



Glasgow City Council

Finance and Audit Scrutiny Committee

Report by Executive Director of Financial Services

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Item 6(a)

25th February 2026

Annual Audit Report 2024-25

Purpose of Report:

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

The attached papers include the Annual Audit Report prepared by Ernst and Young LLP in respect of the Annual Accounts for 2024-25.

Recommendations:

The Finance and Audit Scrutiny Committee is asked to consider and note the Annual Audit Report prepared by Ernst and Young LLP. This report will be considered by the City Administration Committee on the 12th March 2026.

Ward No(s):

Citywide:

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

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1. Introduction

- 1.1 The attached Annual Audit Report (AAR) outlines the findings from the council's auditors Ernst and Young LLP (EY) relating to the audit of the council's financial statements and the wider scope dimensions identified in the audit plan presented to the Finance and Audit Scrutiny Committee on 18 June 2025.
- 1.2 That plan had set out a timeline for reporting back of November 2025. This date was not achieved as a result of a delay by the council in completing the work on the new accounting standard IFRS16. Our work relied upon the provision of services by a third party who took longer to provide back the expected information. This was subsequently provided and has been used to update the 2024-25 Financial Statements.
- 1.3 EY have made 11 new recommendations in their 2024-25 AAR. This excludes recommendations made from the Best Value Thematic Report for 2024-25 which is included separately on this agenda.
- 1.4 A number of adjustments have been highlighted through the audit process and these are listed at Appendix F of the AAR. The incorporation of IFRS16 accounting standard has resulted in a financial gain to the general fund of £6.5 million and this is included in the financial statements increasing the balance on general fund reserves as at 31 March 2025 to £32.8 million.

2. Executive Summary

- 2.1 The AAR's executive summary highlights the key themes of the audit and the auditor's findings. EY use a Red/Amber/Green (RAG) assessment of each of the key areas they have considered in their report.
- 2.2 There are two themes noted as red this year, similar to last year, however there has been changes with Vision, Leadership and Governance moving to an amber status this year compared to red in 2023-24. Financial Statements has received a red rating this year compared to amber last year reflecting the delay in the incorporation of IFRS16 accounting standard. As noted in paragraph 1.2 this has now been rectified.
- 2.3 Financial Sustainability continues to be red rated in the AAR reflecting the continuing financial pressures facing the council. The Budget Report for 2026-27 set out indicative spending gaps for the following two financial years which are significantly impacted by homelessness pressures. The council will continue to review and update its financial forecasts for each year to reflect the most up to date position.

The red rating also reflects the financial uncertainties arising from the new Pay and Grading Scheme and the external funding environment.

3. Action Plan

- 3.1 Appendix E of the AAR sets out the status of recommendations from prior year audits and also provides a management response for new recommendations from the 2024-25 audit. EY have highlighted that addressing the number of open or in progress recommendations needs to improve and this is also a key focus for the council.
- 3.2 There have been discussions with EY on a number of new recommendations from the 2024-25 audit to query the areas of material risk being addressed. These discussions also questioned a number of prior year recommendations with partially complete status where officers view was that the action had been completed or there was limited further

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activity that could be undertaken at this time. However, the council will continue to focus on completion of the actions as far as is reasonably practicable and a regular report on progress will continue to be included in updates to FASC by Internal Audit.

4. Audit Certificate

- 4.1 The council's audit certificate includes one audit qualification in respect of a limitation of scope in relation to the 2024-25 accounts for both City Building LLPs. During the audit planning process it was anticipated that the Council audit would be completed in November 2025 which was prior to the City Building audit deadline of December 2025 and so they were excluded from the group scope. City Building LLP accounts for 2024-25 were audited and submitted by the statutory deadline of 31 December 2025 with an unmodified audit certificate.

5. Policy and Resource Implications

5.1 Resource Implications:

Financial: Audit Scotland have agreed that EY can levy an additional audit fee for the 2024-25 audit. This relates to a range of additional work to allow completion of the audit, some of which is one-off but some which will be recurring in future years. The value of this was £400,000.

Legal: None

Personnel: None

Procurement: None

5.2 Council Strategic Plan: No impact

5.3 Equality impacts: No impact

5.4 Sustainability impacts: No impact

5.5 Privacy and Data Protection: No impact

6. Recommendations

The Finance and Audit Scrutiny Committee is asked to consider and note the Annual Audit Report prepared by Ernst and Young LLP. This report will be considered by the City Administration Committee on the 12 March 2026.