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# Glasgow City Region – City Deal Cabinet Joint Committee

[Provisional] Annual Audit  
Plan

Year ending 31 March 2026



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## About this report

This plan has been prepared in accordance with Terms of Appointment Letter, through which the Auditor General has appointed us as external auditor of the Joint Committee for financial years 2022/23 to 2026/27.

This report is for the benefit of the Joint Committee and is made available to the Auditor General 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.

## Accessibility

Our Report may be available on Audit Scotland's website, and we have therefore taken steps to comply with the Public Sector Bodies Accessibility Regulations 2018. Responsibility rests with the publishing organisation to ensure that standards are met.

# Executive summary

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## Purpose of our plan

### Our key contacts:

Rob Jones,  
Engagement  
Partner  
[rjones9@uk.ey.com](mailto:rjones9@uk.ey.com)

Emma Oke,  
Manager  
[emma.b.symon@uk.ey.com](mailto:emma.b.symon@uk.ey.com)

The Accounts Commission for Scotland appointed EY as the external auditor of Glasgow City Region - City Deal Cabinet Joint Committee ("the Cabinet" or "the Joint Committee") for the five-year period to 2026/27.

This [Provisional] Annual Audit Plan, prepared for the benefit of senior management and the Joint Committee, sets out our proposed audit approach for the audit of the financial statements for the year ended 31 March 2026. In preparing this plan, we have continued to develop our understanding of the Joint Committee through:

- Regular discussions with management,
- Review of key documentation, including Joint Committee reports; and
- Our understanding of the environment in which the Cabinet is currently operating.

Our audit quality ambition is to consistently deliver high-quality audits that serve the public interest. A key objective of our audit reporting is to add value by supporting the improvement of the use of public money. We aim to achieve this through sharing our insights from our audit work, including observations around where the Joint Committee employs best practice and where processes can be improved. As we note in Appendix F, we will follow up each recommendation throughout our appointment to ensure implementation.

We use data insights where possible to form our audit recommendations to support the Cabinet in improving its practices around financial management and control, and in aspects of the wider scope dimensions of audit. These are highlighted throughout our reporting together with our judgements and conclusions regarding arrangements.

After consideration by the Cabinet's Joint Committee, the finalised plan will be provided to Audit Scotland and published on their website.

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## Scope and responsibilities

We undertake our audit in accordance with the Code of Audit Practice (the Code), issued by Audit Scotland in June 2021; International Standards on Auditing (UK); relevant legislation; and other guidance issued by Audit Scotland. The Code sets out the responsibilities of both the Joint Committee and the auditor, more details of which are provided in Appendix A.

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## Independence

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

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## Financial Statements audit

We are responsible for conducting an audit of the Joint Committee's financial statements. We provide an opinion as to:

- whether they give a true and fair view, in accordance with applicable law and the 2025/26 Code of Accounting Practice, of the income and expenditure of the Cabinet for the year ended 31 March 2026 and;
- have been properly prepared in accordance with IFRSs, as interpreted and adapted by the 2025/26 Code; and
- 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 are required to plan our audit to determine with reasonable confidence whether the financial statements are free from material misstatement. The assessment of what is material is a matter of professional judgement over both the amount and the nature of the misstatement. Our key considerations and [provisional] materiality values are set out in Exhibit 1, below.

### Exhibit 1: Materiality Assessment in 2025/26



We have set our reporting threshold at £3,000. This is the level of error at which we will report to the Joint Committee.

## Wider Scope and Best Value audit

As public sector auditors, our responsibilities extend beyond the audit of the financial statements. The Code of Audit Practice (2021) requires auditors to consider the arrangements put in place by the Joint Committee to meet their Best Value obligations as part of our proportionate and risk-based wider-scope audit work. This requires consideration of:

- The regard shown to financial sustainability; and
- Considering the effectiveness of scrutiny and governance arrangements and the transparent reporting of financial and performance information, in particular through the Annual Governance Statement.

Under the Code of Audit Practice, we have a duty to consider the arrangements that the Joint Committee has in place to secure Best Value, as an audited body that falls within section 106 of the Local Government (Scotland) Act 1973. Consideration of the arrangements that the Joint Committee has in place to secure Best Value will be integrated within the wider scope audit, and a conclusion on the arrangements to secure Best Value will be reported in the Annual Audit Report.

**Exhibit 2: Summary of significant risks identified for the audit in 2025/26**

One significant risks, impacting the audit of the financial statements, have been identified with further details included in section 3.

| Risk/area of focus   | Change from PY                    | Details   |
|--|-----------------------------------|---|
| <p>1. Risk of fraud in revenue and expenditure recognition, including through management override (fraud risk)</p> | <p>No change in risk or focus</p> | <p>Under ISA (UK) 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.</p> <p>The Joint Committee will continue to receive, and distribute, potentially material grants within the year. We will give this specific consideration, and in particular challenge the judgements involved around any related conditions that drive the recognition of income and expenditure in the financial statements.</p> <p>Management is in a unique position to perpetrate fraud due to the ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively.</p> |

We have not identified any wider scope risks.

# 1

## Sector developments

### Introduction

In accordance with the principles of the Code, our audit work considers key developments in the sector. We obtain an understanding of the strategic environment in which the Joint Committee operates to inform our audit approach.

### Glasgow City Deal

Glasgow City Deal is a £1.1 billion City Deal, the first in Scotland and one of the largest in the UK. It is an agreement between the UK Government, the Scottish Government and the eight local authorities across the Glasgow City Region.

The wider economic environment overall in which the Cabinet is operating remains quite challenging. Although there has been a reduction in inflation, sectors such as construction continue to experience declines in output which has been influenced by past economic uncertainties and current cost pressures.

In May 2025, the Renfrew bridge which is part of the Clyde Waterfront and Renfrewshire Riverside Project opened to the public. The project intends to regenerate activity on both sides of the Clyde between Renfrew and Yoker and received a funding commitment from the City Deal of £39m.

It was announced in September 2024 that plans for a new £18.3m railway station in East Renfrewshire had been approved. This is the latest milestone in connecting the existing community to the new housing development to generate further development and growth in the region. Construction began in July 2025, with the station expected to open in Autumn 2026.

The Investment Zone is a new funding stream worth £160m over the next ten years, with six short-listed projects within the three sub sectors of the Advanced Manufacturing sector.

## Local Government Finances

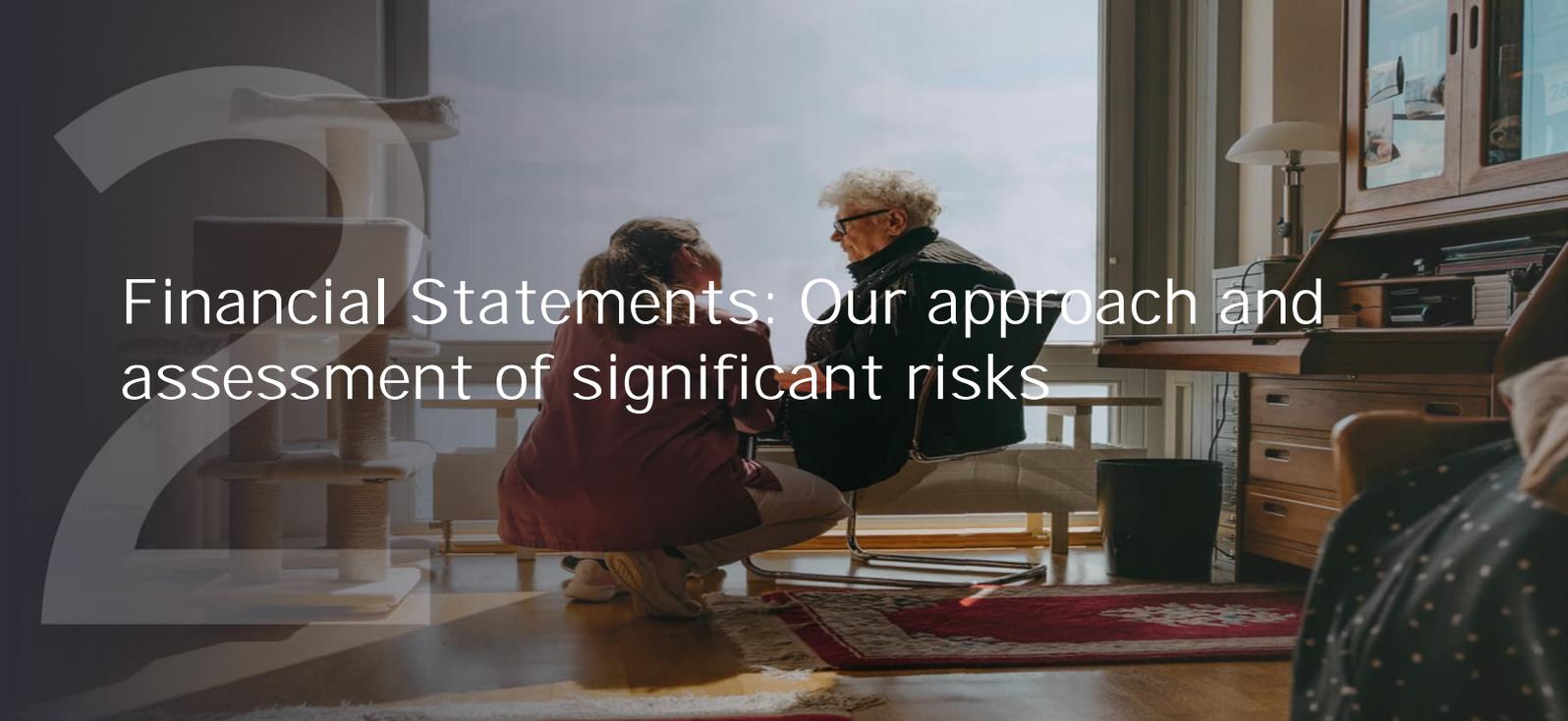
In accordance with the principles of the Code, our audit work considers key strategic developments in the sector. We obtain an understanding of the strategic environment in which the Joint Committee operates to inform our audit approach.

The Scottish Budget was announced on 13 January 2026. In advance of the publication, the Fraser of Allander Institute published its own Scotland's Budget Report 2026-27 which noted that the UK Budget consequentials will increase funding by £300 million and further improvements to tax and social security forecasts boost funding by a further £450 million.

However, the budget sets out a challenging position for local government. The Institute for Fiscal Studies (IFS) estimate that the final position for local government is an increase of 0.3% in real terms. The analysis of the multi-year Spending Review results in annual real term cuts for Local Government of 2.1% between 2026/27 and 2028/29.

COSLA has stated that while there is an increase in uncommitted revenue of £234 million in 2026/27, this is insufficient to address the scale of pressures facing councils, particularly in social care, where demand and complexity continue to rise sharply. COSLA's Resource Spokesman has also written to the Cabinet Secretary for Finance and Local Government to outline significant concern about the medium-term outlook, as it suggests deprioritisation of local government in relation to other public services.

The IFS's analysis suggests that council tax rises of around 8% will be required just to hold budgets constant in 2026/27.



# Financial Statements: Our approach and assessment of significant risks

## Introduction

The publication of the annual financial statements allow the Joint Committee to demonstrate accountability, and its performance in the use of its resources. They are prepared in accordance with proper accounting practice, which is represented by the 2025/26 Code of Practice on Local Authority Accounting in the United Kingdom (“the Code”).

## Risk assessment and approach

We are responsible for conducting an audit of the Joint Committee’s financial statements. We provide an opinion as to:

- whether they give a true and fair view in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers; and
- have been properly prepared in accordance with IFRSs, as interpreted and adapted by the 2025/26 Code; and
- 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 by the Cabinet along with the financial statements.

## Other Statutory Information

The management commentary and narrative reporting within the financial statements continues to be an area of increased scrutiny as a result of rising stakeholder expectations, including continuing interest by the Financial Reporting Council.

## Audit Approach

For 2025/26 we plan to follow a substantive approach to the audit as we have concluded this is the most efficient way to obtain the level of audit assurance required to conclude that the financial statements are not materially misstated.

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

Our audit involves:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud, error or design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Joint Committee'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 financial statements.
- Reading other information contained in the financial statements to form an assessment, including that the annual report is fair, balanced and understandable.
- Ensuring that reporting to the Joint Committee appropriately addresses matters communicated by us and whether it is materially inconsistent with our understanding and the financial statements.

## Confirmation of independence

Auditing and ethical standards require the appointed auditor to communicate any relationships that may affect the independence and objectivity of audit staff. We rigorously maintain auditor independence. Further information is available in Appendix B, where we confirm that our procedures are complete.

## Materiality

For planning purposes, our provisional materiality for 2025/26 has been set at £60,000 (2024/25: £61,000). This represents 2% of the Cabinet's gross expenditure less any significant and historically non-recurring expenditure. Our assessment concluded that gross expenditure remains the most appropriate basis for determining planning materiality for the Joint Committee.

Materiality will be reassessed throughout the audit process, including where errors are identified and will be communicated to the Joint Committee within our Annual Audit Report. Given the potentially recurring nature of larger grants received and distributed by the Joint Committee going forward, we are considering how these are factored into materiality assessments and will update the Joint Committee if any changes are applied as part of our annual audit reporting.

Our performance materiality has been set at 75% of overall materiality (2024/25:75%), the higher end of the range, reflecting our expectation of minimal misstatements. In determining this range, we have considered the outcome of the prior year audit, and the nature of prior year misstatements identified.

We have set our reporting threshold at £3,000 (2024/25: £3,050). This is the level of error that we will report to the Joint Committee.

We have provided supplemental information about audit materiality in Appendix F.

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

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

### Exhibit 3: Materiality

| Element                 | Explanation   | Value   |
|-------------------------|---|---------|
| Planning materiality    | <ul style="list-style-type: none"> <li>The amount over which we anticipate misstatements would influence economic decisions of a user of the financial statements.</li> <li>This represents 2% (2024/25: 2%) of the Joint Committee's total expenditure.</li> </ul>   | £60,000 |
| Performance materiality | <ul style="list-style-type: none"> <li>Materiality at an individual account balance, which is set to reduce the risk that the aggregate of uncorrected and undetected misstatements exceeds planning materiality to an acceptably low level.</li> <li>We have set it at 75% (2024/25: 75%) of planning materiality</li> </ul>   | £44,750 |
| Reporting level         | <ul style="list-style-type: none"> <li>The amount below which misstatements whether individually or accumulated with other misstatements, would not have a material effect on the financial statements. We request that the Joint Committee confirm its understanding of, and agreement to this reporting level.</li> <li>This is set at 5% (PY: 5%) of planning materiality</li> </ul> | £3,000  |

## Our response to significant risks

### Introduction

Auditing standards require us to make communications to those charged with governance throughout the audit. We have agreed that these communications will be to the Joint Committee. The financial statements and our Annual Audit Report will also be reported to the Joint Committee.

### Key audit matters

ISA (UK) 701 is effective for periods commencing on or after 17 June 2016. Under appointment by the Auditor General we are required to communicate key audit matters in our Annual Audit Report. Key audit matters are selected from the matters we communicate to you that in our opinion are of most significance to the current period audit and required significant attention in performing the audit.

When determining key audit matters we consider:

- areas of higher or significant risk;
- areas involving significant judgment, including accounting estimates with high estimation uncertainty; and
- significant events or transactions that occurred during the period.

At this stage of the audit we do not know what key audit matters we will include in our Annual Audit Report. However, we have included within this section the most significant assessed 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 audit team. We will confirm the key audit matters to you in our Annual Audit Report.

We are required to plan our audit to determine with reasonable confidence whether the financial statements are free from material misstatement. The assessment of what is material is a matter of professional judgement over both the amount and the nature of the misstatement.

We set out in the following sections the significant risks (including fraud risks denoted by \*) that we have identified for the audit, along with the rationale and expected audit approach. The risks identified may change to reflect any significant findings or subsequent issues we identify during the audit. We will provide an update to the Joint Committee if our assessment changes significantly during the audit process.

## 1. Risk of fraud in revenue and expenditure recognition\*

Impacted balances within the 2024/25 financial statements:

- Total income: £5.955m
- Total expenditure: £4.451m
- Total cost of services: £1.493m

### Financial Statement impact

Misstatements that occur in relation to the risk of fraud in revenue and expenditure recognition could affect the income and expenditure accounts and associated balance sheet accounts.

### What is the risk?

Under ISA 240 there is a presumed risk that income may be misstated due to improper recognition of income. In the public sector, this requirement is modified by Practice Note 10, issued by the Financial Reporting Council, which means we also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

We have identified a risk around income and expenditure recognition, specifically the accounting for material grant funding, and in particular the judgments involved around any related conditions that drive the recognition of income and expenditure in the financial statements.

### What work will we perform?

We will:

- Inquire of management about risks of fraud and the controls to address those risks;
- Consider the effectiveness of management's controls designed to address the risk of fraud;
- Understand the oversight given by those charged with governance of management's processes over fraud;
- Challenge management around how the Joint Committee gains assurance over the expenditure incurred by its partner bodies, so that it can account for the recognition of expenditure to those bodies.

We will perform mandatory procedures regardless of specifically identified fraud risks, including:

- Substantively testing income and expenditure transactions as appropriate and material;
- Consideration of any new revenue streams and accrued income due to receipt of grant income, and its accounting arrangements against existing policies and LASAAC guidance;
- Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements;
- Assess accounting estimates for evidence of management bias; and
- Evaluate the business rationale for significant unusual transactions.

We will also obtain supporting documentation through independent confirmations of the expenditure incurred by the Cabinet's partners and their auditors, in line with the protocols set out by Audit Scotland for 2025/26 audits

## Going Concern

### Audit requirements

In accordance with the CIPFA Code of Practice on Local Government Accounting, the Joint Committee 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 Cabinet, including the cost-of-living crisis, inflationary pressures, and other demand pressures such as homelessness, 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 Joint Committee and its financial sustainability.

### Our work on going concern requires us to:

- challenge management's identification of events or conditions impacting going concern;
- challenge management's assessment of going concern, thoroughly test the adequacy of the supporting evidence we obtain and evaluate the risk of management bias. Our challenge will be made based on our knowledge of the Joint Committee obtained through our audit;
- conduct a stand back requirement to consider all of the evidence obtained, whether corroborative or contradictory, when we draw our conclusions on going concern; and
- necessary consideration regarding the appropriateness of financial statement disclosures around going concern.



# Best Value and Wider Scope

## 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 the public sector in Scotland:

- Financial management;
- Financial sustainability;
- Vision, Leadership and Governance; and
- Use of resources to improve outcomes.

The Code also includes provisions relating to the audit of less complex public bodies (owing to its size and its limited financial activity). The wider scope in an audited body which meets the definition of a less complex body under the Code may be limited to consideration of:

- Financial sustainability
- Vision, Leadership and Governance (including Annual Governance Statement review).

We have assessed that the audited body meets the definition of a less complex public body based on the nature of its operations and the size and we will therefore apply the Code's provision for less complex bodies in relation to our wider scope work.

As part of our risk assessment procedures, we have reviewed each dimension to assess potential areas of risk. This section sets out our areas of focus, along with any specific significant risks relating to each dimension.

While we undertake work across the dimensions of public audit on an annual basis, any areas highlighted as significant risks will represent the issues where we expect to direct most of our audit effort. Any changes in this assessment will be communicated to the Joint Committee.

Our wider scope audit work, and the judgements and conclusions reached in these areas, contribute to the overall assessment of and assurance over the achievement of Best Value.

## Best Value

The Code explains the arrangements for the audit of Best Value. The Scottish Public Finance Manual (SPFM) explains that Accountable Officers each have a specific responsibility to ensure that arrangements have been made to secure Best Value.

Ministerial guidance to [Accountable Officers for public bodies](#) sets out their duty to ensure that arrangements are in place to secure Best Value in public services.

Our wider scope work will therefore consider the organisational arrangements when planning and reporting on our work.

## 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.

The Joint Committee does not consider the medium to long term as part of the financial planning for the Project Management Office, as this will be funded through member authority contributions. The Cabinet creates its budgets for the upcoming financial year which are presented to the committee in February.

A balance of £2.9 million has been carried forward into 2025/26 and will be used to meet agreed priorities. The total budget for 2025/26 is £2.81 million which is an increase of £0.72 million from 2024/25, mainly relating to costs associated with the transfer of staff from Clydeplan and establishment of four additional posts.

Our response

Our assessment of the Joint Committee's financial sustainability arrangements, will focus on:

- Consideration of robustness of the budget setting and monitoring process;
- Discussions with Finance manager / Section 95 officer.
- Review of financial reporting to the Joint Committee, including management accounts and budgets / medium term financial planning and financial strategy going forward

## Vision, leadership and governance

Vision, leadership and governance is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision making, and transparent reporting of financial and performance information.

We concluded that governance arrangements worked well throughout 2024/25 and that the Annual Governance Statement was in line with our understanding of the organisation.

Internal audit's opinion for 2024/25 was based on its agreed audit plan, as approved by the Joint Committee.

Our work in 2024/25 did not identify any significant weaknesses in the Cabinet's systems of internal control.

Our work in 2025/26 will focus on:

- Consideration of the disclosures within the Governance Statement;
- Review of the coverage of internal audit arrangements during 2025/26, including any significant findings identified and the work done to address issues identified; and
- Consideration of the quality of reporting and information provided to key decision makers, and evidence of effective challenge and scrutiny.

# Appendices

A

Code of audit practice:  
Responsibilities

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Independence report

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Required communications with the Joint  
Committee

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Timeline of communications and  
deliverables of the audit

E

Audit fees

F

Additional audit information



# 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.

### 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.



## Code of audit practice: Responsibilities continued

### Maintaining a sound financial position

Audited bodies are responsible for putting in place proper arrangements to ensure that their financial position is soundly based having regard to:

- Such financial monitoring and reporting arrangements as may be specified.
- Compliance with any statutory financial requirements and achievement of financial targets.
- Balances and reserves, including strategies about levels and their future use.
- How they plan to deal with uncertainty in the medium and longer term.
- The impact of reporting future policies and foreseeable developments on their financial position.

### Appointed auditors' responsibilities

Appointed auditors' statutory duties for local government bodies are contained within Part VII of the Local Government (Scotland) Act 1973, as amended.

These are to:

- audit the accounts and place a certificate (i.e. an independent auditor's report) on the accounts stating that the audit has been conducted in accordance with Part VII of the Act;
- satisfy themselves, by examination of the accounts and otherwise, that:
  - the accounts have been prepared in accordance with all applicable statutory requirements;
  - proper accounting practices have been observed in the preparation of the accounts;
  - the body has made proper arrangements for securing Best Value and is complying with its community planning duties; and
- 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.

## Introduction

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

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

We ensure that the total amount of fees that EY charged to you for the provision of services during the period, analysed in appropriate categories, are disclosed.

## Required Communications

### 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 continuing independence to act as your external auditor.



# Required communications

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

|                                     |   | Our reporting to you   |
|-------------------------------------|---|--|
| Required communications             | What is reported?   | When and where   |
| Terms of engagement                 | Confirmation by the Joint Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.  | Audit Scotland Terms of Appointment letter – audit to be undertaken in accordance with the Code of Audit Practice. |
| Our responsibilities                | Reminder of our responsibilities as set out in the engagement letter.   | This [Provisional] Annual Audit Plan   |
| Reporting and audit approach        | Communication of the reporting scope and timing of the audit, any limitations and the significant risks identified.<br><br>When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.   | This [Provisional] Annual Audit Plan   |
| Significant findings from the audit | <ul style="list-style-type: none"> <li>• Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures.</li> <li>• Significant difficulties, if any, encountered during the audit.</li> <li>• Significant matters, if any, arising from the audit that were discussed with management.</li> <li>• Written representations that we are seeking.</li> <li>• Expected modifications to the audit report.</li> <li>• Other matters if any, significant to the oversight of the financial reporting process.</li> <li>• Findings and issues regarding the opening balance on initial audits.</li> </ul> | Annual Audit Report – August 2026  |
| Going concern                       | Events or conditions identified that may cast significant doubt on the entity’s ability to continue as a going concern, including: <ul style="list-style-type: none"> <li>• Whether the events or conditions constitute a material uncertainty</li> <li>• Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>• The adequacy of related disclosures in the financial statements.</li> </ul>   | Annual Audit Report – August 2026  |



# Required communications (cont.)

Our reporting to you

| Required communications | What is reported?   | When and where   |
|-------------------------|---|--|
| Misstatements           | <ul style="list-style-type: none"> <li>• Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation.</li> <li>• The effect of uncorrected misstatements related to prior periods.</li> <li>• A request that any uncorrected misstatement be corrected.</li> <li>• Corrected misstatements that are significant.</li> <li>• Material misstatements corrected by management.</li> </ul>  | Annual Audit Report – August 2026  |
| Fraud                   | <ul style="list-style-type: none"> <li>• Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity.</li> <li>• Any fraud that we have identified or information we have obtained that indicates that a fraud may exist.</li> <li>• A discussion of any other matters related to fraud.</li> </ul>  | Annual Audit Report – August 2026  |
| Internal controls       | Significant deficiencies in internal controls identified during the audit.  | Annual Audit Report – August 2026  |
| Related parties         | <p>Significant matters arising during the audit in connection with the entity’s related parties including, when applicable:</p> <ul style="list-style-type: none"> <li>• Non-disclosure by management</li> <li>• Inappropriate authorisation and approval of transactions</li> <li>• Disagreement over disclosures</li> <li>• Non-compliance with laws and regulations</li> <li>• Difficulty in identifying the party that ultimately controls the entity</li> </ul>  | Annual Audit Report – August 2026  |
| Independence            | <p>Communication of all significant facts and matters that bear on EY’s, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner’s consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> <li>• The principal threats</li> <li>• Safeguards adopted and their effectiveness</li> <li>• An overall assessment of threats and safeguards</li> <li>• Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul> | This [Provisional] Annual Audit Plan and Annual Audit Report – August 2026 |



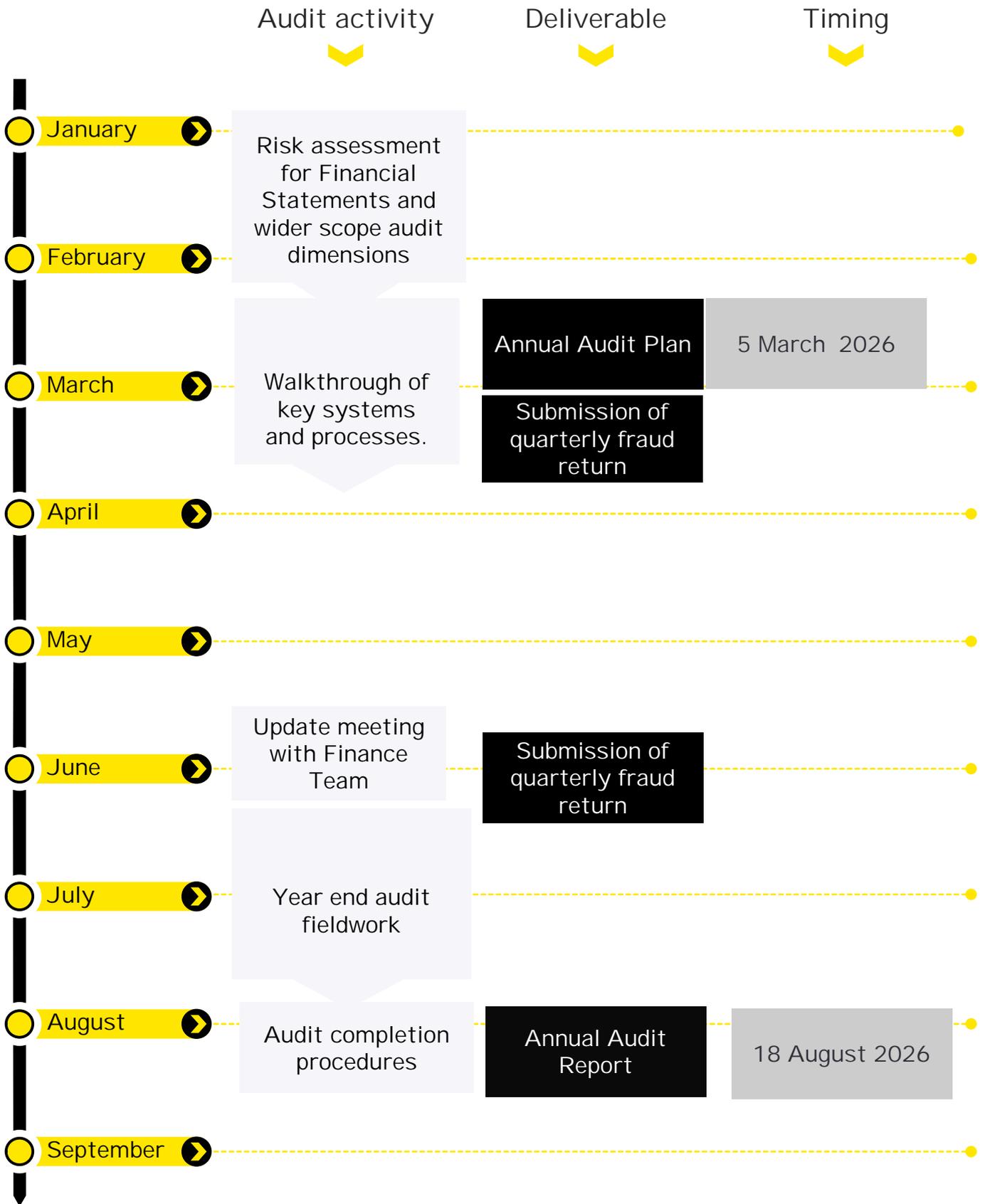
## Required communications (cont.)

### Our reporting to you

| Required communications                               | What is reported?   | When and where                    |
|---|---|-----------------------------------|
| External confirmations                                | <ul style="list-style-type: none"> <li>Management’s refusal for us to request confirmations.</li> <li>Inability to obtain relevant and reliable audit evidence from other procedures.</li> </ul>  | Annual Audit Report – August 2026 |
| Representations                                       | Written representations we are requesting from management and/or those charged with governance.   | Annual Audit Report – August 2026 |
| Consideration of laws and regulations                 | <ul style="list-style-type: none"> <li>Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off.</li> <li>Enquiry of the Joint Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Joint Committee may be aware of.</li> </ul> | Annual Audit Report – August 2026 |
| Material inconsistencies and misstatements            | Material inconsistencies or misstatements of fact identified in other information which management has refused to revise.   | Annual Audit Report – August 2026 |
| Auditors report                                       | Any circumstances identified that affect the form and content of our auditor’s report.  | Annual Audit Report – August 2026 |
| Best value and wider scope judgements and conclusions | Our reporting will include a clear narrative that explains what we found and the auditor’s judgement in respect of the effectiveness and appropriateness of the arrangements that audited bodies have in place regarding the wider-scope audit.   | Annual Audit Report – August 2026 |
| Key audit matters                                     | The requirement for auditors to communicate key audit matters, which apply to listed companies and entities which have adopted the UK Corporate Governance Code in the private sector, applies to annual audit reports prepared under the Code.   | Annual Audit Report – August 2026 |

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## Timeline of communication and deliverables





# Audit Fees

## 2025/26 Fees

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

|  | 2025/26        | 2024/25        |
|--|----------------|----------------|
| Component of fee:                          |                |                |
| ▪ Auditor remuneration – expected fee      | £24,410        | £23,520        |
| ▪ Additional audit procedures (see Note 1) | £TBD           | £5,071         |
| Audit Scotland fixed charges:              |                |                |
| ▪ Performance audit and best value         | -              | -              |
| ▪ Audit support costs                      | £840           | £590           |
| Sectoral price cap                         | (£14,020)      | (£13,350)      |
| <b>Total fee</b>                           | <b>£11,230</b> | <b>£15,831</b> |

The expected fee, set by Audit Scotland, assumes that the Joint Committee has well-functioning controls, an effective internal audit service, and an average risk profile.

### Note 1

Where auditors identify that additional work is required because of local risks and circumstances in a body, the auditor may negotiate an increase to auditor remuneration by up to 10% of auditor remuneration. We will agree a timetable and expectations for the audit with management. Should additional audit requirements arise, due to delays or emerging areas of risk, we will raise these with management through the course of the audit and agree variations as appropriate and report the final position to the Joint Committee within our Annual Audit Report.

In particular, we would note that management has made us aware of continuing material grants in the year, which will require additional audit consideration. We will share an estimate of required time to conclude in this area as part of our year-end audit procedures and agree the final fee with management in advance of sharing our final audit results report with the Committee.





# Additional audit information

## Introduction

In addition to the key areas of audit focus outlined within the plan, we have to perform other procedures as required by auditing, ethical and independence standards and other regulations. We outline the procedures below that we will undertake during the course of our audit.

## Our responsibilities under auditing standards

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Joint Committee'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 Joint 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.

- 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.



## 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 providing 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 2024/25 | 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](https://www.ey.com/en_uk/about-us/transparency-report)

### This report

This report has been prepared in accordance with Terms of Appointment Letter from Audit Scotland through which the Auditor General has appointed us as external auditor of the Joint Committee for financial years 2022/23 to 2026/27.

This report is for the benefit of the Joint Committee and is made available to the Auditor General 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](mailto:sreid2@uk.ey.com). If you prefer an alternative route, please contact Anna Anthony, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you.

Should you remain dissatisfied with any aspect of our service, or with how your complaint has been handled, you can refer the matter to Audit Scotland, 4th Floor, 102 West Port, Edinburgh, EH3 9DN. Alternatively you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

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