



# East Renfrewshire Council

2015/16 Annual audit  
report to Members and  
the Controller of Audit

September 2016

## Key contacts

Brian Howarth, Assistant Director  
[bhowarth@audit-scotland.gov.uk](mailto:bhowarth@audit-scotland.gov.uk)

Esther Scoburgh, Manager  
[escoburgh@audit-scotland.gov.uk](mailto:escoburgh@audit-scotland.gov.uk)

Maria Paterson, Senior Auditor  
[mpaterson@audit-scotland.gov.uk](mailto:mpaterson@audit-scotland.gov.uk)

Audit Scotland

4th Floor  
8 Nelson Mandela Place  
Glasgow  
G2 1BT

Telephone: 0131 625 1500

Website: <http://www.audit-scotland.gov.uk/>

The Accounts Commission is a statutory body which appoints external auditors to Scottish local government bodies. Audit Scotland is a statutory body which provides audit services to the Accounts Commission and the Auditor General.

The delegated auditor for East Renfrewshire Council for the period 2011/12 to 2015/16 is Brian Howarth, Assistant Director.

This report has been prepared for the use of East Renfrewshire Council and no responsibility to any member or officer in their individual capacity or any third party is accepted.

The information in this report may be used for the Accounts Commission's annual overview report on local authority audits published on its website and presented to the Local Government and Regeneration Committee of the Scottish Parliament.

## Contents

Key messages .....	3
Introduction .....	4
Audit of the 2015/16 financial statements.....	5
Financial position and sustainability .....	12
Governance and transparency .....	21
Best Value.....	26
Appendix I: Significant audit risks .....	30
Appendix II: East Renfrewshire Council local audit reports 2015/16..	35
Appendix III: Audit Scotland national reports 2015/16 .....	36
Appendix IV: Action plan .....	37

# Key messages

## Audit of financial statements

- Unqualified auditor's report on the 2015/16 financial statements.
- The Council's initial review of titles within the Burgh of Barrhead revealed 2 common good assets which had not been previously recognised. A more extensive review, during the audit, led to £0.660 million of assets being reclassified as Common Good.

## Financial position and sustainability

- Statutory surplus of £3.3 million after transferring £9.0 million to capital and revenue reserves. The purpose of the transfer could be more explicit in council papers, but it anticipates future tighter financial settlements and will assist in funding the shortfall in the capital plan.
- East Renfrewshire Council continues to have relatively low levels of borrowing and relatively high levels of useable capital reserves
- Indicative financial plans beyond 2017/18 are not published, but the Corporate Management Team is going to reconsider the Council's long term financial strategy and refine outline financial plans for the next 6 years.

## Governance and transparency

- Overall the Council has effective governance arrangements in place.
- Effective financial management
- Good systems of internal control with recommendations for improvements in Payroll, Council Tax and Care Finance

## Best Value

- The Council participates in the Local Government Benchmarking Framework and has almost 60% of the indicators in the upper quartiles. There is good performance in education and housing.

# Introduction

1. This report is a summary of our findings arising from the 2015/16 audit of East Renfrewshire Council (the Council). The report is divided into sections which reflect our public sector audit model.
2. The management of the Council is responsible for:
  - preparing financial statements which give a true and fair view
  - implementing appropriate internal control systems
  - putting in place proper arrangements for the conduct of its affairs
  - ensuring that the financial position is soundly based.
3. Our responsibility, as the external auditor of the Council, is to undertake our audit in accordance with International Standards on Auditing, the principles contained in the Code of Audit Practice issued by Audit Scotland in May 2011 and the ethical standards issued by the Auditing Practices Board.
4. An audit of financial statements is not designed to identify all matters that may be relevant to those charged with governance. It is the auditor's responsibility to form and express an opinion on the financial statements; this does not relieve management of their responsibility for the preparation of financial statements which give a true and fair view.
5. A number of reports, both local and national, have been issued by Audit Scotland during the course of the year. These reports, summarised at [appendix II](#) and [appendix III](#), include recommendations for improvements.
6. **Appendix IV** is an action plan setting out our recommendations to address the high level risks we have identified during the course of the audit. Officers have considered the issues and agreed to take the specific steps in the column headed "Management action/response". We recognise that not all risks can be eliminated or even minimised. What is important is that the Council understands its risks and has arrangements in place to manage these risks. The Council and its Corporate Management Team (CMT) should ensure that they are satisfied with proposed action and have a mechanism in place to assess progress and monitor outcomes.
7. We have included in this report only those matters that have come to our attention as a result of our normal audit procedures; consequently, our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.
8. The cooperation and assistance afforded to the audit team during the course of the audit is gratefully acknowledged.
9. 2015/16 is the final year of the current five year audit appointment. From 2016/17 the auditor of the Council will continue to be Audit Scotland. In accordance with agreed protocols and International Standards on Auditing we will be liaising with the incoming audit team as part of this transition.

# Audit of the 2015/16 financial statements

<b>Audit opinion</b>	<ul style="list-style-type: none"> <li>We have completed our audit of the Council and its group and issued an unqualified independent auditor's report.</li> </ul>
<b>Going concern</b>	<ul style="list-style-type: none"> <li>The financial statements of the Council, its group and the associated charitable trusts have been prepared on the going concern basis. We are unaware of any events or conditions that may cast significant doubt on the Council's, its group and associated charitable trusts' ability to continue as a going concern.</li> </ul>
<b>Other information</b>	<ul style="list-style-type: none"> <li>We review and report on other information published with the financial statements, including the management commentary, annual governance statement and the remuneration report. We have nothing to report in respect of these statements.</li> </ul>
<b>Charitable trusts</b>	<ul style="list-style-type: none"> <li>We have completed our audit of the 2015/16 financial statements of the seven charitable trusts administered by East Renfrewshire Council and issued an unqualified independent auditor's report for each of the relevant trusts.</li> </ul>
<b>Group accounts</b>	<ul style="list-style-type: none"> <li>East Renfrewshire Council has accounted for the financial results of two subsidiaries, three associates and one joint venture in its group accounts for 2015/16. The overall effect of consolidating these balances on the group balance sheet is to increase total reserves and net assets by £9.7 million.</li> </ul>
<b>Whole of government accounts</b>	<ul style="list-style-type: none"> <li>The Council submitted a consolidation pack for audit by the deadline. We will complete the appropriate section of the Assurance Statement and return it to the Scottish Government by 30 September 2016.</li> </ul>

## Submission of financial statements for audit

10. We received the unaudited financial statements on 23 June 2016, in accordance with the agreed timetable. The working papers were of a good standard and council staff provided good support to the audit team which assisted the delivery of the audit to deadline.
11. In 2015/16, for the first time, local government group accounts are required to include the financial results of Integration Joint Boards (IJBs) in their area, where material. The East Renfrewshire IJB was established on 27 June 2015 but did not become operational until 7 October 2015. The amounts are material to the Council and have been consolidated into the group accounts.

## Overview of the scope of the audit of the financial statements

12. Information on the integrity and objectivity of the appointed auditor and audit staff, and the nature and scope of the audit, were outlined in our Annual Audit Plan presented to the Audit and Scrutiny Committee on 21 April 2016.
13. As part of the requirement to provide full and fair disclosure of matters relating to our independence, we can confirm that we have not undertaken non-audit related services. The 2015/16 agreed fee for the audit was set out in the Annual Audit Plan and, as we did not carry out any work additional to our planned audit activity, the fee remains unchanged.

14. The concept of audit risk is of central importance to our audit approach. During the planning stage of our audit we identified a number of key audit risks which involved the highest level of judgement and impact on the financial statements and consequently had the greatest effect on the audit strategy, resources and effort. We set out in our Annual Audit Plan the audit work we proposed to undertake to secure appropriate levels of assurance. **Appendix I** sets out the significant audit risks identified during the course of the audit and how we addressed each risk in arriving at our opinion on the financial statements.
15. Our audit involved obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error.

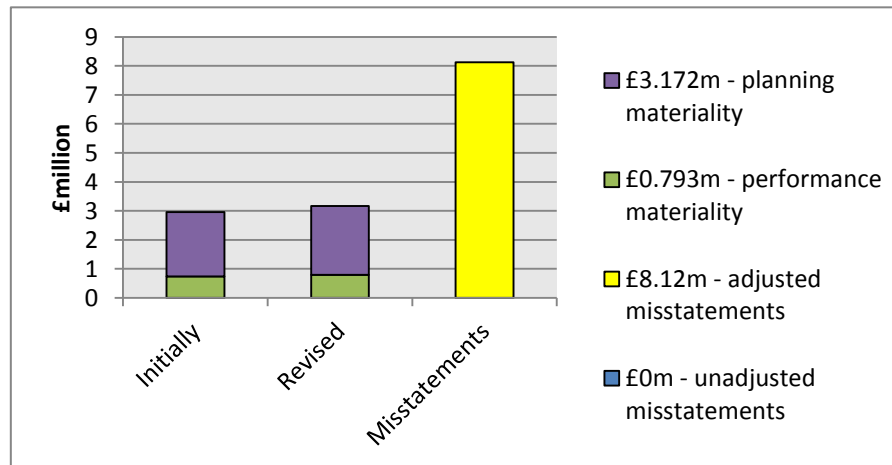
## Materiality

16. Materiality can be defined as the maximum amount by which auditors believe the financial statements could be misstated and still not be expected to affect the decisions of users of financial statements. A misstatement or omission, which would not normally be regarded as material by amount, may be important for other reasons (for example, an item contrary to law).
17. We consider materiality and its relationship with audit risk when planning the nature, timing and extent of our audit and conducting our audit programme. Specifically with regard to the financial

statements, we assess the materiality of uncorrected misstatements, both individually and collectively.

18. We summarised our approach to materiality in our Annual Audit Plan. Based on our knowledge and understanding of the Council we set our planning materiality for 2015/16 at £3 million (1% of gross expenditure). We report all misstatements greater than £30,000. Performance materiality was calculated at £740,000, to reduce to an acceptable level the probability of uncorrected and undetected audit differences exceeding our planning materiality level.
19. On receipt of the financial statements and following completion of audit testing we reviewed our materiality levels and updated our materiality levels to reflect the unaudited accounts.

**Exhibit 1: Overall materiality misstatements**



**Materiality in the charitable trusts**

20. We also set separate materiality for the seven charitable trusts' financial statements. We set a separate performance materiality for receipts/payments based on the relatively small amount of transactions compared to the asset base. The materiality for each trust is listed in the **Table 1** below.

**Table 1: Charitable trusts' materiality**

Charitable Trust	Planning Materiality	Performance Materiality	Receipts/ Payments Perf. Materiality
Lieutenant Duff Memorial Institute	£118	£106	£5
Hugh & Janet Martin Memorial Fund	£197	£178	£8
Janet Hamilton Memorial Fund	£561	£505	£22
John Pattison Memorial Fund	£116	£105	£5
Netherlee School 1937 Endowment	£288	£259	£12
Newton Mearns Benevolent Association	£72	£65	£3
Endowment for Talented Children and Young People	£6	£5	£1

## Evaluation of misstatements

### Council

21. All misstatements identified during the audit, which exceeded our misstatement threshold, have been amended in the financial statements.
22. A number of presentational and monetary adjustments were identified within the financial statements during the course of our audit, the majority of which were identified by Council officers. All adjustments were agreed and the financial statements have been amended. These adjustments increased the useable reserves by £0.235 million and the surplus shown on the Comprehensive Income and Expenditure Statements. Some of the adjustments include:
  - Reclassification of assets included in the Council's balance sheet as common good assets (£0.660 million – Paragraph 28).
  - Reclassification by officers of Education Services expenditure and income to Culture and Related Services within the Comprehensive Income and Expenditure Statement (£7.155 million - Paragraph 29).
  - A number of adjustments to income which were identified by officers during the audit (£0.235 million).
23. The total adjustments exceeded our overall performance materiality level of £0.793 million and we considered the need to undertake further audit testing. We consider that the majority of the value, £7.155 million, arose from an initial misclassification of Leisure

services expenditure and income within Education services in the unaudited financial statements. A further £0.66 million was identified from Legal Services review of all potential common good assets in the Burgh of Barrhead. We have concluded that the errors are isolated and do not indicate further systematic errors within the account areas or more pervasively within the financial statements. We considered the impact of these misstatements on our audit approach and decided that further audit procedures were not required.

24. All misstatements identified during the audit, which exceeded our misstatement threshold, have been amended in the financial statements.

### Charitable trusts

25. We identified one monetary error relating to the calculation and apportionment of interest. The effect of the error is to understate the Newton Mearns Benevolent Fund income from investments by £9. The adjustment increased the trust's surplus by £9 with an increase to total assets by the same amount.

## Significant findings from the audit

26. International Standard on Auditing 260 requires us to communicate to you significant findings from the audit, including:
  - The auditor's views about significant qualitative aspects of the entity's accounting practices, including accounting policies, accounting estimates and financial statement disclosures.



- Significant difficulties encountered during the audit.
- Significant matters arising from the audit that were discussed, or subject to correspondence with management.
- Written representations requested by the auditor.
- Other matters which in the auditor’s professional judgements, are significant to the oversight of the financial reporting process.

27. **Table 2** details those issues or audit judgements that, in our view, require to be communicated to those charged with governance in accordance with ISA 260.

**Table 2: Significant findings from the audit**

Significant findings from the audit in accordance with ISA260	
<b>Common Good Assets</b>	<p>28. In previous years, we recommended that the Council should review the asset register to identify common good assets and this was agreed with an implementation date of 31 March 2016 in line with the anticipated introduction of the Community Empowerment Act. The implementation date of this Act is expected to be 31 March 2017 and the Council’s legal services will complete their review of the assets by that date. We reviewed the Council’s progress in this area as part of our work in 2015/16. A preliminary review had been undertaken by Legal Services Team and identified 289 titles in the Burgh of Barrhead which required further investigation. This was much more than anticipated and as a result we requested a sample to be reviewed to determine the impact. Of the 289 titles, 2 were reviewed and both were confirmed to be common good. This outcome meant that we were concerned that common good and council property might be materially misstated and we asked for further work to be done by property and legal services on the remaining titles. The Council then reviewed all potential common good assets and identified a further 3 as common good. This resulted in an adjustment of £0.660 million to the Common Good Fund and to the Council’s property, plant and equipment register in the audited financial statements. We have reviewed key judgements involved in this process and are satisfied with adjustments made.</p> <p style="text-align: right;"><b><i>Appendix IV – Action Plan No. 1</i></b></p>

## Significant findings from the audit in accordance with ISA260

### Balances with East Renfrewshire Culture and Leisure Trust Ltd

29. Unaudited figures in the single entity and Group Income and Expenditure statement for 'Cultural & Related Services' were understated by £7.155 million and Education Services overstated by the same amount. Officers identified this classification error in the consolidation of Education Services and this has now been corrected in the audited financial statements.

### Charitable Trusts – Dormant trusts

30. We noted in five out of the seven trusts, there were no payments made in 2015/16 or 2014/15. One trust, the Lieutenant Duff Memorial Institute, has had no activity (receipts or payments) since 2013/14. A charity would be considered to be dormant if no benefit is being provided for an extended period, for example 3-5 years. Consideration should be given to whether the seven trusts are meeting their objectives and whether or not they should be wound up.

***Appendix IV – Action Plan No. 2***

### Charitable Trusts – Amalgamation/reduction in the number of charitable trusts

31. The Council annually prepares seven separate trust annual report and accounts. This is time consuming for both the Council as preparers and for external audit to audit seven sets of accounts. There is an aim is to reduce the number of section 106 charities. The overall number of separate sets of statements of accounts that are required can be reduced by the effective application of the connected charities provisions under The Charities Accounts (Scotland) Regulations 2006. Regulation 7 (as amended in 2010) permits a single set of accounts for charities if they have common or related purposes, or shared management (i.e. connected charities). This would be the case where charities have common trustees, as is the case for the Council. The Council should consider the charities provision with a view to amalgamating the number of trusts into one set of accounts on efficiency grounds (time and cost).

***Appendix IV – Action Plan No. 3***

## Future accounting and auditing developments

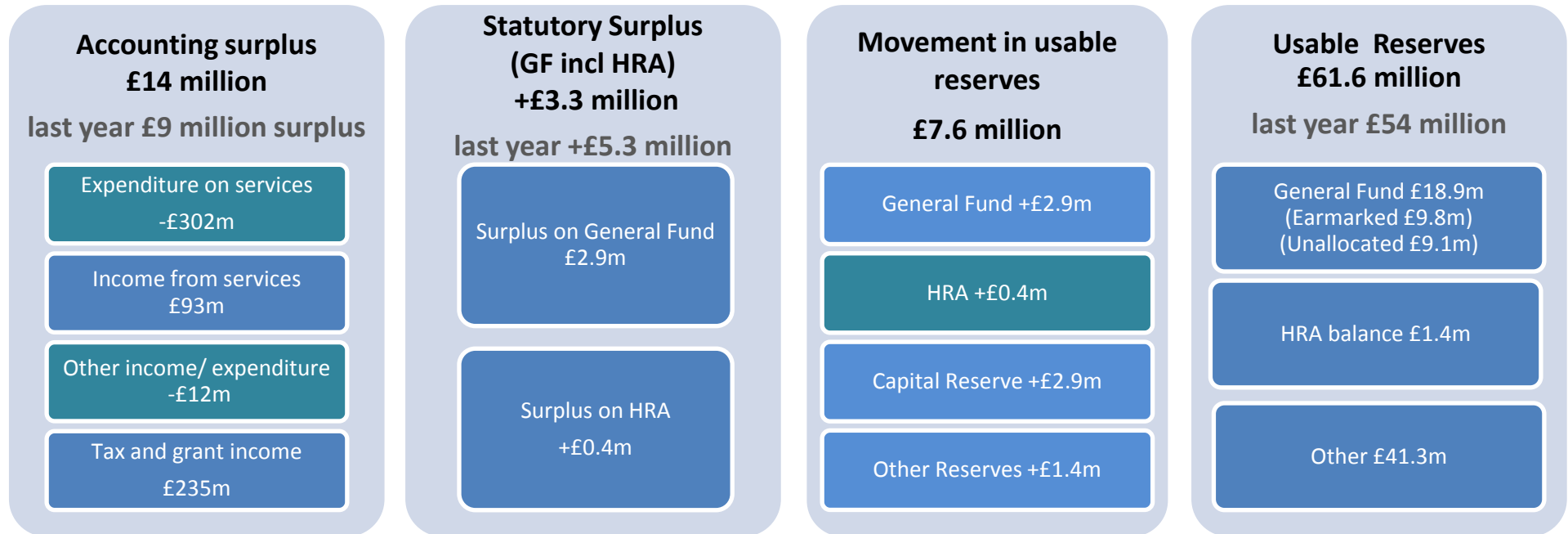
### Highways network assets

32. The 2016/17 local government accounting Code will adopt a new measurement requirement for the valuation of the highways network asset. It will be measured on a depreciated replacement costs basis. This will have a significant impact on the value of local authority balance sheets.

### Code of Audit Practice

33. A new Code of Audit Practice will apply to all audits from financial year 2016/17. There will be a focus on the four audit dimensions:
- Financial sustainability
  - Financial management
  - Governance and transparency; and
  - Value for money.
34. In addition, as well as the annual audit report, other significant Audit Scotland outputs, such as the annual audit plan, will be published on Audit Scotland's website.

# Financial position and sustainability



Overall the Council reported an accounting surplus of £14.5 million, however, regulatory adjustments to the accounting basis means that the overall increase in useable reserves was £7.6 million.

## 2015/16 financial outturn

35. The management commentary states that the outturn position is a surplus of £2.9 million against a budget outturn of £nil on the general fund. Taken together with the outturn on the Housing Revenue Account Balance (a surplus of £0.4 million), the total surplus of £3.3 million is achieved after transferring £8.8 million to capital and other revenue reserves (£1 million budgeted). Prior to this transfer the surplus was £12.1 million (5.8% of net cost of services), compared to £5.0 million last year (2.5%).

### Exhibit 2: elements of the financial outturn (£million)

Category	2015/16	2014/15
Net cost of services (CNES)	(208.671)	(202.638)
Gains, financing, investment income	(12.305)	(14.819)
Taxation, grants (CNES)	235.429	226.769
Service Surplus/ (deficit)	14.453	9.312
Statutory adjustments to GF (MIRS)	(2.313)	(4.312)
Surplus before transfer to reserves	12.140	5.000
Transfer to reserves (MIRS)	(8.850)	(3.416)
Surplus after transfers	3.290	1.584

36. The increase in surplus/ reserve transfer from last year is due to a number of factors:

- Increase in service outturns underspend (£6.0 million) (CIES)
  - Increases in gains on disposal of fixed assets (£1.3m) (Note 10)
  - Increase in revenue grant from SG (£4.7 million) (Note 12)
  - Increases in CT/NDR income and other capital grants (£4 million) (Note 12)
  - Various reductions in statutory adjustments (£2.3 million) (Note 8)
37. The capital reserve (£7.3 million) accounts for most of the total transfer to reserves and was identified to council in the report on the unaudited financial statements on 18 August 2016. The purpose of the transfer was not set out in the paper but it anticipates tighter financial settlements going forward but will assist in funding the shortfall in the capital plan.
38. The basis of reporting the budget and outturn position for services differs from that reported in the Comprehensive Net Expenditure Statement (Note 27 identifies the differences). Reporting to services excludes pensions and depreciation charges for example.
39. The outturn of general services is broadly in line with budget expectations, although the “other expenditure/ housing” realised a £3.9 million underspend in its forecasts from period 10.
40. Cabinet papers, in August 2016, identified a higher surplus position across the Council than had previously been reported. Previous reports had predicted an underspend of £4.9 million (including the

budgeted contribution to reserves). The main areas making up this improved position were identified as

- savings as part of the multi year budgeting approach applied early across the Council
- a decrease in the anticipated restructuring costs and
- an increase in the revenue from Council Tax.

### Housing revenue account

41. The Council is required to maintain a separate Housing Revenue Account (HRA) and ensure rents are set to cover the costs of social housing provision. Rent levels for the year are based on the budget set for the financial year. In 2015/16 the net HRA income requirement was set at £12.3 million. The main source of funding for this amount was council house rents.
42. In February 2015 the Council approved an increase in rents of 4.9% for 2015/16 to be applied from April 2015 and further increases of 4.9% in April 2016 and April 2017. This translates into East Renfrewshire Council's average rent increasing from £63.21 (2014/15) to £66.31 (2015/16). By the end of 2017/18, East Renfrewshire Council's average rent will be £72.96 however this will be lower than the Scottish average and lower than that of all the comparator landlords used by East Renfrewshire Council.
43. Rent Arrears in 2015/16 were £0.871 million which was an increase of £0.112 million on the prior year total of £0.759 million. The categorisation of arrears is noted below in **Table 3**.

**Table 3: Categorisation of Rent Arrears**

<i>Category</i>	<i>2015/16</i>	<i>2014/15</i>
Current Arrears	0.396	0.350
Former Tenant Arrears	0.463	0.398
Outstanding Housing Benefit Overpayments	0.012	0.011

44. In 2015/16 the HRA recorded an accounting deficit of £2.4 million, however after the application of statutory accounting adjustments the HRA surplus was £0.4 million.

### Financial position

45. The financial statements show that:
  - East Renfrewshire Council has net assets of £322 million a increase of £90 million from last year, mainly attributable to:
    - The reduction in the pension net liability based on an increase in the applied discount factor to liabilities (increased from 3.2% to 3.5%) (+£45 million)
    - An increase in property, plant and equipment valuations (+£29 million)
    - An increase in cash (+£22 million).
  - The Council incurred positive net cash flows from operations (£39 million).
  - There is an excess of current assets over current liabilities (and this has improved from last year).

## Going concern

46. The Council has tax raising powers and we are not aware of any significant change in government policy that might affect the continued provision of services. We concur with management's view that the going concern assumption remains appropriate.

## Financial sustainability

47. The Council delivers a broad range of services, both statutory and discretionary, to its communities. Financial sustainability means that the Council has the capacity to meet the current and future needs of its communities.
48. In assessing financial sustainability we are concerned with whether:
- there is an adequate level of reserves
  - spending is being balanced with income in the short term
  - long term financial pressures are understood and planned for
  - investment in services and assets is effective.

## Reserves

49. The overall level of usable reserves held by the Council increased by £7.6 million compared to the previous year and totalled £61.6 million, **Exhibit 3**.
50. Planned commitments (earmarked reserves) from the general fund balance amounted to £9.8 million and include the Modernisation Fund, PFI/PPP equalisation, and Whitelees Wind Farm for 2015/16.

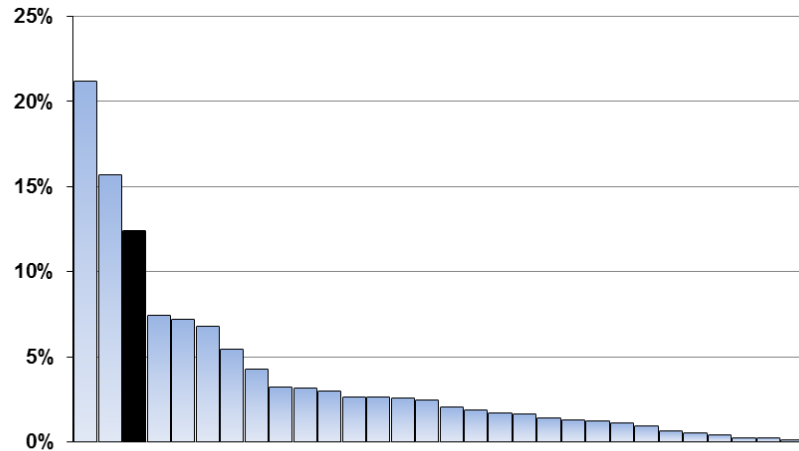
### Exhibit 3: Usable reserves

Description	31 March 2016 £ million	31 March 2015 £ million
General fund	18.9	16.0
Housing revenue (HRA) reserve	1.4	1.0
Capital reserve	28.9	26.0
Repairs and renewal fund	10.5	9.6
Insurance fund	1.9	1.4
<b>Total usable reserves</b>	<b>61.6</b>	<b>54.0</b>

Source: *East Renfrewshire Council 2015/16 Annual Report and Accounts*

51. The General Fund balance includes £9.1 million of unallocated general fund reserves. The principal purpose of holding a general fund reserve is to provide a contingency fund to meet unexpected events and as a working balance to help cushion the impact of uneven cash flows. The unallocated balance represents 4% of the net cost of services (2014/15: 4.5%) and this is in line with the Council's policy on maintaining uncommitted reserves.

**Exhibit 4: Total Usable Capital Reserves Carried Forward as a % of Net Revenue Stream, including Rents (the Council is highlighted)**



Source: 2015/16 unaudited financial statements (Mainland councils)

52. A review of the 2016/17 revenue estimates presented to the Council in March 2016 revealed that the estimated year end position for reserves was significantly less than the final position, with the exception of the unallocated general fund balance. A summary of the estimates against the actual year end balances is in **Exhibit 5**.

**Exhibit 5: Reserve balances estimates v actual 2015/16**

Reserve	March year end estimate £m	Actual year end balance £m	Variance £m
Modernisation fund	2.492	4.633	2.141
Insurance fund	1.340	1.914	0.574
Repairs & Renewal fund	6.733	10.470	3.737

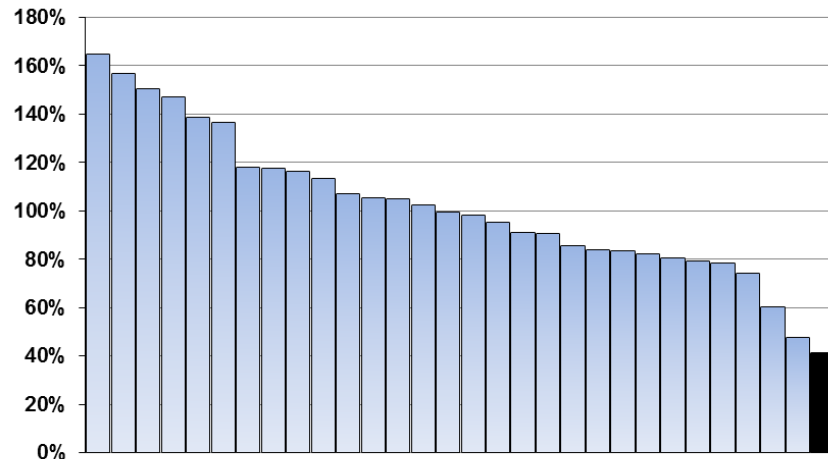
Source: East Renfrewshire Revenue Estimates 2016/17 & 2017/18 Report

### Borrowing

53. At 31 March 2016 total borrowing was £61 million, a decrease of £8 million on the 2015 borrowing level of £69 million. Analysing long term borrowing as a proportion of net revenue stream gives an indication of the relative indebtedness of the Council. **Exhibit 6** shows that the Council has relatively low levels of borrowing and external debt.



### Exhibit 6: Net External Debt as a % of Net Revenue Stream, including Rents (the Council is highlighted)



Source: 2015/16 unaudited financial statements (Mainland councils)

### Historic accounting deficit

54. The Council reported a £14 million accounting surplus for 2015/16 and has achieved surpluses in each of the last two years (£9 million in 2014/15). Prior to this it recorded a deficit of £14 million in 2013/14.

## Resource Management

### Council transformation/efficiency strategy

55. The Council's strategy focusses on digital, data and modernising the way the Council works and includes five outcomes:
- Early Years
  - Learning, life and work
  - Economy and environment
  - Safe, supported communities
  - Older people.
56. To assist in achieving the priorities, five capabilities have been identified:
- **Prevention:** adoption of a preventative approach in daily work and planning ahead to consider the requirements of local communities. This includes working closely with GPs on anticipatory care and providing a call blocking scheme (in partnership with 2 other authorities) to stop nuisance calls to vulnerable residents.
  - **Community Engagement:** working closely with residents to provide the most appropriate solution for them. Introducing new models of working to allow involvement of individuals in decisions that affect them.
  - **Data:** using information to improve, make better decisions and learn from others.

- **Modernisation:** improving processes as well as looking at ways to modernise and improve access to services.
  - **Digital:** providing services to customers digitally, and supporting communities. All council buildings will soon provide free public wifi. This will also help in schools where pupils will have the facility to bring their own devices for use in day to day lessons.
57. In 2015 the Council implemented their Modern Ambitious Programme (MAP) to replace the Public Service Excellence Programme (PSE). MAP will enable the Council to build on the data, modernisation and digital capabilities to assist in becoming more efficient while continuing to maintain performance and deliver on key principles.

### Capital programme 2015/16

58. The Council approved its general services and housing capital programmes for 2015/16 – 2022/23, in February 2015. Actual spend on the general services capital programme amounted to £19.15m. Actual spend on the housing capital programme for 2015/16 was £4.95 million, net of owner contributions.
59. The general services programme included:
- £6.5 million contribution towards the funding of a new Eastwood Health and Care Centre.
  - £3.8 million spend (including revenue contributions) for the Auchenback Family Centre and Community Hub.
- In partnership with the Scottish Futures Trust, construction of a new Barrhead High School with the Council's contribution estimated at £14.952 million. The facility is scheduled to be handed over to the Council in August 2017. Following revised arrangements with Scottish Futures Trust/Scottish Government, £7.8 million of funding was transferred to fund improvements at Crookfur primary school.
  - Provision for additional schools investment for new build, refurbishment and repair.
  - ICT projects and roads and transport infrastructure.
60. The new Eastwood Health and Care Centre has been completed and opened on 8 August 2016.

### Conclusion on financial sustainability

61. The Council has a strong level of reserves, low levels of external borrowing and is containing its expenditure within annual budgets. Overall we conclude that the current financial position is strong, although rising demand for and costs of services will continue to place a strain on the Council's capacity to deliver services at the current levels.

## 2016/17 financial outlook

### Financial planning



62. In June 2014, Audit Scotland reported on [Scotland's public finances](#) and the significant financial challenges ahead. The report identified that public bodies “face increasingly difficult choices in reducing spending while maintaining service standards and meeting rising demand”. The report identified that financial planning improvements were required by public bodies and contained key recommendations.

63. The [local government overview report](#) published in March 2016, set out some key questions which provide a framework for our assessment of the financial planning in East Renfrewshire Council which is outlined in the following table.



**Table 4: Assessing financial planning**

<p><b>How fully do our financial plans identify estimated differences between income and expenditure (budget shortfall)?</b></p>
<p>64. In February 2015, the Council set a 3-year budget (2015-18). This identified anticipated savings gaps of £11.3 million, £9.6 million and £9.5 million for 2015/16, 2016/17 and 2017/18 respectively: a total of £30.4 million. Savings activity addressed the gaps for the first two years, but a gap of £4.5m remained for 2017/18 (after applying the agreed savings of £4.9m). These forecasts acknowledged a range of outcomes, but continued an existing assumption of a 2% grant reduction for 2017/18. The 2016/17 budget settlement from the Scottish Government resulted in a reduction that was higher than this estimate and led to the Council revising its 2017/18 savings target from the outstanding £4.5m gap to a new gap of £7m. This estimate depends on the final settlement figure in December 2016, but current indications are that this may be worse than expected with the gap increasing to £8.6m for 2017/18.</p>
<p><b>What options do we have to address this budget shortfall for example redesign services or use reserves? How big is the remaining funding gap after we implement our selected options? What actions are we taking to close any remaining funding gap?</b></p>
<p>65. The Corporate Management Team (CMT) has identified potential additional 2017/18 savings proposals of £4m for eventual submission to full Council by February 2017. If all of the latest £4m savings are accepted an estimated further £3m to £4.6m gap would remain to be addressed. The remaining gap could be addressed by Council Tax increases, use of reserves and/or identification of further savings.</p>
<p><b>Do we have a long-term financial strategy covering at least five years that accounts for future pressures? Is our five-year strategy supported by detailed financial plans covering a minimum period of three years? How well do our financial plans set out the implications of different levels of income spending and activity? How does our financial strategy link to our vision for the future?</b></p>
<p>66. The narrative above identifies that the agreed plans are short term, with uncertainty over budget settlements and a local council election in May 2017, indicative financial plans beyond 2017/18 are not published/ agreed by members. Officers have prepared outline financial plans over the next six years, but these are tentative and subject to agreement following the May elections, and refinement following Scottish Government budget settlements, which are assumed to be at least a 2% cash reduction per annum.</p> <p style="text-align: right;"><b>Refer to Action Plan 4</b></p>

# Governance and transparency



- 67. Members and management of the Council are responsible for establishing arrangements to ensure that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and for monitoring the adequacy and effectiveness of these arrangements.
- 68. Citizens should be able to hold the Council to account about the services it provides. Transparency means that citizens have access to understandable, relevant and timely information about how the Council is taking decisions and how it is using its resources.

## Corporate governance

- 69. The Council has several committees as documented in the Scheme of Administration and summarised in **Exhibit 7** below.

**Exhibit 7: Council Committees**

Committee	Membership
Appeals	5 Elected Members
Audit and Scrutiny	7 Elected Members
Education Appeals	3 Members comprising 2 Elected Members and 1 other from Local Attendance Councils
Cabinet	8 Elected Members
Cabinet (Police and Fire)	10 Elected Members
Civic Hospitality	5 Elected Members
Education	16 Members comprising 12 elected members, 3 religious and 1 teachers' representative
Licensing	5 Elected Members
Planning Applications	7 Elected Members
Planning Local Review Body	7 Elected Members, membership as per the Planning Applications Committee

Committee	Membership
Social Work	4 Elected Members on the East Renfrewshire Health and Social Care Partnership Integration Joint Board
Social Work Complaints Review Committee	3 Members drawn from a panel of independent persons
Teaching Staff Appeals	Elected Members

70. In June 2015 the Audit and Scrutiny Committee approved the local Code of Corporate Governance 2015/16. The Code reflects the key components as set out in the CIPFA/SOLACE Framework Corporate Governance in Local Government: A Keystone for Community Governance. The code is a Council statement of the structures and working arrangements in place for internal policy-making; community leadership; partnership working and accountability mechanisms. The code is reviewed annually to ensure the structures and processes are appropriate to the Council's needs. The code, progress report and update on any actions resulting from the review are available on the Council website.
71. A detailed review of the Council's Financial Regulations is currently being completed to align with the Culture and Leisure Trust and the IJB documents and Standing Orders. It is also being updated to remove unnecessary detail that is duplicated in procedural notes as

well as a plain English review. The updated regulations will be presented to Cabinet for consideration in early summer 2017.

72. We consider the Council to have effective governance arrangements in place.

## Financial management arrangements

73. As auditors, we need to consider whether councils have established adequate financial management arrangements. We do this by considering a number of factors, including whether:
- the proper officer has sufficient status within the council to be able to deliver good financial management
  - financial regulations are comprehensive, current and promoted within the council
  - reports monitoring performance against budgets are accurate and provided regularly to budget holders
  - monitoring reports do not just contain financial data but are linked to information about performance
  - members provide a good level of challenge and question budget holders on significant variances.
74. Financial monitoring reports are submitted to the Cabinet 6 times per year. The Council reported a relatively small surplus (up to £0.6 million) during the first ten months of the financial year and then forecasted a £3.6 million underspend from January 2016 onwards.

75. As auditors we attend Audit and Scrutiny Committees. We observed that at each meeting attended that Members provide a good level of challenge.
76. We are satisfied that the Council has demonstrated effective financial management.

### Internal control

77. As part of our audit we reviewed the high level controls in a number of systems fundamental to the preparation of the financial statements. Our objective was to obtain evidence to support our opinion on the Council's financial statements.
78. We reported our findings to the Audit and Scrutiny Committee in September 2016. We have concluded that overall the systems of internal control are operating effectively other than in the areas where our findings included a number of recommendations to enhance the control system in operation:
- Payroll - annual employee validation had not been carried out and 'supervisor' access to the HR and Payroll may prevent appropriate segregation of duties
  - Council tax - there was no regular physical inspection of void properties
  - Care Finance - a significant amount of work has gone into the transition / migration to Care Finance but during this time we noted some variations to key controls including adequate segregation of duties, timeous preparation of year end

reconciliations and the need to formalise the process to track any manual adjustment of supplier invoices.

79. Recommendations to improve controls have been agreed with relevant officers and we performed detailed/substantive testing of care finance expenditure where key controls were not fully operating, to ensure that the financial statements were not materially misstated.

### Internal audit

80. Internal audit provides members and management of the Council with independent assurance on risk management, internal control and corporate governance processes. We are required by international auditing standards to make an assessment of internal audit to determine the extent to which we can place reliance on its work. To avoid duplication, we place reliance on internal audit work where possible.
81. Our review of internal audit work concluded their work to be of a high quality and that we could place reliance on their work in the following areas:
- Creditor Payments
  - Debtors Control
  - Council Tax Reduction/Liability.
82. The annual internal audit report was issued in August 2016 and we note that reasonable assurance was provided over the adequacy and effectiveness of the Council's internal control, risk management

and governance arrangements. The appendix to the annual report identified a small number of audits where the level of assurance provided by internal audit was limited, specifically for payments made to providers by HSCP in respect of learning disability and collection of income from community alarms. These areas are noted in the Annual Governance Statement.

## ICT audit

83. During 2015/16 we undertook a review of the Council's arrangements for dealing with a cyber attack. We found that the Council has a sound procedure for dealing with cyber attacks and they are reviewing the process with a view of improving it. The other ICT controls that we examined were found to be satisfactory.
84. We understand that the Council is currently reviewing departmental business continuity plans, which will result in amendments to the main corporate plan.

## Arrangements for the prevention and detection of fraud

85. The arrangements for preventing and detecting fraud are appropriate, based on the existence of appropriate policies, results of NFI matches and the local follow up arrangements.
86. We conclude that the Council had adequate arrangements in place.

## National Fraud Initiative in Scotland

87. The National Fraud Initiative (NFI) in Scotland brings together data from councils, police boards, fire and rescue boards, health bodies and other agencies, to help identify and prevent a wide range of frauds against the public sector. Matching data obtained from the systems of participating bodies allows the identification of potentially fraudulent claims on the public purse including housing benefit fraud, occupational pension fraud and payroll fraud.
88. In the Council the Benefits Manager was the NFI key contact who assumed responsibility for ensuring data sets were submitted and appropriate matches were reviewed in line with guidance. On the retirement of the Benefits Manager, responsibility for the process was assumed by the Revenues and Business Support Manager to ensure continued support of the exercise.
89. During the last NFI exercise 966 matches were processed with 934 cleared. 28 frauds were identified and £0.063 million was being actively recovered by the Council.

## Arrangements for standards of conduct and the prevention and detection of corruption

90. The arrangements for the prevention and detection of corruption in East Renfrewshire Council are satisfactory and we are not aware of any specific issues that we need to record in this report.



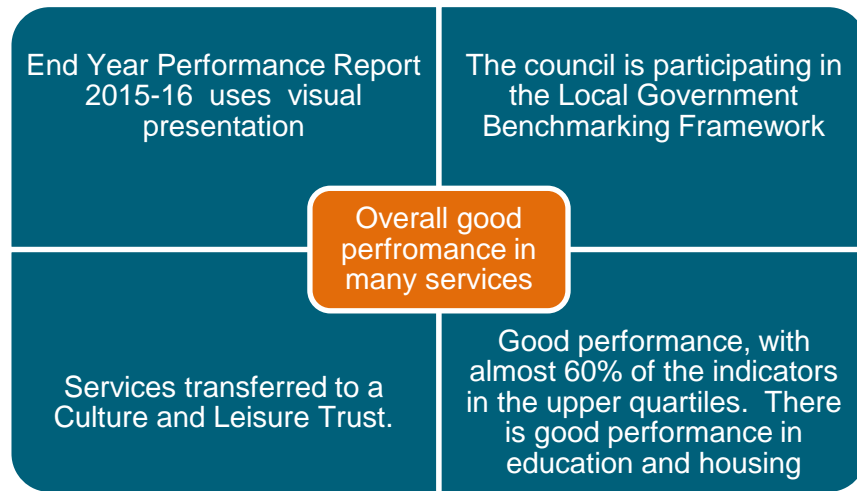
## Transparency

91. Overall we concluded that the Council is open and transparent although some of the reasons for the year end position and purpose of the transfer to reserves could be clearer in reports to Cabinet. We also believe that the management commentary could make the original revenue estimate clear from budgets revised during the year.
92. At East Renfrewshire Council meetings of the full council are held in public with papers available from the Council website. Full Council meetings are filmed for live broadcast via the Council's internet site. Webcasting of other meetings will be rolled out in due course.
93. There are some papers that are taken privately but these include either personnel or commercially sensitive information and we do not see over excessive exclusion of press and public.
94. All elected members registers of interest are available from the Council website. A request is issued to members to confirm any changes to ensure the register is up to date. Review of the information noted responses, including nil returns, had been received for all councillors except one. An increase in the number of council staff completing the register of interests was also noted.
96. East Renfrewshire Integration Joint Board, (the IJB), was legally established on 27 June 2015 and has strategic responsibility for planning and delivery of Health and Social Care services for the residents of East Renfrewshire. The IJB's first meeting was in August 2015 and the Board formally approved:
- the membership of the IJB
  - the appointment of the Chief Officer (Director of Community Health Care Partnership) and the Chief Financial Officer
  - the Integration Scheme that underpins the new arrangements within East Renfrewshire
  - the Standing Orders which govern proceedings at meetings of the Board and its committees
  - The IJB's Strategic Plan for the period 2015-18.
97. The IJB has produced financial statements for 2015/16 covering the nine months to 31 March 2016 which have been audited by Audit Scotland and were reported to the IJB's Performance and Audit Committee in separate Annual Audit Report for 2015/16 on 28 September 2016.

## Integration of health and social care

95. The Public Bodies (Joint Working) (Scotland) Act received royal assent on 1 April 2014. The Act provides the framework for the integration of health and social care services in Scotland.

# Best Value



98. Best value is a key factor to consider when planning policies, programmes and projects and when taking any spending decisions. The Council should have systems and processes to ensure that it can demonstrate that it is delivering best value by assessing and reporting on the economy, efficiency, effectiveness and equality in service provision.

## Local scrutiny plan

99. The 2016/17 Local Scrutiny Plan (LSP) prepared by the Local Area Network of scrutiny partners for the Council was submitted to Cabinet on 2nd June 2016. The overall assessment was positive and the no areas were identified where additional scrutiny was required.

## ALEOs

100. In July 2015 a group of services namely Active Schools, Arts & Theatre, Community Halls, Libraries, Sports Centres and Sports Development were transferred to a Culture and Leisure Trust.

## Performance management

101. The Council's Outcome Delivery Plan (2016-2019) is linked to the Single Outcome Agreement (SOA) and it sets out how the outcomes in the SOA will be met. The Council's new vision – "*A modern, ambitious Council, creating a fairer future with all*" is detailed within the Outcome Delivery Plan (ODP).
102. Six monthly performance and accountability reviews are carried out, with actions agreed with Community Planning Partners. The Council adopts a cyclical approach to performance reporting and it publishes information throughout the year. Regular reports on performance are provided to the Corporate Management Team and Cabinet, with mid and end year reports on the SOA outcomes and the ODP.
103. The Council also participates in the Local Government Benchmarking Framework (LGBF) and the 2015/16 data is currently being collected. The 2014/15 data was published by the Improvement Service and can be accessed through the Council's website.
104. East Renfrewshire's performance against the LGBF dataset shows a broadly balanced picture of performance, with almost 60% of the

indicators in the upper quartiles. There is good performance in education, recycling and housing.

## Housing and council tax benefits performance audit

- 105.** A risk assessment was previously carried out on East Renfrewshire Council's benefit service in October 2014 when Audit Scotland identified nine risks to continuous improvement. These were reported to the Chief Executive in November 2014 and, in response, the Council submitted an action plan to address these risks, which Audit Scotland accepted as satisfactory, if fully implemented.
- 106.** Since then there have been some significant changes within the benefit service mainly to do with staff turnover and restructuring within the department.
- 107.** It is acknowledged that during an extremely difficult period, the benefit service has continued to deliver continuous improvement in the time taken to process claims. There is scope for improvement in the time taken to process new claims and other areas of the service. However, a high-level of accuracy has been maintained and the time taken to process changes of circumstances placed the Council as the joint top performer in Scotland.
- 108.** The Council completed six of the nine risks and has made a positive contribution to the delivery of the benefit service. In particular, this included:
- taking action to resolve the discrepancies between the Council's reported speed of processing performance and that published by the DWP, and introducing a new procedure to ensure the accuracy of future reported performance
  - updating its debt recovery policy to ensure that benefit overpayments are recovered from all customers, regardless of tenure type
  - reviewing outstanding overpayments, and carrying out an exercise in 2014/15, which resulted in £122,000 of benefit debt being written off.
- 109.** Although the Council demonstrates awareness of what constitutes an effective, efficient and secure benefit service, there are three new risks and three risks outstanding from our previous risk assessment. In order to ensure continuous improvement, the Council needs to address these risks. These include:
- carrying out a review of management checking procedures and ensuring that checks, which have not been carried out since November 2015 are recommenced as soon as possible. Officers have informed us that this has been addressed and the benefits team leader is now recording the outcome of the management checks and is discussing results with team members.
  - improving the level and type of information provided to senior management by the Corporate Debt Recovery Team in the recovery of benefit overpayments.

## Overview of performance targets in 2015/16

110. The Council's Outcome Delivery Plan sets out what changes East Renfrewshire Council will work to achieve the outcomes in the Single Outcome Agreement, and their Corporate Statement conveys the vision for local services and the surrounding local area. The Council and Community Planning Partnership performance is linked as the SOA Outcomes and the organisational outcomes of Customer, People and Efficiency are the collective grouping of East Renfrewshire Council's performance management framework.
111. The council presented their End Year Performance Report 2015-16 to Cabinet and for the first time into East Renfrewshire Council used a visual presentation to convey the results. The report is publicly available on the Council's website and invites feedback from the general public on how the Council reports performance. The presentation clearly outlines into East Renfrewshire Council's performance across service areas, highlighting areas of achievement. Performance Reports are available for all service areas and these are presented to Cabinet. The key areas of performance reported include:
- A foster carer recruitment campaign resulted in a 300% increase in interest
  - 97% of parents are happy with their child's school
  - 92% are satisfied with health and social care services
  - 96% of school leavers enter positive destinations
  - 94% of residents are satisfied with East Renfrewshire as a place to live

- 97% of council housing meets quality standards
- A 42% reduction in time that older people spend in hospital
- 75% of residents satisfied with council services.

## Local performance audit reports

112. During 2015/16 we carried out follow-up audit work to identify the progress the Council has made on the recommendations made in Audit Scotland's national performance report [Scotland's Public Sector Workforce](#) which was published in November 2013. As part of our audit we provided an information return to Audit Scotland which highlighted the following points:
- The workforce planning report has been established since April 2012 reported every 6 months with accompanying workforce statements. In April 2015 it was agreed that the workforce plan should take a longer term approach based on the same format as the NHS and this continues to be developed with the support of the Workforce Planning Working Group.
  - The workforce in East Renfrewshire Council has been managed by voluntary redundancies, business efficiency retrials, vacancy management and redeployment of employees, with a commitment that there will be no compulsory redundancies during the financial year 2015/16 or 2016/17. The Council are producing ongoing service reviews and restructures to determine the future workforce requirements.

- Each Department has a workforce planning lead and the workforce plans are aligned with departmental goals to ensure service delivery.

## National performance audit reports

**113.** Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2015/16, a number of reports were issued which are of direct interest to the Council. These are outlined in **appendix III**. the Council's Audit and Scrutiny Committee consider all national performance reports and their impact on the Council.

# Appendix I: Significant audit risks

The table below sets out the financial statement audit risks we identified during the course of the audit and how we addressed each risk in arriving at our opinion on the financial statements.

#	Audit Risk	Source of assurance	Results and conclusions
<b>Financial statement issues and risks</b>			
1	<p><b>Income</b></p> <p>East Renfrewshire Council receives a significant amount of income in addition to SG funding. The extent and complexity of income means there is an inherent risk of fraud in accordance with ISA 240.</p>	<p>Internal controls for these systems are operating effectively.</p> <p>Regular presentation of Revenue Budget Monitoring Reports detailing budget variances.</p> <p>There are a range of measures in place to prevent and detect fraud including Financial Regulations, Standing Orders, Whistleblowing Policy and an Anti Fraud and Bribery Strategy.</p>	<p>We reviewed key controls in the accounts receivable system.</p> <p>We reviewed RSG income, capital grant income, housing benefit income and a sample of significant other income streams.</p> <p>We reviewed the work undertaken by Internal Audit on debtors as part of our controls work.</p> <p>Overall, the results were satisfactory and we did not identify any evidence of fraud.</p>
2	<p><b>Management override of controls</b></p> <p>As stated in ISA 240, management is in a unique position to perpetrate fraud because of management's ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls</p>	<p>Internal audit review a range of financial systems and related controls and provide an opinion on the control environment.</p> <p>There are a range of measures in place to prevent and detect fraud including Financial Regulations, Standing Orders,</p>	<p>No unusual or inappropriate transactions were identified as part of detailed testing of journal entries.</p> <p>A review of accounting estimates did not show any instance of bias.</p> <p>No significant transactions outside the</p>

#	Audit Risk	Source of assurance	Results and conclusions
	that otherwise appear to be operating effectively.	Whistleblowing Policy and an Anti Fraud and Bribery Strategy.	<p>normal course of council business were identified.</p> <p>Cut-off testing (accruals and prepayments) was satisfactory</p> <p>Overall we concluded that there is no evidence of management override of controls at the Council.</p>
3	<p><b>Group Accounts</b></p> <p>East Renfrewshire IJB and the Leisure Trust are new bodies established and operational in 2015/16. There is a risk that adequate processes and systems have not been put in place to enable submission of the financial statements on time and consolidation adjustments are accurate.</p> <p>(MKI Ref: 70058)</p>	<p>Accounts requested within 6 weeks of year end for both bodies.</p> <p>The Council staff will assist in preparing accruals and draft accounts.</p>	<p>We received the unaudited Group accounts on 23 June and the East Renfrewshire IJB unaudited accounts on 23 June as per the agreed timetable.</p> <p>Component auditor assurances were received in respect of the Culture and Leisure Trust and were satisfactory.</p> <p>We reviewed and tested consolidation adjustments.</p> <p>A number of significant adjustments were identified by officers which are reflected in the audited Group financial statements. We have audited these changes and are satisfied that the Group Statements are not materially misstated.</p>

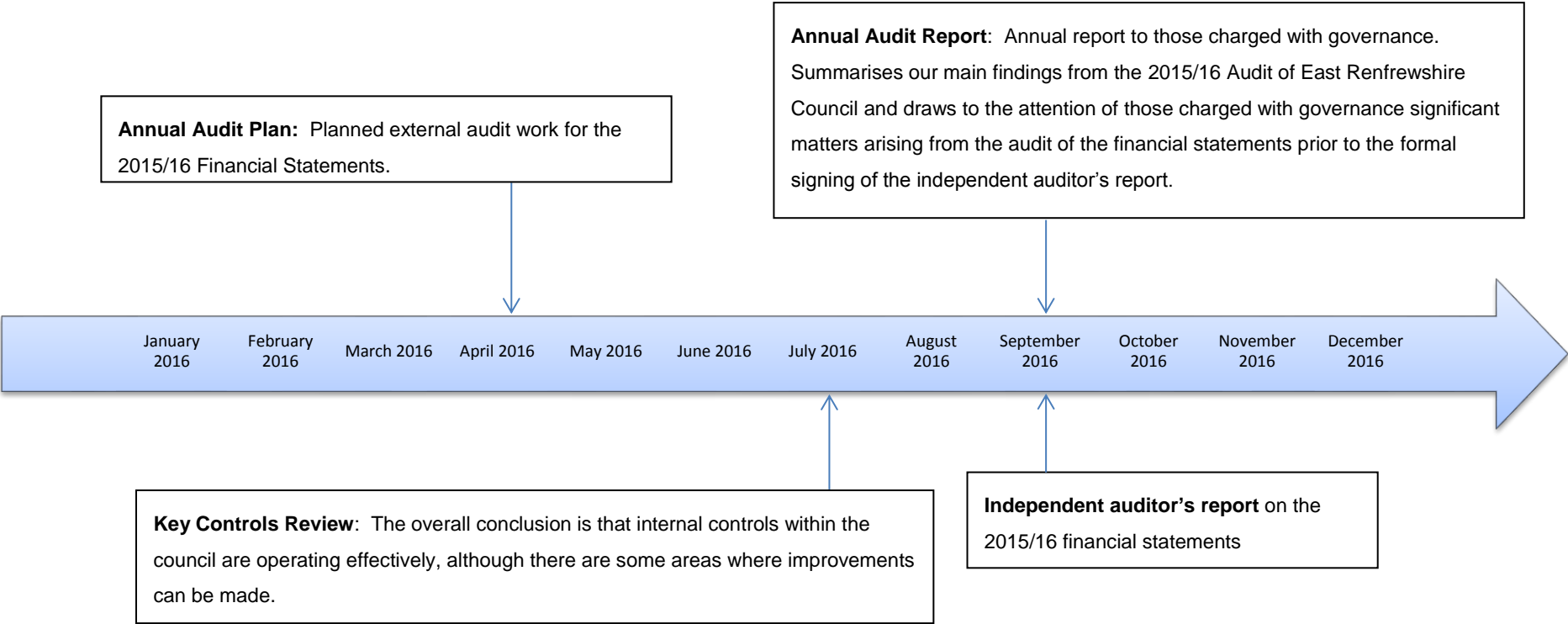
#	Audit Risk	Source of assurance	Results and conclusions
4	<p><b>New Care Finance system</b></p> <p>The system is being implemented in phases across the various social care activities during 2015/16 and beyond. With any new system introduced there are risks associated with it.</p>	<p>Financial Governance Framework policy in place.</p> <p>Team structure revised and now includes a Development Accountant post to develop a comprehensive governance and control reporting suite of information.</p> <p>Newly appointed Chief Financial Officer post for the HSCP to undertake a systematic review of wider processes and procedures.</p>	<p>We reviewed the key controls and operation of the Care Finance system.</p> <p>We performed detailed/substantive testing of expenditure where key controls were not fully operating.</p> <p>We concluded that the financial statements were not materially misstated</p>
5	<p><b>Valuations</b></p> <p>Land, properties and pensions are subject to annual valuation exercises. There is a risk that any subjective judgement/error in the valuations would have a significant impact on the financial statements. (MKI ref: 67329)</p>	<p>Early management review of estimates and assumptions used by valuers.</p> <p>Review the work of the management experts used in these areas to enable us to place reliance on these “management experts” in accordance with ISA 500.</p>	<p>We reviewed the work of the in-house valuer including assumptions and estimates used for valuations of land and property including those which transferred from Investments to PPE during 2015/16.</p> <p>We reviewed the reconciliation of valuation adjustments in the fixed asset register to the valuer’s report.</p> <p>We reviewed the basis and assumptions of the pension valuation from the actuary.</p> <p>We reviewed whether valuation reports had been accurately and completely reflected in the financial statements</p> <p>We concluded that valuations were</p>



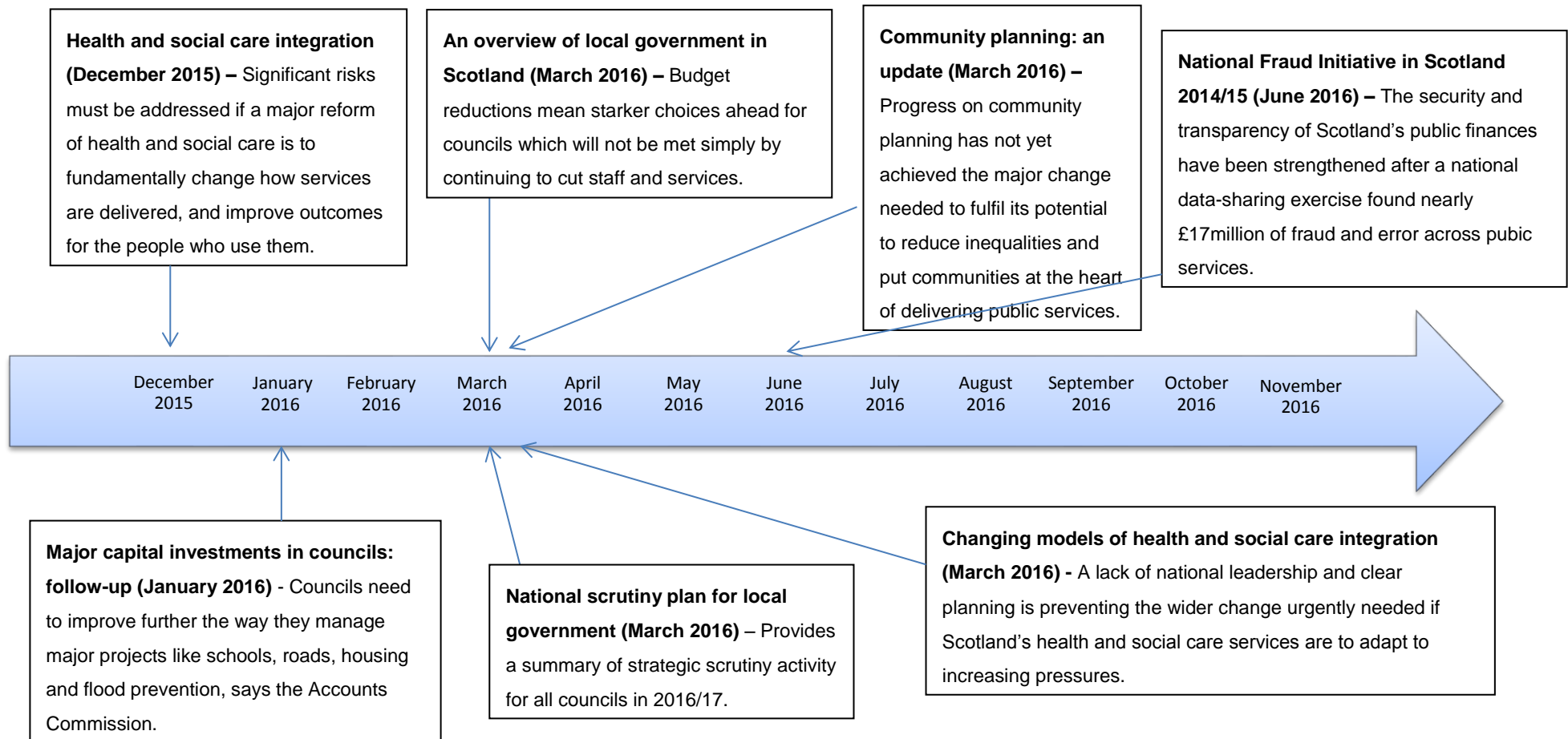
#	Audit Risk	Source of assurance	Results and conclusions
			appropriate accurate and complete in the financial statements
6	<p><b>Common Good Assets</b></p> <p>The Council agreed to carry out a formal review of common good assets by March 2016, to further identify those assets which should more appropriately be categorised as common good assets. There is a risk that the Council have not identified and categorised the common good assets appropriately within their accounts.</p> <p>(MKI ref: 69993)</p>	<p>The Council's review of assets carried out by council officers including checking individual Barrhead titles as and when the land in question becomes subject to the possibility of alternative use/transfer etc.</p>	<p>We examined progress on the Council's review of common good assets and found that the Council's initial review of titles within the Burgh of Barrhead revealed 2 common good assets which had not been previously recognised. A more extensive review, during the audit, led to £0.660 million of assets being reclassified as Common Good.</p> <p>We expect the Legal Services team to undertake a more detailed review, but it is not anticipated that this will be complete until March 2017.</p> <p>We are satisfied that the actions undertaken to date mean that the financial statements are not materially misstated.</p> <p style="text-align: right;"><b>Appendix IV, Action Plan No. 1</b></p>
<b>Wider dimension issues and risks</b>			
7	<p><b>Financial position and funding gap</b></p> <p>As a result of the 2016/17 Scottish Government Settlement, the budget shortfall has increased from £22 million to £24 million</p>	<p>Savings for 2015/16 have been achieved.</p> <p>Budget for 2016/17 and indicative budget for 2017/18 have been set.</p> <p>Regular presentation of Revenue Budget</p>	<p>Review of detailed budget papers.</p> <p>On-going discussion with the Council officers.</p> <p>We concluded that the financial outturn and</p>

#	Audit Risk	Source of assurance	Results and conclusions
	<p>and the Council now has to achieve additional savings of £7 million over the remaining two years (2016/17 and 2017/18). The biggest challenge being the attainment of £6 million recurrent savings in 2017/18.</p>	<p>Monitoring Reports to Cabinet. Ongoing discussions with senior officers. Ongoing review by council to identify additional savings to address the shortfall.</p>	<p>position at 31 March 2016 indicated appropriate actions had been taken to date and that the relatively strong borrowing and reserve position together with the development of longer term financial planning provided sufficient assurance at this stage.</p> <p style="text-align: right;"><b>Appendix IV, Action Plan No. 4</b></p>
8	<p><b>Creditors departmental changes</b> Due to staffing issues and implementation of a change programme, there have been slippages in creditor payments. There is a reputational risk to the Council that suppliers will withdraw from contracts if they are not paid in timely manner.</p>	<p>Council has recently moved Creditors to Corporate &amp; Community Services Department to give greater resilience to the team and facilitate a focus back on the change programme. Interim management arrangements now in place to focus on the slippage and recruitment underway for permanent manager position. Range of temporary support in place to assist processing to reduce risk to supply contracts. Weekly governance/progress meetings in place between Head of Service and management/project team.</p>	<p>We reviewed the work of internal audit on the creditors system. We reviewed outstanding trade payables at year end and compared this to prior year levels. Overall we concluded that there were adequate systems and processes in place and that the creditor departmental changes did not have an adverse impact on suppliers or the Council.</p>

# Appendix II: East Renfrewshire Council local audit reports 2015/16



# Appendix III: Audit Scotland national reports 2015/16



## Appendix IV: Action plan

No. AS ref.	Paragraph ref.	Issue/risk/Recommendation	Management action/response	Responsible officer / Target date
1. 69993	28	<p><b>Common Good Assets</b> – A detailed review of the 289 titles identified as potentially common good in the Burgh of Barrhead has still to be completed. The completion date has been changed to March 2017 (originally March 2016).</p> <p><b>Recommendation</b></p> <p>We recommend that the Council continue to review the titles / asset register to identify and investigate common good assets. This should include a review to ensure that none of the assets have been alienated through long term lease.</p>	<p>Legal Services will undertake continued review of titles to reach a finalised view of the Council's Common Good assets by end of March 2017. The completion date had been changed to accord with the delayed implementation of the relevant parts of the Community Empowerment legislation and more particularly the issue of Ministerial guidance which was expected to address identification of such assets. The proposed issue date for the guidance remains unknown at this time. Legal Services may require to revisit the assessment process beyond April 2017 should the guidance ultimately set different criteria for identification of assets.</p>	<p>Chief Officer – Legal &amp; Procurement March 2017</p>

No. AS ref.	Paragraph ref.	Issue/risk/Recommendation	Management action/response	Responsible officer / Target date
2.	30	<p><b>Dormant trusts</b> -We noted in five out of the seven trusts, there were no payments made in 2015/16 or 2014/15. One trust, the Lieutenant Duff Memorial Institute, has had no activity (receipts or payments) since 2013/14. A charity would be considered to be dormant if no benefit is being provided for an extended period, for example 3-5 years.</p> <p><b>Recommendation</b></p> <p>Consideration should be given to whether the seven trusts are meeting their objectives and whether or not they should be wound up.</p>	<p>The Council has been trusted with these funds, all of which have specific objectives. We propose to review the audit recommendations with the view to potentially advertising them on the Council website to encourage activity.</p>	<p>Chief Accountant March 2017</p>

No. AS ref.	Paragraph ref.	Issue/risk/Recommendation	Management action/response	Responsible officer / Target date
3.	31	<p><b>Amalgamation/reduction in the number of charitable trusts</b> - the Council annually prepares seven separate trust annual report and accounts. The overall number of separate sets of statements of accounts that are required can be reduced by the effective application of the connected charities provisions under The Charities Accounts (Scotland) Regulations 2006. Regulation 7 (as amended in 2010) permits a single set of accounts for charities if they have common or related purposes, or shared management (i.e. connected charities). This would be the case where charities have common trustees, as is the case for the Council.</p> <p><b>Recommendation</b></p> <p>The Council should consider the charities provision with a view to amalgamating the number of trusts into one set of accounts on efficiency grounds (time and cost).</p>	<p>The Charities have some but not all trustees in common and they all have different objectives. We will make enquiries with OSCR and with neighbouring authorities to investigate the potential of amalgamating the accounts on the grounds of efficiency.</p>	<p>Chief Accountant March 2017</p>

No. AS ref.	Paragraph ref.	Issue/risk/Recommendation	Management action/response	Responsible officer / Target date
4	66	<p><b>Developing longer-term financial planning.</b> East Renfrewshire Council currently publishes a 1-year budget and high-level financial forecasts to 2017/18</p> <p><b>Recommendation</b></p> <p>A long term financial strategy (&gt; 5 years) should be developed and supported by detailed plans. The plans should be based on scenario planning to identify the potential budget impact on future decisions.</p>	<p>Generally we have found it useful to prepare multi year budgets and identify future savings requirements well in advance. This is however difficult when we have had only 1 year settlements (for both revenue and capital in recent years). Whilst we make assumptions on specific expenditure pressures such as pay, loan charges and demographics for several years in advance these are subject to changes outwith our control, and of late settlement figures have become even more difficult to predict with the late announcement of £250m IJB monies for 2016/17 and the potential Brexit impact on the 2017/18 settlement.</p> <p>Over the coming months, the Corporate Management Team will reconsider the Council's long term financial strategy and refine the Chief Financial Officer's outline financial plans for the next 6 years, together with other related strategies (e.g. workforce planning). This will allow a long term financial strategy and supporting plans, addressing a range of possible scenarios, to be approved by the new administration in summer 2017 and multi year budgeting to be resumed.</p>	Head of Accountancy



