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Glasgow City Council

[Provisional] Annual Audit
Report
Year ended 31 March 2025

25 February 2026



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About this report

This report has been prepared in accordance with Terms of Appointment Letter, 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, the Controller of Audit 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

This *[provisional]* report summarises the findings of the 2024/25 annual audit of Glasgow City Council and its Group. The scope of the audit was set out in our Annual Audit Plan, which was presented to the Council's Finance, Audit and Scrutiny Committee 18 June 2025. The report summarises:

- Our conclusions arising from the audit of the Group and Council's financial statements; and
- A summary of significant matters and conclusions on the wider scope areas that frame public audit as set out in the Code of Audit Practice 2021.

Financial statements

Our assessment:
Red

We *[have concluded]* our audit of the financial statements of Glasgow City Council and its Group for the year ended 31 March 2025. We *[have issued]* a qualified audit opinion on the 2024/25 financial statements for the Council and its Group in respect of the two City Building group entities.

The unaudited financial statements were published in accordance with legislative deadlines; however, they did not incorporate the requirements of IFRS 16 and therefore did not constitute a fully compliant set of financial statements under the CIPFA Code of Practice on Local Authority Accounting 2024/25.

The IFRS 16 supporting working papers were provided on 28 November 2025 and fully compliant financial statements were provided to the audit team on 12 January 2026.

Supporting working papers were generally of a good quality and the finance team engaged well during the audit process. During the course of the audit, we identified *[10]* audit differences that management adjusted in the financial statements including *[6]* disclosure adjustments. A further *[7]* 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 *[11]* new recommendations in relation to the financial statements and followed up on progress in respect of 33 recommendations from the prior year. We also highlighted our observations on areas for potential future improvement in the financial statements.

The key qualitative aspects that we consider in relation to the preparation of the financial statements, along with our conclusions, are set out within Exhibit 2 on page *[15]*.

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 increased demand for services and inflationary pressures.

We *[have no matters to report]* in respect of our work around going concern *[performed to date]* or the conclusions reached by the Group and Council. *[This assessment will be kept under review until conclusion of the audit.]*

Executive summary: Wider Scope responsibilities

<p>Financial management means having sound budgetary processes. Audited bodies require the ability to understand the financial environment and whether internal controls are operating effectively.</p> <p>Our assessment: Amber</p>	<p>The Council recorded a net overspend of £45.7 million in service expenditure, the highest overspend incurred by the Council in the last 6 years. While the external environment has played a role in higher costs, the Council needs to continue to maintain focus on both the accuracy of the budget and control of additional costs. The Council has been able to demonstrate in 2025/26 to date improved control of budget overspends following significant work as part of the 2025/26 budget process. 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 were made during the year, with some remaining under consideration by Members and management.</p> <p>Improvements in delivery of savings were noted during 2024/25 with £42.9 million delivered representing 92% of target compared to £32.2 million in 2023/24 (82% of target). The Council concluded that reasonable assurance could be placed on the systems of internal control in the year for the first time since 2020/21.</p> <p>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. In our view, the transition has been well-managed. However, given the complex and extensive demands facing the Council, including increasing financial reporting complexity and the anticipated challenges in implementation of new systems, the Council needs to continue to critically reassess the sufficiency of its financial management capacity in the context of external audit findings, current system weaknesses, and the scale of the financial challenge and change ahead.</p>
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Executive summary: Wider Scope responsibilities

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**

In August 2025, the City Administration Committee received a report on the high-level financial outlook for the next two financial years, 2026/27 and 2027/28. This set out a net gap of £90.4 million in 2026/27 and £19.3 million in 2027/28. The Budget Support Fund reduced to £28.5 million at 31 March 2024 and is projected to reduce to nil by 31 March 2026, if homelessness overspend forecast materialises. The Council will be required to find other options to manage any future budget pressures arising.

The Council continues 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.

A revised, phased implementation date for the new pay and grading structure has been agreed of April 2027. This is the last date where the new structure can be implemented before the Council risks further equal pay claims arising. The financial implications of the new structure are yet to be determined but the Council has commenced a review of options including restructuring the loans fund. 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 now bring both strategically and operationally. The financial consequences of further delays will be significant and limit the Council's ability to develop meaningful financial plans.

Executive summary: Wider Scope responsibilities

Vision, Leadership and Governance

The effectiveness of scrutiny and governance arrangements, leadership and decision making, and transparent reporting of financial and performance information.

Our assessment: **Amber**

The Accounts Commission concluded that the processes, decisions and actions that enabled five senior Glasgow City Council officers to take significant early retirement and redundancy payouts fell short of the behaviour and standards expected of public servants within the S102 report in respect of senior officer exit packages. The Council has responded to the report in an open and transparent manner. Actions to address the findings from the Accounts Commission, Brodies LLP report and the 2023/24 Annual Audit Report remain in progress, however a number of positive steps have been taken.

The Council has significant projects underway including R2MS, 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. We also highlight the critical importance of delivering pay and grading on schedule as any delays will impact delivery of the SAP replacement and result in additional financial and operational risks to the Council.

The Council concluded that reasonable assurance could be placed on the systems of internal control in the year for the first time since 2020/21 within the Annual Governance Statement. Three significant matters in respect of the Council Group continue to be reported on and we consider there is scope for further enhancement of scrutiny arrangements of Group members. There has been improvements in respect of the City Building entities including the timeliness of conclusion of the financial statement audits.

Executive summary: Wider Scope responsibilities

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 Operational Performance and Delivery Scrutiny Committee 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. The Council intends to use the work ongoing on the performance management framework for the community planning partnership to inform approach in respect of the Council's internal performance reporting. 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 last Annual Performance Report in January 2025 with the next Annual Performance Report due in April 2026. The reporting in January 2025 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. We have been unable to assess progress made due to the latest annual performance report not being available. We recommend that the Council reviews its timetable for preparation and reporting for future years. The Council's performance against the Local Government Benchmarking Framework continues to highlight areas of good performance, although 38% of indicators declined over the reporting year.

The Council's Climate Plan 2026-2030 is due to be finalised in March 2026 following consultation and continues to set an ambitious target for the City to become a net zero carbon city by 2030. Recognising the financial challenges facing the Council, the affordability in respect of the individual actions required to deliver this need to be critically assessed.

Executive summary: Best Value

Best Value

Councils have a statutory duty to have arrangements to secure Best Value. The Council should have effective processes for scrutinising performance, monitoring progress towards their strategic objectives and holding partners to account.

The Council's Strategic Plan 2022-27 sets out four Grand Challenges and 244 individual commitments to be actioned in the period, of which two years now remain. We continue to highlight that the ability to effectively report progress against the overall Strategic Plan priorities remains an area for further to support the delivery of tangible outcomes against the Grand Challenges.

The Council had plans to develop a Performance Dashboard which would support scrutiny and oversight by elected members however these plans were unable to progress as a result of system limitations. The Council intends to use the work ongoing on the performance management framework for the community planning partnership to inform approach in respect of the Council's internal performance reporting.

The Council currently does not have established longer term financial planning arrangements, but the latest high-level projections set out a combined net budget gap of £109.7 million for 2026/27 and 2027/28. The Council faces a number of significant financial challenges in the coming years including responding to homelessness pressures and implementing a new pay and grading structure. The Council's reserve levels continue to decline and are below the target set within their policy. The Council's Budget Support Fund is projected to be exhausted by 31 March 2026.

The Council incurred its largest overspend in 6 years in 2024/25. However, in 2025/26 to date, financial performance is in line with the agreed budget which would demonstrate a significant improvement if this is achieved by year end.

In respect of governance, the Council has responded to the findings from audit, external legal advisers and the Accounts Commission and Controller of Audit in respect to senior officer exit payments. Work remains ongoing in relation to culture which is inherently a more challenging area in which to demonstrate quantifiable progress.

As part of the 2024/25 audit, we identified a total of [17] audit differences, and [32] recommendations remain open or in progress aimed at improving the control environment. The volume of open recommendations remains significant and the pace at which historic recommendations are addressed needs to improve. While the internal audit opinion for 2024/25 is improved, several significant issues continue to be disclosed in the Council's annual governance statement. Management should ensure that sufficient focus is given to implementing audit recommendations on a timely basis. This is in the context of a challenging future agenda for the Council in the medium-term including the implementation of pay and grading and a new ERP system.

Overall, we concluded that Council's governance, performance management and financial planning and reporting arrangements require further improvement to allow the Council to demonstrate the delivery of Best Value.



Introduction

Purpose of our report

The Accounts Commission for Scotland appointed EY as the external auditor of Glasgow City Council ('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 [*provisional*] 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 Council 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 as set out in Appendix E. 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

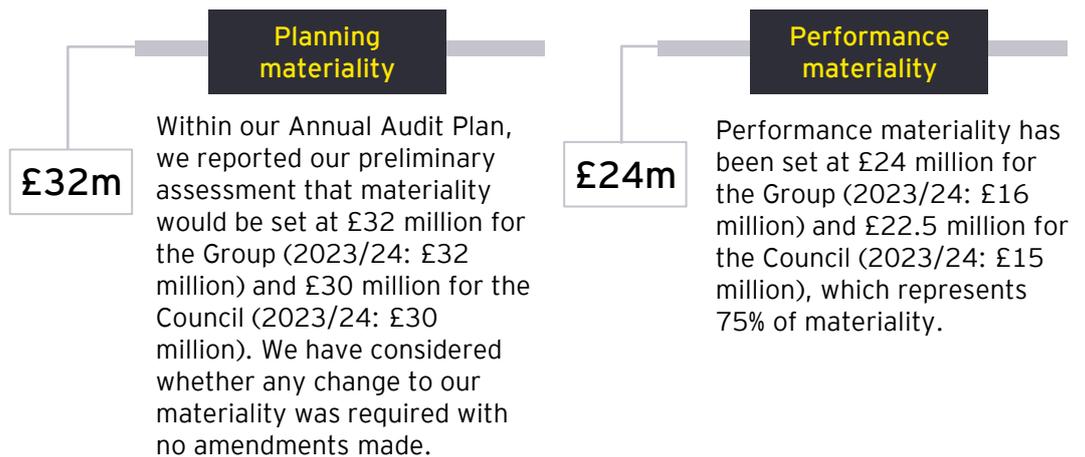
The Code sets out the responsibilities of both the Council and the auditor (summarised in Appendix A). These were outlined in our Annual Audit Plan on 18 June 2025 which was presented to the Council's Finance, Audit and Scrutiny Committee.

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 this level of materiality remains appropriate.

Group performance materiality remains at 75% of overall materiality at £24 million.

Exhibit 1: Updated assessment of materiality



We outlined our intention to report on misstatements that exceeded £1.6 million for the Group and £1.5 million for the Council within our Annual Audit Plan. There were [17] adjustments that breached this threshold for the Council and Group. Our consideration of these adjustments is set out in Appendix F.

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 including disclosures made with respect to exit packages, sundry trusts, the Low Emission Zone disclosures and the Common Good Fund. 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 the affairs of the Council and its Group as at 31 March 2025 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 2024/25 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 2024/25 audit in our Annual Audit Plan, presented to the Finance, Audit and Scrutiny Committee on 18 June 2025.

Five significant risks and key audit matters were identified within our Annual Audit Plan impacting the audit of the financial statements. Over the course of the audit, we determined that there was an increased level of risk associated with the accounting arrangements around pay and grading implementation and therefore this was elevated from an 'other area of audit focus' to a significant risk. The six significant risks and key audit matters are:

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;
4. Valuation of pension assets and liabilities;
5. Implementation of IFRS 16 and its effect on the valuation of PPP & DBFM Contracts; and
6. Pay and Grading Implementation.

One inherent risk impacting the audit of the financial statements was identified, relating to the existence of property, plant and equipment. We also identified statutory disclosures in respect of the low emission zone as an other area of audit focus.

Our findings in these areas are summarised in Section 3 of this report.

Wider Scope and Best Value audit

Under the Code, 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.
- The use of resources to improve outcomes.

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

- the Council's development of a longer-term financial strategy;
- pay and grading implementation;
- group governance arrangements;
- ICT governance arrangements;
- exit arrangements follow-up; and
- the Best Value thematic review in 2024/25, relating to transformation.

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, we prepare a separate report on annual thematic topics prescribed by the Accounts Commission. For 2024/25, the Accounts Commission directed auditors to report on the Council's arrangements in respect of transformation.

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



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 *[provisional]* 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 Group and 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 unaudited financial statements were submitted for audit by 30 June 2025, in line with requirements. While the financial statements were submitted in line with statutory timing requirements, they were not fully prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting 2024/25 and Regulation 9 of The Local Authority Accounts (Scotland) Regulations 2014. This was due to the Council not incorporating the requirements of IFRS 16 Leases, due to the information not being available in a timely manner and therefore, the unaudited financial statements did not constitute a fully compliant set of financial statements.

The Council submitted the unaudited financial statements, excluding IFRS 16-related balances and disclosures. However, explanatory notes were included within the financial statements to acknowledge the omission. While this approach allowed the audit work, excluding IFRS 16, to progress in line with original timetable, the approach does not comply with the regulatory requirements. The approach however did comply with guidance from Audit Scotland to auditors, recognising the specific circumstances of the IFRS 16 delays.

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 financial statements preparation and audit timeline since 2020. The Group and Council financial statements audit for 2023/24 concluded in May 2025, 8 months after the statutory deadline of 30 September.

The 2024/25 audit timeline has been significantly impacted due to the delay in the provision of the IFRS 16 related balances and disclosures. Due to the delay in this information, the financial statements audit for 2024/25 did not meet the initially planned and communicated timeline of a December 2025 conclusion. The delays for 2024/25 will also have an impact on the 2025/26 audit timeline.

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 continue to note general improvements 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. The provision of audit requests is also impacted when other competing pressures on the finance teams time arise. This reiterates the importance of progressing back to a standard timeline for audit completion.

Looking ahead to 2025/26, we recognise that the 30 September timeline for completion of audited financial statements will not be achievable for the Council given the currently planned timetable for completion of the 2024/25 financial statements. We have developed a revised plan to return to this timetable with management. We recognise that there are significant matters associated with bringing forward the timetable, including the impact of:

- turnover within the finance team;
- implementation of the new pay and grading structure; and
- implementation of the new finance system.

An update on the planned timetable for the 2025/26 audit is included within Appendix D.

Our assessment of the quality of the financial statements preparation and support is summarised in Exhibit 2.

Exhibit 2: Factors impacting the execution of the audit

Area	Status	Explanation
Timeliness of the unaudited financial statements	Effective	<ul style="list-style-type: none"> Excluding consideration of the omission of IFRS 16 balances, the unaudited financial statements were shared with audit on 30 June 2025 and presented to the Finance, Audit and Scrutiny Committee on 20 August 2025. The unaudited financial statements were presented in line with Audit Scotland guidance issued to auditors regarding the IFRS 16 delays.
Quality and completeness of the draft financial statements	Material improvement required	<ul style="list-style-type: none"> The financial statements were not complete due to the omission of IFRS 16 leases, which represented a significant change in the accounting standards in the year. Otherwise, our review of the financial statements identified minor presentational and disclosure changes and minimal internal inconsistencies.
Delivery of working papers in accordance with agreed client assistance schedule	Area for continuing improvement	<ul style="list-style-type: none"> The working papers to support the audit were due by 30 June 2025. Initial workings papers were provided to audit over the course of June and July with some in advance of the deadline and others significantly later. In order to return to the September deadline, this deadline will be required to be achieved, and we will continue to work with the finance team to support this process. IFRS 16 working papers in respect of PPP/DBFM liabilities were provided on 29 August 2025 and the remainder of working papers were provided to audit on 28 November 2025.
Timeliness and quality of evidence supporting key accounting estimates	Area for continuing improvement	<ul style="list-style-type: none"> We continue to note an overall improvement in the timeliness and quality of evidence provided supporting key estimates including pension asset and liabilities as well as valuations for property, plant and equipment. In respect of asset valuations, the audit team noted a significant number of material movements in valuations that we believe should have been challenged and understood by management before being passed for audit review. Refer to page [30] for further consideration.
Access to finance team and personnel to support the audit in accordance with agreed project plan	Area for continuing improvement	<ul style="list-style-type: none"> Despite the significant changes within the finance team, the senior members of the finance team made themselves available for audit and provided good levels of support throughout. The delayed and elongated timetable results in the audit taking place during periods where capacity within the finance team is limited to support audit due to business-as-usual activities, such as budget monitoring or budget preparation. This impacts on the length of time to respond to audit queries.
Volume and value of identified misstatements	Effective	<ul style="list-style-type: none"> We identified [4] adjusted differences and [7] unadjusted differences arising from the audit in relation to the financial statements.
Volume of misstatements in disclosure	Effective	<ul style="list-style-type: none"> We identified [6] disclosure adjustments recorded in Appendix F.
Adherence to public inspection period	Effective	<ul style="list-style-type: none"> Except for the omission in respect of IFRS 16 noted above, 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.
Pace of progress in respect of implementation of recommendations agreed in prior years	Material improvement required	<ul style="list-style-type: none"> A total of [33] recommendations were followed up from prior years, with [21] [(64%)] remaining open, including [5] high risk recommendations. Management should ensure that sufficient focus is given to implementing audit recommendations on a timely basis. Where audit recommendations are not implemented on a timely basis this impacts the level of risk the Council is carrying.

Audit Outcomes

We identified [11] adjustments arising from the audit, where [4] adjustments have been adjusted by management and [7] being unadjusted audit differences. In addition to this, there are [6] disclosure and other differences. Further detail for all disclosures can be found at Appendix F.

Exhibit 3 highlights the status of audit recommendations including the review of the implementation of prior year recommendations, together with new recommendations arising in 2024/25. There remains 32 recommendations to be addressed including 12 relating to 2022/23 audit and 9 relating to the 2023/24. Management needs to ensure that appropriate focus is given to the implementation of recommendations to ensure they are addressed in a timely manner.

Exhibit 3: Audit recommendation status

Scope	Grade 1	Grade 2	Grade 3	Total
Partially complete recommendations	12	8	1	21
New recommendations	5	6	0	11
Completed recommendations	(6)	(4)	(0)	(10)
Superseded recommendations	(2)	0	0	(2)
Total open recommendations	17	14	1	32

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.

In 2024/25, there has been an increase in the value of exit packages disclosed from £6.258 million in 2023/24 to £10.280 million in 2024/25. The majority of exit packages in 2024/25 were from the CGI secondee grouping and were released in line with the strategy for the Future of Digital and ICT Services. This matter has been addressed within the Vision, Leadership and Governance section (page [68]) and considered alongside the follow-up actions relating to the 2023/24 senior officer exit arrangements.

Our procedures in respect of the remuneration report identified a number of disclosure adjustments which have been updated in the financial statements. We have no other matters to 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 are identified with 8 investment assets also noted.

An ongoing exercise is underway to review title deeds to ensure the Common Good Asset register is materially complete. Significant work is still underway in this area with limited additions to the 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. The Council should ensure that regular updates are presented to committee, refer to recommendation [34] in Appendix E.

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 2025. The report noted that the Council had performed an assessment against the 2023 revised guidance and were satisfied that the policy was in line with the guidance and required no amendments.

Group audit

The Council prepares its annual report and financial statements on a group basis.

ISA (UK) 600 (revised September 2022) special considerations - Audits of group financial statements (including the work of component auditors) became effective for the first time in 2024/25. The revised auditing standard introduced several changes to the approach for auditing groups, moving to a risk-based approach with a focus on account rather than entity level scoping.

Our procedures for scoping included:

- Determining whether centralised procedures could be performed before we determined which components to include in the group audit scope, and the work to be performed at those components.
- Identifying individually relevant components based on various risk characteristics and applied professional judgement to determine which accounts were to be included in the work performed at these components.
- Considering the balance of group accounts not subject to planned audit procedures based on the above steps, we determined whether it was necessary to perform audit procedures on further accounts at components within the group audit scope to address the risks of material misstatement of the group financial statements. Having identified the components for which work will be performed, we determine the scope to assign to each component.
- For all other components we perform other procedures, such as analytical review procedures, to confirm that there is no risk of material misstatement within those locations.

Exhibit 4: Group Scoping

Scope assigned	Description
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.
Specified procedures	Locations where the component team performs procedures specified by the Group audit team in order to respond to a risk identified.
Remaining procedures	Based on our planned audit scope, there may exist residual amounts of balances and accounts of the group financial statements which are not included in the group scope. These amounts have been evaluated as not presenting a risk of material misstatement to the group financial statements and may comprise balances at multiple entities where the balances may be material in aggregate. Entities that are not assigned a scope of work nor subject to centralised procedures and comprise amounts solely contributing the residual amounts are described as 'remaining components.' We update and perform further risk assessment procedures as necessary to conclude our assessment that there is no risk of material misstatement in those amounts.

Group Coverage

We considered the arrangements in respect of each of the Council's group undertakings throughout the audit. The only individually relevant component is the Council, which accounts for approximately 93% of the consolidated gross expenditure.

In respect of the two City Building entities, through discussions with management, we agreed that we would continue to modify our independent auditor's report in respect of group balances of these entities, limiting the scope of our audit opinion issued in 2024/25 which is consistent with the approach taken for the two previous years. The audits for 2024/25 were finalised in December 2025. *[However, due to historic delays, the figures presented within the Group financial statements are based on unaudited accounts and are qualified within our Group opinion.]*

[Twelve] components were identified as specific scope due to specific material balances. 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 5 below.

Exhibit 5: Group Scope coverage per 2024/25 unaudited group financial statements

Scope assigned	Expenditure on provision of services (percentage coverage)	Total assets (percentage coverage)
Full scope (audited by EY)	93.1%	75.5%
Excluded from group scope due to opinion modification	0.8%	0.2%
Specific scope	5.9%	24.1
Other scope	0.2%	0.3%
Total	100%	100%

Group audit team involvement in component audits

Auditing standards require us to be involved in the work of our component teams.

The group audit team's involvement in the work of the component teams is not uniform. The involvement is affected by the assessed risks of material misstatement, their effect on different entities, the nature and extent of work and scope assigned to component teams and the group audit team's experience and understanding of the component teams.

The group audit team's involvement takes different forms and has included:

- Risk assessment discussions with component teams;
- Regular progress discussions with component teams;
- Review of component team workpapers; and
- Review of responses to group audit instructions.

Group audit findings

Our procedures in respect of the Group are [complete]. Our opinion in respect of the Group is qualified in respect of the two City Building entities consistent with the approach undertaken in prior years.

In respect of the Scottish Exhibition Centre Limited ('SEC'), this audit was subject to delays following identification of two prior year adjustments. These adjustments related to:

- Misstatements identified in previous financial statements relating to the valuation of various operating expenditure accruals and their recognition periods. The comparative figures and brought forward reserves of SEC were restated to reflect the correction of this error.
- Misstatements in respect of a rebate mechanism embedded within a commercial contract. The comparative figures and opening reserves have been restated to correct this error within the SEC financial statements.

The total impact of these adjustments was £0.5 million increase to total comprehensive income for 2023/24 and an additional £2.3 million increase in brought forward reserves. The SEC independent auditor's report includes an emphasis of matter in respect of these prior year adjustments.

The Group prior year financial statements have not been restated on the grounds that these adjustments are not material to the Group however they have been reflected within the 2024/25 financial statements as set out in Appendix F.

In respect of IFRS 16, the assessment for the Council's subsidiaries noted an immaterial impact of the application of the new accounting standard. *[We are satisfied that this assessment is materially complete.]*

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 an 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).

Our overall audit opinion is summarised on the following page.

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 6: Our Audit Opinion

Element of our opinion	Basis of our opinion	Conclusions
<p>Financial statements</p> <ul style="list-style-type: none"> ▪ Truth and fairness of the state of affairs of the Council and its Group at 31 March 2025 and its expenditure and income for the year then ended. ▪ Financial statements in accordance with the relevant financial reporting framework and relevant legislation. 	<ul style="list-style-type: none"> ▪ 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. <i>[We did not identify any areas of material misstatement.]</i> ▪ <i>We are satisfied that accounting policies are appropriate, and estimates are reasonable.</i> ▪ <i>We have considered the financial statements against Code requirements, and additional guidance issued by CIPFA and Audit Scotland.]</i> 	<p>We <i>[intend to issue]</i> a qualified audit opinion on the 2024/25 financial statements for the Council and its Group in respect of the two City Building Group entities.</p>
<p>Going concern</p> <ul style="list-style-type: none"> ▪ We are required to conclude on the appropriateness of the use of the going concern basis of accounting. 	<ul style="list-style-type: none"> ▪ 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. 	<p>In accordance with the work reported on page [xx], we <i>[have not identified any material uncertainties.]</i></p>
<p>Other information</p> <ul style="list-style-type: none"> ▪ We are required to consider whether the other information in the financial statements is materially inconsistent with other knowledge obtained during the audit. 	<ul style="list-style-type: none"> ▪ The Executive Director of Financial 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. 	<p>We <i>[are satisfied]</i> 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.</p>
<p>Matters prescribed by the Accounts Commission</p> <ul style="list-style-type: none"> ▪ 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. 	<p>Our procedures include:</p> <ul style="list-style-type: none"> ▪ 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. 	<p><i>[We have no matters to report other than the matter raised in respect of the City Building entities.]</i></p>
<p>Matters on which we are required to report by exception</p>	<p>We are required to report on whether:</p> <ul style="list-style-type: none"> ▪ 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. 	<p><i>[We have no matters to report.]</i></p>

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.

Our testing in 2023/24 resulted in 3 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. The most significant of which related to a gross up of group debtors and creditors of £18.4 million.

We consider there to be a specific risk around income and expenditure recognition through:

- incorrect income and expenditure cut-off recognition to alter the Group and Council's financial position around the financial year end; and
- incorrect recognition applied to grant income with performance conditions.

This risk therefore impacts the following balances within the financial statements:

- Other grants and capital grants: £0.47 billion (Group: £0.47 billion);
- Other income: £0.90 billion (Group: £0.80 billion);
- Other expenditure: £2.4 billion (Group: £2.4 billion);
- Related creditor balances: £0.37 billion (Group: £0.48 billion); and
- Related debtor balances: £0.28 billion (Group: £0.29 billion).

Refer to accounting policies within Note 1, pages 22-34 and notes 5, 9, 13, 23 and 25 of the Council's financial statements and accounting policies within note 1 of the Group financial statements, pages 92-93 and notes 3 and 10.

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.

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

What did we do?

We undertake specific, additional procedures for income and expenditure streams where we identified a fraud risk. For 2024/25 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.
- 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 - significant risk areas

- **Internal recharges** - Our procedures in respect of income and expenditure recognition identified no audit differences in relation to internal recharges. This has been an area in the last two years where errors have been identified. We have also followed up on the prior year recommendation in this area in Appendix E.
- **Grant income** - Our procedures over grant income did not identify any material audit adjustments, however, our procedures did note that there is an opportunity for the Council to improve the process around availability of supporting documentation and understanding for the basis of grant recognition. Throughout the audit, we encountered significant delays in the provision of supporting documentation for grants and recommend that this is an area of focus for the finance team moving forward.
- **Group eliminations** - In preparation of the group financial statements, the Council must eliminate intercompany balances including debtor and creditor balances. Our review of the consolidation working papers noted that management addressed this issue during 2024/25, ensuring that the balances were appropriately eliminated. Differences had been identified in both 2022/23 and 2023/24.
- **Employee Benefits Accrual** - An understatement of £4.1 million was identified arising from a formula error and has been adjusted in the financial statements. The nature of the Council's financial statement preparation arrangements requires significant use of spreadsheets for analysis of high volume data with complex formulae. Therefore, there is a need for robust processes when spreadsheets are used and to ensure appropriate review arrangements are in place to identify formula errors. Refer to recommendation [35] with Appendix [E].
- **Long-term debtors** - Consistent with prior years, we note a judgmental audit difference of £3.5 million in respect of a long-term lease debtor which we do not believe should be recognised.
- **Group revenue and expenditure** - As noted on page [20], prior year adjustments were identified in SEC in respect to both revenue and expenditure. The current year group financial statements have been updated to reflect these audit differences.

Our findings - 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.
- **Non-ringfenced 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 audit difference 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 £1.3 million which is below our reporting threshold.
 - The Council adopts a useful life for property, plant and equipment when an asset is capitalised and due to system limitations, it is not possible to easily amend the assigned useful life. We noted a judgmental difference of £4.5 million due to this where the useful life in the fixed asset register is different from that in the latest valuation.
 - For both matters above, there remains a recommendation for management to address these as part of the new finance system implementation as set out in Appendix E.
- **IFRS 16 implementation:** The implementation of IFRS 16 has had a pervasive effect across the financial statements, resulting in adjustments that impact both revenue and expenditure. A detailed analysis of these adjustments, along with our evaluation, is provided on page [35].
- **Pension costs:** We have outlined our consideration of the valuation of pension assets and liabilities held by the Group and Council on page [32]. 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.

Our conclusions:

- Our testing has resulted in [3] misstatements for the Council being identified relating to revenue and expenditure recognition with a net impact of £1.1 million. A further [2] misstatements impacting the Group were identified.
- 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 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, including undertaking the following procedures:

- **Risk of fraud:** We considered the risk of fraud, including through our enquiries 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 in relation to fraud.
- **Testing on 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 been manipulated.
 - Journals transferring funds between useable reserves and restricted or separated accounts.
 - Journals adjusting between income and expenditure accounts and capital accounts.

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 previous years, 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 the prior period (refer to recommendation [6], Appendix E), no amendments have been made to procedures. We outlined on page [69] 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:** Under ISA (UK) 540, 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 [32] 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 [29] 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.
- **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 and there were no significant accounting practices which materially depart from what is acceptable under the Code.

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)

What is the risk?

The fair value of property, plant and equipment ('PPE') and investment property represent significant balances in the Group and Council's financial statements. Management is required to make material judgemental inputs and apply estimation techniques to calculate year-end balances recorded in the balance sheet.

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

Overall, in 2023/24, we noted an improvement in the provision of information to support valuations however delays were still encountered in obtaining an assessment of assets not revalued and 3 differences were noted through our procedures including one material error of £77.9 million.

This risk impacts the following balances within the financial statements:

- Council Group PPE £4.2 billion (2023/24: £4.1 billion) with £3.1 billion (2023/24: £3.1 billion) relating to land and buildings.
- Council Group investment property: £226 million (2023/24: £237 million).

Refer to accounting policies in Note 1 pages 22-34 and note 18 and 19 of the Council financial statements.

Refer to accounting policies in Note 1 pages 92-93 and note 14 and 15 of the Group Financial Statements.

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

What did we do?

For 2024/25 our work included:

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

- gaining an understanding of the level and nature of capital spend in year and performing testing on fixed asset additions ensuring an appropriate split between revenue and capital expenditure;
- reviewing operating expenditure for evidence of capital additions omissions; and
- ensuring 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 audit procedures noted a number of observations and errors as follows:

- In the prior year, our valuation specialists identified one unadjusted judgemental difference of £7.5 million. In 2024/25, the Council revalued this asset and adopted an approach in line with our expectations thus ensuring this difference did not reoccur in 2024/25. We note that part of the valuation movement should have been recorded in 2023/24.
- In respect of one of the Council's schools managed by a PPP provider, we noted that there was a material movement in the valuation arising due to material capital works that had taken place in prior periods. The Council's valuers and finance team had not been aware of the works performed by the PPP provider. This results in an adjustment of £8.9 million which should have been reflected in the prior year valuation. The value of this error is not sufficiently material to lead to a prior period adjustment and therefore we are satisfied the accounting treatment is appropriate. We have however recommended that the Council ensure that they obtain updates on capital works from the PPP provider to ensure that these are reflected in asset valuations in a timely manner. Refer to recommendation [36] in Appendix E.
- We noted that there were a number of material movements in valuations this year. In addition to the matters noted above, these were also caused by reviews of inputs from prior years including floor areas. The result of these errors resulted in a total error of [£2.3 million] relating to prior year. We noted that the finance team had not performed or evidenced their own review of the valuations and particularly the material movements. We have recommended that a review of asset valuations and year on year movements above an established threshold is performed to ensure management understand the reason for valuation fluctuations before these are passed to audit. Refer to recommendation [37] in Appendix E. The overall net impact of the above errors is £1 million and therefore below our reporting threshold.

In line with prior year, we identified two errors in respect of accounting for depreciation as set out in more detail on page [25].

In relation to the Group, SEC Limited holds 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. Our procedures on the valuation of the SEC campus identified one error in respect of a Council owned element of the SEC campus resulting in a £7.6 million due to the application of an incorrect rate in the valuation. Refer to Appendix F for further details on this adjustment.

Our findings - Investment property

In 2024/25 the Group held £226 million (2023/24: £237 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 performed reviews of component auditor's files and performed our own additional testing procedures. We are satisfied that the investment property is classified and valued materially correctly within the Group financial statements.

Our conclusions:

- We have identified [1] misstatement in the current year in respect of the valuation of property, plant and equipment in Appendix F. We identified 4 misstatements relating to prior year which had a net impact of £1 million.
- We raised [2] new recommendations in respect of asset valuations.
- 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)

What is the risk?

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 which requires significant estimation and judgement.

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 IFRS 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. This was an area where an audit difference was identified in 2023/24, however, this has been resolved for 2024/25.

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.

The impacted balances within the financial statements are:

- At 31 March 2025 the pension asset recognised by the Council was nil and the Group: £273 million (2023/24: Council nil and Group £198 million).
- Unfunded pension liability totalling £235 million as at 31 March 2025 for the Council and £240 million for the Group (2023/24: Council £271 million and Group £278 million).

Refer to accounting policies in Note 1 pages 22-34 and note 12 of the Council's financial statements and Group accounting policies in Note 1 pages 92-93 and note 12 of the Group financial statements.

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

What did we do?

For 2024/25 our work included:

- Liaising 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.
- Engaging our actuarial specialists to assess the work of the actuary (Hymans Robertson).
- Assessing the work of PWC, appointed to consider actuarial assumptions used at the year-end for all local government sector bodies.
- Reviewing and testing the accounting entries and disclosures made within the Group and Council's financial statements in relation to IAS 19.
- Requiring 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.
- Considering the valuation and disclosure of unfunded liabilities, for which there are no plan assets to meet the pension liabilities.
- Requesting 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.
- Reviewing 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

Strathclyde Pension Fund audit

The Strathclyde Pension Fund auditor identified two audit adjustments through their procedures, which were both impacting the assets of the Fund and had a net understatement of £66.7 million relating to Pension Fund assets. Due to the Council's share of these assets representing 18.5% of the Fund, we identified an audit disclosure difference of £12.3 million.

The IAS 19 valuation performed by the actuary was reviewed by EY internal specialists and has not identified any errors. We are satisfied with the accounting entries and disclosures within the financial statements to reflect the information set out in the IAS 19 valuation report.

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, our actuarial specialists reviewed the asset ceiling report provided by the actuaries and were satisfied that it was materially correct.

Unfunded liabilities

The IAS 19 actuarial valuation reported that the Council has unfunded pension obligations at 31 March 2025 totalling £234 million (Group: £240 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 £273 million 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 have not identified any errors in relation to the accounting for the group pension asset with the Council preparing the appropriate consolidation adjustments to recognise the pension asset for admitted body subsidiaries.

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 relation to the valuation of the Pension Fund assets at 31 March 2025 and we audited the accounting entries and disclosures made in the financial statements were consistent with the actuary's report.
- The Strathclyde Pension Fund audit identified a net understatement of £66.7 million relating to Pension Fund assets. Due to Glasgow City Council's share of these assets representing 18.5% of the Fund, we identified an audit disclosure difference of £12.3 million.

5. Implementation of IFRS 16 and its effect on the valuation of PPP and DBFM Contracts (Key audit matter)

What is the risk?

IFRS 16 Leases was adopted in the 2024/25 CIPFA Code of Practice on Local Authority Accounting which sets out the financial reporting framework for the Council's 2024/25 financial statements. The Council has therefore adopted IFRS 16 from 1 April 2024.

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 are now recognised on the Balance Sheet as a 'right of use' asset and lease liability reflecting the obligation to make lease payments. For PFI/PPP assets which were already reflected as assets on the balance sheet prior to the implementation of IFRS 16 a decrease in unusable reserves matches against the corresponding increase in liability.

Successful transition depended on the Council capturing additional information about leases, both new and existing, especially regarding the future minimum lease payments.

Due to the complexity of the PPP/DBFM contracts, there is a risk that the financial statements do not show the correct entries and that the related commitments are not disclosed properly. The Council was also required to record indexation linked payments in accordance with IFRS 16. This means that the liability must be remeasured if there is a change in future lease payments resulting from a change in an index/rate used to determine those payments.

The Council engaged a third-party to support with implementation for both standard lease arrangements and the remeasurement of PPP/DBFM liabilities.

This risk impacts the following balances within the financial statements:

- ROU assets - £821.5 million
- Lease liability - £797.7 million
- PPP and DBFM liabilities £130.4 million

Refer to accounting policies in Note 1 pages 22- 34 and notes 18, 19 and 28 of the Council financial statements.

Refer to accounting policies in Note 1 pages 92-93 and note 14 and 22 of the Group Financial Statements.

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

What judgements are we focused on?

The key judgements and inputs that affect the value of the Right of Use liability and Right of Use Asset include the length of the lease agreement, the interest rate that is to be applied and the yearly lease repayment.

Management were also required to make the judgement of leases that would be determined as low value.

We focused on the judgements required in the PPP/DBFM leases where there was a variable element, such as the uplift required for RPI where the forecasts will need to be updated.

What did we do?

For IFRS 16 implementation, we have:

- Considered the Council and Group's approach to capturing additional information about leases, both new and existing, especially regarding future minimum lease payments and cost information.
- Considered the implications of implementation from a group perspective and challenge the completeness of evidence that the Council obtained.
- Reviewed lease agreements to determine the completeness of the information used to prepare the required accounting entries and financial statement disclosures.
- Reviewed the IFRS 16 model output from the accounting software to ascertain that the accounting for leases identified is both complete and accurate.
- Assessed whether there is any indication of leases which have not been captured within the IFRS 16 assessment, including through our expenditure testing.
- Reviewed minutes to determine whether there are other leases entered into by the Council not accounted for to ascertain completeness of the IFRS 16 assessment.
- Reviewed and appraised the work performed by the third-party specialist engaged by the Council, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work.
- Performed an assessment of the remeasurement of PPP/DBFM liabilities including whether appropriate rates were used.

Our findings

We identified one adjustment from our procedures of £2.6 million, as recorded in Appendix F, in respect of two leases where the incorrect lease amount was used in the calculation of the ROU asset and liability.

We observed a material movement between the impact assessment produced by the Council for the 2023/24 financial statements and the actual impact recorded in the 2024/25 financial statements. As a result, we sought to understand the changes resulting in this material movement. This primarily related to the material judgements made by the Council in respect of future lease terms for temporary accommodations for homelessness. We worked with management to enhance the financial statement disclosures in this area and to ensure that this material judgement was appropriately disclosed.

Our conclusions:

- We have identified [1] misstatement of £2.6 million in respect of IFRS 16 and we have additionally recorded the full impact of IFRS 16 implementation in Appendix F. We identified 4 misstatements relating to the prior year which had a net impact of £1 million.
- We have followed up on 1 prior year recommendation in respect of IFRS 16.
- There was no disagreement during the course of the audit over any accounting treatment in respect of the valuation and completeness of right-of-use assets and lease liabilities.

6. Pay and grading implementation (Key audit matter)

What is the risk?

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 report noted the critical need to replace the Council's current pay and grading structure with one that is equal pay compliant and therefore to prevent future liabilities, the Council must implement a revised pay and grading structure.

A pay and grading structure project (the PGS project) was subsequently 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.

Despite making progress, the implementation of the new pay and grading structure has been delayed on several occasions, primarily due to the significant complexities of the project. An update on the equal pay programme was provided to City Administration Committee on 4 December 2025. This set out a revised phased implementation from April 2027. However significant work is progressing with the primary benchmark group with pay modelling commencing in early 2026.

Once the Council has implemented its new pay and grading structure it is preparing for a level of appropriate backdating of pay for the period between October 2023 and implementation. The impact of this will depend on the results of the job evaluation exercise, the outcome of pay modelling and negotiation with Trade Unions.

As a result, additional liabilities relating to 2024/25 could therefore be identified which may have an accounting impact on the 2024/25 financial statements. We have monitored the status of the pay and grading project to assess any impact for the 2024/25 financial statements.

The confirmation of the revised timeline including the commencement of modelling for the primary benchmark group which represents approximately 19,000 individuals, has resulted in a greater likelihood of the potential financial impact becoming clearer imminently and therefore we have increased this risk from an area of audit focus to a significant risk.

The impact of the implementation of pay and grading on the financial statements is yet to be determined. Refer to accounting policies in Note 1 pages 22- 34 and note 26 and [29] of the Council financial statements and in respect of the Group accounting policies in Note [1] pages [91-92].

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

What judgements are we focused on

The key judgement that affects the financial statements in respect of pay and grading is the classification of the liability between a contingent liability or a provision. The determination of classification is significantly influenced by the Council's ability to reliably estimate the financial impact of the new pay structure and any associated backdating of pay. This is complex given the scale of the workforce, the need for the structure to be affordable in both the short and long-term and the governance process for agreeing the structure including negotiations with Trade Unions.

What did we do?

For pay and grading implementation, we have:

- Obtained and challenged management's assessment of the accounting for pay and grading implementation including management's determination of when a reliable estimate can be made.
- Reviewed minutes of committee updates and meetings of the oversight group.
- Considered the latest statutory guidance in respect of equal pay.
- Assessed the completeness of financial statement disclosures in respect of pay and grading.
- Assessed the reasonableness of management's assessment of the potential liability including valuation of the liability and the classification between a contingent liability or provision.

Our findings

In respect of previous equal pay settlements, the Council retained a provision of £3.239 million as at 31 March 2025 with £1.316 million of equal pay compensation payments being made during the year. To date, over 98% of claims have been paid.

The Council has determined [at the time of writing], that there is insufficient information available to make a reliable estimate of the financial implications of the implementation of the new pay and grading structure.

We have challenged management's assessment and, based on the information provided by management [at the time of writing] consider management's judgement to be appropriate.

Further detail on governance arrangements and impact on future financial plans in respect of pay and grading is included within our wider scope work on page [60].

Our conclusions:

- [At the time of writing], we concur with management's assessment that there is insufficient information available to make a reliable estimate in respect of the financial implications of the implementation of the new pay and grading structure.
- There was no disagreement during the course of the audit over any accounting treatment in respect of pay and grading implementation.

Our response to risks of material misstatement

1. Existence of property, plant and equipment

What is the risk?

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 for infrastructure assets was scheduled to end at 31 March 2024 however the Scottish Government initially extended the statutory override to 31 March 2025 and has now extended this again until 31 March 2027. 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.

Vehicles, plant, furniture and equipment

The Council holds vehicles, plant, furniture and equipment as at 31 March 2025 with a gross book value of £180 million and a net book value of £62.3 million. These types of assets by nature are moveable and individual assets are often lower value. Challenges were encountered in both years of our appointment to date, in obtaining sufficient detail from the fixed asset register and underlying records to identify individual assets which could be verified.

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

What did we do?

Our procedures included:

- testing a sample of infrastructure assets in the asset register to determine their existence as at 31 March 2025;
- reviewing the depreciation policy for infrastructure assets and ensure it remains appropriate and in line with CIPFA guidance;
- assessing whether infrastructure asset additions for 2024/25 were recorded in sufficient detail to enable verification of the underlying physical asset;
- testing a sample of vehicles, plant, furniture and equipment in the asset register to determine their existence as at 31 March 2025;
- 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

We did not identify any new errors from our work, however our procedures in the prior periods 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 £0.7 million. This error remains applicable for 2024/25.

The statutory override for infrastructure assets was extended by the Scottish Government to 31 March 2027. 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 10 in appendix E.

Vehicles, plant, furniture and equipment

The Council holds £62.3 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 the last two years, challenges were encountered in identifying underlying assets from the records held within the fixed asset register.

Further challenges continue to be 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 £3.4 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 11, within appendix E where we updated the position on this recommendation we raised in the prior year. As noted elsewhere in this report, the Council is implementing a new finance system and as part of this, will consider whether improvements to records can be made. In addition, work is progressing with the new IT provider to ensure appropriate records for IT equipment are held by the Council.

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 however acknowledge the new process implemented with the new IT provider.
- We have identified 2 errors from procedures performed relating to impairment of equipment and a misclassification of land within infrastructure assets.

Our response to areas of audit focus

1. 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 financial statements of the authority for the financial year.

In 2024/25, the Council continues to include this disclosure within its financial statements. Guidance beyond the legislative provisions remains limited in respect of disclosure and accounting requirements. The Council has presented low emission zone disclosures within its unaudited financial statements.

Our findings

In August 2024, LASAAC (Local Authority Accounting Scotland Accounts Advisory Committee) issued guidance on the disclosure of low emission zone costs and revenue within financial statements. This represents the second year of implementation for the Council, and as there have been no changes to the legislation or the guidance, no issues were identified.

The low emission zone disclosure in the financial statements is in line with the requirements as set out in regulations.

Challenges were encountered in obtaining detailed transactional breakdowns in the prior year; however, these were resolved and were not considered an issue during the 2024/25 audit. This reflects an improvement by the Council in addressing the recommendations previously raised.

Our conclusions:

- The disclosures are materially in line with our understanding of the requirements in line with the regulations and available guidance.

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 as well as the implementation of pay and grading, 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 March 2027.

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.
- The completeness of the assessment for pay and grading implementation including consideration of how any one-off costs will be funded.

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.]*



Wider Scope and Best Value audit

Introduction

In June 2021, Audit Scotland and the Accounts Commission published the current 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 auditors and members of the Local Area Network (comprising other scrutiny bodies including the Care Inspectorate, Scottish Housing Regulator and Education Scotland) along with national reports and guidance from regulators and Audit Scotland and the Accounts Commission. The findings from our wider scope work have informed our assessment on Best Value themes in 2024/25.

Exhibit 7: Our RAG ratings

	Red	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.
	Amber	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 the overall pace of improvement and future risk associated with each dimension.
	Green	

Financial Management

Introduction

Financial management means having sound budgetary processes. Audited bodies require the ability to understand the financial environment and whether internal controls are operating effectively. Our focus is therefore on in-year monitoring and reporting arrangements, including the achievement of planned savings, and the Council's financial outturn for 2024/25.

Our overall assessment: Amber

The Council recorded a net overspend of £45.7 million in service expenditure, the highest overspend incurred by the Council in the last 6 years. While the external environment has played a role in higher costs, the Council needs to continue to maintain focus on both the accuracy of the budget and control of additional costs. The Council has been able to demonstrate in 2025/26 to date improved control of budget overspends following significant work as part of the 2025/26 budget process. 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 were made during the year, with some remaining under consideration by Members and management.

Improvements in delivery of savings were noted during 2024/25 with £42.9 million delivered representing 92% of target compared to £32.2 million in 2023/24 (82% of target). The Council concluded that reasonable assurance could be placed on the systems of internal control in the year for the first time since 2020/21.

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. In our view, the transition has been well-managed. However, given the complex and extensive demands facing the Council, including increasing financial reporting complexity and the anticipated challenges in implementation of new systems, the Council needs to continue 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 £45.7 million in service expenditure in 2024/25

The Council's overspend in 2024/25 totalled £45.7 million against budgeted service expenditure. Financial pressures across service budgets included:

- overspends in employee costs due to increasing school rolls and additional staffing requirements, under recovery of income and inflationary increases within Education Services (£15.6 million);
- overspends within Neighbourhood, Regeneration and Sustainability due to overtime and agency staffing costs, higher transport costs and increased utility, rates, building repairs and rent costs (£33.1 million); and
- overspends in relation to related companies, specifically Glasgow Life utilities, premises costs and increased costs relating to performance sport (£5 million).

These overspends were partially offset by underspends in financial services (£7.7 million) and the Chief Executive's office (£0.3 million) primarily relating to empty property relief and lower than anticipated employee costs.

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 future years. In addition to the overspend position noted above, during 2024/25, net costs of £18 million were charged to the budget support fund in relation to:

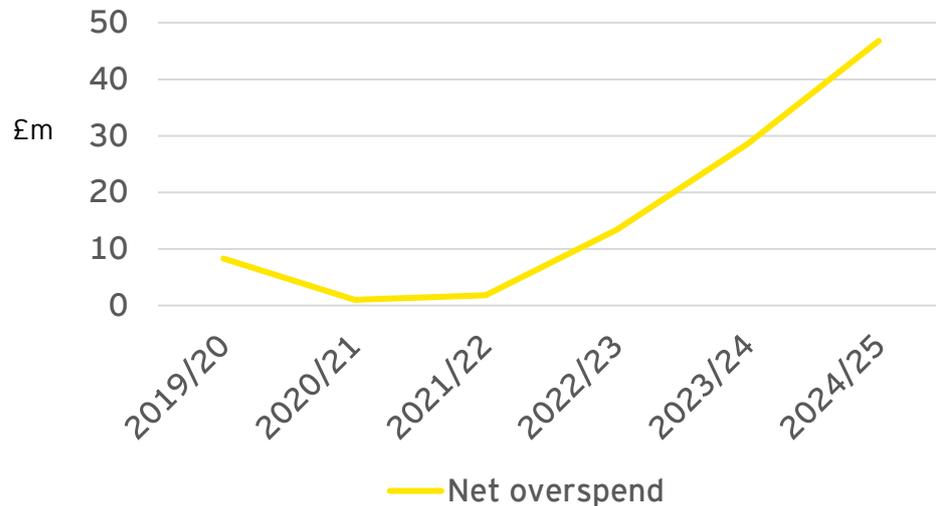
- impact of increased demand in respect of homelessness (£14.6 million);
- voluntary severance/early retirement costs (£4.9 million);
- supporting the phasing of budget options (£1 million) offset by the timing of pay award funding (-£2.5 million); and
- supporting the 2024-25 outturn position (£7 million).

The closing position for the budget support fund as at 31 March 2025, shown as an earmarked element of the general fund, was £28.5 million (£53.5 million at 31 March 2024.)

The 2024/25 outturn position shows an increasing trend of overspends against budget

As illustrated by Exhibit 7, in recent years, the Council has experienced challenges in delivering their budget with material overspends noted. The level of net overspend has followed a similar pattern to the prior year and increased from a £28.6 million overspend in 2023/24 to an overspend of £45.7 million in 2024/25, an increase of 60%. The overspend in 2024/25 represents the largest incurred by the Council in the last 6 years.

Exhibit 7: The level of overspend reported by the Council has increased significantly in the last 5 years



Source: Glasgow City Council financial statements and outturn reports

Budget monitoring reports reflected a growing overspend against services throughout the 2024/25 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 8 highlights that forecasting for most of the year projected a growing overspend against service budgets.

Robust financial reporting and monitoring is increasingly important given the scale of the financial challenge ahead.

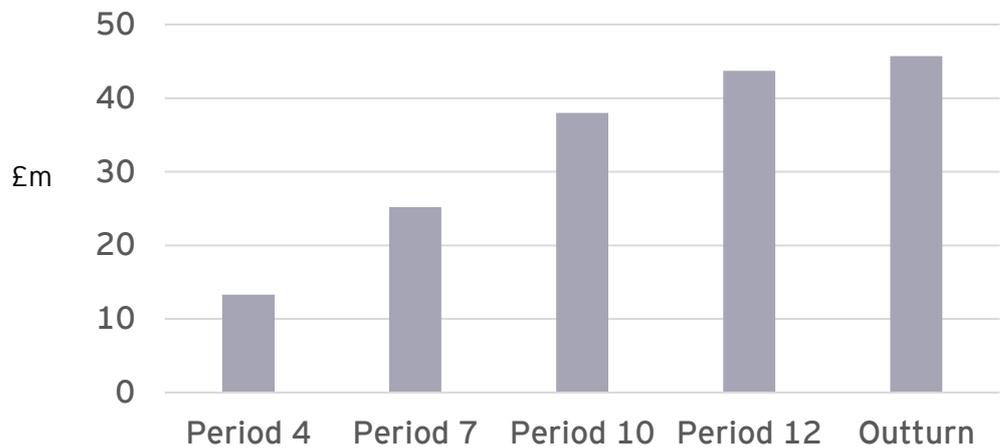
The overspends incurred in 2024/25 are predominantly as a result of significant inflationary and staffing cost pressures as well as increasing demand for some services. The trend in 2024/25 of a growing overspend is consistent with the last two financial years, with the key difference being the scale 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. Following previous audit recommendations and elected member feedback, officers have made several changes to financial monitoring reports to improve transparency and focus on key factors that impact elected member decision-making.

We highlight specifically that there has been greater detail included in financial monitoring reports on the use of the budget support fund and associated drawdowns during 2024/25. The Council should continue to regularly review financial monitoring reports presented to elected members to identify any areas for improvement including through feedback from regular committee effectiveness reviews.

Exhibit 8: The net expenditure overspend increased throughout the financial year



Source: Glasgow City Council Budget Monitoring Reports 2024-25

The Council has demonstrated an improved budget monitoring position in 2025/26 to date

In recent years, as illustrated in Exhibit 8, the Council has experienced a trend of increasing, material overspends throughout the year. While 2025/26 is ongoing and final outturn is still to be determined, we note that there has been an improvement when comparing period 4 and 7 net expenditure overspends year on year:

- Period 4 net expenditure overspend for 2025/26 is £0.4 million (2024/25: £13.3 million).
- Period 7 net expenditure underspend for 2025/26 is £0.6 million (2024/25: £25.2 million overspend).

These improvements are a result of significant work undertaken as part of the setting of the 2025/26 budget whereby recurring budget pressures, where appropriate, have been incorporated within the budget.

The Council estimates that it delivered over £42.9 million (92% of target) savings in 2024/25

The comparisons demonstrate a material improvement to the management of overspends in the year to date. We will assess the Council's progress in respect of this position as part of our 2025/26 audit.

Performance against annual efficiency savings is included within individual service narratives provided to the Finance, Audit and Scrutiny Committee regularly throughout the financial year. This is also now included in the summary report to the City Administration Committee.

As reported at period 12, services expected to deliver £42.9 million (92%) of savings in 2024/25 which represents an increase of £10.7 million in total value of annual savings delivered compared to 2023/24 where £32.2 million of savings were delivered. There was an increase in performance against target of 10% (82% of savings target was achieved in 2023/24 compared to 92% in 2024/25.)

Total unachieved savings were £3.51 million (2023/24: £7.28 million) with the majority relating to the Health and Social Care Partnership.

The Council concluded that reasonable 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 reasonable assurance that the system of internal control was operating effectively during the year. This is the first time since 2020/21 that the Council has been able to conclude reasonable assurance with the intervening years being limited assurance. The Annual Governance Statement does specifically highlight improvements being required in relation to senior officer exit payments, ICT services and resilience and governance arrangements at City Building.

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. Our audit methodology included a focus on the use of IT in the system of internal control as part of our requirements under the revised ISA 315 standard.

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

- we have followed up on [17] recommendations from prior year directly or indirectly related to financial management control arrangements, of which [10] are rated as high risk; and
- [6] 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 identified [17] audit differences, and [14] recommendations remain open or in progress aimed at improving the financial control environment. Management should ensure that sufficient focus is given to implementing audit recommendations on a timely basis.

The Council's Counter Fraud and Investigations Team identified over £1.5 million of savings in 2024/25

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 (October 2025). This noted that the Council has received 20,207 matches to investigate, of which 19,227 are high priority. The majority of matches (10,015) relate to creditor matches.

13,692 matches have been investigated or are actively being investigated with 22 errors and 22 frauds identified to date with a value of £105,337. Audit Scotland are due to report on the 2024/25 NFI exercise in 2026 and we will report on the Council's progress and governance arrangements as part of this exercise. The Council's Corporate Fraud and Investigation team identified savings of over £1.5 million for the Council and wider public sector which represented a decrease from £2.09 million in 2023/24. To date for 2025/26, savings of almost £0.71 million from work performed to date were identified.

The Council should review its existing fraud policy and procedures against the latest Home Office guidance

The offence of failing to prevent fraud, as introduced by the Economic Crime and Corporate Transparency Act 2023, became effective on 1 September 2025. The Home Office has published [statutory guidance](#) (most recently updated in October 2025) which organisations must consider.

This guidance outlines the core principles for establishing, reviewing or enhancing anti-fraud procedures. The Council should ensure it has reviewed its existing fraud policy and procedures against the latest Home Office guidance. Refer to recommendation 38 in Appendix E.

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. The annual performance report for the Capital Investment Programme 2024-25 is yet to be published. Capital expenditure in 2024/25 was £95.5 million with the largest funding source being grants and contribution of £86.5 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.

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 14 of Appendix E.

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

We 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 over the course of 2024 and 2025 including a number of experienced senior members of the team such as the Executive Director of Financial Services and Head of Corporate Finance. In our view this transition has been managed well.

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 continues to be significantly under pressure. This has been exacerbated in recent years by:

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

Given the complex and extensive demands facing the Council increasing financial reporting complexity and the implementation of new systems, we consider that the Council needs to continue 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 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 15 within Appendix E.

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 focus is therefore on the strategic planning that the Council has undertaken to support its sustainability and ability to deliver balanced budgets in the medium term.

Our overall assessment: Red

In August 2025, the City Administration Committee received a report on the high-level financial outlook for the next two financial years, 2026/27 and 2027/28. This set out a net gap of £90.4 million in 2026/27 and £19.3 million in 2027/28. The Budget Support Fund reduced to £28.5 million at 31 March 2024 and is projected to reduce to nil by 31 March 2026, if homelessness overspend forecast materialises. The Council will be required to find other options to manage any future budget pressures arising.

The Council continues 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.

A revised, phased implementation date for the new pay and grading structure has been agreed of April 2027. This is the last date where the new structure can be implemented before the Council risks further equal pay claims arising. The financial implications of the new structure are yet to be determined but the Council has commenced a review of options including restructuring the loans fund. 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 now bring both strategically and operationally. The financial consequences of further delays will be significant and limit the Council's ability to develop meaningful financial plans.

The pressure on public finances in Scotland continues to rise

In June 2025, the Scottish Government published the [Scottish Government Medium-Term Financial Strategy](#), providing an economic, funding and spending outlook for the financial years 2025/26 to 2029/30 and outlines the fiscal strategy to deliver sustainable public finances. This sets out the scale of the divergence in the growth of spending relative to funding, resulting in a gap of £2.6 billion by 2029/30. In August 2025, the Scottish Fiscal Commission published its [Fiscal Update](#), highlighting the longer-term challenges for the Scottish Budget due to an ageing population. The demographic growth in Scotland in the next 25 years will be in the older age groups and with this will come an increase in demand for health and social care services. In addition to this, the impact of inflation, rising energy costs and geopolitical factors mean that the funding received is worth less in real terms but carries the expectation to deliver more.

In 2025/26, the Scottish Government took steps to baseline revenue funding for ring-fenced priorities, taking cognisance of the commitments of the Verity House Agreement in relation to tackling poverty, the just transition to net zero and sustainable public services. This resulted in an increase in the revenue settlement for local government in 2025/26 overall, although the increase in the general revenue grant is largely directed towards the delivery of Scottish Government policies or to support previous pay awards, rather than an increase in available funding for councils to use at their discretion.

At the time of setting their 2025/26 budgets, councils identified a difference of £647 million between anticipated expenditure and the funding and income they receive (the 'budget gap'). Across local government in Scotland, councils are facing an estimated cumulative budget gap of £997 million by 2027/28. Over the life of the Scottish Government's Medium Term Financial Strategy, to 2029/30, local government's relative share of resource spending is forecast to fall from 24% of the budget to 23%. The forecast assumes that spending on non-pay social care will increase by 3.3% in real terms per year on average. Social care pay rises will be met by the Scottish Government in line with the Public Sector Pay Policy. Remaining local government spending is expected to rise in line with inflation over the life of the plan.

Changes to the UK and Scottish government budget timelines will result in a condensed period for the Council to set their budget

The UK Government announced their 2025/26 budget on 26 November 2025 which was 4 weeks later than the 2024/25 budget announcement. This delay resulted in amendments being made to the Scottish Government's timetable for publishing the Scottish Budget with the budget being presented to the Scottish Parliament on 13 January 2026, a month later than the typical timetable.

The delays have had a further impact on the Council's budget timetable. The original intention was for the Council to consider the 2026/27 budget on 19 February 2026, however this has been revised to 24 February 2026. This represents the latest date possible to ensure the Council meet its statutory requirement in respect of the issuance of council tax bills.

The [2026-27 Scottish budget](#) sets out an increase in the local government settlements from £15,035.2 million in 2025/26 to £15,686.1 million. In line with the Verity House Agreement, the Scottish Government has baselined a further £773.8 million of funding within the budget taking the total to £2 billion since the agreement was signed.

A further allocation of £5 million was made in 2026/27 towards a targeted Council Tax revaluation of properties worth over £1 million, to support the introduction of two new 'high value property bands' from 1 April 2028.

In addition to the settlements for 2026/27, the Scottish Government has published the [Scottish Spending Review](#) which sets out the Scottish Government's indicative spending plans up to 2028/29 for resource and 2029/30 for capital. This shows total local government funding of £14,782.6 million in 2026/27 reducing to £14,773.3 million in 2028/29.

The financial outlook for the Council shows a combined net gap of £109.7 million for 2026/27 and 2027/28

In August 2025, the City Administration Committee received a report on the high-level financial outlook for the next two financial years, 2026/27 and 2027/28. This set out a net gap of £90.4 million in 2026/27 and £19.3 million in 2027/28. This net gap included the following material assumptions:

- Growth in the settlement from the Scottish Government of 2.7% which is based on the Scottish Government's Medium Term Financial Strategy spending growth.
- Council tax buoyancy of £2.5 million per year but no allowance for council tax increases.
- Pay awards of 3%.
- No provision for inflation, except where contractual.
- The delivery of the already agreed 2025-28 savings.
- No new budget pressures carried forward from 2025/26.

The Council highlighted that the most significant risk to the funding gap relates to Scottish Government funding. A flat cash settlement would add approximately £21 million to the net gap in each year. In respect of Council Tax, a 5% increase as included in the 2024/25 budget would generate an additional £14.5 million. Costs in respect of homelessness for 2025/26 are expected to total £43 million, rising to £66 million in 2026/27.

In addition, no provision has been made in the budget for equal pay. This is further considered on page [60].

The Council needs to develop longer-term financial planning arrangements

The Council agreed its high-level medium-term Budget Strategy at the City Administration Committee in November 2023. The Council outlined its position that there was sufficient uncertainty around Scottish Government funding estimates to allow the Council to proceed with three-year savings plans. This strategy covered the three-year period 2024-2027.

While the budget strategy allowed for earlier identification and development of savings options for the medium-term, the strategy does not constitute a medium-term financial plan, and the Council continues to set one-year budgets. The Council continues to highlight the financial uncertainty making it challenging to prepare medium-term plans, however the recent publication of the Scottish Government's updated Medium Term Financial Strategy should support the Council in its preparation. As set out in Appendix E, recommendation 13, the Council should develop longer-term financial planning arrangements that model the impact of a range of risks both on the Council's reserves and the priorities set out in the Strategic Plan.

The Council and Integrated Joint Board ('IJB') continue to respond to specific pressures within the homelessness service

In recent years, there has been significant pressure on Glasgow City IJB's financial sustainability in respect of their responsibilities in relation to homelessness accommodation.

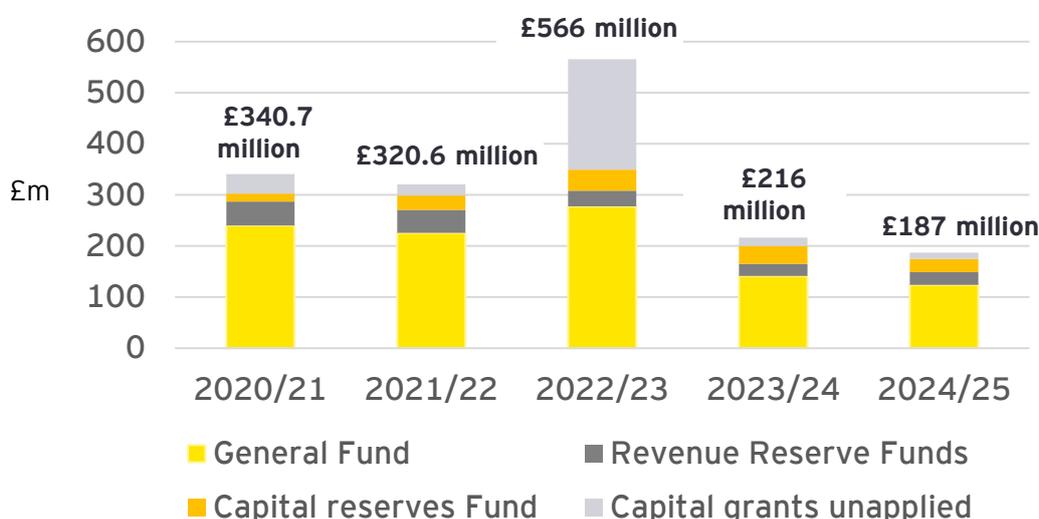
In late 2023, the IJB highlighted a significant worsening of its financial position, following the UK Government's announcement of a streamlined asylum process to address the significant backlog of asylum decisions. The streamlined process applies to households from countries who are more likely to receive a positive asylum decision. Any household that has received leave to remain in the UK can seek assistance from a local authority under homelessness legislation. In October to November 2023 reporting to both the IJB and the Council highlighted that there are limited accommodation options to deal with further expected decisions from the Home Office. The Council has provided assurances to the IJB that any overspend relating to asylum decisions would be met by additional Council funding in 2024/25 and 2025/26. Representations continue to be made to both the Scottish and UK Government to provide additional financial support to the Council to respond to these pressures.

The Scottish Housing Regulator has highlighted that the Council's services to homeless people are impacted by systemic failure and that it is breaching statutory duties. Systemic failures mean that the number of people who are homeless, and the level of the need they have now exceed the Council and IJB's capacity to respond. In order to respond, the Council and IJB will need to continue working with stakeholders to achieve change.

The Council's usable reserve balances have continued to decline

Exhibit 9 highlights that the Council's usable reserves decreased by £29.28 million during 2024/25 to £187 million, the lowest level since 2018/19.

Exhibit 9: Reserves balances decreased by £29.28 million



Source: Glasgow City Council Financial Statements

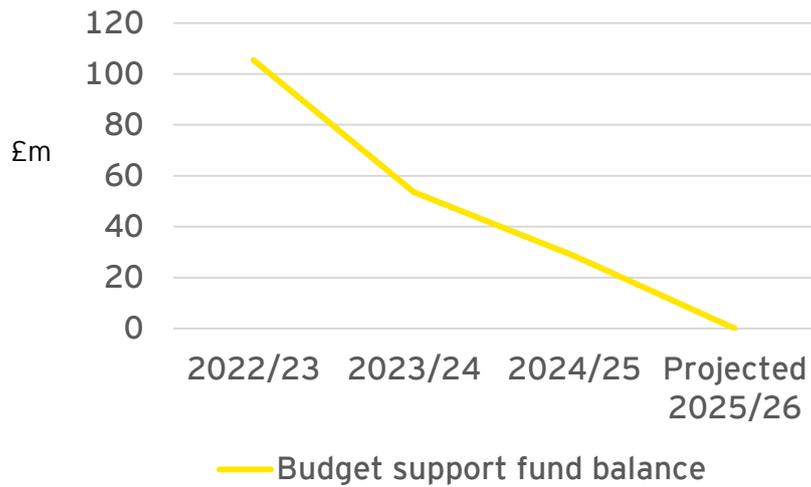
The Council's Budget Support Fund is forecast to be fully exhausted by March 2026

The Council had taken advantage of the fiscal flexibilities that have been available to local government since October 2020 in relation to service concessions. The Budget Support Fund was originally earmarked to meet the implementation costs associated with budget savings options, including severance costs. The Fund was also intended to provide support for future budgets.

As Exhibit 10 on page [59] highlights, the Budget Support Fund reduced to £28.5 million at 31 March 2025 and is projected to reduce to nil by 31 March 2026, primarily to support the homelessness cost pressures.

The intention of the fund was primarily to support the Council in becoming more financially sustainable and able to respond to future financial pressures. However, a significant proportion of the fund has been used to support the deficit position and homelessness pressures. With the Fund forecast to be fully utilised by the homelessness budget pressures in 2026, the Council will be required to find other options to manage any future budget pressures.

Exhibit 10: The budget support fund is projected to reduce to nil by the end of 2025/26



Source: Glasgow City Council Financial Statements

The Council should develop a strategy to return reserve levels to be in line with their target

The Council's unearmarked reserve balance is £26.3 million, representing 1.2% 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 year where financial flexibilities were utilised.

The Council does not expect to draw upon General Fund reserves in 2025/26 as key areas of overspend will be met by the Budget Support Fund. The Council should ensure that the medium- and long-term financial plans set out a clear approach to ensuring that reserves held are in line with the policy. We would further recommend that the Council reviews its policy to ensure this remains appropriate. Refer to recommendation 39, Appendix E.

Background to equal pay and pay and grading

In 2019, the Council settled more than 15,000 historic equal pay claims at a cost of £505 million. This was funded through the sale and leaseback of 11 Council properties.

In addition, 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. The total annual rent payable to City Property for all 17 sale and leaseback properties is now £33.1 million plus annual inflation.

Through the Memorandum of Understandings (MoUs) signed in June 2023, all parties agreed to broad terms for settling equal pay claims for all residual and ongoing equal pay liabilities up to October 2023. The claims settled under the MoU included 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 allowed 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 1 April 2027.

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

In February 2020, the Accounts Commission and Controller of Audit issued a Section 102 report on the Council's equal pay arrangements where the Accounts Commission commended the Council for good progress with delivering its equal pay programme.

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.

The Accounts Commission findings acknowledged the effective governance processes and arrangements in place for overseeing the programme of work. The report also 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 September 2022, a report to the City Administration Committee 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. Throughout 2023 and 2024, the Council progressed the job evaluation process and while progress was 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 City Administration Committee in October 2024. The Council highlighted that further stages of the programme involve several critical milestones where the timetable was exceptionally challenging to forecast. As a result, the February 2025 implementation date was delayed while work progressed on these critical milestones.

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

A revised phased implementation date of April 2027 is being targeted for PGS implementation

An update on the equal pay programme was provided to the City Administration Committee on 4 December 2025. This set out a revised phased implementation from April 2027.

The Council has concluded the primary benchmark review by the operational steering group and also issued the primary benchmark matching packs to around 19,000 employees.

The evaluation of the secondary benchmarks, which covers approximately 4,000 employees and 220 roles is ongoing. In respect of unique roles which cover around 900 unique roles and 1,300 employees, data is being gathered by voluntary completion of questionnaires.

Consultation with the trade unions have commenced on the pay and grading structure and associated steps which will bring an end to the existing Workforce Pay and Benefits Review system and their replacement with the new pay and grading structure across the workforce in scope. Substantial progress with these negotiations is required in spring 2026.

A significant part of the project is technical, and system change feasibility which the Council believes will remain an uncertain challenge until tested and delivered. As explained further on page [xx], the implementation target date now collides with the initially planned date for implementation of the Council's new finance system. While we understand that implementation dates are under review, both projects are strategically and operationally critical. Therefore there will be material impacts, financially and operationally, if either or both projects are subject to further delays.

The financial implications of the new PGS remain unknown

The Council has maintained that the financial premise of the new PGS will be cost neutral on future revenue budgets. There is however a risk that there may be one-off costs associated with implementation. This includes 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.

Given the MoUs agreed in 2023 included an agreement that no further equal pay claims will be pursued before 1 April 2027. The proposed implementation date of April 2027 is therefore the last date that the PGS could be implemented before the Council is at risk of further equal pay claims arising. The Council has already paid a total of £765 million in equal pay claims and pays annual costs of approximately £33.1 million annually for the sale and leaseback properties used to fund the claims. The financial implications of implementing the PGS in a timely manner are significant.

While the costs associated with implementation remain unknown, the Council's Executive Director of Financial Services is considering potential fundings options. In November 2025, the Scottish Government published two local government finance circulars:

- Local Government finance circular 7/2025: accounting for equal pay: this statutory guidance permits local authorities to defer the financial impact arising from making an equal pay provision until settled.
- Local Government finance circular 8/2025: accounting for financial instruments - equal pay costs flexibility: this statutory guidance provides a temporary amendment to Local government finance circular 7/2018: Accounting for Financial Instruments to permit a local authority to use a discount (gain) arising on the refinancing of loans to fund equal pay claims.

In respect of circular 8/2025, the Council recognises it will have to take into account the affordability as any application of this change to current loans fund management will result in increased recurring costs in future years. The Council intends to ensure that any loan debt rescheduling will be in line with the Treasury Management Strategy.

Additional governance and political oversight arrangements have been established

In Summer 2025, the Council agreed an updated governance structure for trade union engagement. This resulted in a Strategic Steering Group ('SSG') being established which provides the forum for key stakeholders to meet for the purpose of consultation on the new PGS. Both the existing Job Evaluation Operational Steering Group and PGS Data Modelling Group feed into the SSG.

Recognising the stage of the project, the Council has undertaken a review of the current governance structures. The outcome of this review is that the previous Equal Pay Political Oversight Group which was Chaired by the Leader of the Council and attended by Leaders of the other groups alongside the Workforce Convenor will restart in early 2026 to sit alongside the Equal Pay Sub-Group of the Workforce Board.

Delivering an equal pay compliant pay and grading structure is a strategically and financially critical to 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 timelines now bring both strategically and operationally. The financial consequences of further delays will be significant and limit the Council's ability to develop meaningful financial plans.

Vision, Leadership and Governance

This considers the effectiveness of scrutiny and governance arrangements, leadership and decision making, and transparent reporting of financial and performance information.

Our overall assessment: Amber

The Accounts Commission concluded that the processes, decisions and actions that enabled five senior Glasgow City Council officers to take significant early retirement and redundancy payouts fell short of the behaviour and standards expected of public servants within the S102 report in respect of senior officer exit packages. The Council has responded to the report in an open and transparent manner. Actions to address the findings from the Accounts Commission, Brodies LLP report and the 2023/24 Annual Audit Report remain in progress, however a number of positive steps have been taken.

The Council has significant projects underway including R2MS, 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. We also highlight the critical importance of delivering pay and grading on schedule as any delays will impact delivery of the SAP replacement and result in additional financial and operational risks to the Council.

The Council concluded that reasonable assurance could be placed on the systems of internal control in the year for the first time since 2020/21 within the Annual Governance Statement. Three significant matters in respect of the Council Group continue to be reported on and we consider there is scope for further enhancement of scrutiny arrangements of Group members. There has been improvements in respect of the City Building entities including the timeliness of conclusion of the financial statement audits.

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 ('AGS'), included within the financial statements. This sets out the arrangements for managing the "Council Family" of arms-length organisations, the arrangements 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 2025.

The key requirements for good governance are in place, commensurate with an authority of this size and scale. The Council has concluded that it has obtained reasonable assurance that the system of internal control was operating effectively during the year. This is the first time since 2020/21 that the Council has been able to conclude reasonable assurance with the interim years being limited assurance.

The AGS continues to highlight significant governance issues. This includes one new matter for 2024/25, and six other matters previously reported. These can be grouped into three main categories which we specifically identified as areas of focus for 2024/25:

- Group governance arrangements;
- ICT governance; and
- Senior officer exit payments.

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 led to a delay in the approval of both entities' financial statements. The Council and Wheatley Homes Group ('WHG') appointed an external legal firm to undertake a forensic investigation.

In response to the findings from both audit and the forensic investigation, an oversight board was jointly established by the Wheatley Group and the Council to review City Building.

In addition to addressing the specific concerns raised by the legal firm and internal and external audit, the review also had an objective of performing a review of City Building Glasgow (CBG), including whether it continued to meet the strategic and operational needs of both the Council and WHG.

Recognising the need to address concerns regarding the CBG Executive Management team's culture towards the role of audit and governance, a new Executive Director was appointed in 2025 from outwith CBG. Following appointment, the new Executive Director has undertaken a review of the executive leadership structure with remits being reviewed and revised to ensure a focus on improvement, governance, finance and transformation.

The review reaffirmed both parties' commitment to CBG's continued operation as a 50:50 joint venture between the Council and WHG. However, the current restrictions with respect of the legal structure were acknowledged, specifically the impact on recovery of VAT with an estimated annual cost of £7 million. In August 2025, the Council approved changes to the LLP agreement and control arrangements. This results in WHG having a casting vote where the Council and WHG are unable to come to a unanimous decision. The planned implementation date for these changes is 1 April 2026.

The audits for both City Building Glasgow and City Building Contracts have been delayed since 2021/22, following the whistleblowing allegations raised. The 2024/25 financial statements were finalised in December 2025 which demonstrates a significant improvement on prior periods and the intention is to bring forward timelines further for 2025/26.

A new matter was raised in respect of City Building performance management within the Council's AGS. An unsatisfactory internal audit opinion was issued during 2024/25 due to the absence of a formal performance management framework and the identification of issues relating to the underlying repairs workflow and data accuracy. While management are in the process of addressing findings in this area, this matter highlights the need for City Building to continue to build on improvements since 2022.

For the Scottish Events Campus Limited ('SEC'), the AGS highlights the improvement areas identified in respect of SEC over health and safety. During 2023/24, an external health and safety audit was performed and a remediation plan developed to respond to their findings. Mitigations were also put in place to ensure the continued safe operation of the SEC venues. Improvements during 2024/25 have included the appointment of additional specialist health and safety teams and a new digital incident reporting system. The Board continues to scrutinise progress and a series of internal and external health and safety audits are scheduled for 2025/26.

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 also maintains a number of other group entities.

The Council's ALEOs and other group entities operate their own governance frameworks and Boards. The Council has established arrangements to govern its relationship with the ALEOs and other group entities 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.

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 adopts different review and monitoring arrangements for each Group entity, taking into account the legal structure. Recognising the matters identified at SEC in recent years and that monitoring arrangements in respect of SEC differ to other Group, we recommend that the Council reviews this approach to ensure they remain appropriate and effective (refer to recommendation 40, Appendix E).

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 convenes as a risk board every six months. During 2024/25, this included a deep dive into 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 ('CRR'). The most recent update identified 10 very high rated risks, including:

- fiscal uncertainty;
- the impact of the rising cost of living;
- cyber security;
- failure to successfully implement Pay and Grading Scheme;
- failure to fulfil duty of care to children and vulnerable adults; and
- significant industrial action.

A new risk was also added in respect of failure to successfully implement the ERP system with a high-risk rating assigned.

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 are identified.

The Council must critically assess its ICT security, business continuity and disaster recovery arrangements

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

On 19 June 2025, the Council was impacted by a cyber incident at a third-party sub-contractor. The incident was discovered by one of the Council's third-party ICT providers, CGI who discovered malicious activity on servers hosted by a third-party supplier.

The Council responded by isolating servers to protect the Council's wider network and this involved significant disruption to a number of web forms and online services. The Council implemented a prioritised recovery plan and where possible, put in place alternative ways to access services on a temporary basis. Full access to these services was gradually restored with the final service restored in early September 2025, a period of approximately two months from the original incident.

A report from specialist cyber security experts received by the Council, states that they have 'high confidence' that the incident has been contained. Forensic analysis found no evidence of encryption or exfiltration of Council or customer data however the Council has continued to monitor closely. Evidence was identified that attempts were made to download data, however these were all denied.

This incident highlights both the critical importance of robust business continuity plans and strong cyber security controls. While this incident demonstrated some effective arrangements, internal audit continue to highlight concerns around ICT Service and Security within their annual report for 2024/25 and the Annual Governance Statement. It is noted that a number of high-risk areas have been mostly mitigated but there are other areas where work is ongoing and therefore the Council remains exposed to risk. Management are continuing to work with managed service providers to mitigate the risks during 2025/26.

The Accounts Commission published a [Section 102 report](#) in respect of the cyber attack at Comhairle nan Eilean Siar in November 2025. The report's findings include two specific findings that the Accounts Commission and Controller of Audit urge all councils to consider. We recommend that the Council formally considers it's arrangements in light of the June 2025 cyber incident, the Accounts Commission's finding in respect Comhairle nan Eilean Siar and the ongoing changes being made in digital and ICT services as set out in recommendation 41, Appendix E.

The Council's Future of ICT project has become the Road to Multi-Source Strategy ('R2MS')

The Council has continued to progress the fundamental project on the future of the Council's digital and ICT services in a programme initially known as the Future of ICT ('FICT') which has progressed to the Road to Multi-Source Strategy ('R2MS').

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.

The aim of the project is to gradually move from a single supplier of ICT services to a multi-source model where different suppliers provide specific services. The new model commenced on 1 April 2025 with the Council now working with CGI and Commsworld.

This change also means that the role of the Council's Strategic, Information, Innovation and Technology Team ('SIIT') is changing to meet the requirements of the new model and will now be known as Digital Services.

The Council reviewed staffing arrangements in place to support the R2MS project

CGI were appointed as the Council's primary IT provider in 2017 for an initial period of seven years. This contract involved a secondee model where Council employees were seconded to work within CGI. These individuals, alongside some former ACCESS staff who TUPE transferred, were given additional protections and the secondees continued to be paid by the Council.

This arrangement expired at the contract expiry on 31 March 2025. The Council therefore had to consider whether the individuals would return to full Council employment or whether an extension to the secondee model would be sought and negotiated. The Council determined that the secondment arrangements represented a unique approach to the provision of ICT services that would be difficult to continue without increased financial and workforce risks for the implementation of the new strategy. It was therefore agreed that an ER/VR programme would be launched.

As disclosed within the exit packages note in the remuneration report, a number of secondees left the Council at a total cost of £8.4 million resulting in an average cost per secondee of £120,000. These exits occurred before the senior officer exit payments had been reviewed and findings shared.

The Council determined that at an aggregate level, the exits met the terms of the Council's ER/VR policy in respect of payback period. The costs to be included in a payback calculation are not explicitly defined within the Council's ER/VR policy. We noted that this arrangement was a more complex restructure due to the unique secondee arrangement and in addition to the direct exit package costs, there were costs associated with transitioning to a different operating model. These estimated transition costs, while included in the report to the Steering Group seeking approval of the ER/VR for secondees, were not included within the payback calculation and if they had been, the payback period of 2 years would not have been achieved.

An important aspect of restructuring is to have a full understanding of the financial implications of decisions and in order to perform a complete value for money assessment, all costs associated need to be evaluated rather than just direct staffing costs. The Council should ensure that the approach to payback is consistently adopted and that business cases clearly demonstrate how this is complied with including any judgements on what is and isn't considered appropriate to be included. The Council has created a Corporate Workforce Board which in future would consider and approve major workforce reforms such as this in advance of submission to the City Administration Committee.

The Council's finance system is due 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. The system holds data on approximately 34,000 employees and over a million transactions in respect of accounts payable, purchase order, sales orders and intercompany bills are raised. The current SAP system has been in use in the Council since 2004 and standard support from the vendor ends in December 2027.

There have been several high-profile examples of such projects having significant operational failures as well as significant additional costs.

A number of key milestones have been met on the project in the last two years:

- In April 2023, the Council engaged a Client-Side Adviser to advise on best practice for procurement and implementation of a modern ERP system.
- In February 2025, the Council agreed the award of the contract to Oracle Corporation UK Limited for their Oracle Cloud ERP solution, often referred to as Oracle Fusion.
- In June 2025, the Council agreed the award of contract for software design and implementation services to Mastek Systems Company Limited.

The governance arrangements for the project includes a Steering Group, a Coordination Group and a project team with the 3 groups being supported by a Project Management Office (PMO). During 2025/26, the Internal Audit plan includes scrutiny of ERP Replacement activity as does the FASC work plan for the period August 2025 to June 2026.

The Council has determined that a two-wave implementation approach is preferred. Wave 1 is currently scheduled to deliver in April 2027 and will include all Finance and HR transactional functionality. Wave 2 is currently scheduled to deliver in July 2027 and would include the remaining payroll functions. The delivery of the quality of progress will be monitored by achievement of a series of 8 milestones and readiness to progress through the process is controlled by responding stage gates, which represent points in the project where the Council will assess whether they can continue to progress to the next stage. The ERP Replacement Steering Group will be responsible for confirming whether a milestone has been met against pre-defined criteria.

The one-off costs of the implementation are currently estimated at £23 million.

The scale and critical nature of the project, and inherent legal and procurement risks, will add further strain to leadership capacity within the Council. Across the Council, projects underway, including R2MS 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.

The target date of the first phase of implementation for the new pay and grading structure now clashes with the implementation date of Oracle Fusion. We understand the Council will now review the timetable for implementation of the new finance system, recognising that both projects implementation will need to be at separate times given the interdependencies between these and the significant additional risk that would result by running both implementations together.

However, we also highlight that it is becoming increasingly important to the Council that the new PGS is delivered on schedule as delays to the finance system implementation will result in additional costs and missed opportunities to improve the control environment.

The implementation of a new finance system represents a significant opportunity, as well as risk, for the Council. The current system has been in place for over 20 years and therefore implementing a new system will be a significant change for staff which will require careful planning as staff adapt to new ways of working. New systems present opportunities for more robust controls and efficient processes to be adopted. Specifically, we highlight that a number of our historic control observations should be addressed by the new system.

The Council's Finance, Audit and Scrutiny Committee has experienced turnover during the year

The Council's Finance, Audit and Scrutiny Committee ('FASC') has experienced a number of changes in membership during the last 12 months, including three different Chairs.

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 during 2024/25 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 experience to carry out the remit as reported in the January 2025 self assessment. This assessment is consistent with our own views and we believe there is scope for the committee to enhance the scrutiny provided. Taking into account the change in membership, 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 (refer to recommendation 42 in Appendix E).

The Accounts Commission concluded that the processes, decisions and actions that enabled five senior Glasgow City Council officers to take significant early retirement and redundancy payouts fell short of the behaviour and standards expected of public servants

In September 2025, the Accounts Commission and Controller of Audit issued a Section 102 report in respect of the senior officer exit payments reported on as part of the 2023/24 Annual Audit Report. Following consideration of the report at the Accounts Commission meeting on 14 August 2025, the Accounts Commission made six findings as set out in Exhibit 11. In addition, the legal review from Brodies LLP and our 2023/24 Annual Audit Report highlighted a number of areas of improvement for the Council to take forward.

The report was considered by the Council at its meeting on 30 October 2025 in line with the statutory requirements. This report set out the steps taken by the Council to address the concerns raised since first notification.

Following consideration of the report from Brodies LLP together with the opinion provided by Douglas Ross KC at the Council's Finance and Audit Scrutiny Committee in March 2025, the Council took forward a number of immediate changes:

- At its meeting on 15 May 2025, the Council approved changes to the Scheme of Delegated Functions and committee Terms of Reference relating to the approval of proposals involving early retirement or redundancy of officers of grade 12 and above.
- Proposals for early retirement and redundancy of officers of grade 12 and above now require to be considered by the Senior Officers Workforce Committee, comprised of seven elected members, including the Leader of the Council, the City Treasurer, the City Convener for Workforce, the Leader of the main Opposition and three other elected members.
- The new Corporate Workforce Planning Board will have responsibility for ensuring consistency of approach across the Council Family and will determine whether proposals satisfy Best Value considerations. It will also provide additional scrutiny of proposals for major service reform before they are submitted to the City Administration Committee.

In addition to these changes, a number of additional actions are being taken forward by the Council to address the findings made:

- Development of training for officers on the principles associated with exercising decision making under the Council's Scheme of Delegations, with a particular focus on recognising matters that might be considered "politically controversial."
- Development of training on the officers' Code of Conduct and compliance with the Nolan Principles, highlighting the need to recognise matters where there may be a potential or perceived conflict of interest.

Exhibit 11: The Commission made six findings in respect of senior officer exit packages

- The Commission welcomes the actions of the new chief executive of Glasgow City Council in commissioning an internal review and an independent investigation of these issues following discussions with the appointed auditor, and for reporting the findings of the investigation publicly. We note that the 2023/24 annual audit report shows the council has accepted many of the recommendations and look forward to seeing the auditor's review of progress in the 2024/25 annual audit. We expect the Council to have strong evidence of good governance, scrutiny, and value for money to present clear business cases for future restructuring.
- Given that councils are required (under the under Section 4 of the Local Government and Housing Act 1989), to have a 'head of paid service', and that this is ordinarily the post of chief executive, we find it hard to understand how this post was part of a senior management restructuring package, developed in February 2021 (and presented in the 'Restructure Report'), aimed at cost savings and efficiency. Within the final Restructure Report, an Executive Director post, deleted in January 2021, was linked to the early retirement of the chief executive, and subsequently included as part of payback period calculations. As the Brodies report states, the savings Commission findings associated with the deleted post had already been achieved. Based on the information considered, it is our view that the rationale for the former chief executive's retirement contributing to efficiencies was, at best, unclear.
- We consider that the restructuring package was dealt with in a manner inconsistent with the Key Principles of Public Life in Scotland, in particular selflessness, integrity and objectivity. The Restructure Report appears to have been approved by some individuals who then benefitted from its proposals. This exhibits a failure to address and document potential conflicts of interest (that should have been obvious to such senior and experienced officers) and displays a lack of judgement in relation to how their actions adhered to the principles. The council should take action to ensure that all officers and members are not only familiar with the principles but that the organisational culture respects and supports them fully. The council must also ensure that independent scrutiny is applied to issues and decisions where there are potential conflicts of interest.
- Given the seniority of the officers associated with these exit packages, our clear view is that a full report should have been presented to the relevant committee for approval. Within the Scheme of Delegation used during this period, consideration of whether to involve elected members was a 'judgement call' by officers based on whether an issue could be considered politically controversial. Given the significance of the post of chief executive, linking it to efficiency savings should have been subject to independent scrutiny. Had elected members been involved at key stages, their scrutiny could have mitigated some of the justified criticisms around perceived conflicts of interest.
- As councils continue to face financial challenges, service redesign and restructuring will be a necessary part of responding, so transparency around decision-making is essential. The decisions of elected members and officers should uphold the nine Key Principles of Public Life in Scotland - selflessness, integrity, objectivity, accountability, openness, honesty, leadership, public services, respect. Where decisions around restructuring and exit packages are being taken, councils must ensure there is clear evidence of effective governance, independent scrutiny, and robust and transparent record keeping.
- It is alarming to see reports which need to consider the lawfulness of actions within councils, and such circumstances do little to reassure taxpayers about how public money is being used. Given the serious issues highlighted in the Controller's report, the Commission considered carefully the most appropriate way to use the powers available to it, including holding a hearing, making recommendations to Scottish ministers or censuring in light of the concerning issues presented. In reaching our findings, we have considered the legal advice provided to Glasgow City Council and the action already taken. On this occasion, we have decided to take proactive steps to ensure that all local government bodies recognise the important lessons presented here, including writing to all council chief executives and leaders to highlight the importance of good governance and transparency in decision making.

Source: Accounts Commission and Controller of Audit, Senior officer exit packages S102 Report, September 2025

- A review of cultural and organisational behaviours across the Council Family, with a particular focus on the key themes of leadership; staff; collaboration, learning and listening; ethics and governance. This review will initially provide the benchmark on what the current culture is, and thereafter actions will be agreed to enable the Council Family to move to the desired organisational culture.
- An internal audit is being conducted to review the key controls in the following areas:
 - the Corporate and Service level Scheme of Delegations and associated documents;
 - functions conducted under the schemes;
 - paperwork to support functions conducted under the schemes;
 - training/communication arrangements; and
 - monitoring of compliance.

Monitoring of progress on the development and implementation of these additional actions will be reported to the Finance, Audit and Scrutiny Committee. At the time of writing, this has not yet occurred.

Our 2023/24 Annual Audit Report raised 4 recommendations in respect of exit packages which have been aligned to the Commission's findings. We have followed up on progress made to address these and while we note a number of steps have been taken by the Council, 3 recommendations remain in progress. We also highlight that we have commented on arrangements in respect of exit packages arising from the departure of former secondees for a total cost of £8.4 million. We specifically highlight that these exits occurred between late 2024 and early 2025. As a result, they occurred before the findings from the Brodies report (February 2025), 2023/24 Annual Audit Report (May 2025) and S102 report (September 2025) had been finalised and therefore the Council were unable to take forward and demonstrate progress against findings for these exits.

In respect of follow up of the Accounts Commission's findings, as set out in Exhibit 11 on page [73], the Council is continuing to take forward a number of actions. At the heart of these actions is culture which will be a longer-term matter for the Council to address. The Council has continued to respond in an open and transparent manner to the findings.

We further recognise that in respect of restructuring, the Council will only be able to demonstrate clear progress when these occur. While there are currently no plans for significant restructuring, it is important that these findings are appropriately considered when future restructuring does occur at the Council.

Use of Resources

We consider the Council's approach to demonstrating economy, efficiency, and effectiveness through the use of resources and reporting outcomes.

Our overall assessment: Amber

The Council updated its Strategic Plan to reflect emerging commitments and priorities in October 2024. The Operational Performance and Delivery Scrutiny Committee 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. The Council intends to use the work ongoing on the performance management framework for the community planning partnership to inform approach in respect of the Council's internal performance reporting. 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 last Annual Performance Report in January 2025 with the next Annual Performance Report due in April 2026. The reporting in January 2025 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. We have been unable to assess progress made due to the latest annual performance report not being available. We recommend that the Council reviews its timetable for preparation and reporting for future years. The Council's performance against the Local Government Benchmarking Framework continues to highlight areas of good performance, although 38% of indicators declined over the reporting year.

The Council's Climate Plan 2026-2030 is due to be finalised in March 2026 following consultation and continues to set an ambitious target for the City to become a net zero carbon city by 2030. Recognising the financial challenges facing the Council, the affordability in respect of the individual actions required to deliver this need to be critically assessed.

The Council approved the Strategic Plan 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.
- 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 Strategic 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 is considered below.

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 Council refreshed the Strategic Plan in October 2024

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 actioned 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 August 2025.

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 was reported to the OPDSC. The Council intends to use the best practice work ongoing on the Performance Management Framework for the community planning partnership to inform and support resource changes and improvements to the council's internal performance reporting. This work requires extensive partner input and a change in ways of working as well as technical input for dashboarding. At the next Glasgow Community Planning Partnership Strategic Group in the spring a timeline will be reported for its completion which will also then be reported to 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 22, within Appendix E.

The Annual Performance Report for 2024/25 is yet to be published

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.

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 January 2025, the Council published its first annual performance report, in respect of 2023/24, against its Strategic Plan. The report for 2024/25 is yet to be published but scheduled to be presented to the Wellbeing, Equalities, Communities, Culture and Engagement Committee in April 2026.

We reported previously on the 2023/24 annual performance report. While a link was provided to the Improvement Service Local Government benchmarking framework, the format did not fully meet the expectation set within the current or future SPI Direction 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. We have been unable to report on progress in moving towards compliance with the new SPI Direction and Best Value Statutory Guidance due to the annual performance report not being available in a timely manner. The annual performance report is a key document that enables the Council to demonstrate its impact on local communities as well as areas for further development. Publication more than 12 months after the year end date means that the report loses relevance and impact. We recommend that the Council reviews the timeline for production and publication of the annual performance report (refer to recommendation 43, Appendix E).

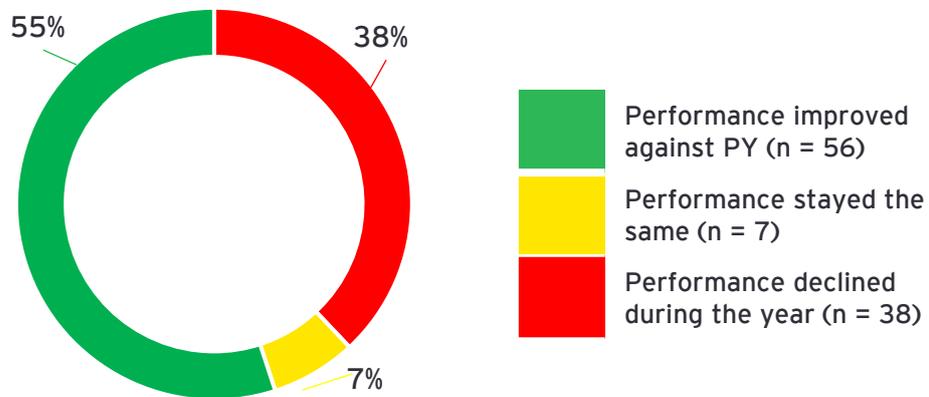
We previously recommended that the Council should consider its performance reporting arrangements to ensure it is compliant with statutory performance requirements (refer to recommendation 18, Appendix E). We have been unable to conclude in the last three years of our appointment that the Council is compliant with statutory performance requirements and therefore, with the current arrangements in place, significant work will be required by the Council to ensure compliance with the new SPI direction coming into effect from 1 April 2025.

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

In June 2025, the OPDSC considered an overview of the Council's performance against the suite of measures reported by the Improvement Service as part of the Local Government Benchmarking Framework (LGBF) for the most recent year subject to analysis, 2023/24.

Overall, as Exhibit 12 highlights, performance was mixed but 38% of indicators declined year on year in 2023/24 compared to 46% of indicators in 2022/23. This included 100% of satisfaction indicators (2022/23: 82%), and 50% of cost indicators (2022/23: 30%).

Exhibit 12: 55% of the indicators used to benchmark Glasgow City's performance against other local authorities improved on the prior year in 2023/24



Source: Glasgow City Council Local Government Benchmarking Framework 2023/24

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 12 (12%) 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 second lowest percentage of people at 7.7%.
- Self-directed support spend on adults as a percentage of total spend where Glasgow is the third highest placed local authority and currently spends around 5% more on this area than the Scottish average.

- The level of investment in economic development and tourism per population, where Glasgow is the third highest of all Scottish councils.

For 15 (15%) of the indicators, Glasgow performs in the lowest quartile of Scottish councils. These include:

- Uncommitted general fund balance as a % of council annual budgeted net revenue where the Council is ranked 28th.
- Cost per attendance at sports facilities where Glasgow has the second highest cost at £9.41 compared to a Scottish average of £4.34. Nonetheless, a significant reduction from last year's figure of £12.26.
- 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.

Since early 2025, the Council has been working with the Improvement Service to better understand a specific series of benchmarking indicators, specifically those which are areas of poorer performance or outlier indicators and areas where Glasgow's ranking has been consistently within the lowest quartile.

The Council's Climate Plan 2026-2030 is due to be approved in March 2026 following consultation

Glasgow's Climate Plan was approved by the City Administration Committee in June 2021. The Climate Plan demonstrated a city-wide approach to addressing the climate and ecological emergency and included an ambitious target for the City to achieve net zero emissions by 2030. Annual updates on the plan have been presented to the Net Zero and Climate Progress Monitoring City Policy Committee.

Glasgow's Climate Adaptation Plan was approved by the City Administration Committee in June 2022. The Adaptation Plan was designed to sit alongside the Climate Plan to help build capacity of Climate Adaptation and raise the profile of adaptation action in the City.

The Council's Climate and Sustainability Board determined in November 2023 that due to influences at that time, a full review of the Climate Plan was to be undertaken and it was agreed that this would take place in 2025. The updated Climate Plan was presented to City Administration Committee in December 2025 and will now be subject to a period of consultation before it's due to be finalised in March 2026.

The key revisions in the Climate Plan include:

- Accessibility has been a key focus with a quick guide version created to ensure it is accessible to everyone.
- Articulation of the wider benefits that can result from delivery of climate action.
- In line with Scottish Government guidance and to ensure statutory duties are incorporated, the Plan now cover both mitigation and adaptation activity. It also identified if actions should be influenced or delivered by the Council, or delivered by external bodies, citizens and visitors of Glasgow.
- The plan will be measured against a Carbon budget for the first time, developed from data used to develop Glasgow's Net Zero Route map. This budget will provide annual carbon emission targets required to be met if the City is to stay on course to meet the projected pathway set out in the route map.

The revised plan acknowledges the financial challenges in bringing about the scale and pace of transformation required to reach the target for Net Zero Carbon by 2030. There is an improved understanding of the costs in respect of mitigation activity however there is still a need to identify and access the funding for the delivery of many aspects of the climate plan. Recognising the financial challenges facing the Council, the affordability in respect of the Council owned individual actions required to deliver this need to be critically assessed.

Best Value considerations

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 (the Commission).

For 2024/25, the Accounts Commission directed auditors to report on the Council's approach to transformation. Our key conclusions against the work programme set are outlined in Exhibit 13.

Our assessment in 2024/25 reflects the work conducted to support our wider scope responsibilities and developed throughout our appointment. Our consideration therefore includes:

- documentation review and fieldwork interviews with senior officers;
- our consideration of the Council's financial planning processes including the most recent financial outlook report and budget monitoring reports;
- the Council's governance arrangements, including monitoring reports on the use of resources and scrutiny arrangements;
- our assessment of performance reporting to the Council and public; and
- the Council's arrangements to align key plans and strategies with the Council's Strategic Plan and four grand challenges.

The Accounts Commission requires the Controller of Audit to report on each council at least once over the five-year audit appointment on the Council's performance on its Best Value duty. This enables the Accounts Commission to make findings for improvement where appropriate. The Controller of Audit is due to report on the Council's progress against Best Value in August 2026.

The Council must improve arrangements in respect of governance, performance management and financial planning and reporting arrangements in order to fully demonstrate that it has the key elements needed to deliver Best Value

The Council's Strategic Plan 2022-27 sets out four Grand Challenges and 244 individual commitments to be actioned in the period, of which two years now remain. We continue to highlight that the ability to effectively report progress against the overall Strategic Plan priorities remains an area for further to support the delivery of tangible outcomes against the Grand Challenges.

The Council had plans to develop a Performance Dashboard which would support scrutiny and oversight by elected members however these plans were unable to progress as a result of system limitations.

The Council currently does not have established longer term financial planning arrangements, but the latest high-level projections set out a combined net budget gap of £109.7 million for 2026/27 and 2027/28. The Council faces a number of significant financial challenges in the coming years including responding to homelessness pressures and implementing a new pay and grading structure. The Council's reserve levels continue to decline and are below the target set within their policy. The Council's Budget Support Fund is projected to be exhausted by 31 March 2026.

The Council incurred its largest overspend in 6 years in 2024/25. However, in 2025/26 to date, financial performance is in line with the agreed budget which would demonstrate a significant improvement if this is achieved by year end.

In respect of governance, the Council has responded to the findings from audit, external legal advisers and the Accounts Commission and Controller of Audit in respect to senior officer exit payments. Work remains ongoing in relation to culture which is inherently a more challenging area in which to demonstrate quantifiable progress.

As part of the 2024/25 audit we identified [17] audit differences, and 32 recommendations remain open or in progress aimed at improving the control environment. The volume of open recommendations remains significant and the pace at which historic recommendations are addressed needs to improve. While the internal audit opinion for 2024/25 is improved, several significant issues continue to be disclosed in the Council's annual governance statement. Management should ensure that sufficient focus is given to implementing audit recommendations on a timely basis. This is in the context of a challenging future agenda for the Council in the medium-term including the implementation of pay and grading and a new ERP system.

Overall, we concluded that Council's governance, performance management and financial planning and reporting arrangements require further improvement to allow the Council to demonstrate the delivery of Best Value.

Exhibit 13: Key findings from our 2024/25 Best Value Thematic Review on the Council's approach to transformation

- The Council and its Community Planning Partners have made addressing poverty the overriding priority of the Glasgow Community Plan 2024 - 2034. Addressing poverty is therefore the Council's primary focus in respect of delivering transformation.
- The Council has restructured its senior leadership, creating the Corporate Leadership Team ('CLT') to provide strategic oversight and embed Public Service Reform ('PSR') at the centre of the Council's strategy. This new governance framework, supported by dedicated steering groups and a Political Oversight Group, ensures that priorities such as reducing poverty and inequality will be monitored across Council activities.
- A new performance framework is under development to support the new Glasgow City Community Plan 2024-2034. Significant work has been undertaken; however, the framework is yet to be finalised and implemented. It is important that the process for assessing the impact of the new plan commences soon to ensure the Council and partners can track progress against outcomes and adapt the approach as necessary.
- The scale of the financial challenge for the Council is significant, and it is therefore important that the Council can demonstrate both better outcomes for citizens as well as financial benefits to support the long-term sustainability of the Council. There is currently insufficient alignment between transformation projects and financial plans.

Source: Glasgow City Council Best Value Thematic Review 2024/25, February 2026



Appendices

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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.

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.

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.



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 January 2024, 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.



Required communications

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

		Our reporting to you
Required communications	What is reported?	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 - June 2025
Reporting and audit approach	<p>Communication of the reporting scope and timing of the audit, any limitations and the significant risks identified.</p> <p>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.</p>	Annual Audit Plan - June 2025
Significant findings from the audit	<ul style="list-style-type: none"> ▶ 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 Annual Audit Report - February 2026.
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ 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 Annual Audit Report - February 2026.



Required communications (cont.)

Our reporting to you

Required communications	What is reported?	When and where
Misstatements	<ul style="list-style-type: none"> ▶ 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 Annual Audit Report - February 2026.
Fraud	<ul style="list-style-type: none"> ▶ 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 Annual Audit Report - February 2026.
Internal controls	Significant deficiencies in internal controls identified during the audit.	This Annual Audit Report - February 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"> ▶ 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 Annual Audit Report - February 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"> ▶ 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 Annual Audit Report.



Required communications (cont.)

Our reporting to you

Required communications	What is reported?	When and where
External confirmations	<ul style="list-style-type: none"> ▶ Management’s refusal for us to request confirmations. ▶ Inability to obtain relevant and reliable audit evidence from other procedures. 	This Annual Audit Report - February 2026.
Representations	Written representations we are requesting from management and/or those charged with governance.	This Annual Audit Report - February 2026.
Consideration of laws and regulations	<ul style="list-style-type: none"> ▶ 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 Annual Audit Report - February 2026.
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise.	This Annual Audit Report - February 2026.
Auditors report	Any circumstances identified that affect the form and content of our auditor’s report.	This Annual Audit Report - February 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.	This Annual Audit Report - February 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.	This Annual Audit Report - February 2026.



Required communications (cont.)

		Our reporting to you
Required communications	What is reported?	When and where
Group matters	<ul style="list-style-type: none">▶ 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 Annual Audit Report - February 2026.



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. For the 2023/24 financial statement audit, the audit was materially complete in March 2025 with signing delayed due to governance matters requiring additional consultations.

Working outside of a 'standard' local government audit timescale creates inefficiencies for management and the audit process. We recognise that the achievement of the 30 September timeline will not be immediately achievable following consecutive years of delayed reporting. The timetable for the 2024/25 financial statements audit initially targeted a completion date of December 2025 however this was revised to March 2026 due to the late provision of the IFRS 16 information. The audit fieldwork in respect of non-IFRS 16 matters was materially complete in October 2025.

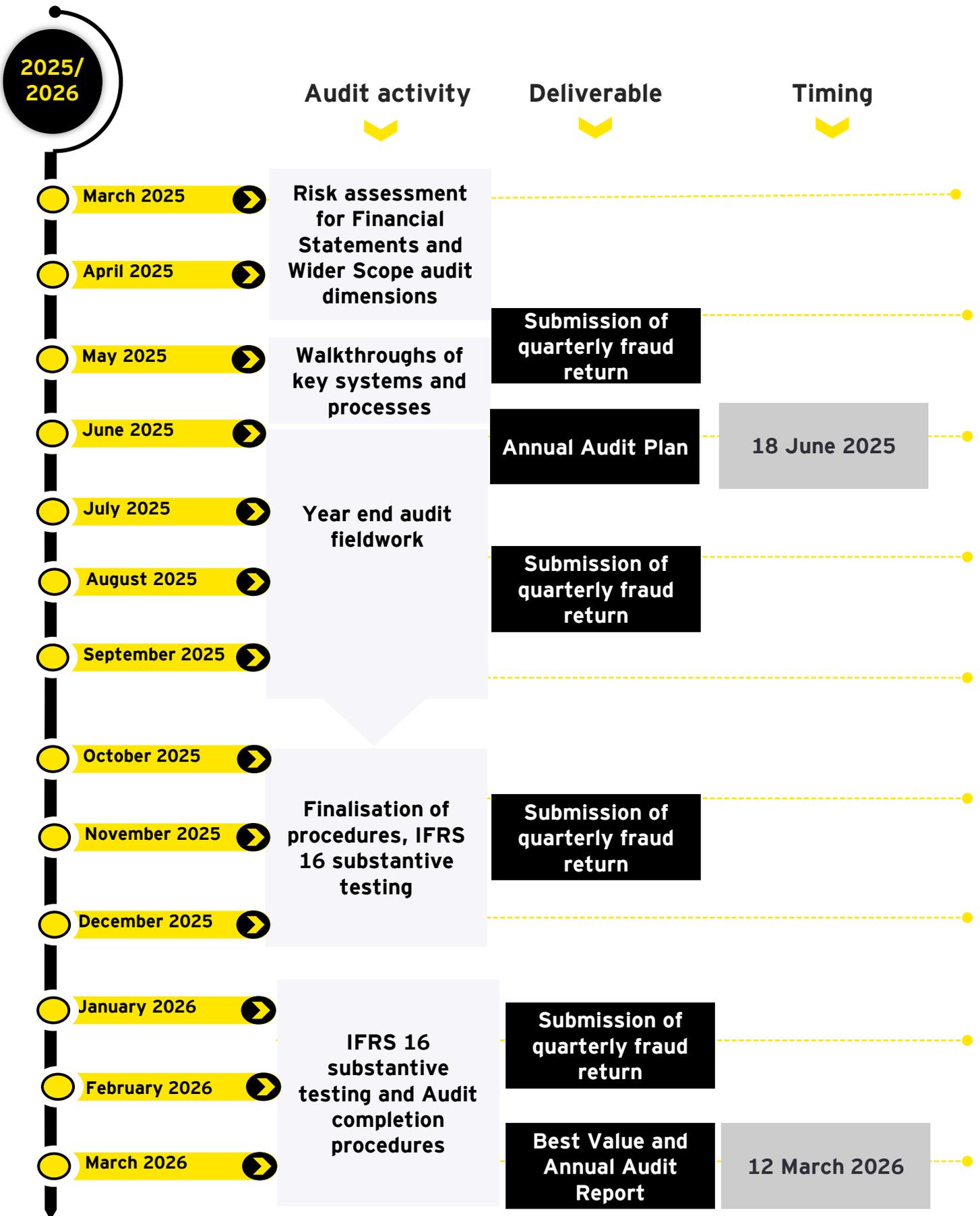
We have continued to work with the Council to develop a multi-year plan to return to the 30 September timeline. We have set out below the key reporting dates planned for the next three years.

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

	2024/25	2025/26	2026/27
Audit plan to FASC	June 2025	June 2026	April 2027
Annual audit report to FASC	[February 2026]	November 2026	September 2027
Annual audit report to CAC	[March 2026]	December 2026	September 2027

D

Timeline of communication and deliverables



E

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 February 2026.

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
Partially complete recommendations	12	8	1	21
New recommendations	5	6	0	11
Completed recommendations	(6)	(4)	(0)	(10)
Superseded recommendations	(2)	0	0	(2)
Total open recommendations	17	14	1	32

No.	Findings and risk	Recommendation / grading	Management response Implementation timeframe	EY Conclusion/response
1.	<p>Financial statement timetable</p> <p>The Council has been working on a delayed financial statement and audit timetable for the last 4 years.</p> <p>The focus for future years is returning to a timetable in line with the statutory requirements however this will require a multi-year plan.</p>	<p>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.</p> <p>Grade 1</p>	<p>Response March 2024: 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.</p> <p>Response 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.</p> <p>Response February 2026: The 2024/25 audit is progressing. Current targeting full completion including IFRS 16 for February 2026.</p> <p>Responsible officer: Head of Corporate Finance</p> <p>Revised Implementation date: September 2027 (previously June 2024)</p>	<p>Partially complete.</p> <p>The Council achieved the production deadline for the unaudited financial statements however they were not fully Code compliant. This was due to the Council not incorporating the requirements of IFRS 16 Leases, due to the information not being available in a timely manner.</p> <p>As a result of these delays, a revised multi-year timetable to return to a September sign off has been agreed.</p>

E

Action Plan

No.	Findings and risk	Recommendation / grading	Management response Implementation timeframe	EY Conclusion/response
2.	<p>Financial statement working papers</p> <p>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.</p>	<p>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.</p> <p style="text-align: right;">Grade 1</p>	<p>Response March 2024: The Council will work with EY to agree a timetable for the 2023-24 audit. This includes 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.</p> <p>Response 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 valuations are being developed throughout 2023/24 audit process.</p> <p>Response February 2026: Management have provided the working papers and all required technical working papers throughout the 2024/25 audit.</p> <p>Responsible officer: Head of Corporate Finance</p> <p>Implementation date: June 24 but may require more time for some aspects</p>	<p>Complete.</p> <p>We are satisfied with the steps taken from management in relation to providing the required working papers and accounting papers for audit procedures. This will be subject to ongoing consideration through the audit process.</p>

No.	Findings and risk	Recommendation / grading	Management response and update	EY Conclusion/response
3.	<p>Disclosure checklist</p> <p>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.</p> <p>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.</p>	<p>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.</p> <p style="text-align: right;">Grade 2</p>	<p>Response March 2024: 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.</p> <p>Response March 2025: Review of Code requirements has been undertaken as part of 23/24 planning arrangements.</p> <p>Response February 2026: Review of Code requirements has been undertaken as part of 2024/25 accounts closedown.</p> <p>Responsible officer: Head of Corporate Finance</p> <p>Revised Implementation date: July 2026</p>	<p>Partially complete.</p> <p>While a review of Code requirements was undertaken as part of the 2024/25 closedown, best practice is for management to complete the disclosure checklist.</p> <p>This continues to be important given recent and upcoming changes to the Code.</p>

No.	Findings and risk	Recommendation / grading	Management response and update	EY Conclusion/response
4.	<p>Income and expenditure recognition</p> <p>Our procedures in respect of income and expenditure recognition identified a number of errors including:</p> <ul style="list-style-type: none"> ▶ 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. 	<p>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.</p> <p style="text-align: right;">Grade 2</p>	<p>Response March 2024: The Council will undertake a review and, through the Financial Management Steering Group, share the lessons learned to minimize re-occurrence.</p> <p>Response March 2025: Report to FMSG and finance managers has been circulated. Officers have considered the review points as part of the 2023/24 closedown.</p> <p>Response February 2026: Work was undertaken to identify any potential instances of internal income and expenditure being incorrectly classified and corrective action taken prior to the end of 24/25.</p> <p>Responsible officer: Head of Corporate Finance</p> <p>Implementation date: April 2024</p>	<p>Complete.</p> <p>Corrective action has been performed, and no instances have been identified within 2024/25.</p>

No.	Findings and risk	Recommendation / grading	Management response and update	EY Conclusion/respo nse
5.	<p>Accounting for Depreciation</p> <p>We identified two errors in respect of accounting for depreciation:</p> <ul style="list-style-type: none"> ▶ 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. 	<p>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.</p> <p style="text-align: right;">Grade 1</p>	<p>Response March 2024:</p> <p>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.</p> <p>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.</p> <p>Response March 2025:</p> <p>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.</p> <p>Response March 2026:</p> <p>Due to current system limitations, this will be considered as part of the ERP implementation project.</p> <p>Responsible officer: Head of Corporate Finance</p> <p>Implementation date: June 2024</p>	<p>Superseded.</p> <p>The various ERP related recommendations have been superseded and included within recommendation [46.]</p>

E

Action Plan continued

No.	Findings and risk	Recommendation / grading	Management response and update	EY Conclusion/response
6.	<p>Journal review</p> <p>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.</p> <p>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.</p>	<p>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.</p> <p style="text-align: right;">Grade 1</p>	<p>Response March 2024: 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 the 2023/24 audit planning.</p> <p>Response 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.</p> <p>Response March 2026: Due to current system limitations, this will be considered as part of the ERP implementation project.</p> <p>Responsible officer: Head of Corporate Finance</p> <p>Implementation date: Ongoing - to be discussed as part of 2023/24 audit planning</p>	<p>Superseded.</p> <p>The various ERP related recommendations have been superseded and included within recommendation [46].</p>

No.	Findings and risk	Recommendation / grading	Management response and update	EY Conclusion/response
7.	<p>Valuation programme and assets not revalued</p> <p>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.</p> <p>In 2021/22, Group assets were not subject to consideration through this assessment resulting in a prior period adjustment.</p>	<p>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.</p> <p style="text-align: right;">Grade 2</p>	<p>Response March 2024: The Council has undertaken an unprecedented high number and frequency of asset revaluations, in order to address the impact that the recent inflationary spoke 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 only scheduled for valuation under the FY22/23 programme. The Council will ensure that group assets are considered as part of the rolling revaluation programme.</p> <p>Response March 2025: Group assets are now included in the regular valuation exercise.</p> <p>Response March 2026: Group assets were incorporated into the 2024/25 assets not revalued consideration.</p> <p>Responsible officer: Head of Corporate Finance</p> <p>Implementation date: June 2024</p>	Complete.

No.	Findings and risk	Recommendation / grading	Management response and update	EY Conclusion/response
8.	<p>Heritage asset existence</p> <p>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.</p>	<p>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.</p> <p style="text-align: right;">Grade 2</p>	<p>Response March 2024: The Council will consider the most effective means to enhance testing procedures and volumes.</p> <p>Response 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.</p> <p>Response March 2026: Programme of existence testing carried out through implementation of the Inventory Action Plan. This consists of a rolling programme with 25% of the display checked each year and is being taken forward through integration to business-as-usual tasks.</p> <p>Responsible officer: Head of Museums and Collections</p> <p>Revised Implementation date: June 2026 (previously June 2024)</p>	<p>Partially complete.</p> <p>We will assess progress in implementing the rolling programme and inventory action plan through our 2025/26 audit.</p>

No.	Findings and risk	Recommendation / grading	Management response and update	EY Conclusion/response
9.	<p>Heritage asset records</p> <p>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.</p> <p>The volume of work still required to fully catalogue the collections is significant.</p>	<p>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.</p> <p style="text-align: right;">Grade 1</p>	<p>Response March 2024: The Council continue to update and maintain its cataloguing of the collections in line with the Collections Documentation Policy and Plan 2024-29.</p> <p>Response March 2025: 7 tasks have been identified to support completion of this recommendation with 2 identified as complete and the remainder ongoing.</p> <p>Response February 2026: Work ongoing to complete the 7 tasks including approval of the Inventory Action Plan in August 2025. Further work required in respect of Library special collection.</p> <p>Responsible officer: Head of Museums and Collections</p> <p>Implementation date: Ongoing up to 2029</p>	<p>Partially complete.</p> <p>Work continues to address this recommendation with 7 steps being identified to support implementation with a range of dates for these to be addressed.</p>

E

Action Plan continued

No.	Findings and risk	Recommendation / grading	Management response and update	EY Conclusion/response
10.	<p>Infrastructure assets</p> <p>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.</p>	<p>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.</p> <p style="text-align: right;">Grade 1</p>	<p>Response March 2024: 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.</p> <p>Response March 2025/February 2026: The Local Government Finance Circular 8/2024 has extended the statutory override in Scotland until 31 March 2027. The sector is working on a suitable response to the accounting requirements. Until there is clarity in the requirements from the sector the council will not undertake further work in this area.</p> <p>Responsible officer: Executive Director of Finance</p> <p>Revised Implementation date: 31 March 2028</p>	<p>Partially complete.</p> <p>The statutory override has been extended until 31 March 2027 and national discussions are ongoing with respect to a permanent solution. The Council will need to continue to liaise with relevant parties and ensure information deficits are addressed.</p>

No.	Findings and risk	Recommendation / grading	Management response and update	EY Conclusion/response
11.	<p>PPE Existence</p> <p>Misclassification of a recycling facility which had subsequently been disposed of resulting in an adjustment of £0.15 million.</p> <p>Capitalisation of low value items including moveable IT accessories which are challenging to prove ongoing existence and are likely to have limited useful lives.</p> <p>No existence testing was performed by management and similarly, an impairment assessment had not been performed.</p>	<p>The Council should ensure that:</p> <ul style="list-style-type: none"> ▶ 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. <p style="text-align: right;">Grade 1</p>	<p>Response March 2024: The Council will reissue guidance on capitalisation and existence criteria to the Financial Management Steering Group and Capital Board to minimise reoccurrence.</p> <p>Response March 2025: Officers have considered the points within the report to Capital Board.</p> <p>Response March 2026: New process in place following implementation of the new ICT contract.</p> <p>Responsible officer: Head of Corporate Finance</p> <p>Revised Implementation date: July 2026 (previously April 2024)</p>	<p>Complete.</p> <p>While an information deficit remains for historic assets, the Council has established a new process as part of the ICT contract which should ensure that the Council can readily demonstrate existence.</p> <p>We also note that the Council should assess processes as part of the new ERP project to determine whether further detail could be recorded on the new finance system. Refer to Recommendation [XX].</p>

No.	Findings and risk	Recommendation / grading	Management response and update	EY Conclusion/response
12.	<p>SAP Outage lessons learned</p> <p>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.</p> <p>While the Council were able to successfully implement disaster recovery procedures, they should assess any improvements required to procedures and ensure relevant processes are in place.</p>	<p>Management should ensure that appropriate disaster recovery plans are in place which include regular testing of back-ups for key systems.</p> <p>Disaster recovery plans should be reviewed following recent implementation to identify further areas for improvement.</p> <p style="text-align: right;">Grade 1</p>	<p>Response March 2024: 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 reliance.</p> <p>Response 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.</p> <p>Response February 2026: Following the SAP incident, CGI undertook a programme of back-up and recovery testing across over 100 applications, including SAP. Through contract extension negotiations with CGI, the Council agreed its revised requirements for disaster recovery and back up and a programme of testing has been successfully undertaken.</p> <p>Responsible officer: Head of Strategic Information, Innovation and Technology</p> <p>Implementation date: Ongoing and as agreed as part of future IT arrangements</p>	<p>Partially complete.</p> <p>While testing has been performed, a routine disaster recovery programme has not been established.</p>

No.	Findings and risk	Recommendation / grading	Management response and update	EY Conclusion/response
13.	<p>Longer Term Financial Strategy</p> <p>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.</p> <p>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.</p>	<p>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.</p> <p style="text-align: right;"><i>Grade 1</i></p>	<p>Response March 2024: 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.</p> <p>Response March 2025: A part of the 2025-26 budget process a Financial Forecast for the period 2025-2028 was undertaken. Due to the levels of financial uncertainty, it is challenging to prepare plans beyond that timeframe however that will continue to be kept under review.</p> <p>Response February 2026: A Financial Outlook 2026-28 presented to City Administration Committee on 21/08/2025, with 10 year forecast under development.</p> <p>Responsible officer: Executive Director of Finance</p> <p>Implementation date: Ongoing as part of annual budget processes</p>	<p>Partially complete.</p> <p>Refer to commentary on page [51] onwards in respect of financial sustainability. While the Financial Outlook 2026-2028 demonstrated progress in future financial planning, a detailed medium-term financial plan remains best practice.</p>

No.	Findings and risk	Recommendation / grading	Management response and update	EY Conclusion/response
14.	<p>Monitoring of Investment Programme</p> <p>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.</p> <p>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.</p>	<p>The Council should ensure that capital monitoring arrangements provide clear and concise reporting against individual programme progress and budgets.</p> <p style="text-align: right;"><i>Grade 2</i></p>	<p>Response March 2024: 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.</p> <p>Response 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.</p> <p>Response February 2026: A review of the format of the report provided to FASC will be undertaken in light of the feedback from the Committee.</p> <p>Responsible officer: Director of Financial and Business Services</p> <p>Revised Implementation date: December 2026 (original date: December 2024)</p>	Partially complete.

No.	Findings and risk	Recommendation / grading	Management response and update	EY Conclusion/response
15.	<p>Financial Management Capacity</p> <p>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.</p> <p>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.</p>	<p>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.</p> <p style="text-align: right;"><i>Grade 1</i></p>	<p>Response March 2024: 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.</p> <p>Response 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.</p> <p>Response February 2026: Recruitment process to fill vacancies is complete. Corporate Finance staffing numbers will be maintained at this level.</p> <p>Responsible officer: Director of Financial and Business Services</p> <p>Revised Implementation date: December 2025 (Original date June 2024)</p>	<p>Complete.</p> <p>We note that since the original recommendation was made, the finance team has experienced significant turnover but has now filled all existing vacancies.</p> <p>The Council has a number of significant projects underway which will require significant finance resource and therefore we continue to recommend that the Council continues to review the capacity of the finance team. This will continue to be reassessed as part of the annual audit.</p>

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Action Plan continued

No.	Findings and risk	Recommendation / grading	Management response and update	EY Conclusion/response
16.	<p>Significant governance actions</p> <p>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.</p> <p>Further work is underway to resolve internal audit concerns in relation to the ALEO's Servitor system upgrade.</p> <p>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.</p>	<p>The improvement actions in relation to the significant governance matters at City Building must be concluded at pace.</p> <p style="text-align: right;"><i>Grade 1</i></p>	<p>Response March 2024: The Council is working with Wheatley Housing Group and City Building to progress the action plan as a matter of priority.</p> <p>Response 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.</p> <p>Response February 2026: The 2024-25 financial statements were signed by the statutory deadline of December 2025. However, this timeframe will not support the incorporation of City Building into the 2024-25 GCC Group financial statements audit however, this will be the target for the 2025-26 GCC Group accounts.</p> <p>Responsible officer: Director of Financial and Business Services</p> <p>Implementation date: December 2025 (previously June 2024)</p>	<p>Complete.</p> <p>Significant progress has been made in improvement actions and bringing forward the audit and financial statement timetables.</p> <p>Due to the impact of the prior year matter on the financial statements, the 2024/25 financial statements will remain qualified, but we will now work with management and component auditor to address this for future years.</p>

No.	Findings and risk	Recommendation / grading	Management response and update
17.	<p>Organisational capacity</p> <p>The Council has plans to transform its digital and ICT infrastructure, alongside:</p> <ul style="list-style-type: none"> ▶ the implementation of a pay and grading scheme ▶ Projects to develop untested new income streams; and ▶ Deliver substantial savings over the net three years. <p>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.</p> <p>Arrangements to report to elected members will be critical to ensure that decisions are based on quality data.</p>	<p>The Council must ensure that clear roles and responsibilities are established in a robust accountability framework.</p> <p style="text-align: right;"><i>Grade 1</i></p>	<p>Response March 2024:</p> <p>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.</p> <p>Response March 2025:</p> <p>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.</p> <p>Response February 2026:</p> <p>Each of these projects continue to be progressed in line with council policies and procedures. Future of ICT project has completed and so has moved into business as usual with the procurement of the Compute and Storage Workstream currently underway. ERP Replacement is also making progress with the award of contract for both the software supplier and the system implementor. Pay & Grading continues to make progress with a revised implementation date of April 2027. The robust governance arrangements in place for each project will continue throughout delivery.</p> <p>Responsible officer: Director of Financial and Business Services</p> <p>Implementation date: Ongoing in line with policies and procedures</p>



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No.	EY Conclusion/response
17.	<p>Complete.</p> <p>Each significant project underway has governance arrangements in place. These should be kept under regular review to ensure that they remain appropriate both at an individual project level and at an overall council level.</p>

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Action Plan continued

No.	Findings and risk	Recommendation / grading	Management response and update	EY Conclusion/response
18.	<p>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.</p>	<p>The Council should consider its performance reporting arrangements to ensure it is compliant with statutory performance indicators requirements.</p> <p style="text-align: right;"><i>Grade 1</i></p>	<p>Response March 2024: 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.</p> <p>Response March 2025: The Annual Performance Report was published in January 2025.</p> <p>Response February 2026: The format and content is being reviewed for the 2026 edition to take account of updated requirements. Consideration of this is being included in the current independent review of the operational scrutiny committee prior to implementation.</p> <p>Responsible officer: Head of Corporate Policy and Governance</p> <p>Revised Implementation date: April 2026 (Original date: September 2024)</p>	<p>Partially complete.</p> <p>We have been unable to assess progress as the 2026 annual performance report is not available yet.</p>

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No.	Findings and risk	Recommendation / grading	Management response and update	EY Conclusion/response
19.	<p>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.</p>	<p>The Council must prioritise the implementation of recommendations in relation to cyber security as a matter of urgency.</p> <p style="text-align: right;"><i>Grade 1</i></p>	<p>Response March 2024: The Council continues to work towards completion of the security action plan.</p> <p>Response 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.</p> <p>Response February 2026: Through recent contract extension negotiations with CGI, the Council agreed its revised requirements for security services. These have been implemented and are progressing. A further recruitment campaign was completed for the Cyber Security Manager post, however the post remains unfilled. Options are under review about the recruitment of permanent resources in a highly competitive and challenging market. In the meantime, the Council has enhanced its existing security team through procurement of a Security Assurance Service provider to work with the Council to provide support and advice. The SAS provider will undertake a full review of security options and controls and provide recommendations and an action plan.</p> <p>Responsible officer: Head of Strategic Information, Innovation & Technology/ Head of Internal Audit</p> <p>Implementation date: 31 March 2026</p>	<p>Partially complete.</p> <p>We will consider the action plan developed by the SAS provider as part of our 2025/26 audit.</p>

No.	Findings and risk	Recommendation / grading	Management response and update	EY Conclusion/r response
20.	<p>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.</p>	<p>The Council should review arrangements in place to capture and reduce emissions, including Scope 3.</p> <p style="text-align: right;"><i>Grade 1</i></p>	<p>Response March 2024: 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.</p> <p>Response 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.</p> <p>Response February 2026: The draft revised climate plan was approved by City Administration Committee to be put out to consultation in December 25. The consultation is ongoing and due to complete in February 26. A final version of the revised climate plan will be presented to the Net Zero Committee in April 26 and then to the City Administration Committee for formal adoption.</p> <p>Responsible officer: Head of Sustainability</p> <p>Implementation date: 30 April 2024</p>	<p>Complete.</p> <p>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. The Council should ensure this is taken forward once sector 3 reporting is agreed across the sector.</p>

No.	Findings and risk	Recommendation / grading	Management response and update	EY Conclusion/resp onse
21.	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. <i>Grade 1</i>	<p>Response March 2024: Accepted. The Council has recently undertaken a Corporate Governance Review, which outlined a similar recommendation. That recommendation is currently being implemented.</p> <p>Response 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.</p> <p>Response February 2026: The 2026-28 Budget outlook went to City Administration Committee on 21 August. In order to build upon the previous longer term approach but also to ensure alignment to key plans of the council the Financial Outlook also includes a proposed Public Service Reform and Financial Strategy including a governance structure and monitoring process. The Corporate Leadership Team of the council has recently stated its intention that the development of budget strategy and decision-making alongside public service reform activity will align to provide sustainable services for the future and these new structures will enable this close coordination and monitoring.</p> <p>Responsible officer: Head of Corporate Policy and Governance</p> <p>Revised Implementation date: Autumn 2026 (Original:31 March 2025)</p>	Partially complete.

No.	Findings and risk	Recommendation / grading	Management response and update	EY Conclusion/response
22.	The Council is committed to the development of performance reporting, including dashboards to enhance member scrutiny against individual commitments.	<p>The Council should finalise the development of a Performance Dashboard to allow elected members to scrutinise all areas of the Strategic Plan.</p> <p style="text-align: right;"><i>Grade 2</i></p>	<p>Response March 2024: 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.</p> <p>Response 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.</p> <p>Response February 2026: This work continues as part of the implementation of the Performance Management Framework and the current Committees Review. An implementation date will be finalised as part of the milestone and implementation plan of that review and updated in this Action Plan.</p> <p>Responsible officer: Head of Corporate Policy and Governance</p> <p>Revised Implementation date: Autumn 2026 (Original date: 30 September 2024)</p>	<p>Partially complete.</p> <p>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.</p>

No.	Findings and risk	Recommendation / grading	Management response / Implementation timeframe	EY Conclusion/response
23.	<p>Developer contributions</p> <p>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.</p>	<p>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.</p> <p style="text-align: right;"><i>Grade 3</i></p>	<p>Response March 2025: The Council will review the current working papers to provide further analysis of balances held and proposed use.</p> <p>Response February 2026: All historical contributions documented and reconciled. Full review of commitments to be completed.</p> <p>Responsible officer: Head of Corporate Finance</p> <p>Revised Implementation date: 31 March 2026 (Original 30 September 2025)</p>	<p>Partially Complete.</p> <p>Full review of commitments still to be completed.</p>

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No.	Findings and risk	Recommendation / grading	Management response / Implementation timeframe	EY Conclusion/ Response
24.	<p>IFRS 16</p> <p>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.</p> <p>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.</p> <p>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.</p>	<p>The Council should establish robust arrangements to monitor and record all leases impacted by IFRS 16 across both the Council and Group portfolio.</p> <p style="text-align: right;"><i>Grade 1</i></p>	<p>Response March 2025: 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.</p> <p>Response February 2026: The council identified relevant leases and engaged with its treasury advisers to provide technical support for the implementation of IFRS16. Unfortunately the required output was not available in sufficient time to reflect the technical requirements within the unaudited annual accounts. As part of the audit process there will be a requirement to comply with IFRS16 and restate assets and liabilities as required. Work is ongoing during the audit process to ensure compliance.</p> <p>Responsible officer: Head of Corporate Finance</p> <p>Implementation date: Ongoing - to be included in the post audit annual accounts by February 2026 (originally June 2025).</p>	<p>Partially complete. The impact of IFRS 16 has been included within the audited financial statements, however as noted throughout the report, this was significantly after the agreed timelines.</p> <p>The Council must demonstrate as part of the 2025/26 financial statement preparation that the information can be prepared in a timely manner and included within the unaudited financial statements.</p>

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No.	Findings and risk	Recommendation / grading	Management response / Implementation timeframe	EY Conclusion/response
25.	<p>Low emission zone guidance and records</p> <p>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.</p> <p>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.</p>	<p>Management should perform a review of any new guidance published for the low emission zone disclosures to ensure compliance for 2024/25.</p> <p>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.</p> <p style="text-align: right;"><i>Grade 2</i></p>	<p>Response March 2025: The reporting for the low emission zone will be reviewed to include any changes from LASAAC guidance. Data requirements from the 2023/24 audit process will be reviewed to ensure their availability for the 2024/25 audit.</p> <p>Response February 2026: The Council reviewed the LEZ guidance during the preparation of the unaudited accounts to ensure compliance. All relevant data was captured to prepare the disclosure within 2024/25 financial statements.</p> <p>Responsible officer: Head of Corporate Finance</p> <p>Implementation date: 30 June 2025</p>	<p>Complete.</p> <p>We are satisfied with the steps taken from management to ensure the relevant data is captured appropriately however timeliness of responses to audit queries in this area should continue to be an area of focus.</p>

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No.	Findings and risk	Recommendation / grading	Management response / Implementation timeframe	EY Conclusion/Response
26.	<p>IT system owners and process arrangements</p> <p>The Council has a significant number of IT applications and systems which support the production of the financial statements.</p> <p>We encountered a number of challenges in obtaining information with respect of these systems including:</p> <ul style="list-style-type: none"> • 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. <p>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.</p>	<p>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.</p> <p style="text-align: right;"><i>Grade 2</i></p>	<p>Response March 2025: The Council will create and maintain a record of system owners and a log of evidence required to support audit requirements.</p> <p>Response March 2026: Digital services has engaged the business to identify and record IT system owners. Audit requirements are clearly set out in the Council's contracts with Managed Service Providers.</p> <p>Responsible officer: Head of Strategic Information, Innovation & Technology</p> <p>Implementation date: 31 March 2026</p>	Partially complete.

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No.	Findings and risk	Recommendation / grading	Management response / Implementation timeframe	EY Conclusion/Response
27.	<p>Exit packages calculations</p> <p>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.</p>	<p>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.</p> <p style="text-align: right;"><i>Grade 2</i></p> <p><i>Aligned to Finding 1 from the Accounts Commission's Section 102 report on Senior Officer Exit Packages</i></p>	<p>Response March 2025: The council will liaise with SPF regarding strain on the fund calculations included within any exit agreements to confirm they are only included for any relevant individuals. Estimates of strain on the fund included within exit packages will be confirmed with SPF.</p> <p>Response February 2026: Where there are instances of delay between calculation of exit costs and exit, estimates are reviewed for accuracy.</p> <p>Responsible officer: Head of Corporate Finance.</p> <p>Implementation date: 30 June 2025</p>	<p>Complete.</p> <p>Our testing in 2024/25 noted immaterial differences between estimated and actual strain on the fund costs. No individuals were identified as having strain on the fund costs when they were not eligible for those.</p>

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No.	Findings and risk	Recommendation / grading	Management response / Implementation timeframe	EY Conclusion/ Response
28.	<p>Exit package and approval documentation</p> <p>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.</p> <p>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.</p>	<p>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.</p> <p style="text-align: right;"><i>Grade 2</i></p> <p><i>Aligned to Finding 5 from the Accounts Commission's Section 102 report on Senior Officer Exit Packages</i></p>	<p>Response March 2025: The Council will review the 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.</p> <p>Response February 2026: Changes to processes were implemented in April 2025 including guidance on electronic approvals. The terms of Reference of the Corporate Workforce Board were agreed in October 2025 and the Board met in October 2025. There have been no proposals for early retirement or voluntary redundancy which were required to be considered by the Board. All actions have been implemented and therefore we consider this recommendation to be complete.</p> <p>Responsible officer: Director of Communication and Corporate Governance</p> <p>Implementation date: 30 June 2025</p>	<p>Partially complete.</p> <p>We continue to have the same observations in respect of exit package approval documentation from our testing in 2024/25. The new process will be reviewed as part of the 2025/26 audit.</p>

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Action Plan continued

No.	Findings and risk	Recommendation / grading	Management response / Implementation timeframe	EY Conclusion/ Response
29.	<p>Business case rationale</p> <p>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.</p>	<p>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.</p> <p style="text-align: right;"><i>Grade 1</i></p> <p><i>Aligned to Finding 1 from the Accounts Commission's Section 102 report on Senior Officer Exit Packages</i></p>	<p>Response March 2025: 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.</p> <p>Response February 2026: The terms of Reference of the Corporate Workforce Planning Board were agreed in October 2025 and the Board met in October 2025. There have been no proposals for early retirement or voluntary redundancy which were required to be considered by the Board.</p> <p>Responsible officer: Director of Communication and Corporate Governance</p> <p>Implementation date: 30 June 2025</p>	<p>Partially complete.</p> <p>While the Council has established the Corporate Workforce Planning Board, there have been no restructuring papers considered yet and no updated guidance is available.</p>

No.	Findings and risk	Recommendation / grading	Management response / Implementation timeframe	EY Conclusion/ Response
30	<p>Scheme of Delegated Functions and Code of Conduct</p> <p>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.</p>	<p>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.</p> <p style="text-align: right;"><i>Grade 1</i></p> <p><i>Aligned to Finding 3 and 6 from the Accounts Commission's Section 102 report on Senior Officer Exit Packages</i></p>	<p>Response March 2025: 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.</p> <p>Response February 2026: The Scheme of Delegations is now subject to ongoing regular review, overseen by the Council's Monitoring Officer, with proposed changes being subject to a robust governance process with regular reports being taken for discussion at meetings of the Council's Business Bureau and thereafter for approval at meetings of Full Council. Recent changes have been approved at meetings of the Council on 30 October and 11 December 2025. Training on the principles to be applied in relation to applying, monitoring and reviewing the scheme of delegations was provided to the Corporate Leadership team in May 2025. Gold courses on the Scheme of Delegations and the Employee Code of Conduct, both of which have a focus on ensuring that the Nolan Principles are applied and understood has been developed. The GOLD Course on Scheme of Delegations was presented to the Corporate Leadership Team in December 2025 and it was agreed that the launch will be supported by a Corporate Announcement to all staff from the Chief Executive. Both courses were launched in January.</p> <p>Consideration has been given to a culture audit and it was agreed that this should be progressed. This work has now been commenced by Internal Audit. As a result of the actions taken we consider this recommendation to be complete.</p> <p>Responsible officer: Director of Legal and Administration</p> <p>Implementation date: 30 June 2025</p>	<p>Partially complete.</p> <p>The Council has commenced work on training and culture audits, but this is ongoing at the time of writing this report.</p>

No.	Findings and risk	Recommendation / grading	Management response / Implementation timeframe	EY Conclusion/ Response
31.	<p>Best value thematic - Workforce innovation</p> <p>There is not a single standalone workforce or people strategy that underpins the Strategic Plan or planning over the medium term. This is an expectation under the requirements of the Best value statutory guidance 2020 and would support the Council's response to digital, technological and strategic changes.</p>	<p>There is an expectation that the Council will have a workforce strategy that sets out how it will deliver its vision, priorities and values in the medium term.</p> <p style="text-align: right;"><i>Grade 1</i></p>	<p>Response May 2025: Accepted. GCC will work to consider how this can be achieved taking cognisance of the size and scale of the organisation which will involve a strategic overview spanning the Council and be supplemented by business area plans at a more detailed level,</p> <p>Response February 2026: The council wide Workforce Board has been established and Terms of Reference have been agreed by the Corporate Leadership Team. This provides the forum to take forward the appropriate workforce strategy and work is currently underway to align this with the vision, values and priorities associated with Public Sector Reform and locally the Equal Pay Programme implementation currently planned for April 2027. However, we would alert that March 2026 target date is unlikely and this is more likely to be into 2027 and after Pay & Grading Structure implementation.</p> <p>Responsible officer: Head of HR</p> <p>Revised Implementation date: 31 March 2027 (original: 31 March 2026)</p>	Partially complete.

E

Action Plan continued

No.	Findings and risk	Recommendation / grading	Management response / Implementation timeframe	EY Conclusion/ Response
32.	<p>Best value thematic - Workforce innovation</p> <p>The Council's data highlights significant variation across services in the completion of the Performance Coaching and Review process.</p> <p>Performance discussions are a critical process for any organisation to ensure that employees continue to fulfil their roles effectively and develop throughout their career.</p>	<p>The Council should take steps to improve participation in the Performance Coaching and Review process across the Council.</p> <p style="text-align: right;"><i>Grade 2</i></p>	<p>Response May 2025: Accepted. The Council will continue to strive to improve participation in the PCR process across the Council.</p> <p>Response February 2026: For areas in scope records indicate improved mid year returns which sit at 66%. Reporting arrangements are variable however and not complete for other areas - an issue which will be addressed for end of year reports. Additionally, plans are in place to extend the deployment of Performance Coaching Review within wider arena, most notably HSCP.</p> <p>Responsible officer: Head of HR</p> <p>Revised Implementation date: 30 June 2026 (following next two rounds of PCR Oct 25 and May 26)</p>	Partially complete.

No.	Findings and risk	Recommendation / grading	Management response / Implementation timeframe	EY Conclusion/ Response
33.	<p>Best value thematic - Workforce innovation</p> <p>The Council has not completed a survey of the full workforce since prior to the pandemic and there is therefore a risk that employee satisfaction and engagement may not support the aims within the Strategic Plan. Employee surveys provide a way to demonstrate the effectiveness and value for money of key Council investments in its staff.</p>	<p>The Council should develop plans to monitor and track employee engagement, including workforce surveys.</p> <p style="text-align: right;"><i>Grade 2</i></p>	<p>Response May 2025: Accepted. The Council is currently working on a number of employee engagement strategies to gauge the effectiveness of our workforce strategies.</p> <p>Response February 2026: As reported in September 2025, a Culture review by Internal Audit has kicked off at leadership level. From a corporate perspective there are no planned council wide employee surveys appropriate at this point in the Equal Pay Programme schedule. This matter will be kept under review and a variety of employee engagement methods and feedback will be incorporated as we work through the implementation period to April 27.</p> <p>Responsible officer: Head of HR</p> <p>Revised Implementation date: 31 March 2026</p>	Partially complete.

No.	Findings and risk	Recommendation / grading	Management response / Implementation timeframe
34.	<p>Common Good fund reporting</p> <p>The Council maintains a Common Good Asset register on their website in line with legislative requirements, however there is an ongoing exercise to review title deeds to ensure the register is materially complete.</p> <p>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 are not provided.</p>	<p>The Council should ensure that regular updates on the steps being taken to comply with the Community Empowerment Act requirements are reported to the appropriate committee.</p> <p style="text-align: right;"><i>Grade 2</i></p>	<p>Response: An update will be included as part of the Common Good Fund annual budget update.</p> <p>Responsible officer: Head of Corporate Finance</p> <p>Implementation date: 31 March 2026</p>

No.	Findings and risk	Recommendation / grading	Management response / Implementation timeframe
35.	<p>Use of spreadsheets</p> <p>The nature of the Council's financial statement preparation arrangements requires significant use of spreadsheets for analysis of high-volumes of data, often with complex formulae.</p> <p>We have noted two errors above our reporting thresholds (£4.1 million and £77.9 million) related to spreadsheets errors in the current and prior year audits. Errors in other working papers were also observed including the cashflow forecast for going concern. While recognising that, for the scale of the Council and considering the wide use of spreadsheets, this is a relatively low number of errors, our assessment is that both errors could have been prevented by robust analytical reviews through quality assurance procedures being performed to understand year on year movements.</p> <p>There is a risk that errors are not identified in a timely manner resulting in inaccurate financial information.</p>	<p>The Council should ensure that robust review arrangements are in place for any spreadsheets used to reduce the risk of errors remaining unidentified. This should include documented analytical review procedures to ensure any year-on-year movements are understood before information is passed to audit.</p> <p>As part of its new ERP project, there will be an opportunity for the Council to review the current areas where spreadsheets are used to determine whether there some tasks could be performed by the new system, with a view to eliminating the significant use of spreadsheets in the production of the financial statements.</p> <p style="text-align: right;"><i>Grade 2</i></p>	<p>Response: The Council will supplement the existing guidance on completion of annual accounts with reference to spreadsheets.</p> <p>Responsible officer: Head of Corporate Finance</p> <p>Implementation date: 31 March 2026</p>

No.	Findings and risk	Recommendation / grading	Management response / Implementation timeframe
36.	<p>PPP Asset valuations</p> <p>In respect of one of the Council's schools managed by a PPP provider, we noted that there was a material movement in the valuation arising due to material capital works that had taken place in prior periods. The Council's valuers and finance team had not been aware of the works performed by the PPP provider. This resulted in an adjustment of [£xx] million which should have been reflected in the prior year valuation and is recorded in Appendix [xx].</p>	<p>The Council should ensure that confirmation of any capital works performed on PPP and DBFM schools is sought on at least an annual basis and any such works should be considered as part of asset valuations.</p> <p style="text-align: right;"><i>Grade 2</i></p>	<p>Response: The PPP steering group receives information regarding planned capital works. This will be passed to City Property to ensure the most up to date information is included in valuations.</p> <p>Responsible officer: Director of Financial and Business Services</p> <p>Implementation date: 31 March 2026</p>

No.	Findings and risk	Recommendation / grading	Management response / Implementation timeframe
37.	<p>PPE Valuation review</p> <p>Our work on PPE Valuations identified a number of material movements in valuations. In addition to the PPP matter noted in recommendation [x], these movements were also caused by reviews of inputs from prior years such as floor areas.</p> <p>The result of these errors resulted in a total error of [£xx million] relating to the prior year.</p> <p>We noted that the finance team had not performed or evidenced their own review of the valuations and particularly the material movements.</p>	<p>We have recommended that a review of asset valuations and year on year movements above an established threshold is performed to ensure management understand the reason for valuation fluctuations before these are passed to audit.</p> <p style="text-align: right;"><i>Grade 2</i></p>	<p>Response: A note of year-on-year movements will be requested as part of the returns from City Property. This note will be reviewed as part of year end procedures.</p> <p>Responsible officer: Head of Corporate Finance/Valuations and Disposals Manager.</p> <p>Implementation date: 31 March 2026</p>

No.	Findings and risk	Recommendation / grading	Management response / Implementation timeframe
38.	<p>Fraud policy</p> <p>The offence of failing to prevent fraud, as introduced by the Economic Crime and Corporate Transparency Act 2023, became effective on 1 September 2025. The Home Office has published statutory guidance (most recently updated in October 2025) which organisations must consider.</p> <p>This guidance outlines the core principles for establishing, reviewing or enhancing anti-fraud procedures. The Council has not yet reviewed its existing fraud policy and procedures against the latest Home Office guidance.</p>	<p>The Council should ensure it has reviewed its existing fraud policy and procedures against the latest Home Office guidance with an assessment of compliance reported to the appropriate committee.</p> <p style="text-align: right;"><i>Grade 1</i></p>	<p>Response:</p> <p>The Fraud Policy is currently being reviewed, and part of this review will include a comparison of the latest Home Office guidance.</p> <p>Responsible officer: Head of Audit & Inspection</p> <p>Implementation date: 30 June 2026</p>

No.	Findings and risk	Recommendation / grading	Management response / Implementation timeframe
39.	<p>Reserves Strategy review</p> <p>The Council's reserves strategy is for the unearmarked reserves balance to be 2% of net budgeted expenditure in the medium-term. The Council last held reserves in line with the medium-term target in 2020/21 and therefore the Council has not been operating within their reserves strategy.</p> <p>The Council's usable reserves are also at the lowest level since 2018/19.</p>	<p>The Council should ensure that the medium- and long-term financial plans set out a clear approach to ensuring that reserves held are in line with the policy. We would further recommend that the Council reviews its policy to ensure this remains appropriate.</p> <p style="text-align: right;"><i>Grade 1</i></p>	<p>Response: The reserves strategy will form part of the annual Financial Outlook report to be presented to City Administration Committee.</p> <p>Responsible officer: Executive Director of Financial Services</p> <p>Implementation date: Autumn 2026</p>

No.	Findings and risk	Recommendation / grading	Management response / Implementation timeframe
40.	<p>Group oversight arrangements</p> <p>The Council adopts different review and monitoring arrangements for each Group entity, taking into account the legal structure. In recent years, the Council has had to respond to a number of matters at different group entities including City Building and SEC. In response to these, different levels of Council involvement have been adopted, recognising the different legal structures in place.</p> <p>Specifically, with the current oversight and internal group reporting arrangements in place as they are, information relating to the prior period adjustment for SEC was not readily available to the Council and was only available to us through group audit reporting arrangements.</p> <p>There is a risk that the Council are not aware in a timely manner of risks or other matters at Group entities, specifically SEC, that could have a negative impact on the Council's investment or reputation.</p>	<p>The Council should establish and document an oversight and reporting framework that clearly defines the level of scrutiny, information requirements, and escalation routes for SEC, proportionate to its legal structure and risk profile. This framework should ensure that material financial matters—such as prior period adjustments—are identified, reported, and accessible to the Council in a timely manner.</p> <p style="text-align: right;"><i>Grade 2</i></p>	<p>Response: The Council will formalise its governance arrangements for SEC.</p> <p>Responsible officer: Executive Director of Financial Services</p> <p>Implementation date: 30 June 2026</p>

No.	Findings and risk	Recommendation / grading	Management response / Implementation timeframe
41.	<p>Cyber Security arrangements</p> <p>The Council was impacted by a cyber incident in June 2025 and there have been a number of recent examples of other incidents impacting public bodies which demonstrates the significant risk faced in respect of cyber attacks.</p> <p>The Accounts Commission published a Section 102 report in respect of the cyber attack at Comhairle nan Eilean Siar in November 2025. The report's findings include two specific findings that the Accounts Commission and Controller of Audit urge all councils to consider.</p> <p>We further note that a number of changes are being made to the Council's Digital and ICT Services through the R2MS project.</p>	<p>We recommend that the Council considers its arrangements in light of the June 2025 cyber incident, the Accounts Commission's finding in respect Comhairle nan Eilean Siar and the ongoing changes being made in digital and ICT services. This should include a written assessment of compliance against the latest guidance and any actions required from this assessment.</p> <p style="text-align: right;"><i>Grade 1</i></p>	<p>Response:</p> <p>The Council has completed a detailed lessons learned review across incident response, recovery and business continuity. This included a review of the Accounts Commission's report on Comhairle nan Eilean Siar. These activities have informed an action plan that is progressing. As recommended, a specific written assessment will be prepared.</p> <p>An Internal Audit review of the incident response is also ongoing and will be reported to FASC in due course.</p> <p>Responsible officer:</p> <p>For cyber security arrangements - Head of Digital Services For the Internal Audit review - Head of Audit and Inspection</p> <p>Implementation date: 31 May 2026</p>

No.	Findings and risk	Recommendation / grading	Management response / Implementation timeframe
42.	<p>Finance and Audit Scrutiny Committee training</p> <p>The January 2025 FASC self-assessment noted that 57% of members felt that the committee has the right mix of skills and experience to carry out the remit. This assessment is consistent with our own views and we believe there is scope for the committee to enhance the scrutiny provided.</p> <p>Since this assessment, there has been further turnover in committee membership with a number of new members joining the committee.</p>	<p>Taking into account the change in membership, lead officers should continue to work together to ensure that an appropriate training programme for members is in place to support members in performing their roles.</p> <p style="text-align: right;"><i>Grade 2</i></p>	<p>Response: FASC training will be organised before the summer recess with a programme of future training to be determined thereafter.</p> <p>Responsible officer: Head of Audit and Inspection</p> <p>Implementation date: 30 June 2026</p>

No.	Findings and risk	Recommendation / grading	Management response / Implementation timeframe
43.	<p>Annual performance report publication</p> <p>We have been unable to report on progress in moving towards compliance with the new SPI Direction and Best Value Statutory Guidance due to the annual performance report not being available in a timely manner. The annual performance report is a key document that enables the Council to demonstrate its impact on local communities as well as areas for further development. Publication more than 12 months after the year end date means that the report loses relevance and impact.</p>	<p>We recommend that the Council reviews the timeline for production and publication of the annual performance report to ensure this is issued on a timelier basis.</p> <p style="text-align: right;"><i>Grade 1</i></p>	<p>Response: The current 2024/25 APR is being presented to committee on 16th April 2026. The 2025/26 APR is scheduled for delivery in Autumn 2026.</p> <p>Responsible officer: Head of Policy and Corporate Governance</p> <p>Implementation date: Autumn 2026</p>

No.	Findings and risk	Recommendation / grading	Management response / Implementation timeframe
44.	<p>Finance system control improvements</p> <p>Over the course of our audit appointment, we have identified a number of system limitations which result in either control weaknesses or challenges in fully complying with the CIPFA Code requirements. Specifically, we highlight:</p> <ul style="list-style-type: none"> ■ The Council are unable to update the useful life of assets on the fixed asset register resulting in recurring errors in depreciation charged. ■ The system does not have a built-in approval process for journals. Journals are therefore prepared and posted without any evidence of secondary review or authorisation. 	<p>As part of the new ERP project, the Council should ensure that a detailed review of current processes and controls performed to capture any current system limitations. The Council should then ensure that the system has sufficient functionality to enable full CIPFA Code compliance and ensure appropriate segregation of duties are embedded in the system.</p> <p style="text-align: right;"><i>Grade 1</i></p>	<p>Response: These specific system limitations will be passed to the Head of ERP Development Programme to ensure they are included as part of the improvements the ERP Programme will deliver.</p> <p>Responsible officer: Director of Financial and Business Services</p> <p>Implementation date: 31 March 2026</p>

F

Adjusted and unadjusted audit differences

This appendix sets out the adjustments that were processed as part of finalisation of the financial statements. We include differences identified both for the audit of the Council and the Group. Council audit differences are not duplicated in the Group tables but do have an impact on the Group financial statements.

During the course of the audit, we have identified one misstatement greater than £32 million [to date] which have been correct by management in respect of the inclusion of the impact of implementation of IFRS 16 . We identified [1] adjustment to date less than £32 million which has been adjusted by management.

Summary of adjusted differences - Council 2024/25

No.	Description	Balance Sheet Debit/(Credit)				CIES Debit/(Credit)		Reserves
		NCA £m	CA £m	NCL £m	CL £m	OCI £m	Surplus/ Deficit £m	£m
1	Understatement in annual leave accrual				(4.1)		4.1	
2	IFRS 16 Implementation	(767) 821	(1)	(87)	(27)	69.7	(8.5)	
Total		54	(1)	(87)	(31.1)	69.7	(4.4)	-

Summary of adjusted differences - Group 2024/25

No.	Description	Balance Sheet Debit/(Credit)				CIES Debit/(Credit)		Reserves
		NCA £m	CA £m	NCL £m	CL £m	OCI £m	Surplus/ Deficit £m	£m
1	SEC deferred income and accruals adjustment				(2.5)		2.5	
2	Cumulative impact of consolidation of audited figures of group entities						14.4 (14.4)	
Total		-	-	-	-	-	-	-

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 audit differences

Summary of unadjusted differences - Council 2024/25

No.	Description	Balance Sheet Debit/(Credit)				CIES Debit/(Credit)		Reserves
		NCA £m	CA £m	NCL £m	CL £m	OCI £m	Surplus/ Deficit £m	£m
1	Long-term debtor car park lease	(3.5)						3.5
2	Judgemental misstatement of overstatement of depreciation associated to buildings	4.5					(4.5)	
3	Land acquisition classified as infrastructure	5.2 0.7 (5.2)					(0.7)	
4	SEC Armadillo adjustment	7.6				(7.6)		
5	IT and computer equipment impairment	(3.4)				3.4		
6	IFRS 16 calculation error	(2.6)		2.6				
Total		3.3	-	2.6	-	(4.2)	(5.2)	3.5

Summary of unadjusted differences - Group 2024/25

No.	Description	Balance Sheet Debit/(Credit)				CIES Debit/(Credit)		Reserves
		NCA £m	CA £m	NCL £m	CL £m	OCI £m	Surplus/ Deficit £m	£m
1	Share of operating results of associates - current year impact of prior year error					(8.9)		
Total		-	-	-	-	(8.9)	-	-



Adjusted and unadjusted audit differences

Summary of Disclosure/ other differences - Council 2024/25

No.	Description
1	<p>Misstatement in disclosure of asset under construction additions</p> <p>As part of our asset under construction additions testing, we identified one asset for £2.38 million which was completed in 2024/25. To account for this, the Council reduced asset under construction additions and subsequently increased additions to land and buildings. Instead, we believe that this should have been accounted for as a transfer from assets under construction to land and buildings. This has no impact of the closing balance of any PPE asset classes and therefore relates only to disclosures within Note 20 of the financial statements.</p>
2	<p>Misstatement in disclosure of pension fund assets</p> <p>The auditor of Strathclyde Pension Fund identified a net understatement of pension fund assets totalling £66.74 million. The Council's share of this difference was estimated to be £12.35 million.</p>
3	<p>Misstatement in disclosure of asset transfers</p> <p>In performing our testing over asset transfers, we noted one asset totalling £1.8 million which became operational on 29 March 2024 and should therefore have been transferred from assets under construction to land and buildings in the prior year (2023/24). This misstatement results in nil impact to the balance sheet, instead resulting in movements within Note 20 opening balance and asset transfer figure classifications between assets under construction and land and buildings.</p>
4	<p>Misstatement in disclosure of Vehicles, Plant and Equipment balances</p> <p>As part of existence testing performed over Vehicles, Plant and Equipment, it was noted that the Council were unable to provide sufficient evidence to support the existence of iPads and other devices such as laptops and desktops. Therefore, a judgemental adjustment was proposed which resulted in the net book value of Vehicles, Plant and Equipment reducing by £3.4m and a reduction in depreciation of £2.2m impacting Note 20 of the Council's financial statements.</p>
5	<p>Remuneration report</p> <p>We identified [3] errors within the bandings of individual's disclosed within the remuneration report which have been adjusted for within the updated financial statements.</p>
6	<p>Low Emission Zone</p> <p>Employee costs within the LEZ note were overstated by £7,500. This has been adjusted within the updated financial statements.</p>

Summary of Disclosure/ other differences - Group 2024/25

We have no disclosure or other differences to report from our procedures [to date.]

We also made various comments through our review of the financial statements designed to both ensure full compliance with the Code and enhance the Council and Group's financial reporting. We were content where management opted not to adjust that this was reasonable on the basis of materiality to the financial statements.



Audit fees

2024/25 Fees

The Council’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.

	2024/25	2023/24
Component of fee:		
▪ Auditor remuneration - expected fee	£521,550	£500,530
▪ Additional audit procedures excluding IFRS 16 and Pay and Grading	£400,000	£495,297
▪ Additional audit procedures - IFRS 16 and pay and grading	TBD	-
Audit Scotland fixed charges:		
▪ Performance audit and best value	£178,950	£182,180
▪ Audit support costs	£13,100	£18,240
Sectoral price cap	£100,730	£98,110
Total fee	£1,214,330	£1,294,357

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 require to be addressed to deliver an audit to the quality standards expected, and in line with the requirements of the Code of Practice.

During 2022/23 and 2023/24, 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.

For 2024/25, we have held discussions with both Audit Scotland and management regarding the areas which are likely to recur moving forward and those areas which are non-recurring matters relating to 2024/25 with the fee shared to date shown above.

There are two material areas where additional fees are yet to be determined in respect of IFRS 16 and Pay and Grading. These will be agreed with management and included in our finalised Annual Audit Report.



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 Board'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 Finance, 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.

- 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

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, email 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.



Group audit scope

The below table sets out our approach to the scoping of the Group audit as explained on page [xx]. 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	Statutory audit performed by EY
Scottish Event Campus Limited	Specific	No	Specific significant accounts by size
City Building (Contracts) Limited Liability Partnership	Limitation	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 risk
City Property Glasgow (Operations SL2) LLP	Specific	No	Specific significant accounts by size and risk
City Property Glasgow (Operations SL) Limited	Specific	No	Specific significant accounts by size and risk
City Property Glasgow (Operations SL3) LLP	Specific	No	Specific significant accounts by risk
City Property Glasgow (SL Operations 3) Limited	Specific	No	Specific significant accounts by size and risk
City Building (Glasgow) Limited Liability Partnership	Limitation	No	See above
Jobs & Business Glasgow	Other	No	No significant accounts by size or risk
Strathclyde Partnership for Transport	Specific	No	Specific significant accounts by size



Group audit scope continued

In scope entities	Scope	Statutory audit performed by EY	Current year rationale for scoping
Strathclyde Concessionary Travel Scheme	Other	No	No significant accounts by size or risk
Common good fund	Specific	Yes	Statutory audit performed by EY
Sundry Trusts	Specific	Partially	Statutory audit on Sundry Trust disclosures performed by EY

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UKC-030109 (UK) 08/23. Artwork by Creative UK.

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