in August 2023, OPDSC is the key public scrutiny mechanism for the Strategic Plan delivery. Reports are taken to each OPDSC outlining the progression of key commitments within each of the Grand Challenges. **Responsible officer:** Head of Corporate Policy and Governance **Implementation date:** 30 September 2024 **Management update as of March 2025:** As per Audit findings of August 2024, key controls for monitoring the Strategic Plan are operating effectively. The latest iteration of the Performance Manual was submitted and agreed at Operational Performance Scrutiny and Delivery Committee in September 2024. This manual enables elected members to both monitor the Strategic Plan effectively and make suggestions as to how the key elements of the Strategic Plan are scrutinised. (use of case studies, outcome impacts etc)	**Completed.** While the Performance Manual recognises that many of the RAG ratings are subjective, we are satisfied that the OPDSC has reviewed the manual and is satisfied with scrutiny arrangements.

Best Value Thematic Report Action Plan

No.	Findings and risk	Recommendation / grading	Management response and update	EY Conclusion/response
38.	The Council has set one of the most ambitious targets for reducing emissions in Scotland, but the current trajectory suggests that net zero will only be achieved for Scope 1 and 2, and carbon sequestration will be required to offset residual emissions. The current emissions plans are not linked to a realistic programme of investment.	The Council should review arrangements in place to capture and reduce emissions, including Scope 3. *Grade 1*	**Response:** Accepted. Existing Climate and Sustainability Board undertakes this role, however, the updated Carbon Management Plan captures reviewed arrangements, and approach to monitoring. The Plan is due to be considered at the Net Zero Committee in February with a view to being adopted in March 2024. **Responsible officer:** Head of Sustainability **Implementation date:** 30 April 2024 **Management update as of March 2025:** The Integrated Net Zero Routemap has been completed and will be presented in November, giving 2 costed pathways to net zero. We are also revising our climate plan based upon the outputs of the routemap. Through creating the routemap, we have adopted the Climateview ClimateOS platform, to increase our ability to plan emissions reduction and track progress. This platform has also been adopted by the new Scottish Climate Intelligence Service, putting us 6 months ahead of the curve in adoption of what will become the national approach to monitoring climate progress. We are exploring options for scope 3 reporting at an organisational level, exploring procurement mechanisms to quantify scope 3 emissions by spend. We are still exploring options for scope 3 at a city level, though none presented so far appear robust or accurate. Progress has also been made in the establishment of a team to design a route to procuring a delivery partner for the city's climate ambitions, including the establishment of an investment vehicle to help facilitate more investment into climate projects in the city.	**Partially complete.** Until arrangements to report upon Scope 3 emissions are agreed by the sector we consider that the reporting and reduction measures will remain an area of risk.

Action Plan continued

Best Value Thematic Report Action Plan

No.	Findings and risk	Recommendation / grading	Management response and update	EY Conclusion/response
39.	The Council's progress reporting notes that key actions within the Climate Plan are broadly on target. The Net Zero Progress Monitoring Committee currently receives an annual report on progress against the plan, which may be insufficient to effect change.	The Council should ensure that scrutiny arrangements are robust enough to support delivery of its climate ambitions. *Grade 1*	**Response:** Accepted. The updated Carbon Management Plan will provide adequately robust scrutiny arrangements. The Plan is due to be read at the Net Zero Committee in February with a view to being adopted in March 2024 **Responsible officer:** Head of Sustainability **Implementation date:** 30 April 2024 **Management update as of March 2025:** The creation of the routemap and adoption of the ClimateOS platform gives annual climate budgets that will be reported through our committee structures. This will give us the opportunity to better scrutinise annual emissions reduction progress against annual targets, and to evaluate and address any issues impeding progress.	**Completed.** In November 2024, the Council published a Net Zero Route Map to update its assessment of the work needed to deliver its carbon ambitions. This includes an updated assessment of the financial commitment necessary to achieve carbon reductions in the scale required to meet the Council's ambitions. The Council intends to report on progress both in securing investment to support climate activity and on annual climate budgets and we will therefore continue to monitor progress as part of our audit considerations.

Action Plan continued

Best Value Thematic Report Action Plan

No.	Findings and risk	Recommendation / grading	Management response and update	EY Conclusion/response
40.	The Council has a number of significant strategies and plans that underpin the delivery of the Strategic Plan. However, the plans are not fully aligned to the Strategic Plan and have limited detail about the financial and other resources required to deliver.	The Council needs to ensure that key plans are linked to a medium term financial plan to support delivery. *Grade 1*	**Response:** Accepted. The Council has recently undertaken a Corporate Governance Review, which outlined a similar recommendation. That recommendation is currently being implemented. **Responsible officer:** Head of Corporate Policy and Governance **Implementation date:** 31 March 2025 **Management update as of March 2025:** In 2024/25 the council took a three year budget plan approach, which will assist with medium term financial planning, allowing services to consider their longer terms approach for service delivery and likely savings. This approach has already been noted as positive move by service leads. The three year approach was refreshed in 2025-26.	**Partially complete.**

Action Plan continued

Best Value Thematic Report Action Plan

No.	Findings and risk	Recommendation / grading	Management response and update	EY Conclusion/response
41.	The Council is committed to the development of performance reporting, including dashboards to enhance member scrutiny against individual commitments.	The Council should finalise the development of a Performance Dashboard to allow elected members to scrutinise all areas of the Strategic Plan. *Grade 2*	**Response:** Accepted. The Council has developed and is currently implementing a Performance Management Framework. This will include a series of case studies which are being developed to enhance member scrutiny. This process will also look at the suitability of a number of existing and potential options of how performance information can be presented in the most concise and accessible way. **Responsible officer:** Head of Corporate Policy and Governance **Implementation date:** 30 September 2024 **Management update as of March 2025:** The scope of this work has changed since the Best Value report due to the implementation of a process by the council and Community Planning partners to create a new Performance Management Framework for the new 10-year Community Plan (Local Outcome Improvement Plan). This allows collective resource to be brought together to consider new methods of reporting on performance to better measure impact and outcomes and therefore the development of subsequent tools will now come from this process, which is also being supported by Scottish Government. The first version of the PMF is due to be reported to the Community Planning partnership , chaired by the council, in February 2025. It is proposed that this action is closed and this enhanced partnership working to develop tools to better assist elected member and wider scrutiny is noted. The council has also become a Health Determinants Research Collaboration (funded by the National Institute for Health Research) which provides the expertise and resource to further develop tools to promote the use of evidence and research to promote policy outcomes. This expertise is being used to assist the development of the new PMF.	**Partially complete** While the Council has outlined a revised arrangement to report on progress as part of work with the Community Planning Partnership, we consider that there remains an area of risk that overall outcomes and progress against the Strategic Plan are not fully understood due to the detailed nature of reporting to OPDSC.

Action Plan continued

2023-24 Action Plan

No.	Findings and risk	Recommendation / grading	Management response / Implementation timeframe
42.	**Developer contributions** The nature of developer contributions means that they can be retained on the balance sheet for many years. While no errors were identified, our procedures did however note that there is an opportunity for the Council to improve the records supporting developer contribution balances in the financial statements which would enable greater checks to be performed on historic balances.	Management should review the current working papers and supporting evidence in place to support developer contributions with a view to improving the ability to analyse the data and more readily identify historic balances or other outliers. A review of historic balances should be performed to determine whether the funds could be utilised or whether they require return. *Grade 3*	**Response:** The council will review the current working papers to provide further analysis of balances held and proposed use. **Responsible officer:** Head of Corporate Finance **Implementation date:** 30 September 2025

Action Plan continued

No.	Findings and risk	Recommendation / grading	Management response / Implementation timeframe
43	**IFRS 16** IFRS 16 must be adopted by councils from 1 April 2024. The Council should make key IFRS 16 policy decisions in accordance with the Code before 1 April 2024. The level of work required in advance of the publication of the unaudited accounts in June 2025 is significant and includes procuring and implementing a new leasing system as well as further data gathering both within the Council and its wider Group entities. There is a risk that the implementation of IFRS 16 could result in delays to the publication of the unaudited accounts or unaudited accounts being published with material errors.	The Council should establish robust arrangements to monitor and record all leases impacted by IFRS 16 across both the Council and Group portfolio. *Grade 1*	**Response:** The council has and will continue to engage with services, ALEOs and external advisors to develop our implementation of this standard. Work is ongoing to review existing leases for inclusion in the 2024/25 annual accounts. **Responsible officer:** Head of Corporate Finance **Implementation date:** Ongoing – to be included in the pre audit annual accounts by 30 June 2025.

Action Plan continued

No.	Findings and risk	Recommendation / grading	Management response / Implementation timeframe
44.	**Low emission zone guidance and records** While 2023/24 was the first year of implementation of the new disclosures in respect of the low emission zone for the Council, outwith the legislation, no other guidance was mandatory. From 2024/25, the expectation is that LASAAC will finalise more detailed guidance and therefore the Council should perform an assessment to ensure they comply with these requirements. Our testing of the disclosure for 2023/24 encountered a number of challenges with the Council being unable to provide a detailed listing of the various fines throughout 2023/24 until late on in the audit process.	Management should perform a review of any new guidance published for the low emission zone disclosures to ensure compliance for 2024/25. A review of the data used to support production of the financial statement disclosure should be performed to ensure that detailed listings can be readily obtained to enable testing of the completeness and accuracy of the note. *Grade 2*	**Response:** The reporting for the low emission zone will be reviewed to include any changes required from LASAAC guidance. Data requirements from the 2023/24 audit process will be reviewed to ensure their availability for the 2024/25 audit. **Responsible officer:** Head of Corporate Finance **Implementation date:** 30 June 2025

No.	Findings and risk	Recommendation / grading	Management response / Implementation timeframe
45.	**IT system owners and process arrangements** The Council has a significant number of IT applications and systems which support the production of the financial statements. We encountered a number of challenges in obtaining information with respect of these systems including: • lack of clarity on who the system owner is; • lack of clarity on who owns specific processes relating to systems; and • delays in provision of information to evidence that IT system controls were in operation during the financial year. The Council's IT environment is complicated by third party providers who own aspects of the processes. As the Council both changes its IT delivery model through the FICT project and implements a new ERP system, there will be a greater requirement to map both systems and processes.	The Council should ensure that a clear record of system owners is obtained and regularly updated. This should be supported by records that set out who is responsible for key controls and processes within these systems and that there is sufficient provision within contracts to provide evidence to support audit requirements. *Grade 2*	**Response:** The council will create and maintain a record of system owners and a log of evidence required to support audit requirements. **Responsible officer:** Head of Strategic Information, Innovation & Technology **Implementation date:** 30 June 2025

Action Plan continued

No.	Findings and risk	Recommendation / grading	Management response / Implementation timeframe
46.	**Exit packages calculations** Through our work over exit packages, we identified that exit agreements have included strain on fund where these have not been agreed by both the Council and the Pension Fund in year.	The Council should engage with SPF to ensure that strain on fund calculations are only made for relevant individuals and consider whether any amendments are required to improve the accuracy of estimated costs. *Grade 2*	**Response:** The Council will liaise with SPF regarding strain on the fund calculations included within any exit agreements to confirm they are only included for relevant individuals. Estimates of strain on the fund included within exit packages will be confirmed with SPF. **Responsible officer:** Head of Corporate Finance **Implementation date:** 30 June 2025

Action Plan continued

No.	Findings and risk	Recommendation / grading	Management response / Implementation timeframe
47	**Exit package and approval documentation** The standard template includes a section to be completed detailing when the departure was approved by the Head of Service, the date of consideration by the Workforce Planning Board and who authorised the request on behalf of the Workforce Planning Board. We noted that in practice these templates were rarely completed to evidence when and who approved the applications, however email evidence was provided to evidence this instead. We further noted that once approved, agreements with employees often included typed names rather than signatures and were sometimes not dated. As noted before, further inquiry resulted in email evidence was available to evidence the employee's agreement to their departure.	Management should review the current operational processes for recording approvals and agreements to early retirements and redundancies. This should include clear guidance on requirements for electronic approvals. *Grade 2*	**Response:** The Council will review the current operational processes for recording approvals and agreements to early retirements and redundancies and will be establishing a Corporate Workforce Planning Board which will oversee the implementation of these recommendations. **Responsible officer:** Director of Communication and Corporate Governance **Implementation date:** 30 June 2025

Action Plan continued

No.	Findings and risk	Recommendation / grading	Management response / Implementation timeframe
48	**Business case rationale** There will be a need for the Council to implement future restructures, particularly in the context of public sector reform, and it is imperative that the Council can demonstrate appropriate consideration of how any restructure provides value for money including how any restructures support the Council's strategic plan, financial plans and workforce plans.	Management should set clear guidance on minimum expectations for any future restructure papers. This should include at a minimum an outline of how the restructure achieves value for money, what alternatives to early retirement or voluntary redundancy were considered and how the restructure meets the Council's strategic priorities. *Grade 1*	**Response:** The Council will set clear guidance on minimum expectations for any future restructure papers and will be establishing a Corporate Workforce Planning Board which will oversee the implementation of these recommendations. **Responsible officer:** Director of Communication and Corporate Governance **Implementation date:** 30 June 2025

Action Plan continued

No.	Findings and risk	Recommendation / grading	Management response / Implementation timeframe
49.	**Scheme of Delegated Functions and Code of Conduct** The Council are underway in making updates to governance structures and policy in respect of early retirements and voluntary redundancy. A key aspect for the Council to address is how the Council ensures that the Scheme of Delegated functions and Codes of Conduct are applied in practice.	In addition to the planned updates to the governance arrangements and policy documents in respect of early retirement and voluntary redundancy, management should ensure that there is a clear plan in place to ensure that the Scheme of Delegated Functions and Code of Conduct are understood and applied in practice. This should include a training programme, employee communications/reminders and consideration of the requirement for culture audits. *Grade 1*	**Response:** As outlined in the covering report to FASC at its meeting on 11 March 2025, the council is carrying out an internal review of its governance arrangements, including the scheme of delegated functions and will put in place arrangements to enhance and monitor awareness, understanding and application of the council's governance rules across senior management and leadership teams. This will be extended to include the employees' Code of Conduct, with appropriate training and communication carried out with employees across the council family. **Responsible officer:** Director of Legal and Administration **Implementation date: 30 June 2025**

F Adjusted and unadjusted differences

This appendix sets out the adjustments that were identified as part of finalisation of the financial statements.

Council Financial Statements 2023/24: Adjusted differences

		Balance Sheet Debit/(Credit)				CIES Debit/(Credit)		Reserves
		NCA	CA	NCL	CL	OCI	Surplus/ Deficit	
No.	Description	£m	£m	£m	£m	£m	£m	£m
1	Reduction in valuation of Heritage Assets	(5.1)				5.1		
2	Understatement of Toryglen	3				(3)		
3	Grossing up of income and expenditure for transactions which should be internal recharges between Council departments						5.5 (5.5)	
4	Double counting of land in revaluation movements of Sale and Leaseback assets	(77.9)				77.9		
Total		(80)	-	-	-	80	-	-

Key	Description	Key	Description
NCA	Non-Current Assets	**NCL**	Non-Current Liabilities
CA	Current Assets	**CL**	Current Liabilities
OCI	Other comprehensive income/expenditure		

F Adjusted and unadjusted differences

Council Financial Statements 2023/24: Unadjusted differences

		Balance Sheet Debit/(Credit)				CIES Debit/(Credit)		Reserves
		NCA	CA	NCL	CL	OCI	Surplus/ Deficit	
No.	Description	£m	£m	£m	£m	£m	£m	£m
1	Long-term debtor car park lease	(3.5)					3.5	
2	Judgemental misstatement of PPP lease liability			(2.9)	(0.4)	3.3		
3	Depreciation for assets acquired in year and transferred from assets under construction	1.6					(1.6)	
4	IT and computer equipment impairment	(5.6)					5.6	
5	Judgemental misstatement of Exchange House valuation	(7.5)				7.5		
Total		(15)	-	(2.9)	(0.4)	10.8	7.5	-

F

Adjusted and unadjusted differences

Council Financial Statements 2023/24: Disclosure/other differences

No.	Description
1	**Grant income disclosure** Grant income testing identified £1.5 million of income recognised within the "Shared Prosperity Fund" line within the disclosure. This grant income wasn't in relation to this specific grant and therefore has been amended to "Various other contributions" line within the disclosure.
2	**Misstatement in disclosure of pension fund assets** The auditor of Strathclyde Pension Fund identified a net understatement of pension fund assets totalling £106.48 million. The Council's share of this difference was estimated to be £19.805 million.
3	**Misstatement in cashflow statement** Cash flow statement correction of a reduction of £23 million was identified due to a composition error in the working papers. This adjustment reduces the "Cash paid to and on behalf of employees" within operating activities from £1,509,473,000 to £1,486,477,000. This has been corrected by management.
4	**LEZ Disclosure** Employee costs were misstated for both 2022/23 & 2023/24. An increase of £5,000 was identified for 2023/24 and a decrease of £4,000 was identified for 2022/23.
5	**Misstatement in pensions disclosure** Note 12.2 (Scottish Teachers' Superannuation Scheme) has been misstated by £2.298 million as the value has been recorded as £26.346 million, whereas the correct value to be disclosed is £28.644 million.
6	**IAS 19 Pensions disclosure** 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.

F Adjusted and unadjusted differences

Group Financial Statements 2023/24: Adjusted differences

		Balance Sheet (Decrease)/Increase				CIES (Decrease)/Increase		Reserves
		NCA	CA	NCL	CL	OCI	Surplus/ Deficit	
No.	Description	£m	£m	£m	£m	£m	£m	£m
1	Intercompany debtors & creditors elimination		18.4		(18.4)			
2	Pension asset recognition subsidiaries	198.3				(198.3)		
3	Reclassification of long-term debtors and intangible assets	17.7 (17.7)						
4	Recognition of pension asset for joint venture	94.7				(94.7)		
Total		293	18.4	-	(18.4)	(293)	-	-

Group Financial Statements 2023/24: Disclosure/other differences

No.	Description
1	**Pension asset disclosure** In 2023/24, the auditor of Strathclyde Pension Fund identified a net understatement of pension fund assets totalling £106.5 million. The Group's share of this difference was £2.2 million with a further £1.3 million relating to joint ventures and associates.

G Audit Fees

2023/24 Fees

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

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

The expected fee for auditor remuneration is based on a risk assessment of publicly available information from the 2021 tender exercise, submitted in November 2021. It assumes that the Council has well-functioning controls, an effective internal audit service, and an average risk profile for its sector across a range of areas for consideration, including financial, operational and governance risks. Throughout the course of their work, auditors may identify new, developing or otherwise enhanced areas of risk that are required to be addressed to deliver an audit to the quality standards expected, and in line with the requirements of the Code of Practice.

Note 1

During 2022/23, areas of additional work were required to complete the audit, with the detailed basis for the additional fee shared with management and Audit Scotland. These included new material issues and risks as well as the resolution and identification of matters not previously addressed. These were communicated as part of our Annual Audit Report in March 2024.

For 2023/24, we have held discussions with both Audit Scotland and management regarding the areas which are likely to reoccur moving forward and those areas which are non-recurring matters relating to 2023/24. Discussions are ongoing and we will agree a final fee with management and report this as part of our annual audit reporting.

H Additional audit information

Introduction

In addition to the key areas of audit focus outlined within the Report, 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.
- 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.

H Additional audit information (cont.)

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: [Quality of public audit in Scotland: Annual report 2023/24 | Audit Scotland]
- 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 Accounts Commission 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, 25 Churchill Place, London E14 5EY. 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.

I Group audit scope

The below table sets out our approach to the scoping of the Group audit as explained on page [12]. The City Building entities have not been assigned a scope due to the delay in the audits for these specific entities.

In scope entities	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	Specific significant accounts by size
Scottish Event Campus Limited	Specific	No	Specific significant accounts by size
City Building (Contracts) Limited Liability Partnership	Not in scope	No	See above
Culture and Sport Glasgow, trading as Glasgow Life	Specific	No	Specific significant accounts by size
City Property Glasgow (Investments) LLP	Specific	No	Specific significant accounts by size
City Property Glasgow (Operations SL1) LLP	Specific	No	Specific significant accounts by size
City Property Glasgow (Operations SL2) LLP	Specific	No	Specific significant accounts by size
City Property Glasgow (Operations SL) Limited	Specific	No	Specific significant accounts by size
City Property Glasgow (Operations SL3) LLP	Specific	No	Specific significant accounts by size
City Property Glasgow (SL Operations 3) Limited	Specific	No	Specific significant accounts by size
City Building (Glasgow) Limited Liability Partnership	Not in scope	No	See above
Jobs & Business Glasgow	Review	No	Not significant by size or risk
Strathclyde Partnership for Transport	Specific	No	Specific significant accounts by size
Strathclyde Concessionary Travel Scheme	Review	No	Not significant by size or risk

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Group audit scope (cont.)

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

J Emerging accounting and audit matters

The implementation of IFRS 16

Summary of key matters	Impact on 2024/25
▸ CIPFA have confirmed that there will be no further delay of the introduction of the leases standard IFRS 16. ▸ Assets being used by the authority under operating leases are likely to be capitalised along with an associated lease liability. ▸ Lease liabilities and right of use assets will be subject to more frequent remeasurement. ▸ The standard must be adopted by 1 April 2024 at the latest.	▸ The 2024/25 Statement of Accounts must disclose the impact the initial application of IFRS 16 is expected to have on the authority's financial statements. ▸ The Council should make key IFRS 16 policy decisions in accordance with the Code before 1 April 2024. ▸ Officers must implement robust systems to ensure all relevant data points, which could prompt a remeasurement or modification of the accounting entries, are captured in a timely manner.

Infrastructure assets

Summary of key matters	Impact on 2024/25
▸ We outline the impact of two statutory overrides on the Council's treatment of infrastructure assets on page [30]. ▸ The statutory override was scheduled to end on 31 March 2024, but the Scottish Government has consulted on extending the measures 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 (refer to recommendation [13] in appendix [E]).

ISA 600 (Revised) – Group audits

Summary of key matters	Impact on 2024/25
▸ Supplemental ISA (International Standard on Auditing) with additional requirements and guidance for group audits that build upon the requirements of other ISAs that were effective for previous audits. ▸ Introduction of several changes to the approach required for auditing groups. This includes changes to the responsibilities of the group auditor for direction, supervision and review of the work of component auditors.	▸ Certain group audit procedures may be accelerated, as component auditors may need to assist in providing information to the Group Auditor to support the group risk assessment. Earlier and more extensive involvement of component auditors and component management may be necessary. ▸ Assignment of scopes that are more tailored to respond to the risk at each component. ▸ Increased time spent by both the Group Auditor and component auditor in executing and documenting the new and expanded required communications. ▸ Increased effort for Group Auditor to meet the enhanced requirements for their involvement in the component auditor's work, including increased documentation requirements.

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Emerging accounting and audit matters

Consultation on additional guidance for the annual governance statement

Summary of key matters
▸ In line with the statutory regulations, local government bodies are required to undertake an annual review of the effectiveness of its system of internal control with the outcome being published in an annual governance statement ('AGS'). Guidance on the completion of the review and AGS is in Delivering Good Governance in Local Government: Framework (Governance Framework) (CIPFA and Solace, 2016). In January 2025, CIPFA and Solace proposed to update that guidance with an Addendum which is currently being consulted on.
▸ The aims of the Addendum are to support good governance in the sector, reflect the changes affecting governance in local government bodies since 2016, encourage robust reviews of governance arrangements and improve accountability to stakeholders, including local communities.
▸ The guidance will be applicable from 2025/26.

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