

# Glasgow City Council

Annual Audit Plan 2020/21



 AUDIT SCOTLAND

Prepared for Glasgow City Council  
July 2021

---

# Contents

---

Risks and planned work	3
Audit scope and timing	11
Appendix 1: Additional planning communications for EU- PIEs	17
Appendix 2: Communicatons with FASC and CAC	19
Appendix 3: Who we are	20

---

# Risks and planned work

---

- 1.** This annual audit plan contains an overview of the planned scope and timing of our audit which is carried out in accordance with International Standards on Auditing (ISAs), the [Code of Audit Practice](#), and guidance on planning the audit. This plan sets out the work necessary to allow us to provide an independent auditor's report on the annual accounts and meet the wider scope requirements of public sector audit including the audit of Best Value.
- 2.** The wider scope of public audit contributes to assessments and conclusions on financial management, financial sustainability, governance and transparency and value for money.
- 3.** The public health crisis caused by the coronavirus disease 2019 (COVID-19) pandemic has had a significant and profound effect on every aspect of Scottish society. Public services have been drastically affected, requiring immediate changes to the way they are provided. The impact on public finances 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.
- 4.** Public audit has an important contribution to the recovery and renewal of public services. The Auditor General, the Accounts Commission and Audit Scotland are responding to the risks to public services and finances from COVID-19 across the full range of audit work including annual audits and the programme of performance audits. Audit Scotland views 2020/21 as a transitional year, leading in future to audit timetables which were possible before COVID-19. The well-being of audit teams and the delivery of high-quality audits remain paramount. Maintaining a pragmatic and flexible approach will enable change at short notice as new issues emerge, or current risks change in significance. Where this impacts on annual audits, an addendum to this annual audit plan may be necessary.

## Public Interest Entity Status

- 5.** EU legislation (which still applies to the UK) places additional requirements on the auditors of an EU Public Interest Entity (EU-PIE). EU directive 2014/56/EU defines an EU-PIE, which includes entities irrespective of size, that are both governed by the law of a member state and listed on a regulated market such as a stock exchange. The council meets this definition as it has a liability of £11,000 in relation to historic bonds issued by Glasgow Corporation which are listed on the London Stock Exchange.
- 6.** The additional audit requirements relate mainly to our communication and engagement with management and with those charged with governance. [Appendix 1](#) sets out how we satisfy these additional requirements.

## Adding value

- 7.** We aim to add value to Glasgow City Council through our external audit work by being constructive and forward looking, by identifying areas for improvement and by recommending and encouraging good practice. In so doing, we intend to help the council promote improved standards of governance, better management and decision making and more effective use of resources.

## Audit risks

8. Based on our discussions with staff, attendance at committee meetings and a review of supporting information we have identified the following significant risk for the council. We have categorised these risks into financial statements risks and wider dimension risks. The key audit risks, which require specific audit testing, are detailed in [Exhibit 1](#).

### Exhibit 1 2020/21 Significant audit risks

	Audit Risk	Source of assurance	Planned audit work
Financial statements risks			
1	<p><b>Risk of material misstatement due to fraud caused by the management override of controls</b></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>Owing to the nature of this risk, assurances from management are not applicable in this instance.</p>	<p>Our audit approach incorporates the risk of management override as a default significant risk. In line with our methodology our planned audit work will cover:</p> <p><b>Controls</b></p> <ul style="list-style-type: none"> <li>Assessment of controls in place for reviewing significant manual journals to ensure that they are appropriate.</li> </ul> <p><b>Testing</b></p> <ul style="list-style-type: none"> <li>Detailed testing of significant manual journal entries, with a focus on those of impacting areas of significant risk.</li> <li>Focussed testing of accruals and prepayments on areas of significant risk.</li> <li>Evaluation of significant transactions that are outside the normal course of business.</li> </ul> <p><b>Assessing methodology and assumptions</b></p> <ul style="list-style-type: none"> <li>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.</li> </ul> <p><b>Related Parties</b></p> <ul style="list-style-type: none"> <li>Assessment of the adequacy of the arrangements for identifying and disclosing related party relationships and transactions in the financial statements.</li> </ul>

 Audit Risk	Source of assurance	Planned audit work
<p><b>2 Impact of additional funding and expenditure due to Covid-19 on the financial statements</b></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>Analysis contained within annual accounts and supporting documentation provided in line with guidance issued by the Local Authorities Scotland Accounts Advisory Committee (LASAAC).</p>	<p><b>Understanding arrangements</b></p> <ul style="list-style-type: none"> <li>We will obtain an understanding of how the council has processed and controlled the Covid-19 related income and expenditure.</li> <li>We will obtain an understanding of the controls in place to mitigate the risk of fraudulent claims against Covid-19 support grants and schemes.</li> </ul> <p><b>Testing</b></p> <ul style="list-style-type: none"> <li>We will challenge the judgement of whether to account for various support grants as 'agent' or 'principal'.</li> <li>We will assess the accounting treatment of a sample of 'agent' and 'principal' transactions.</li> <li>We will assess whether any accruals, provisions or prepayments have been properly made in respect of the Code.</li> </ul> <p><b>Disclosures</b></p> <ul style="list-style-type: none"> <li>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.</li> <li>We will consider the management commentary reports on the Covid-19 related income and expenditure.</li> </ul>
<p><b>3 Estimation in the valuation of land and buildings</b></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</p>	<p>Non-current assets are professionally valued on a regular basis in accordance with a pre-determined schedule.</p> <p>Controls are in place over provision of accurate data to valuers.</p>	<p><b>Controls</b></p> <ul style="list-style-type: none"> <li>We will obtain an understanding of management's involvement in the valuation process to assess if appropriate oversight has occurred.</li> <li>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.</li> </ul> <p><b>Management Expert</b></p> <ul style="list-style-type: none"> <li>We will evaluate the competence, capabilities and objectivity of the professional valuer.</li> </ul> <p><b>Assessing methodology and assumptions</b></p> <ul style="list-style-type: none"> <li>Through the work of an independent expert, we will:</li> </ul>

 Audit Risk	Source of assurance	Planned audit work
<p>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>		<ul style="list-style-type: none"> <li>– 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’</li> <li>– critically assess the reasonableness of valuations conducted by the professional valuer, including the use of any assumptions.</li> <li>• 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 appropriateness of any assumptions.</li> <li>• We will critically assess the council’s response to any changes in guidance issued by RICS.</li> </ul> <p><b>Testing</b></p> <ul style="list-style-type: none"> <li>• 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.</li> </ul> <p><b>Disclosures</b></p> <ul style="list-style-type: none"> <li>• We will critically assess the adequacy of the council’s disclosures regarding the assumptions in relation to the valuation of land and buildings.</li> </ul>
<p><b>4 Estimation in the valuation of the pension liability</b></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</p>	<p>Pension liabilities for inclusion in financial statements are derived from valuation calculations prepared by actuaries appointed by Strathclyde Pension Fund.</p> <p>Controls are in place over provision of accurate data to actuaries.</p>	<p><b>Controls</b></p> <ul style="list-style-type: none"> <li>• We will critically assess the arrangements for the provision of membership information to the actuary, together with any assumptions, to calculate the pension obligation.</li> </ul> <p><b>Management Expert</b></p> <ul style="list-style-type: none"> <li>• We will evaluate the competence, capabilities and objectivity of the actuary.</li> </ul> <p><b>Benchmarking Assumptions</b></p> <ul style="list-style-type: none"> <li>• Through the work of an independent expert, we will challenge the key assumptions applied.</li> </ul> <p><b>Testing</b></p> <ul style="list-style-type: none"> <li>• We will agree the data provided by the council to the Strathclyde</li> </ul>

 Audit Risk	Source of assurance	Planned audit work
<p>employees, and be based on appropriate data.</p> <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>Pension Fund for use within the calculation of the scheme valuation.</p> <p><b>Disclosures</b></p> <ul style="list-style-type: none"> <li>• We will consider the adequacy of the disclosures regarding the sensitivity of the liability to the assumptions.</li> <li>• We will assess whether the disclosures are in accordance with the Code's requirements.</li> </ul>
<p><b>5 Risks of Material Misstatement in relation to the Group</b></p> <p><b>SEC Land and Buildings</b></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><b>City Property Investments</b></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>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><b>Glasgow Life Pension Liability</b></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</p>	<p>Non-current assets of group entities are professionally valued on a regular basis in accordance with a pre-determined schedule.</p> <p>Controls are in place over provision of accurate data to valuers.</p> <p>The pension liabilities of group entities for inclusion in financial statements are derived from valuation calculations prepared by actuaries appointed by Strathclyde Pension Fund.</p> <p>Controls are in place over provision of accurate data to actuaries.</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"> <li>• discussion with the component auditors on the audit approach to the risks identified</li> <li>• assessment of relevant work of the component auditors and their judgements on the identified risks</li> <li>• assessment on whether any further audit procedures are required.</li> </ul>

	Audit Risk	Source of assurance	Planned audit work
	<p>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>		
<b>Wider dimension risks</b>			
<b>6</b>	<p><b>Financial sustainability</b></p> <p>The council faces significant financial challenges, including</p> <ul style="list-style-type: none"> <li>• A spending gap of £112.5 million over the next three years</li> <li>• increased costs and reduced income due to the impact of Covid-19</li> <li>• local government funding settlements that are likely to remain challenging</li> <li>• ongoing rising demands for services</li> <li>• increasing costs across services</li> <li>• implementation of a new pay and grading system.</li> </ul> <p>To meet these challenges and deliver its strategic objectives it is important that the council has strong longer-term financial plans.</p>	<p>Regular update of longer-term financial plans that take account of the significant financial challenges facing the council, including the impact of Covid-19.</p> <p>Well established procedures for the monitoring and reporting of the council's financial performance.</p> <p>The application of Financial Management and Control Code of Practice.</p>	<ul style="list-style-type: none"> <li>• We will assess the adequacy of the council's longer-term financial plans.</li> <li>• We will assess the council's financial position based on our review of the council's financial performance and budget reports.</li> <li>• We will assess any council plans to use the Scottish Government's relaxation of financial regulations due to the Covid19 pandemic.</li> <li>• We will assess the council's savings programme, including the reasonableness of future savings plans and the adequacy of progress reports to committee.</li> <li>• We will review and assess provisions and contingent liability disclosures as part of our financial statements audit.</li> </ul>
Source: Audit Scotland			

**9.** As set out in ISA 240, there is a presumed risk of fraud over the recognition of income. There is a risk that income may be misstated resulting in a material misstatement in the financial statements. We have rebutted this risk for Glasgow City Council as there are limited opportunities to manipulate the way income is recognised.

**10.** In Line with Practice Note 10, as most public-sector bodies are net expenditure bodies, the risk of fraud is more likely to occur in expenditure. We have rebutted this risk for Glasgow City Council as there are limited opportunities to manipulate the way expenditure is recognised.

### Other areas of audit focus

**11.** Disclosures around accounting for capital financing can be complex. Officers will be reviewing relevant disclosures for the 2020/21 financial statements with a view to making them less complex where possible. We will review the capital financing disclosures within the financial statements presented for audit to ensure they remain in line with the Code of Audit Practice.

**12.** There is a significant degree of subjectivity in the determination of the level of debt impairment at a body. The impact of Covid-19 may affect future debt collection rates of the council and this could have a material impact the calculation of debt impairment. We will assess the reasonableness of the assumptions used to determine debt impairment and review of working papers supporting the debt impairment calculation.

## Reporting arrangements

**13.** Audit reporting is the visible output for the annual audit. All annual audit plans and the outputs as detailed in [Exhibit 2](#), and any other outputs on matters of public interest will be published on our website: [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk).

**14.** Matters arising from our audit will be reported on a timely basis and will include agreed action plans. Draft management reports will be issued to the relevant officer(s) to confirm factual accuracy.

**15.** We will provide an independent auditor's report to the council and the Accounts Commission setting out our opinions on the annual accounts. We will provide the Executive Director of Finance and the Accounts Commission with an annual report on the audit containing observations and recommendations on significant matters which have arisen during the audit.

**16.** As outlined in paragraph 4, Audit Scotland views 2020/21 as being another challenging year. [Exhibit 2](#) outlines the target dates for our audit outputs, and we aim to issue the Independent Auditor's Report and Annual Audit Report by the statutory deadline of 30 November 2021. However, we acknowledge this may not be achievable due to the ongoing pressures and uncertainties caused by Covid-19. We will maintain a pragmatic and flexible approach to the audit and will continue to have discussions with management around the progress of our work and any changes that may be required to target dates.

## Exhibit 2 2020/21 Audit outputs

Audit Output	Target date	Provisional Committee Date
Annual Audit Plan	30 June 2021	Finance and Audit Scrutiny Committee (FASC) – 4 August 2021
Proposed Independent Auditor's Report	30 November 2021	FASC – 3 November 2021 City Administration Committee (CAC) – 18 November 2021
Annual Audit Report	30 November 2021	FASC – 3 November 2021 CAC – 18 November 2021

Source: Audit Scotland

## Audit fee

**17.** The proposed audit fee for the 2020/21 audit of Glasgow City Council is £658,260 (19/20: £643,990). In determining the audit fee we have taken account of the risk exposure of the council, the planned management assurances in place and the level of reliance we plan to take from the work of internal audit. Our audit

approach assumes receipt of the unaudited annual accounts, with a complete working papers package by the end of June 2021.

**18.** Where our audit cannot proceed as planned through, for example, late receipt of unaudited annual accounts or being unable to take planned reliance from the work of internal audit, a supplementary fee may be levied. An additional fee may also be required in relation to any work or other significant exercises out with our planned audit activity.

## Responsibilities

### City Administration Committee, Finance and Audit Scrutiny Committee and Executive Director of Finance

**19.** 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.

**20.** The audit of the annual accounts does not relieve management or the City Administration Committee or the Finance and Audit Scrutiny Committee, as those charged with governance, of their responsibilities.

### Appointed auditor

**21.** Our responsibilities as independent auditors are established by the Local Government (Scotland) Act 1973 and the Code of Audit Practice (including supplementary guidance) and guided by the Financial Reporting Council's Ethical Standard.

**22.** Auditors in the public sector give an independent opinion on the financial statements and other information within the annual accounts. We also review and report on the arrangements within the audited body to manage its performance and use of resources. In doing this, we aim to support improvement and accountability.

# Audit scope and timing

## Annual accounts

**23.** The annual accounts, which include the financial statements, will be the foundation and source for most of the audit work necessary to support our judgements and conclusions. We also consider the wider environment and challenges facing the public sector. Our audit approach includes:

- understanding the business of the council and the associated risks which could impact on the financial statements
- assessing the key systems of internal control, and establishing how weaknesses in these systems could impact on the financial statements
- identifying major transaction streams, balances and areas of estimation and understanding how Glasgow City Council will include these in the financial statements
- assessing the risks of material misstatement in the financial statements
- determining the nature, timing and extent of audit procedures necessary to provide us with sufficient audit evidence as to whether the financial statements are free of material misstatement.

**24.** We will give an opinion on whether the financial statements:

- give a true and fair view in accordance with applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 of the state of affairs of the council and its group as at 31 March 2021 and of the income and expenditure of the council and its group for the year then ended
- have been properly prepared in accordance with International reporting Standards (IFRSs) as adopted by the European Union, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21
- 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.

## Statutory other information in the annual accounts

**25.** We review and report on statutory other information published within the annual accounts including the management commentary, annual governance statement and the remuneration report. We give an opinion on whether these have been compiled in accordance with the appropriate regulations and frameworks in our independent auditor's report.

**26.** We also review the content of the annual accounts for consistency with the financial statements and with our knowledge. We report any uncorrected material misstatements in statutory other information.

## Materiality

**27.** We apply the concept of materiality in planning and performing the audit. It is used in evaluating the effect of identified misstatements on the audit, and of any



characteristics



responsibilities



principal activities



risks



governance arrangements

uncorrected misstatements, on the financial statements and in forming our opinions in the independent auditor's report.

**28.** The materiality values for the council (single entity and group) are set out in [Exhibit 3](#).

### Exhibit 3 Materiality values

Materiality	Amount
<b>Glasgow City Council Financial Statements</b>	
<b>Planning materiality</b> – This is the figure we use to assess the overall impact of audit adjustments on the financial statements. Based on our professional judgement we have set planning materiality at 1% of gross expenditure on provision of services as set out in the 2019/20 annual accounts.	£26.0 million
<b>Performance materiality</b> – This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality this would indicate that further audit procedures should be considered. We have set performance materiality at 65% of planning materiality.	£17.0 million
<b>Reporting threshold (i.e. clearly trivial)</b> – We are required to report to those charged with governance on all unadjusted misstatements more than the 'reporting threshold' amount.	£0.25 million
<b>Group Financial Statements</b>	
<b>Planning materiality</b> – This is the figure we use in assessing the overall impact of audit adjustments on the financial statements. Based on our professional judgement we have set planning materiality at 1% of gross expenditure on provision of services as set out in the 2019/20 annual accounts.	£27.0 million
<b>Performance materiality</b> – This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality this would indicate that further audit procedures should be considered. We have set performance materiality at 65% of planning materiality.	£18.0 million
<b>Reporting threshold (i.e. clearly trivial)</b> – We are required to report to those charged with governance on all unadjusted misstatements in excess of the 'reporting threshold' amount.	£0.25 million

Source: Audit Scotland

### Timetable

**29.** To support the efficient use of resources it is critical that the annual accounts timetable is agreed with us to produce the unaudited accounts. We have included a proposed timetable for the audit of the annual accounts at [Exhibit 4](#) that has been discussed with finance officers. However, as outlined in paragraph 16, the pressures caused by Covid-19 and the uncertainties presented as the situation develops could impact on the timings of our audit and lead to changes in the timetable. The timetable will be kept under review and discussed with management and finance officers over the course of the audit.

## Exhibit 4

### Proposed annual accounts timetable

 Key stage	 Provisional Date
Latest submission date of unaudited annual report and accounts with complete working papers package	30 June 2021 (Received 25 June)
Consideration of unaudited annual report and accounts by those charged with governance	FASC – 4 Aug 2021
Latest date for final clearance meeting with Executive Director of Finance	October 2021*
Issue of Letter of Representation and proposed independent auditor's report	October 2021*
Agreement of audited unsigned annual report and accounts	October 2021*
Independent auditor's report signed	By 30 November 2021*
Issue of Annual Audit Report to those charged with governance	November 2021*
Latest date for signing of WGA return	TBC*

\*We will agree specific dates with officers as the audit progresses.

### Internal audit

**30.** Internal audit is provided by the council's internal audit service. As part of our planning process we carry out an annual assessment of the internal audit function to ensure that it operates in accordance with the main requirements of the Public Sector Internal Audit Standards (PSIAS). ISA (UK)610 requires an assessment on whether the work of the internal audit function can be used for the purposes of external audit. This includes:

- the extent to which the internal audit function's organisational status and relevant policies and procedures support the objectivity of the internal auditors
- the level of competence of the internal audit function
- whether the internal audit function applies a systematic and disciplined approach, including quality control.

**31.** Our review of the internal audit function concluded that it continues to have sound documentation standards and reporting procedures in place, and it complies with PSIAS requirements.

### Using the work of internal audit

**32.** International Auditing Standards require internal and external auditors to work closely together to make best use of available audit resources. We seek to use the work of internal audit wherever possible to avoid duplication. We plan to consider the findings of the work of internal audit as part of our planning process to minimise duplication of effort and to ensure the total resource is used efficiently or effectively.

**33.** From our initial review of internal audit plans we plan to consider the work of Internal Audit in relation to:

- changes to the council's control environment caused by the impact of COVID-19
- budget monitoring arrangements.

**34.** In respect of our wider dimension audit responsibilities we also plan to consider the findings of Internal Audit across a range of work including performance management, risk management, governance and IT security.

## Audit dimensions

**35.** Our audit is based on four audit dimensions that frame the wider scope of public sector audit requirements as shown in [Exhibit 5](#).

### Exhibit 5 Audit dimensions



Source: Code of Audit Practice

**36.** In the local government sector, the appointed auditor's annual conclusions on these four dimensions will help contribute to an overall assessment and assurance on best value.

### Financial sustainability

**37.** As auditors we consider the appropriateness of the use of the going concern basis of accounting as part of the annual audit. We will also comment on financial sustainability in the longer term. We define this as medium term (two to five years) and longer term (longer than five years) sustainability. We will carry out work and conclude on:

- the effectiveness of financial planning in identifying and addressing risks to financial sustainability in the short, medium and long term
- the appropriateness and effectiveness of arrangements in place to address any identified funding gaps
- whether there are arrangements in place to demonstrate the affordability and effectiveness of funding and investment decisions.

## Financial management

**38.** Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively. We will review, conclude and report on:

- whether arrangements are in place to ensure systems of internal control are operating effectively
- whether the council can demonstrate the effectiveness of budgetary control systems in communicating accurate and timely financial performance
- how the council has assured itself that its financial capacity and skills are appropriate
- whether there are appropriate and effective arrangements in place for the prevention and detection of fraud and corruption.

**39.** As part of our work this year, we will broaden our consideration of these matters in light of the impact of the Covid-19 pandemic.

## Governance and transparency

**40.** Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision – making and transparent reporting of financial and performance information. We will review, conclude and report on:

- whether the council can demonstrate that the governance arrangements in place are appropriate and operating effectively (including services delivered by, or in partnership with, others such as ALEOs)
- whether there is effective scrutiny, challenge and transparency on the decision-making and finance and performance reports
- the quality and timeliness of financial and performance reporting.

**41.** As part of our work this year, we will broaden our consideration of these matters in light of the impact of the Covid-19 pandemic.

## Value for money

**42.** Value for money refers to using resources effectively and continually improving services. We will review, conclude and report on whether the council can demonstrate:

- value for money in the use of resources
- there is a clear link between money spent, output and outcomes delivered
- that outcomes are improving
- there is sufficient focus on improvement and the pace of it.

## Best Value

**43.** During 2020/21 we will focus on the council's arrangements for demonstrating best value in the areas of improvement, equal opportunities, and partnership working and empowering communities. This work will be integrated with that described above and will involve us gaining an understanding of how effective the council's self-evaluation processes are in driving improvement across the council. The results of this work will be reported in the Annual Audit Report.

**44.** The four councils on which a BVAR will be published during the fifth year of the new approach are listed in [Exhibit 6](#). Reports will be considered by the Accounts Commission in the period between March and November 2021.

## Exhibit 6

### 2020/21 Best Value Assurance Reports



Aberdeen City Council

Falkirk Council

South Ayrshire Council

East Dunbartonshire Council

Source: Audit Scotland

### Independence and objectivity

**45.** 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 also comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies. These standards impose stringent rules to ensure the independence and objectivity of auditors. Audit Scotland has robust arrangements in place to ensure compliance with these standards including an annual “fit and proper” declaration for all members of staff. The arrangements are overseen by the Director of Audit Services, who serves as Audit Scotland’s Ethics Partner.

**46.** The engagement lead (i.e. appointed auditor) for the council is John Cornett, Audit Director. Auditing and ethical standards require the appointed auditor to communicate any relationships that may affect the independence and objectivity of audit staff. We are not aware of any such relationships pertaining to the audit of Glasgow City Council.

**47.** It is mandatory for all EU-PIEs to tender the audit contract at least every 10 years and rotate auditors at least every 20 years. For local government bodies in Scotland, the procurement process is undertaken by the Accounts Commission who appoint auditors to each local authority for a period of five years. The next tender exercise is being conducted in late 2021 following a one year extension to the current appointment.

**48.** There are restrictions placed on the auditors of PIEs in relation to the provision of non-audit services and the associated fee. We do not provide any non-audit services to the council or group components.

### Quality control

**49.** International Standard on Quality Control 1 (ISQC1) requires that a system of quality control is established, as part of financial audit procedures, to provide reasonable assurance that professional standards and regulatory and legal requirements are being complied with and that the independent auditor’s report or opinion is appropriate in the circumstances.

**50.** The foundation of our quality framework is our Audit Guide, which incorporates the application of professional auditing, quality and ethical standards and the Code of Audit Practice (and supporting guidance) issued by Audit Scotland and approved by the Auditor General for Scotland. To ensure that we achieve the required quality standards Audit Scotland conducts engagement quality control reviews and internal quality reviews. The engagement quality control reviewer for Glasgow City Council audit is Fiona Kordiak. Additionally, the Institute of Chartered Accountants of Scotland (ICAS) have been commissioned to carry out external quality reviews.

**51.** As part of our commitment to quality and continuous improvement, Audit Scotland will periodically seek your views on the quality of our service provision. We welcome feedback at any time and this may be directed to the engagement lead.

# Appendix 1: Additional planning communications for EU- PIEs

Consideration	Response
Our declaration of Independence	See para 45
Key Audit Partner(s)	See para 46
Independence of external experts engaged by Audit Scotland	<p>We plan to engage 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.</p> <p>We may engage an external expert in obtaining assurances around the competence and objectivity of, and assumptions and approach adopted by City Property in producing Land &amp; Building valuations as at 31 March 2021.</p>
Communications with audit committee and management	See <a href="#">Appendix 2</a>
Scope and timing of audit	See from para 23
Audit Methodology	Our audit response to identified risks is described from para 8 of this report
Valuation Methods	<p>See <a href="#">Exhibit 1</a></p> <p>We will report in our Annual Audit Report the valuation methods applied to items in the financial statements and the impact of any changes</p>
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	We will report in our Annual Audit Report on whether requested explanations and documents were provided by management.
Materiality	See paras <b>Error! Reference source not found.</b> & <b>Error! Reference source not found.</b> and <a href="#">Exhibit 3</a>
Non-compliance with laws and regulation or articles of association	We will report in our Annual Audit Report on whether actual or suspected non-compliance

Consideration	Response
	with laws and regulation or articles of association were identified during the audit.
Significant deficiencies in internal control	We will report in our Annual Audit Report on all significant deficiencies and whether they have been resolved by management.
Significant difficulties and matters	<p>We will report in our Annual Audit Report on any significant difficulties encountered during the audit.</p> <p>We will report on significant matters arising from the audit that were discussed, or subject to, correspondence, with management.</p> <p>We will report on matters that are significant to the oversight of the financial reporting process.</p>
Non – Audit Scotland component auditors	<p>We plan to evaluate and review the work of the following component auditors:</p> <p>Wylie &amp; Bisset in relation to the valuation of investment properties for City Property Glasgow (Investments)</p> <p>Ernst &amp; Young in relation to the valuation of Land &amp; Buildings for Scottish Events Campus Limited</p> <p>Azets in relation to the valuation of Glasgow Life pension liabilities.</p>
Management’s approach to consolidation	We will report in our Annual Audit Report on whether management’s approach to consolidation is consistent with IFRS.

# Appendix 2:

# Communicatons with

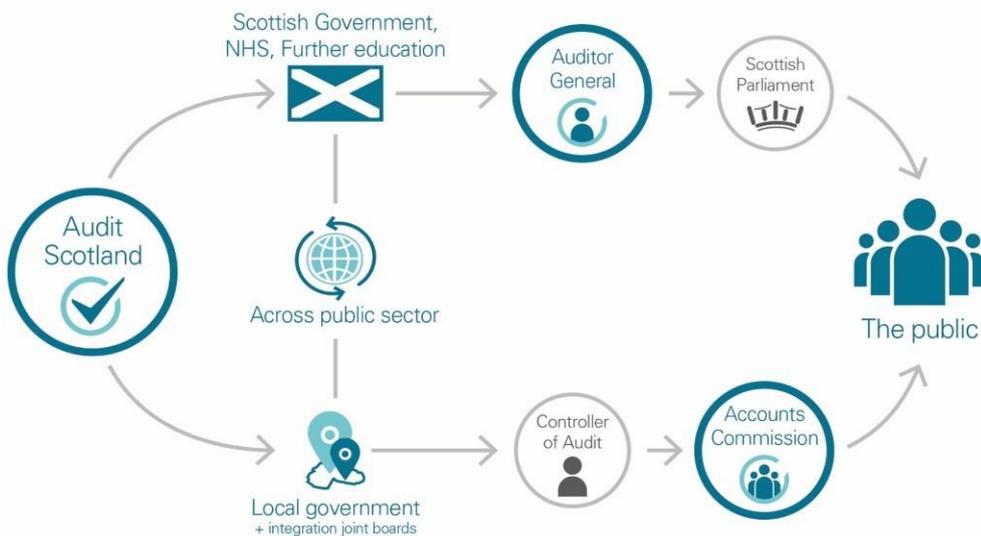
# FASC and CAC

Matters to be communicated	Link to FASC
Independence and our quality procedures ISA 260.	See Paras 45 & 46
The general approach and overall scope of the audit, including levels of materiality, fraud and engagement letter ISA 260.	See Paras 23 – 44
<ul style="list-style-type: none"> <li>• Disagreement with management about matters that, individually or in aggregate, could be significant to the entity’s financial statements or the auditor’s report, and their resolution.</li> <li>• Significant difficulties we encountered during the audit.</li> <li>• Significant matters discussed, or subject to correspondence, with management (ISA 260).</li> <li>• The potential effect on the financial statements of any material risks and exposures, such as pending litigation, that are required to be disclosed in the financial statements (ISA 260 and ISA 540).</li> <li>• Our views about the qualitative aspects of the entity’s accounting and financial reporting.</li> <li>• How we plan to identify, assess and obtain sufficient appropriate evidence regarding the risks of material misstatement of the financial statements due to fraud and to implement appropriate responses to fraud or suspected fraud identified during the audit. (ISA 240)</li> <li>• Audit adjustments, whether or not recorded by the entity, that have, or could have, a material effect on its financial statements. We will request you to correct uncorrected misstatements (including disclosure misstatements) (ISA 450)</li> <li>• The selection of, or changes in, significant accounting policies and practices that have, or could have, a material effect on the entity’s financial statements (ISA 570).</li> <li>• Material uncertainties related to events and conditions that may cast significant doubt on the entity’s ability to continue as a going concern (ISA 570).</li> <li>• Expected modifications to the auditor’s report (ISA 705).</li> <li>• Related party transactions that are not appropriately disclosed (ISA 550)</li> </ul>	<ul style="list-style-type: none"> <li>• In the event of such matters of significance we would expect to communicate with FASC throughout the year.</li> <li>• Formal reporting will be included in our ISA 260 report for the FASC meeting, which focuses on the financial statements</li> </ul>

# Appendix 3: Who we are

The Auditor General, the Accounts Commission and Audit Scotland work together to deliver public audit in Scotland:

- The Auditor General is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance.
- The Accounts Commission is an independent public body appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government.
- Audit Scotland is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non-executive board chair, and two non-executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.



## About us

Our vision is to be a world-class audit organisation that improves the use of public money.

Through our work for the Auditor General and the Accounts Commission, we provide independent assurance to the people of Scotland that public money is spent properly and provides value. We aim to achieve this by:

- carrying out relevant and timely audits of the way the public sector manages and spends money
- reporting our findings and conclusions in public

identifying risks, making clear and relevant recommendations.

# Glasgow City Council

## Annual Audit Plan 2020/21

If you require this publication in an alternative format and/or language, please contact us to discuss your needs: 0131 625 1500 or [info@audit-scotland.gov.uk](mailto:info@audit-scotland.gov.uk)

For the latest news, reports and updates, follow us on:



Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN  
T: 0131 625 1500 E: [info@audit-scotland.gov.uk](mailto:info@audit-scotland.gov.uk)  
[www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk)