

Glasgow City Council

2020/21 Annual Audit Report



 AUDIT SCOTLAND

Prepared for the Members of Glasgow City Council and the Controller of Audit

December 2021

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Key messages

2020/21 annual accounts

- 1 Our audit opinions on the annual accounts of the council and its group are unqualified.
- 2 The impact of Covid-19 created additional challenges for both council and audit staff throughout the audit, with key dates in the financial reporting process updated to reflect the revised statutory deadlines.

Financial management

- 3 The council has appropriate and effective financial management arrangements in place. Strong budgeting, financial monitoring and reporting processes are aligned to its corporate priorities with a focus on delivery of key outcomes. For 2020/21 services reported an overspend £1.0 million (0.1%) against the revised budget.
- 4 Managing the financial impact of Covid-19 has been effectively incorporated into the council's existing financial management arrangements. The council delivered 70% of its £35.1 million planned savings. The shortfall was met through a combination of additional funding from the Scottish Government and services implementing alternative actions to mitigate budget pressures.
- 5 While Covid-19 has delayed the delivery of the Investment Programme, the council does not anticipate any significant impact on costs or ongoing service delivery. The council's programme management and governance arrangements will be key in managing project risks around costs and future service delivery.
- 6 There is scope for improvement in the key financial controls in relation to user access to the main finance system and in reviewing financial journals.

Financial Sustainability

- 7 The Covid-19 pandemic has had a significant impact on the short-term finances of the council and the impact of this on medium/longer term planning has still to be evaluated.
- 8 Going forward the council will find it more difficult to make the levels of savings as it has in recent years while maintaining similar levels of service provision. The council's recovery and renewal programme presents an opportunity for the council to address identified funding gaps. Council

members should recognise that, in delivering a successful renewal programme, the council will face some difficult decisions around service provision.

Governance and transparency

- 9** The council's governance arrangements support effective scrutiny, challenge and informed decision making. Governance and scrutiny arrangements put in place in response to the impact of Covid-19 were appropriate and supported good governance.
- 10** The Covid-19 pandemic has significantly delayed progress on the council's job evaluation exercise, with an estimated earliest date of completion of October 2023.

Best Value

- 11** The council has an appropriate and effective best value framework in place, including arrangements for following the public pound. The council remains on target to deliver its Strategic Plan.

Introduction

1. This report summarises the findings arising from the 2020/21 audit of Glasgow City Council (the council) and its group.
2. The scope of the audit was set out in our 2020/21 Annual Audit Plan presented to the 4 August 2021 meeting of the Finance and Audit Scrutiny Committee (FASC). This report comprises the findings from:
 - an audit of the annual accounts
 - consideration of the four audit dimensions that frame the wider scope of public audit set out in the [Code of Audit Practice 2016](#) namely, financial management, financial sustainability, governance and transparency and value for money.
3. The main elements of our audit work in 2020/21 have been:
 - an audit of the annual accounts of the council and its group and the issue of independent auditor's reports setting out our opinions
 - a review of the council's key financial systems
 - follow-up work on our 2017/18 Best Value Assurance Report (BVAR)
 - consideration of the four audit dimensions.
4. The global coronavirus pandemic has had a considerable impact on the council and its operations during 2020/21. The council has focussed on supporting the most vulnerable within the community while sustaining as far as possible existing service provision. Restrictions imposed due to the pandemic has resulted in council facilities being closed for long periods, the redesign of existing services, introduction of new services and the introduction of new working methods such as home working. Risks related to the financial impact of the pandemic were included in our Annual Audit Plan.

Adding value through the audit

5. We add value to the council through the audit by:
 - regular meeting with management to discuss current issues and share knowledge and insights from the wider public sector, particularly around the impact of Covid-19. We also presented to the Finance and Audit Scrutiny Committee on key challenges in the Covid-19 environment

- identifying and providing insight on significant risks, and making clear and relevant recommendations
- sharing intelligence and good practice through our national reports and good practice guides
- providing clear and focused conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability.

Responsibilities and reporting

6. The council has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual accounts that are in accordance with proper accounting practices.

7. The council is also responsible for compliance with legislation, and putting arrangements in place for governance, propriety and regularity that enable it to successfully deliver its objectives.

8. Our responsibilities as independent auditor appointed by the Accounts Commission are established by the Local Government in Scotland Act 1973, the [Code of Audit Practice 2016](#) and supplementary guidance, and International Standards on Auditing in the UK.

9. As public sector auditors we give independent opinions on the annual accounts. Additionally, we conclude on:

- the effectiveness of the council's performance management arrangements,
- the suitability and effectiveness of corporate governance arrangements and financial position,
- the arrangements for securing financial sustainability, and
- Best Value arrangements.

10. Further details of the respective responsibilities of management and the auditor can be found in the [Code of Audit Practice 2016](#) and supplementary guidance.

11. This report raises matters from our audit. Weaknesses or risks identified are only those which have come to our attention during our normal audit work and may not be all that exist. Communicating these does not absolve management from its responsibility to address the issues we raise and to maintain adequate systems of control.

12. Our annual audit report contains an agreed action plan at [Appendix 1](#) setting out specific recommendations, responsible officers and dates for implementation. It also includes outstanding actions from last year and the steps being taken to implement them.

13. [Appendix 3](#) sets out how we have met the additional reporting requirements for the council as an EU Public Interest Entity.

Auditor Independence

14. Auditors appointed by the Accounts Commission or Auditor General must comply with the Code of Audit Practice and relevant supporting guidance. When auditing the financial statements auditors must comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies. We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services and therefore the 2020/21 audit fee of £658,260 as set out in our Annual Audit Plan remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

15. This report is addressed to both the council and the Controller of Audit and will be published on Audit Scotland's website www.audit-scotland.gov.uk in due course. We would like to thank the management and staff who have been involved in our work for their cooperation and assistance during the audit.

1. Audit of 2020/21 annual accounts

The principal means of accounting for the stewardship of resources and performance

Main judgements

Our audit opinions on the annual accounts of the council and its group are unqualified.

The impact of Covid-19 created additional challenges for both council and audit staff throughout the audit, with key dates in the financial reporting process updated to reflect the revised statutory deadlines.

Our audit opinions on the annual accounts are unqualified

16. The accounts for the council and its group for the year ended 31 March 2021 were considered at the Finance and Audit Scrutiny Committee (FASC) on 1 December 2021 and approved by the City Administration Committee (CAC) on 2 December 2021. As reported in the independent auditor's report:

- the financial statements give a true and fair view of the state of affairs and of the income and expenditure of the council and its group for the year to 31 March 2021, and were properly prepared in accordance with the financial reporting framework
- the audited part of the remuneration report, management commentary and the annual governance statement were all consistent with the financial statements and properly prepared in accordance with the relevant regulations and guidance.

Covid-19 delayed the audit of the annual accounts

17. Schedule 6 of the Coronavirus (Scotland) Act 2020 extended the administrative deadlines for local government bodies to submit accounts for audit, and also the consideration and approval of audited accounts. We received accounts for audit in June 2021, in line with our proposed timetable for the audit of the financial statements. Due to the working restrictions arising from the Covid-19 pandemic and the need to maintain the quality of our audit in a remote working environment we agreed a revised timetable with council officers on the delivery of our audit fieldwork for completion by November 2021. The audited accounts were approved by the CAC in December 2021.

18. The working papers provided with the unaudited accounts were of a good standard and finance staff provided excellent support to the audit team during the audit. This helped ensure that the audit of the annual accounts process ran smoothly. We recognise that during this period officers have been working under significant additional pressures arising from Covid-19.

There were no objections raised to the annual accounts

19. The Local Authority Accounts (Scotland) Regulations 2014 require local government bodies to publish a public notice on its website that includes details of the period for inspecting and objecting to the accounts. This must remain on the website throughout the inspection period. The council complied with the regulations and there were no objections to the 2020/21 accounts.

Whole of Government Accounts have been delayed at a UK level

20. The National Audit Office (NAO) has advised that, due to the late completion of 2019/20 Whole of Government Accounts (WGA), the process for 2020/21 is running late. A timetable has yet to be agreed and councils have been unable to submit consolidation packs for audit. When a timetable is agreed, we will carry out our audit procedures on the consolidation pack and submit the required assurance statement to the NAO.

Materiality

21. We apply the concept of materiality in both planning and performing the audit and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report. We identify a benchmark on which to base overall materiality, such as gross expenditure, and apply what we judge to be the most appropriate percentage level for assessing materiality values.

22. The determination of materiality is based on professional judgement and is informed by our understanding of the entity and what users are likely to be most concerned about in the annual accounts. In assessing performance materiality, we have considered factors such as our findings from previous audits, any changes in business processes and the entity's control environment including fraud risks.

23. Our initial assessment of materiality for the annual accounts was carried out during the planning phase of the audit. Following a review on receipt of the unaudited annual accounts materiality levels remain unchanged and are summarised in [Exhibit 1](#).

Exhibit 1

Materiality values

Materiality level	Amount
Glasgow City Council Financial Statements	
Overall materiality	£26 million
Performance materiality	£17 million
Reporting threshold	£0.25 million
Group Financial Statements	
Overall materiality	£27 million
Performance materiality	£18 million
Reporting threshold	£0.25 million

Source: Audit Scotland

Appendix 2 identifies the main risks of material misstatement and our audit work performed to address these

24. [Appendix 2](#) provides our assessment of the risks of material misstatement in the annual accounts and any wider audit dimension risks. These risks influence our overall audit strategy, the allocation of staff resources to the audit and indicate how the efforts of the team were directed. The appendix identifies the work we undertook to address these risks and our conclusions from this work. We have no significant issues to report from our work on the risks of material misstatement highlighted in our 2020/21 Annual Audit Plan.

Other areas of audit focus

25. Disclosures around accounting for capital financing can be complex and officers reviewed relevant disclosures for the 2020/21 financial statements with a view to making them less complex where possible. We reviewed the capital financing disclosures within the financial statements and concluded that they are in line with the Code of Audit Practice.

26. There is a significant degree of subjectivity in the determination of the level of debt impairment. The impact of Covid-19 could affect future debt collection rates of the council and this could have a material impact the calculation of debt impairment. From our audit work we found that the assumptions used to determine debt impairment to be reasonable.

Significant findings to report on the annual accounts

27. International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance, including our view about the qualitative aspects of the body's accounting practices. The significant findings are summarised in [Exhibit 2](#). Where a finding has resulted in a recommendation to management, a cross-reference to the action plan in [Appendix 1](#) has been included.

Exhibit 2

Significant findings from the audit of the financial statements

Issue	Resolution
<p>1. Accounting for Covid-19 support grants</p> <p>During 20/21 the council administered around £230 million in Covid-19 support grants. The accounting treatment and disclosure requirements of the support grants depends on whether the council is an agent or principal in the transaction.</p> <p>There was risk that the council had not properly accounted for Covid-19 support grants.</p>	<p>As part of our audit procedures, we assessed</p> <ul style="list-style-type: none"> the council's judgement on whether they were acting as agent or principal for each support grant whether the subsequent accounting treatment was in line with the Code whether the council had made appropriate disclosures in the financial statements. <p>Conclusion: The council has properly accounted for Covid-19 support grants.</p>

Source: Audit Scotland

Other findings

28. The council's two Design Build Finance Maintain (DBFM) primary schools were completed and brought into operation in 2018/19. In line with normal practice they were valued in 2019/20, the year after they became operational. However, the council did not reflect the service concession arrangements in the 2019/20 accounts. The impact of these adjustments would have increased deferred liabilities at 31 March 2020 by £16.5 million and reduced unusable reserves by the same amount, with no impact on the general reserve balance. Our audit work has confirmed that these adjustments have now been reflected as part of the 2020/21 service concession transactions.

A number of adjustments were made to the accounts presented for audit

29. Following receipt of the council's unaudited accounts, Glasgow City Integration Joint Board (IJB) received an additional £20 million of income from

NHS Greater Glasgow and Clyde in relation to waiting time activity. This money will be held by the IJB and drawn down over the next three years. This resulted in an increase of £20 million to the prepayment of income from the IJB with a matching increase in reserves.

30. Following submission of the unaudited accounts for audit, the council has been provided with the required information to allow it to estimate the cost of PPE and testing kit received from NHS NSS and assess whether it should be treated as an agent or principal transaction. This has allowed the associated costs to be included in the financial statements resulting in a matching increase to income and expenditure of £4.557 million. Stock will be increased by £3.104 million with a matching increase to donated assets. The audit procedures we carried out in relation to PPE and testing kit are included in [Appendix 2](#).

31. The unaudited group accounts were prepared using component entities' unaudited accounts. The audited accounts were subsequently received by the council and resulted in a number of consolidation adjustments. These adjustments are part of the normal finalisation process of the accounts. Taking account of the adjustments noted at [paragraph 29](#) and [paragraph 30](#) above, the overall impact on the group financial statements was an increase of £9.937 million in the group surplus and a corresponding increase in total group reserves.

32. All identified adjustments were reflected in the audited financial statements. We concluded that the adjustments arose as a result of events after submission of the unaudited accounts and did not indicate any systemic error.

33. In addition to the above, our audit identified several presentational and disclosure issues which were discussed with management. These were adjusted and reflected in the audited annual accounts.

Follow-up of prior year recommendations

34. We have followed up the three actions raised in our 2019/20 annual audit report, and our assessment of progress with implementation is set out in [Appendix 1](#). Financial sustainability remains as a significant challenge for the council.

2. Financial management

Financial management is about financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.

Main judgements

The council has appropriate and effective financial management arrangements in place. Strong budgeting, financial monitoring and reporting processes are aligned to its corporate priorities with a focus on delivery of key outcomes. For 20/21 services reported an overspend £1.0 million (0.1%) against the revised budget.

Managing the financial impact of Covid-19 has been effectively incorporated into the council's existing financial management arrangements. The council delivered 70% of its £35.1 million planned savings. The shortfall was met through a combination of additional funding from the Scottish Government and services implementing alternative actions to mitigate budget pressures.

While Covid-19 has delayed the delivery of the Investment Programme, the council does not anticipate any significant impact on costs or ongoing service delivery. The council's programme management and governance arrangements will be key in managing project risks around costs and future service delivery.

There is scope for improvement in the key financial controls in relation to user access to the main finance system and in reviewing financial journals.

The 2020/21 budget included planned savings and an increase in council tax rates

35. In February 2020 the council approved its 2020/21 net service revenue budget of £1,642 million that was aligned to the council's key priorities as set out in its Strategic Plan 2017-22. In March 2020 an updated budget of £1,665 million that included a spending gap of £37.3 million was submitted to the City Administration Committee (CAC).

36. To address the spending gap the council agreed a range of savings options totalling £35.1 million and also a 4.64 percent increase to council tax rates to generate additional income of £10.2 million.

During 2020/21 the council operated in line with the budget

37. The council has a strong track record of consistently delivering services within budget. In June 2021, in its 2020/21 outturn report to the CAC, the council was forecasting an overspend of £1.0 million (0.1%) against the revised budget. The council's spending has remained in line with its overall budget with services spending between 97.9% and 101.0 % of their final budget.

Strong financial monitoring arrangements are in place

38. In line with good practice, the council's budget and financial plans are aligned to its strategic priorities and financial management arrangements include financial forecasting. The council's budget setting and monitoring arrangements remain appropriate.

39. The Finance and Audit Scrutiny Committee (FASC) carries out detailed scrutiny of financial performance mainly through bi-monthly revenue reports, quarterly capital monitoring reports and the annual outturn report. These reports provide a clear picture of financial performance at service level, include the forecast year-end outturn position and comprehensive explanations for any significant budget variances.

40. Senior management and members receive regular and accurate financial information on the body's performance against budgets which enables them to carry out effective scrutiny of the council's finances.

The Covid-19 pandemic had a significant financial impact

41. The impact on public finances of the Covid-19 pandemic has been unprecedented, which has necessitated both the Scottish and UK governments providing substantial additional funding for public services as well as support for individuals, businesses and the economy. It is likely that further financial measures will be needed and that the effects will be felt well into the future.

42. The council's response to the pandemic was to sustain service provision as far as possible, particularly for the most vulnerable people in the community. The restrictions in place during the pandemic has resulted in the closure of council facilities for long periods, a redesign of existing services and introduction of new services and new working arrangements, including remote working.

43. The council's response to the pandemic has had a significant financial impact estimated at £119.4 million, split between £48.0 million relating to additional expenditure and £71.4 million relating to lost income.

44. The additional expenditure was largely incurred on staffing, supplies and information technology. The most significant reductions to income level related to sports and culture, parking, City Building returns and Council Tax. The council's ability to deliver the planned level of savings during 2020/21 has also been significantly reduced by Covid-19.

45. The 2020/21 collection rate for council tax was 92.13% which is a decrease from the 2019/20 level of 94.36% and due, largely, to the impact of Covid-19 and the suspension of recovery activity during the early part of the year. This resulted in an income shortfall of £4.237 million.

46. The council received £208.8 million in Covid-19 grant support from the Scottish Government with £185.1 million being General Support Grant and £23.7 million in non-relevant grant. Of this, £89.4 million has been carried forward in general fund reserves to address the future impact of Covid-19.

47. During 20/21 the council acted as agent on behalf of the Scottish Government for administering nearly £230 million in Covid-19 support grants.

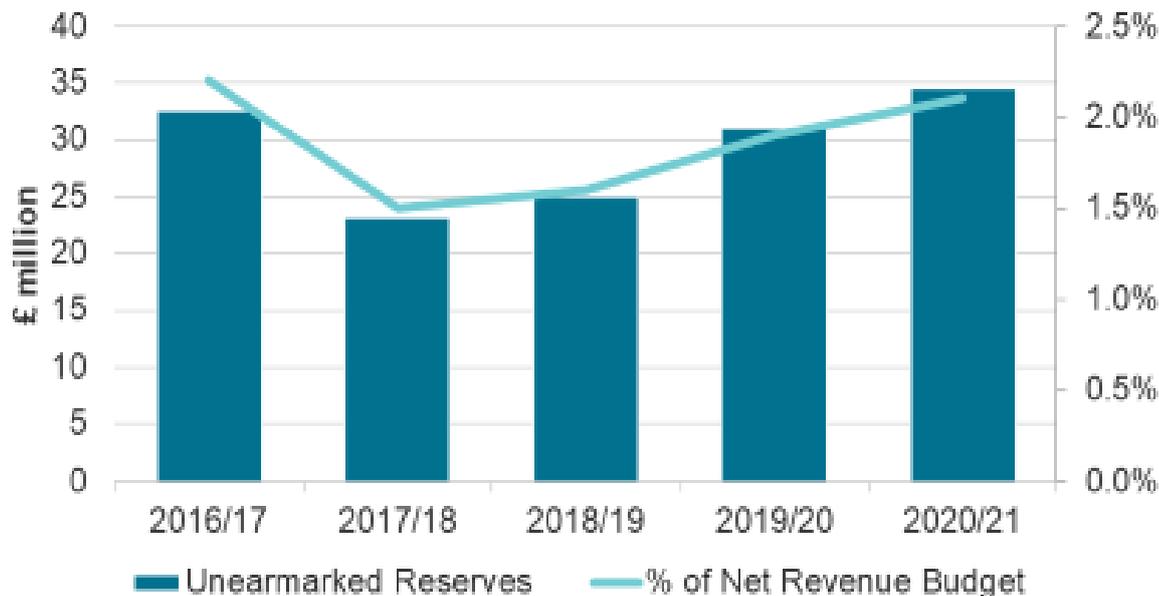
48. As set out in [paragraph 66](#), we considered the adequacy of the council's arrangements for identifying and managing the financial impact of Covid-19. We found that managing the financial impact of Covid-19 has been effectively incorporated into the council's existing financial management arrangements.

There has been a significant increase in the level of General Fund reserves

49. One of the key measures of the financial health of a body is the level of reserves held. In 2020/21 the level of general fund reserves held by the council increased by £84.7 million to £240.1 million. Of this, £205.6 million is earmarked for a specific purpose and £34.5 million is unearmarked reserves, which represents 2.1% of net budgeted expenditure. The council's policy is to maintain unearmarked reserves at 2% of net budgeted expenditure.

50. As stated in [paragraph 46](#), the significant increase in general fund reserves reflects the unspent Scottish Government funding provided to address the impact of Covid-19.

51. [Exhibit 4](#) shows the level of unearmarked general fund reserves over the last 5 years. The council's reserve policy demonstrates a prudent and sustainable approach to managing its uncommitted reserves.

Exhibit 4**General Fund unearmarked reserves 2016/17 to 2020/21**

Source: GCC Financial Statements

Planned efficiency savings were delayed

52. In 2020/21, the council's updated budget included planned efficiency savings of £35.1 million to address the budgeted funding gap. The council achieved actual savings of £24.6 million (70% of this total), all of which were on a recurring basis. The failure to achieve savings targets has mainly been due to the impact of Covid-19. Some of this shortfall in planned savings was offset by additional Covid-19 funding provided by the Scottish Government. The remaining shortfall was addressed in the normal way with services implementing alternative actions to mitigate budget pressures.

Covid-19 has significantly delayed the delivery of the investment programme

53. Total capital expenditure in 2020/21 was £140.9 million, £59.6 million (29.7%) below planned expenditure of £200.5 million. In its 2020/21 Capital Investment Programme - Annual Performance Report the council reported the status of current capital projects as at Feb 2021:

- 21 were on programme, and/or on budget/expenditure profile, and/or meeting specification (green)
- 25 were behind programme, and/or over budget, behind expenditure profile, and/or not meeting specification but with a recovery plan (amber)

- 10 were behind programme, and/or over budget, behind expenditure profile, and/or not meeting specification with no recovery plan (red)
- the number of projects that remained continuously and exclusively at green status in the year had decreased to 32% in 20/21 compared to 74% in 19/20.

54. The significant delays in the delivery of the investment programme have been attributed to the impact of Covid-19. The rephasing of project expenditure and timescales has been reported through the Capital Programme Board. The council expects additional costs to be contained within project contingencies, and that the overall impact of the delays will be minimal. Council performance reports have not highlighted any significant service impact as a result of these delays.

55. The council recognises the increased uncertainty around the delivery of the investment programme in the current environment and will continue to monitor progress through the Capital Programme Board. The council's programme management and governance arrangements will be key in managing the risk that delays in the completion of major capital projects could impact on costs and future service delivery.

56. We will continue to monitor the progress of the investment programme.

Weaknesses were identified in the financial systems of internal control

57. As part of our audit, we identify and assess the key internal controls in those accounting systems which we regard as significant to produce the financial statements. Our objective is to gain assurance that the body has systems of recording and processing transactions which provide a sound basis for the preparation of the financial statements.

58. No significant internal control weaknesses were identified through our work which could affect the council's ability to produce materially correct financial statements.

59. However, we identified three improvement areas which were highlighted to officers:

- **Journal Authorisation.** On a four-weekly basis, senior finance managers retrospectively review and authorise journals in excess of £50,000 and evidence this by completing a schedule, recording their name and date of authorisation. During our substantive testing of journals, we found a number of instances where the authorisation had not been recorded. There is an increased risk of unauthorised journals being processed if not subject to review. Our audit response was to increase our level of substantive testing. No issues were identified from our testing. Going forward management will ensure reviews of journals are timeous and authorisation properly documented. We will review the effectiveness of this control as part of our 2021/22 audit.

- Level 2 quality assurance checks.** The Quality Assurance Team carry out weekly checks on the discounts/reliefs awarded for Council Tax, Non-Domestic Rates and Housing Benefits. As in previous years, the team are redirected to other priority activities for part of the year and therefore the expected control did not operate at this time. During this period there is an increased risk of errors or fraud occurring in relation to taxation receipts, welfare benefits, grants and other claims. Our audit response was to focus our substantive testing on periods when this control was not operating. No issues were identified from our testing.
- SAP User Access.** Arrangements are in place to ensure user profiles are properly authorised. Our testing of these arrangements identified that electronic templates are used for processing new/changed user profiles. Officers were unaware that the system automatically re-instated the user profiles associated with the template used. There is a risk of unauthorised access to other user roles. Officers established that this could affect up to 72 users. We tested a sample of these users and no issues were identified and we obtained sufficient assurances to conclude that there was no significant risk of unauthorised user activity. Officers have established a working group to implement improvements to existing controls which we will review as part of our 2021/22 audit.

60. The council has implemented changes to the normal business operations and working arrangements in response to the impact of Covid-19. Consequently, the normal systems of internal controls have been subject to change in some areas. We considered the impact of Covid-19 on the council's control environment, and the assurances gained through internal audit reviews. Overall, we found that no significant issues were identified from our work.

Land and buildings valuations

61. To ensure the accuracy of land and property valuations within the annual accounts, management obtain expert advice from appropriately qualified staff within City Property (Glasgow) LLP. All land and buildings are revalued over a 5-year rolling programme.

62. Each year the land and buildings of a different service are revalued. This can lead to significant movements in value between valuations of some classes of large assets only subject to revaluation every five years. Management should consider a valuation methodology whereby 20 per cent of each class of asset is revalued each year across all services. This would reduce the likelihood of uneven valuation movements arising in a given year.

Recommendation 1

Consider a valuation methodology whereby 20 per cent of each class of asset across all services is revalued each year

Standards of conduct and arrangements for the prevention and detection of fraud and error were appropriate

63. The council is responsible for establishing arrangements for the prevention and detection of fraud, error and irregularities, bribery and corruption. Furthermore, it is responsible for ensuring that its affairs are managed in accordance with proper standards of conduct by putting effective arrangements in place.

64. The risk profile of public bodies during 2020/21 has been significantly affected by the Covid-19 pandemic. This is likely to have increased the risk of fraud and error as control environments and internal controls have had to change to allow for services to operate effectively and respond to issues in a timely manner. We have reviewed the arrangements put in place by the council to address any heightened risks and concluded that there are appropriate arrangements for the prevention and detection of fraud, error and irregularities.

65. In addition, we have reviewed the arrangements in place to maintain standards of conduct including the Councillor's Code of Conduct and the Employee Code of Conduct. We concluded that there are established procedures for preventing and detecting any breaches of these standards including any instances of corruption.

3. Financial sustainability

Financial sustainability looks forward to the medium and long term to consider whether the council is planning effectively to continue to deliver its services or the way in which they should be delivered

Main judgements

The Covid-19 pandemic has had a significant impact on the short-term finances of the council and the impact of this on medium/longer term planning has still to be evaluated.

Going forward the council will find it more difficult to make the levels of savings as it has in recent years while maintaining similar levels of service provision. The council's recovery and renewal programme presents an opportunity for the council to address identified funding gaps. Council members should recognise that, in delivering a successful renewal programme, the council will face some difficult decisions around service provision.

The financial impact of the Covid-19 pandemic on the council is significant

66. The financial impact of the pandemic on the council is likely to extend across several years and could include a reduction in income from business rates and council tax. The council has already experienced a significant reduction in fees and charges from, for example, leisure and parking. The council may also face increased costs such as higher staff costs to cover the delivery of services.

67. The council has made a £100 million funding commitment to Glasgow Life to help support culture, sport and learning across Glasgow. This commitment places additional financial pressure on the council over the short term.

68. The 2021-22 budget was approved by the full council on 11 March 2021 with detailed service estimates approved by the CAC on 3 June 2021. To address the identified £12.200 million funding gap the budget included a savings target of £7.451 million, a decision not to contribute £1 million to general reserves and planned use of reserves of £3.749 million.

69. The budget assumes that financial pressures arising from the impact of Covid-19 will be met, in full, from Scottish Government Funding and the application of fiscal flexibilities (i.e. use of capital receipts to fund revenue pressures, extension of debt repayment periods or deferral of internal loans fund repayments).

70. To identify the financial implications of Covid-19 the council's financial monitoring arrangements include as assessment of direct costs, other cost implications, reductions in income generation and areas of reduced spend. The costs of Covid-19 are included in the regular revenue budget monitoring reports. Service budgets are adjusted for Covid-19 costs to help identify variances arising from business as usual.

71. The latest 2021-22 budget monitoring report (period 8) shows that income and expenditure budgets have been adjusted across services to reflect the cumulative net impact of £13.8 million on services arising from the impact of Covid-19. The council anticipates that the financial impact of Covid-19 for 2021-22 will be met through carry forwards and new government funding. The council has forecast that, excluding the impact of Covid-19, the outturn position is expected to be £1.8 million over budget.

Medium and longer-term financial plans are in place but will have to be updated

72. The council's financial management arrangements include a five-year financial framework and a more detailed three-year financial forecast. In line with best practice the medium to longer-term financial plans includes an element of scenario planning. The council also has longer term financial strategies in place which are linked to its strategic objectives, for example the council's ten-year property and land strategy.

73. The medium-term financial forecast was updated in October 2020 and projected a total net spending gap of £112.5 million for the period 2021/22 to 2023/24. The council has assumed that the financial pressures from the impact of Covid-19 will be funded separately, either via additional Scottish Government funding or through the application of fiscal flexibilities.

74. It is important that the council keeps the medium-term financial plan under review to ensure its financial assumptions around the impact of Covid-19 remain appropriate.

Recommendation 2

Update financial plans to reflect the most up-to-date position regarding the financial impact of Covid-19.

Financial sustainability remains a significant challenge

75. Outwith the impact of Covid-19 the council continues to face many challenges in maintaining a sustainable financial position over the medium to long term whilst delivering its strategic objectives. Budget pressures include rising demands for services, increasing cost of services and reductions in local government funding. The funding of the equal pay settlement has also placed additional financial pressure on the council over the longer term.

76. In recent years the council's main solutions for bridging spending gaps have been a combination of efficiency savings, income generation, partnership working, use of reserves and management of financing costs. In 2019/20 the council re-profiled its internal loan fund repayment schedule. This has resulted in a financial benefit in the shorter term with the council being required to set aside a smaller amount of revenue than planned to repay its debt, leaving funds to be utilised against other priorities. However, in the medium to longer term, the amount of set aside will increase and require to be incorporated within future financial forecasts, putting increased pressure on future funding plans.

77. Over the last eight years the council has successfully delivered total savings of over nearly £300 million. However, during 2020/21 the council only managed to deliver 70% of its savings target due, mainly, to the impact of Covid-19 (see [paragraph 52](#)). It will be difficult for the council to make significant levels of savings in the future while maintaining the same level of service provision. Alternative solutions will be required to address identified funding gaps, and this may include taking some difficult decisions around service provision.

78. The council's Covid-19 response and recovery framework and renewal programme (see [paragraph 93](#)) presents an opportunity for the council to consider alternative solutions to address identified funding gaps.

4. Governance and transparency

The effectiveness of scrutiny and oversight and transparent reporting of information

Main Judgements

The council's governance arrangements support effective scrutiny, challenge and informed decision making. Governance and scrutiny arrangements put in place in response to the impact of Covid-19 were appropriate and supported good governance.

The Covid-19 pandemic has significantly delayed progress on the council's job evaluation exercise, with an estimated earliest date of completion of October 2023.

Governance and transparency arrangements were appropriate

79. In 2018, a short life working group was established to oversee the implementation of the action plan arising from an external review of the council's committee structure and remits. A follow up report on the council's progress was submitted to FASC in February 2021. It was reported that, of the original 20 recommendations, 9 actions were still ongoing. We will continue to review the council's progress as part of our 2021/22 audit.

80. Last year we considered the adequacy of the council's governance and scrutiny arrangements in response to the impact of Covid-19 and concluded that they were appropriate and supported good governance and accountability.

81. During 2020/21 we reviewed the council's governance arrangements including committees, schemes of delegation, standing orders, statutory officer roles, financial scrutiny and internal audit. Our overall conclusion is that committee papers are of a good standard and that members provide effective scrutiny and challenge. The council's two scrutiny committees conduct an annual self-assessment which is used to further enhance and develop their effectiveness and role.

82. The council continues to develop its governance arrangements to help ensure delivery of its response and recovery framework (see [paragraph 93](#)).

83. Overall, we concluded that the council has appropriate and effective arrangements in place to support good governance and accountability.

Covid-19 has delayed progress on Job Evaluation

84. The council continues to work towards the completion of the job evaluation exercise prior to introducing a new pay and grading model. The new model will be based upon the ranked order of jobs obtained through the Scottish Joint Councils Job Evaluation Scheme. The initial completion target of April 2021 for the new pay and grading model has been significantly delayed due to the impact of Covid-19.

85. In an update to committee in September 2021 the council reported that good progress has been made in re-engaging the job evaluation work. A remote engagement model for briefings and evaluations has been implemented and the council reports that feedback from participants of the process has been largely positive. The council estimates that job evaluation, modelling and costing, consultation and payroll migration will all be completed sometime between October 2023 and April 2024.

86. In its update the council has highlighted that the contribution of job evaluation from an equal pay perspective is the creation of a ranked order of jobs. The council estimates that this part of the exercise will be completed in autumn 2022.

87. We will continue to monitor the council's progress with the job evaluation exercise.

5. Best Value

Using resources effectively and continually improving services.

Main judgements

The council has an appropriate and effective best value framework in place, including arrangements for following the public pound. The council remains on target to deliver its Strategic Plan.

The council is making good progress in securing Best Value

88. Best value is assessed over the audit appointment, as part of the annual audit work. In addition, a Best Value Assurance Report (BVAR) for each council will be considered by the Accounts Commission at least once in this period. The BVAR report for the Glasgow City Council was published in August 2018.

89. Our BVAR made seven recommendations across a range of areas including performance management, homelessness, equal pay and partnership working. The council established an action plan to address our BVAR recommendations and in March 2020 reported the specific agreed actions as complete, and that ongoing wider work would continue with progress reported within existing governance structures.

Appropriate arrangements are in place for following the public pound

90. 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 uses Arm's Length External Organisations (ALEOs) to provide many of the council's services. It is therefore essential that the council operates effective governance and performance management arrangements over its ALEOs.

91. The council closely monitors ALEO budgets and performance through its financial governance and performance management arrangements. Any risks around ALEOs' failure to deliver services or return planned surpluses are managed through the council's risk management arrangements and financial reporting frameworks.

92. The council continuously reviews its service/ALEO model (Council Family) to ensure it remains fit for purpose and delivers Best Value and takes account of new and emerging issues. On 14 January the CAC approved:

- the winding up of City Parking and transfer of staff assets and liabilities to the council (services transferred 1 August 2021). This will impact the 2021/22 financial statements and we will assess the impact as part of our 2021/22 audit.
- the transfer of business/enterprise services currently within Jobs and Business Glasgow to the council (now complete). This will impact the 2021/22 financial statements and we will assess the impact as part of our 2021/22 audit.
- restructuring of Development and Regeneration Services and Neighbourhoods and Sustainability to form a new Neighbourhoods, Regeneration and Sustainability Service (restructure completed 1 April 2021).

93. The council's Renewal Strategy and Governance Framework has been in place since July 2020 to address the strategic impact of Covid-19. The strategy is overseen by the Renewal Programme Board, chaired by the Executive Director of Finance, which meets on a four-weekly basis. Political oversight is provided by the Renewal Programme Oversight Group who also meet on a four-weekly basis.

94. The council has established a number of renewal workstreams and agreed a process for effectively engaging with council services and ALEOs. The framework will be reviewed in early 2022 to ensure it remains aligned to the council's strategic plans and to the Scottish Government's Covid Recovery Strategy: for a fairer future.

95. The council has appropriate arrangements for ensuring monitoring of the performance of its ALEOs and ensuring compliance with the Code of Guidance on funding external bodies and following the public pound.

Performance management arrangements provide a sound base for improvement

96. The council's performance management arrangements were considered in our BVAR issued in August 2018. We identified that the council has well-developed public performance reporting arrangements and continues to refine them, particularly around measuring progress against strategic objectives. In our follow-up of our BVAR recommendations we noted the council's progress in making improvements for measuring longer-term outcomes.

97. In August 2021 Internal Audit submitted a report to FASC on a review of performance management arrangements across the council. The review found that a reasonable level of assurance can be placed on the control environment. The audit identified scope for improvement and made ten recommendations for management to address.

98. The latest Summary Annual Performance Report was approved by the CAC on 30 September 2021. The annual performance reports are available to the public on the council's web page.

99. The council participates in the [Local Government Benchmarking Framework](#) (LGBF). The framework aims to bring together a wide range of information about how all Scottish councils perform in delivering better services to local communities, including the cost of services and how satisfied citizens are with them.

100. Overall, we considered the council's performance management arrangements to be adequate.

Statutory performance indicators (SPIs) are being met

101. The Accounts Commission has a statutory responsibility to define the performance information that councils must publish. In turn, councils have their own responsibility, under their Best Value duty, to report performance to the public. The commission does not prescribe how councils should report this information but expects them to provide the public with fair, balanced and engaging performance information.

102. The Accounts Commission issued a revised 2018 Statutory Performance Information Direction in December 2018 which requires a council to report:

- its performance in improving local public services provided by the council (on its own and with its partners and communities), and progress against agreed desired outcomes
- its own assessment and independent audit assessments of how it is performing against its duty of Best Value, and how it plans to improve these assessments and how it (with its partners where appropriate) has engaged with and responded to its diverse communities.

103. We have evaluated council's arrangements for fulfilling the above requirements and concluded that these arrangements are satisfactory.

Overview of performance targets

104. On 15 September 2021 the Operational Performance and Delivery Scrutiny Committee considered the latest progress report on the 2017-22 Strategic Plan. A review of the impact of the Covid-19 pandemic found requests to amend commitments and actions due to the pandemic was minimal. The report highlighted that the council is on track to deliver its Strategic Plan. Of the 231 actions across seven themes 205 (88%) were either complete or on target. There was slippage in 25 (11%) actions and for 1 (1%) action information was unavailable.

105. The council has made good progress with the delivery of its strategic priorities. As part of our BVAR follow-up work we will continue to monitor how the council measures its progress on strategic objectives.

National performance audit reports

106. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland.

During 2020/21, Audit Scotland published a number of reports which may be of interest to the body. These are outlined in [Appendix 4](#).

107. The council has well established and effective arrangements in place to ensure that our national reports and their impact on the council are considered by members.

Appendix 1

Action plan 2020/21

2020/21 recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p>1. Valuation of Land & Buildings</p> <p>Land and buildings are revalued over a 5-year rolling programme with the assets of a different service valued each year.</p> <p>Risk There is a risk of significant movements in value between each year's accounts.</p>	<p>The council should consider a valuation methodology whereby 20 per cent of each class of asset across all services is revalued each year.</p> <p>Para 62.</p>	<p>Management Action</p> <p>The council's 2021-22 valuation programme is already underway but will consider this proposal as part of a wider national consideration over the medium term.</p> <p>Responsible officer</p> <p>Executive Director of Finance</p> <p>Agreed date</p> <p>Over the medium term</p>
<p>2. Financial Sustainability</p> <p>Medium and longer-term plans have yet to be updated to reflect the future financial impact of the Covid-19 pandemic.</p> <p>Risk The council's medium and longer-term financial planning may not support the management and delivery of its strategic objectives.</p>	<p>The council should update its medium-term financial plans to reflect the most up-to-date position regarding the financial impact of Covid-19.</p> <p>Para 74.</p>	<p>Management Action</p> <p>The council's financial forecast for 2022-25 has recently been completed. It is assumed that the impact of Covid-19 will be met through existing carry forwards and additional Scottish Government funding and financial flexibilities.</p> <p>Responsible officer</p> <p>Executive Director of Finance</p> <p>Agreed date</p> <p>Complete</p>

Follow-up of prior year recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p>3. Financial Sustainability</p> <p>Medium and longer-term plans have yet to be updated to reflect the future financial impact of the Covid-19 pandemic.</p> <p>Risk - The council's medium and longer-term financial planning may not support the management and delivery of its strategic objectives.</p>	<p>The council should update its medium-term financial plan as soon as more clarity on the financial impacts of Covid-19 is obtained.</p>	<p>See item 1</p>
<p>4. Efficiency Savings</p> <p>The council achieved actual savings of £19.3 million in 2019/20, 85% of target.</p> <p>Risk - the failure to fully deliver planned efficiency savings puts additional pressure on future year budgets.</p>	<p>In light of the impact of Covid-19, and as part of its response and recovery framework and renewal programme, the council should ensure that future savings targets are underpinned by robust and risk-assessed action plans. These should be reviewed regularly to ensure remedial action is taken where necessary.</p>	<p>Management Action</p> <p>The council considers the delivery of savings as part of the annual budget process and adjusts as necessary.</p> <p>Responsible officer</p> <p>Executive Director of Finance</p> <p>Agreed date</p> <p>Annually as part of the budget process</p>
<p>5. Homelessness</p> <p>Although the service has made progress in developing and implementing its improvement plan and rapid re-housing transition plan, this has yet to translate into desired improvement in service attainment levels.</p> <p>Risk - the pace of service improvement may be insufficient to meet the ongoing needs of service users.</p>	<p>The council should continue to engage with the Scottish Housing Regulator and other stakeholders on the implementation of its homelessness strategy and plans.</p>	<p>Management Action</p> <p>The Council has made significant progress in relation to the objectives set out within our Rapid Rehousing Housing Transition Plan and Scottish Housing Regulator Implementation Plan. Critically, throughout the Public Health emergency, Glasgow has maintained a duty to respond to emergency accommodation needs where we have ensured that all presentations, including rough sleepers and those rough sleepers with no recourse to public funds</p>

Issue/risk	Recommendation	Agreed management action/timing
		<p>(NRPF) are offered emergency accommodation. Glasgow HSCP Homelessness services remain committed to working with partners, including the Scottish Housing Regulator, to address the challenges it faces in relation to the prevention and alleviation of homelessness.</p> <p>Responsible officer</p> <p>Chief Officer, Glasgow Health and Social Care Partnership</p> <p>Agreed date</p> <p>Key milestones in line with published RRTP through to 31 March 2024</p>

Appendix 2

Significant audit risks identified during planning

The table below sets out the audit risks we identified during our planning of the audit and how we addressed each risk in arriving at our conclusion. The risks are categorised between those where there is a risk of material misstatement in the annual accounts and those relating our wider responsibility under the [Code of Audit Practice 2016](#).

Audit risk	Assurance procedure	Results and conclusions
<p>1. Risk of material misstatement due to fraud caused by the management override of controls</p> <p>International Auditing Standards require that audits are planned to consider the risk of material misstatement in the financial statements caused by fraud, which is presumed to be a significant risk in any audit. This includes the risk of fraud due to the management override of controls.</p>	<p>Controls</p> <p>Assessment of controls in place for reviewing significant manual journals to ensure that they are appropriate.</p> <p>Testing</p> <p>Detailed testing of significant manual journal entries, with a focus on those impacting areas of significant risk.</p> <p>Focussed testing of accruals and prepayments on areas of significant risk.</p> <p>Evaluation of significant transactions that are outside the normal course of business.</p> <p>Assessing methodology and assumptions</p> <p>Assessment of any changes from the prior year to the estimation methodology applied by the council and the reasonableness of the estimates contained within the financial statements.</p> <p>Related Parties</p> <p>Assessment of the adequacy of the arrangements for identifying and disclosing</p>	<p><i>We did not identify any indicators of management bias or management fraud.</i></p> <p>Controls</p> <p>Controls in place for reviewing significant manual journals did not operate effectively throughout 2020/21 (see paragraph 59).</p> <p>Testing</p> <p>We increased our audit sample for testing significant manual journals – no issues were identified.</p> <p>Our testing of accruals and prepayments and significant transactions outside the normal course of business was satisfactory – no issues were identified.</p> <p>Assessing methodology and assumptions</p> <p>For significant estimates we assessed the estimation methodology and challenged management on the reasonableness assumptions used – no issues were identified.</p>

Audit risk	Assurance procedure	Results and conclusions
	related party relationships and transactions in the financial statements.	<p>Related Parties</p> <p>Our critical assessment of the council's arrangements for identifying and disclosing related party transactions found was satisfactory.</p>
<p>2. Impact of additional funding and expenditure due to Covid-19 on the financial statements</p> <p>The Covid-19 pandemic has resulted in significant financial pressures for the council. The Scottish and UK governments have announced a range of additional funding streams for the council to support frontline services and help the council manage the financial pressures caused by Covid-19. As at March 2021 the council has been allocated an additional £192.6 million in General Revenue Grant as non-recurring Covid-19 funding.</p> <p>This additional income and associated expenditure includes a mixture of principal and agency transactions which are subject to different accounting considerations in the preparation of the financial statements.</p> <p>There is a risk that Covid-19 funding and expenditure is not disclosed appropriately in the financial statements.</p>	<p>Understanding arrangements</p> <p>We will obtain an understanding of how the council has processed and controlled the Covid-19 related income and expenditure.</p> <p>We will obtain an understanding of the controls in place to mitigate the risk of fraudulent claims against Covid-19 support grants and schemes.</p> <p>Testing</p> <p>We will challenge the judgement of whether to account for various support grants as 'agent' or 'principal'.</p> <p>We will assess the accounting treatment of a sample of 'agent' and 'principal' transactions.</p> <p>We will assess whether any accruals, provisions or prepayments have been properly made in respect of the Code.</p> <p>Disclosures</p> <p>We will assess whether the additional income and expenditure has been properly disclosed in the financial statements in line with the Code and relevant guidance.</p> <p>We will consider the management commentary</p>	<p><i>We found that Covid-19 funding and expenditure is disclosed appropriately in the financial statements.</i></p> <p>Understanding arrangements</p> <p>We found the council's controls around Covid-19 income and expenditure to be satisfactory.</p> <p>We found the council's controls to mitigate the risk of fraudulent claims against Covid-19 support grants and schemes to be satisfactory.</p> <p>Testing</p> <p>Our audit procedures established that the council had adequate arrangements in place for</p> <ul style="list-style-type: none"> • classifying support grants as 'agent' or 'principal' • accounting for support grants, including any accruals, provisions or pre-payments. <p>Disclosures</p> <p>We assessed whether disclosures on additional income and expenditure complied with the Code and relevant guidance – no issues were identified.</p>

Audit risk	Assurance procedure	Results and conclusions
	reports on the Covid-19 related income and expenditure.	
<p>3. Estimation in the valuation of land and buildings</p> <p>Land and buildings are revalued on a five-year rolling basis.</p> <p>The council held land and buildings with a NBV of £2,314 million as at 31 March 2020. There is a significant degree of subjectivity in the valuation of land and buildings. Valuations are based on specialist and management assumptions and changes in these can result in material changes to valuations.</p> <p>In addition, the council will have to give evidence on how it satisfies itself that those assets not revalued during 20/21 are not materially misstated.</p> <p>We understand that the latest guidance issued by the Royal Institute of Surveyors suggests that there may not be a requirement to report material uncertainty for 2020/21 valuations due to the impact of Covid-19. However, we recognise that this position may change</p>	<p>Controls</p> <p>We will obtain an understanding of management's involvement in the valuation process to assess if appropriate oversight has occurred.</p> <p>We will critically assess the approach that the council has adopted to assess the risk that assets not subject to valuation are materially misstated and consider the robustness of that approach.</p> <p>Management Expert</p> <p>We will evaluate the competence, capabilities and objectivity of the professional valuer.</p> <p>Assessing methodology and assumptions</p> <p>Through the work of an independent expert, we will:</p> <ul style="list-style-type: none"> critically assess the methodology used by the valuer by considering whether the valuations are in accordance with the RICS Valuation Professional Standards 'the Red Book'. critically assess the reasonableness of valuations conducted by the professional valuer, including the use of any assumptions. <p>We will challenge management's assessment of why it considers that the land and buildings not revalued in 2020-21 are not materially misstated. We will critically assess the</p>	<p><i>We did not identify any issues around the valuation of land and buildings.</i></p> <p>Controls</p> <p>We found that management have an appropriate level of involvement and oversight of the valuation process.</p> <p>Our assessment of the council's arrangements for minimising the risk of material misstatement of assets not subject to valuation was satisfactory.</p> <p>Management Expert</p> <p>Based on our audit procedures we concluded that the professional valuer was competent, capable and objective.</p> <p>Assessing methodology and assumptions</p> <p>We engaged directly with the council's valuer to assess their arrangements for compliance with industry standards around valuations and therefore did not make use of an independent expert as planned.</p> <p>We concluded that the valuations were conducted in accordance with RICS standards and the use of assumptions was reasonable.</p> <p>We concluded that management's assessment that land and buildings not revalued in 2020-21 are not materially misstated to be reasonable and found</p>

Audit risk	Assurance procedure	Results and conclusions
	<p>appropriateness of any assumptions.</p> <p>We will critically assess the council's response to any changes in guidance issued by RICS.</p> <p>Testing</p> <p>We will substantively test the reconciliation between the financial ledger and the property asset register, including a sample of land and building assets re-valued in the year.</p> <p>Disclosures</p> <p>We will critically assess the adequacy of the council's disclosures regarding the assumptions in relation to the valuation of land and buildings.</p>	<p>assumptions to be appropriate.</p> <p>Our audit procedures did not identify any non-compliance with RICS guidance.</p> <p>Testing</p> <p>We did not identify any issues with the reconciliation between the financial ledger and the property asset register.</p> <p>Disclosures</p> <p>We found that appropriate disclosures have been made regarding the assumptions in relation to the valuation of land and buildings.</p>
<p>4. Estimation in the valuation of the pension liability</p> <p>The council is an admitted body of Strathclyde Pension Fund and recognised a net pension liability of £1,050 million as at 31 March 2020.</p> <p>The Fund's latest triennial valuation was completed during the financial year and will be reflected in the updated pension liability at 31 March 2021.</p> <p>The liability requires the use of an actuarial methodology using a number of assumptions including financial and demographic assumptions. These assumptions should reflect the profile of the council's employees and be based on appropriate data.</p>	<p>Controls</p> <p>We will critically assess the arrangements for the provision of membership information to the actuary, together with any assumptions, to calculate the pension obligation.</p> <p>Management Expert</p> <p>We will evaluate the competence, capabilities and objectivity of the actuary.</p> <p>Benchmarking Assumptions</p> <p>Through the work of an independent expert, we will challenge the key assumptions applied.</p> <p>Testing</p> <p>We will agree the data provided by the council to the Strathclyde Pension Fund for</p>	<p><i>We did not identify any issues around the valuation of the pension liability.</i></p> <p>Controls</p> <p>Our audit procedures found the arrangements for the provision of membership information to the actuary, including assumptions, to be satisfactory.</p> <p>Management Expert</p> <p>Based on our audit work we concluded that the actuary was competent, capable and objective.</p> <p>Benchmarking Assumptions</p> <p>Through the use of the work of an expert we concluded that key assumptions were appropriate.</p>

Audit risk	Assurance procedure	Results and conclusions
<p>The methodology applied could have a material impact on the net pension liability accounted for in the financial statements. The basis of the assumptions should also be derived on a consistent basis year to year.</p> <p>There is a risk that the assumptions and methodology used in the valuation of the council's pension obligation are not reasonable.</p>	<p>use within the calculation of the scheme valuation.</p> <p>Disclosures</p> <p>We will consider the adequacy of the disclosures regarding the sensitivity of the liability to the assumptions.</p> <p>We will assess whether the disclosures are in accordance with the Code's requirements.</p>	<p>Testing</p> <p>We did not identify any issues regarding the data provided by the council to the Strathclyde Pension Fund.</p> <p>Disclosures</p> <p>We concluded that the council has made appropriate disclosures regarding the sensitivity of the liability to assumptions.</p> <p>We concluded that disclosures are in accordance with the Code.</p>
<p>5. Risk of Material Misstatement in relation to the Group</p> <p>SEC Land and Buildings</p> <p>The value of land and buildings incorporated into the group from Scottish Events Campus Limited is likely to be above group materiality.</p> <p>Valuations are based on specialist and management assumptions and changes in these can result in material changes to valuations.</p> <p>There is a risk arising to valuation estimates from the use of assumptions in the valuations.</p> <p>City Property Investments</p> <p>The value of property investments incorporated into the group from City Property Glasgow (Investments) is likely to be above group materiality.</p>	<p>In line with ISA 600 we will evaluate and review the work performed by the component auditors in relation to the identified risks.</p> <p>This will include:</p> <ul style="list-style-type: none"> • discussion with the component auditors on the audit approach to the risks identified • assessment of relevant work of the component auditors and their judgements on the identified risks • assessment on whether any further audit procedures are required. 	<p><i>Our planned audit procedures did not identify any issues around the material valuations in relation to the Group.</i></p>

Audit risk	Assurance procedure	Results and conclusions
<p>Valuations are based on specialist and management assumptions and changes in these can result in material changes to valuations.</p> <p>There is a risk arising to valuation estimates from the use of assumptions in the valuations.</p> <p>Glasgow Life Pension Liability</p> <p>The value of the net pension liability incorporated into the group from Glasgow Life is likely to be above group materiality.</p> <p>The liability requires the use of an actuarial methodology using a number of assumptions including financial and demographic assumptions.</p> <p>There is a risk that the assumptions and methodology used in the valuation of Glasgow Life's pension obligation are not reasonable.</p>		

Risks identified from the auditor's wider responsibility under the Code of Audit Practice

Audit risk	Assurance procedure	Results and conclusions
<p>6. Financial Sustainability</p> <p>The council faces significant financial challenges, including</p> <ul style="list-style-type: none"> • A spending gap of £112.5 million over the next three years • increased costs and reduced income due to the impact of Covid-19 	<p>We will assess the adequacy of the council's longer-term financial plans.</p> <p>We will assess the council's financial position based on our review of the council's financial performance and budget reports.</p>	<p><i>The council has appropriate and effective financial management arrangements in place</i></p>

Audit risk	Assurance procedure	Results and conclusions
<ul style="list-style-type: none"> • local government funding settlements that are likely to remain challenging • ongoing rising demands for services • increasing costs across services • implementation of a new pay and grading system. <p>To meet these challenges and deliver its strategic objectives it is important that the council has strong longer-term financial plans.</p>	<p>We will assess any council plans to use the Scottish Government's relaxation of financial regulations due to the Covid19 pandemic.</p> <p>We will assess the council's savings programme, including the reasonableness of future savings plans and the adequacy of progress reports to committee.</p> <p>We will review and assess provisions and contingent liability disclosures as part of our financial statements audit.</p>	

Appendix 3

Additional report relating to EU Public Interest Entities

Consideration	Response
Our declaration of Independence	No matters to report. The engagement team has complied with the relevant ethical requirements regarding independence.
Key Audit Partner(s)	John Cornett, Audit Director is the engagement lead.
Independence of external experts engaged by Audit Scotland	We engaged PWC as an external expert in obtaining assurances around the competence and objectivity of, and assumptions and approach adopted by the actuary in producing IAS19 figures in respect of pension fund disclosures as at 31 March 2021. There are no matters to report.
Communications with audit committee and management	We set out the nature, frequency of communication with CAC, FASC and management in our Annual Plan dated July 2021.
Scope and timing of audit	We set out the scope and timing of the audit in our Annual Plan dated July 2021.
Audit Methodology	Our audit response to risks identified at planning is set out in Appendix 2 .
Valuation Methods	See Appendix 2 for the valuation methods applied to items in the financial statements and the impact of any changes.
Going concern assessment	We have not identified any significant matters affecting the entity's ability to continue as a going concern.
Requested explanations and documents	No matters to report. All requested explanations and documents were provided by management.
Materiality	See Exhibit 1

Non-compliance with laws and regulation or articles of association	No actual or suspected non-compliance with laws and regulation or articles of association were identified during the audit.
Significant deficiencies in internal control	Overall, we concluded that the control environment was operating effectively however there is room to improve existing arrangements (see paragraph 60).
Significant difficulties and matters	<p>No significant difficulties were encountered during the audit.</p> <p>The significant matters arising from the audit as set out in Exhibit 2 were discussed, or subject to, correspondence, with management.</p> <p>There are no matters to report that are significant to the oversight of the financial reporting process.</p>
Non – Audit Scotland component auditors	<p>We evaluate and reviewed the work of the following component auditors:</p> <ul style="list-style-type: none"> • Wylie & Bisset in relation to the valuation of investment properties for City Property Glasgow (Investments) • Ernst & Young in relation to the valuation of Land & Buildings for Scottish Events Campus Limited • Azets in relation to the valuation of Glasgow Life pension liabilities. <p>There are no matters to report.</p>
Management’s approach to consolidation	Management’s approach to consolidation is consistent with IFRS. The group accounts include all significant components.

Appendix 4

Summary of national performance reports 2020/21

April

[Affordable housing](#)

June

[Highlands and Islands Enterprise: Management of Cairngorm mountain and funicular railway](#)

[Local government in Scotland Overview 2020](#)

July

[The National Fraud Initiative in Scotland 2018/19](#)

January

[Digital progress in local government](#)

[Local government in Scotland: Financial overview 2019/20](#)

February

[NHS in Scotland 2020](#)

March

[Improving outcomes for young people through school education](#)

Glasgow City Council

2020/21 Annual Audit Report

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