Item 8(a)

18th November 2026

Glasgow City Council

Finance and Audit Scrutiny Committee

Report by Executive Director of Financial Services

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Annual Audit Report 2025-26

Purpose of Report:

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

The attached papers include the Annual Audit Report prepared by Ernst and Young LLP in respect of the Annual Accounts for 2025-26.

Recommendations:

The Finance and Audit Scrutiny Committee is asked to consider and note the Annual Audit Report prepared by Ernst and Young LLP. This report will be considered by the City Administration Committee on the 3rd December 2026.

Ward No(s): Citywide: ☐

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

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1. Introduction

1.1 The attached Annual Audit Report (AAR) outlines the findings from the council's auditors Ernst and Young LLP (EY) relating to the audit of the council's financial statements and the wider scope dimensions identified in the audit plan presented to the Finance and Audit Scrutiny Committee on 17 June 2026.

1.2 This is the fourth year of EY's appointment and council officers have worked with EY throughout the audit with the aim of agreeing findings and to provide appropriate assurances. The knowledge gained by council officers from the previous year's audits has enabled the production of the annual audit report in line with the proposed timeline set out in the audit plan.

1.3 EY have made two new recommendations in their 2025-26 AAR. This excludes recommendations made from the Best Value Thematic Report for 2025-26 which was presented to Finance and Audit Scrutiny Committee on 16 September 2026.

1.4 A number of adjustments have been highlighted through the audit process and these are listed at Appendix F of the AAR. None of the adjustments affected the level of useable reserves including general fund reserves as at 31 March 2026.T

2. Executive Summary

2.1 The AAR's executive summary highlights the key themes of the audit and the auditor's findings. EY use a Red/Amber/Green (RAG) assessment of each of the key areas they have considered in their report.

2.2 There are two themes noted as red this year similar to last year. However Financial Statements has moved to an amber status compared to red in 2024-25. This reflects the full implementation of the IFRS 16 accounting standard. Use of Resources has moved to a red status from amber last year reflecting the audit findings regarding the implementation of the Statutory Performance Indicator (SPI) Direction from the Accounts Commission. This is also reported in the Best Value Report from the Accounts Commission and the council's response to that report sets out the planned actions to meet the requirements of the Direction.

2.3 Financial Sustainability continues to be red rated in the AAR reflecting the continuing financial pressures facing the council. The City Administration Committee has received a number of reports in recent months on the Financial Outlook highlighting the significant financial implications from both Homelessness pressures and the new Pay and Grading Scheme. These reports also identified the financial strategy to manage these pressures and this will be further updated in January after receipt of the budget settlement for 2027-28 from the Scottish Government.

3. Action Plan

3.1 Appendix E of the AAR sets out the status of recommendations from prior year audits and also provides a management response for new recommendations from the 2025-26 audit. EY have highlighted that addressing the number of open or in progress recommendations needs to improve and this is also a key focus for the council and this was also a key message in the recent Best Value Report from Audit Scotland.

3.2 Officers have continued to have regular engagement with EY on the outstanding recommendations in order to provide evidence of recommendations closed. It is noted by EY that there are a number that will take multiple reporting periods to address

therefore there does remain a number of older recommendations which will take longer to close.

4. Audit Certificate

4.1 The council's audit certificate includes one audit qualification in respect of a limitation of scope in relation to the 2025-26 accounts for both City Building LLPs. Although their final accounts for 2025-26 have been completed, the audit by EY of their consolidation into the Group was limited in respect of comparatives and opening balances. This is a consequence of the prior year delays in completion of the City Building accounts. Due to the requirements of audit this limitation will not be addressed until the 2027-28 audit.

5. Policy and Resource Implications

5.1 Resource Implications:

Financial: Audit Scotland have agreed that EY can levy an additional audit fee for the 2025-26 audit. This relates to a range of additional work to allow completion of the audit, most of which is expected to be one-off. This remains to be finalised but is expected to be in the region of a further £250,000.

Legal: None

Personnel: None

Procurement: None

5.2 Council Strategic Plan: No impact

5.3 Equality impacts: No impact

5.4 Sustainability impacts: No impact

5.5 Privacy and Data Protection: No impact

6. Recommendations

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