

# Renfrewshire Council

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

## Key contacts

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

Anne McGregor, Senior Audit Manager  
[amcgregor@audit-scotland.gov.uk](mailto:amcgregor@audit-scotland.gov.uk)

Kenny McFall, Senior Auditor  
[kmcfall@audit-scotland.gov.uk](mailto:kmcfall@audit-scotland.gov.uk)

4th Floor, South Suite  
The Athenaeum Building  
8 Nelson Mandela Place  
Glasgow  
G2 1BT

Telephone: 0131 625 1500

Website: [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk)

The Accounts Commission is a statutory body which appoints external auditors to Scottish local government bodies ([www.audit-scotland.gov.uk/about/ac/](http://www.audit-scotland.gov.uk/about/ac/)). Audit Scotland is a statutory body which provides audit services to the Accounts Commission and the Auditor General ([www.audit-scotland.gov.uk/about/](http://www.audit-scotland.gov.uk/about/)).

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

This report has been prepared for the use of 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 sustainability .....	12
Governance and transparency .....	22
Best Value.....	28
Appendix I: Significant audit risks .....	34
Appendix II: Summary of Renfrewshire Council local audit reports 2015/16 .....	37
Appendix III: Summary of Audit Scotland national reports 2015/16 ....	38
Appendix IV: Action plan .....	39

# Key messages

## Audit of financial statements

- Unqualified auditor's report on the 2015/16 financial statements.
- Corrections to the unaudited financial statements include council house valuation (£35 million) and balances with Renfrew Leisure Ltd (£1.3 million).

## Financial position and sustainability

- Statutory surplus achieved of £2 million after transfer of £30.8 million to the investment capital fund. This anticipates tighter financial settlements going forward, enabling the council to review its future borrowing and debt smoothing strategy over the medium to longer term.
- Renfrewshire Council continues to have relatively low levels of borrowing and external debt.
- Officers are developing medium and longer term planning, based on potential scenarios.

## Governance and transparency

- Good overall governance with further review of Audit and Scrutiny planned following May elections.
- Effective financial management.
- Systems of internal control operated effectively.

## Best Value

- The council participates in the Local Government Benchmarking Framework and has good procurement performance.
- The council's self-assessment programme is being reviewed.
- ALEO monitoring and the balance in performance reporting could be improved.

# Introduction

1. This report is a summary of our findings arising from the 2015/16 audit of Renfrewshire Council. The report is divided into sections which reflect our public sector audit model.
2. The management of Renfrewshire 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 Renfrewshire 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 Renfrewshire Council understands its risks and has arrangements in place to manage these risks. The council and executive officers group 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 Renfrewshire Council will be Audit Scotland. In accordance with agreed protocols and International Standards on Auditing we will be liaising with the incoming auditors 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 the three Common Good and four charitable trusts administered by the council and issued unqualified independent auditor's reports.</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.</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>Group accounts</b>	<ul style="list-style-type: none"> <li>Renfrewshire Council has accounted for the financial results of two subsidiaries and three associates 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 £44.3 million.</li> </ul>
<b>Whole of government accounts</b>	<ul style="list-style-type: none"> <li>The council plans to submit a consolidation pack for audit by 16 September (deadline 26 August). This will be audited and the certified return submitted to the NAO.</li> </ul>

## Submission of financial statements for audit

10. We received the unaudited financial statements on 22 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 Renfrewshire IJB was established on 27 June 2015 but did not become operational until 1 April 2016. The amounts concerned in 2015/16 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, Scrutiny and Petitions Board on 25 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.

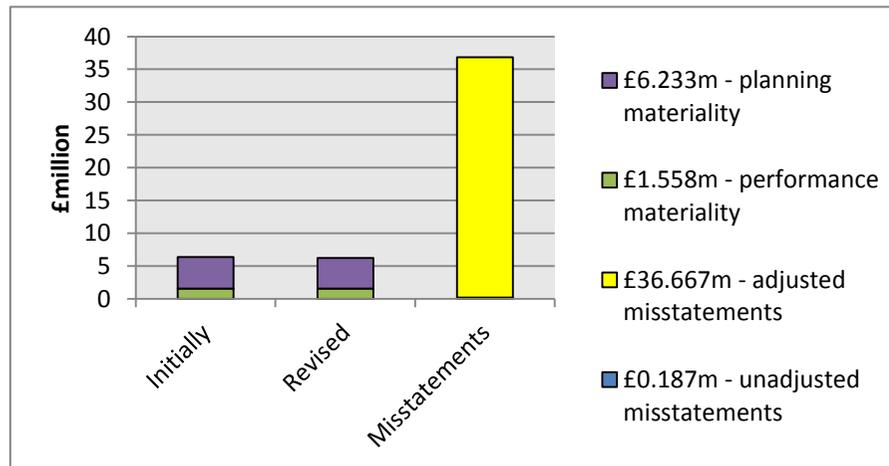
## Materiality

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 Renfrewshire Council we set our planning materiality for 2015/16 at £6.233 million (1% of gross expenditure). We report all misstatements greater than £100,000, performance materiality was calculated at £1.558 million 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 concluded that our original calculation remained appropriate.

### Exhibit 1: Overall materiality misstatements



### Materiality in the charitable trusts

20. We also set separate materiality in the audit of the charities' financial statements. Planning materiality for the Renfrewshire Council Trust Funds is £6,730, with performance materiality of £3,365. The Renfrewshire Council Common Good Funds have a planning materiality of £321,000 and performance materiality of £289,000, based on net assets. In the Common Good Fund we also set a separate performance materiality for incoming/outgoing resources of £94,000.

### Evaluation of misstatements

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. These were discussed with relevant officers who agreed to amend the unaudited financial statements. These adjustments do not impact the usable reserves nor on the surplus shown on the Comprehensive Income and Expenditure Statements. These adjustments include:
  - Correction to the valuation of council houses (£34.7 million – Paragraph 27).
  - Adjustment of balance with Renfrew Leisure Ltd (£1.362 million– Paragraph 28).

- Re-classification of debtors between short and long term (£0.6 million – Paragraph 29).
23. There was also one misstatement that finance officers decided not to adjust in the financial statements. If this had been adjusted for it would have increased income by £0.187 million with a similar increase in the net asset position (refer to paragraph 30). We requested that all errors be corrected, although the final decision on this matter rests with those charged with governance taking into account advice from officers.
24. The total adjustments exceeded our overall performance materiality level of £1.558 million and we considered the need to undertake further audit testing. We consider that the issues noted below are isolated and do not indicate that further systematic errors exist 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.

## Significant findings from the audit

25. 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 judgment, are significant to the oversight of the financial reporting process.
26. The following table 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 1: Significant findings from the audit**

### Significant findings from the audit in accordance with ISA260

#### Council House Valuation

27. Council dwellings are revalued each year by using a Beacon Principle (adjusted vacant possession) methodology in accordance with the Royal Institution of Chartered Surveyors (RICS) guidance. The valuation process involves using figures from Register of Scotland publications which examines housing market changes for the local area and also local housing allowances. Errors were identified in the information used to complete the valuation which led to an increase in valuation of £34.7m. The accounts have been corrected.

## Significant findings from the audit in accordance with ISA260

### Trade Receivables

28. We noted as part of our work on inter-related balances that Renfrewshire Leisure Limited was held as a debtor with the council at the year end. Discussion with officers identified this as an error, as the final service level agreement payment of £1.4m had been incorrectly classified. This resulted in a decrease in short term debtors of £0.8m, a decrease in short term creditors of £1.4m and an increase in short term borrowing of £0.6m. These adjustments have been made in the audited financial statements.

### Reclassification of debtors

29. As part of our trade receivables testing we tested a number of debtor balances to ensure that they had been correctly classified. Our testing identified one classification error relating to income due for the sale of land. This resulted in a reclassification adjustment of £0.6m between short and long term debtors within the balance sheet in the audited financial statements.

### Event after the balance sheet date

30. During the year the council was involved in a contractual legal dispute with a supplier. The outcome of the case was settled in May 2016, after the year end, and the result was that the council was owed income of £0.187m which was subsequently received in June. We would consider this to be an adjusting post balance sheet event per IAS10 and as such that the council should recognise this income in year. This error has not been adjusted in the financial statements after discussion with officers and is below our materiality levels.

### Management Commentary

31. In 2014 the Scottish Government provided guidance on the content of the management commentary which should allow entities to prepare clear and concise narrative reports that facilitate fair, balanced and understandable reporting. A number of amendments have

## Significant findings from the audit in accordance with ISA260

been made to the audited management commentary to provide further clarity and understanding to the users of the accounts. Examples of these include providing more detail in relation to reserve movements, revising the format of the summary of outturn position table and making minor revisions to the key financial ratios.

**Appendix IV – Action Plan No.1**

### Findings from the audit of the Common Good and Trust Funds

#### Renfrewshire Council Trust Funds

32. The year-end balances of the Trust Funds are made up of £30,657 cash balances across the three funds: Paisley Burgh Citizens Fund £344, Renfrew Burgh Citizens Fund £5,426 and Renfrewshire Council Citizens Fund £24,887. At recent spending levels the funds will be fully distributed in the next few years and we recommend that these trusts are reviewed to ensure either sustainability or winding-up.

**Appendix IV – Action Plan No.2**

## Future accounting and auditing developments

**Appendix IV – Action Plan No.1**

### Health and social care integration

33. From 1 April 2016 IJBs will be accountable for the provision of health and social care. IJBs will be required to produce financial statements in compliance with the Code of Practice on Local Authority Accounting in the United Kingdom. Where material the financial results of the local IJBs will need to be reflected in the council's group accounts in 2016/17. The council will need to include the IJB in its plans for the preparation and audit of the 2016/17 comprehensive net expenditure, group accounts and annual governance statement.

### Highways network assets

34. From 2016/17 local authorities will be disclosing Highways Network Asset (HNA) as a new category within the long-term assets section of the balance sheet. This change will see a significant change in balance sheet valuation. During the year we reviewed the council's arrangements in place and noted that the council have been working with SCOTS to develop an inventory of roads infrastructure assets based on sample measurements and condition surveys.
35. From discussion with officers we confirmed that roads are already measured using recommended practice within the council's asset

management system and therefore there are no plans to change measurement techniques and also that WDM (Roads assessment surveyor) provide road condition reports which provides information on carriageway lifespans.

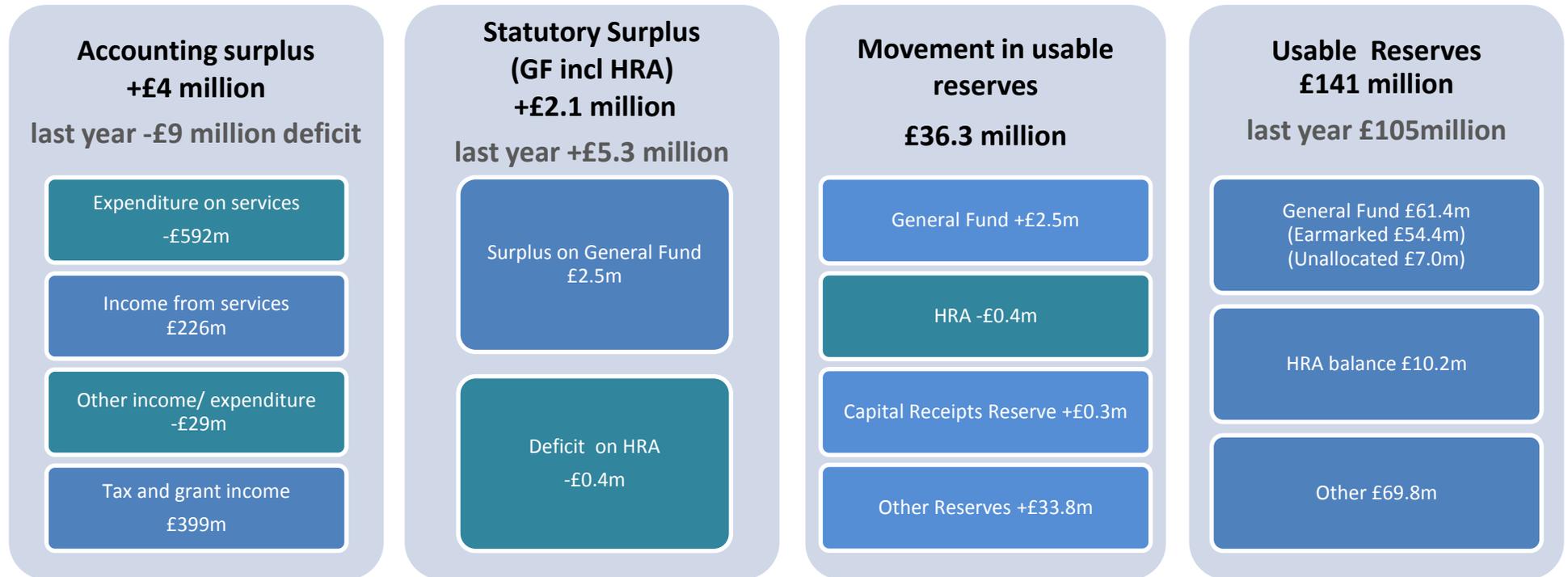
36. The council has a working group, consisting of finance staff and operational engineers, in place which is progressing the monitoring and management of a roads asset management plan and also working towards ensuring financial procedures will be in place for inclusion of HNA within the 2016/17 annual accounts.

#### **Appendix IV – Action Plan No.1**

### **Code of Audit Practice**

37. A new Code of Audit Practice will apply to all audits from financial year 2016/17. There will be a focus on four areas:
- Financial sustainability
  - Financial management
  - Governance and transparency
  - Value for money.
38. Our audit responsibilities have been extend to cover specific risks over grants and welfare payments as well as income and significant outputs, such as the annual audit plan, will be published on Audit Scotland's website.

# Financial sustainability



Overall the council reported an accounting surplus of £4 million, with non-HRA services (£19 million) offsetting a deficit on HRA (-£15 million).

However regulatory adjustments to the accounting basis mean that the overall increase in usable reserves was £36 million.

## 2015/16 financial outturn

39. The management commentary states that the outturn position is a surplus of £2.5 million against a budget of £0.6 million on the general fund. Taken together with the outturn on the Housing Revenue Account Balance (a deficit of £0.4 million), the total surplus of £2.118 million is achieved after transferring £33.8 million to capital reserves. Prior to this transfer the surplus was £35.9 million (10% of net cost of services), compared to £11.8 million last year (3%).

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

	2015/16	2014/15
Net cost of services (CNES)	(365.438)	(372.028)
Gains, financing, investment income	29.421	30.174
Taxation, grants (CNES)	398.857	393.069
Service Surplus/ (deficit)	3.998	(9.133)
Statutory adjustments to GF (MIRS)	31.904	20.922
Surplus before transfer to reserves	35.902	11.789
Transfer to reserves (MIRS)	(33.784)	(6.460)
Surplus after transfers	2.118	5.329

40. The increase in surplus/ reserve transfer from last year is due to three main factors:

- Reduction in service outturns (£6.6 million) (CIES).
  - Increases in revenue grant and non-domestic rates from SG (£3.6million) (Note 10).
  - Reduced charges to services for debt (£15.9 million) (Note 7).
41. The transfer to the investment capital fund of £30.78 million was identified to council in the report on the unaudited financial statements on 22 June 2016. This build-up of reserve is significant and anticipates tighter financial settlements going forward, enabling the council to review its future borrowing and debt smoothing strategy over the medium to longer term.
42. The council was able to provide the funding to the capital investments fund mainly through revision to the debt smoothing strategy meaning a reduction of loans fund repayments payable to services of £22 million, and also reductions in loans fund interest due of £3.4 million and CFCR of £2.9 million.
43. The basis of reporting the budget and outturn position for services differs from that reported in the Comprehensive Net Expenditure Statement (Note 8 identifies the differences). Reporting to services excludes pensions and depreciation charges for example.
44. The outturn of general services is broadly in line with budget expectations. A review of financial monitoring reports provided to members during the year identified an anticipated underspend of around £1.2 million from November 2015 due to several small departmental underspends. This increased to £1.8 million at the

year end and was combined with the budgeted contribution to reserves of £3.5 million leading to an actual surplus of £5.4 million.

45. Service underspends were recorded in Children's services (£313,000), Miscellaneous services (£615,000) and an over recovery of council tax income of £540,000.

### Housing revenue account

46. The council is required by legislation to maintain a separate Housing Revenue Account (HRA) and to ensure that rents are set to at least cover the costs of its social housing provision. Rent levels are therefore based on the budget set for the year. The income requirement for the HRA in 2015/16 was set at £52 million and was to be funded mainly from council house rents. This resulted in a rent increase of 3.5%: an increase in the average weekly rent from £71.18 to £73.67.
47. The council's rent arrears in 2015/16 were £2.2 million, a decrease of 14% from 2014/15 (£2.6 million). Our review noted that the level of provision for bad debts under 12 months had increased. Officers informed us that this was due to the uncertainties surrounding welfare reform and that the council would continue to monitor its level of provision applied during the roll out of universal credit.
48. In 2015/16, the council recorded an accounting deficit on HRA services of £15 million. However after applying statutory accounting adjustments there was an increase of £2.7 million on

the HRA balance (within the general fund) prior to a transfer of £3.1 million to the housing capital fund.

### Financial position

49. The financial statements show that:
- Renfrewshire Council has net assets of £851 million a increase of £212 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%).
    - An increase in short term investments (+£42 million).
  - The council incurred positive net cash flows from operations (£78 million).
  - There is an excess of current assets over current liabilities (and this has improved from last year).

### Going concern

50. 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

51. 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.
52. 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

53. The overall level of usable reserves held by the council increased by £36 million during 2015/16 to £142 million (**Exhibit 3**). The general fund balance includes ring-fenced elements totalling £54 million. This includes the Waste Management Strategy fund (£7 million), Paisley Town Centre Heritage Asset Strategy Fund (£8 million), Service Modernisation and Reform Fund (£6 million) and Tackling Poverty Fund (£4 million).

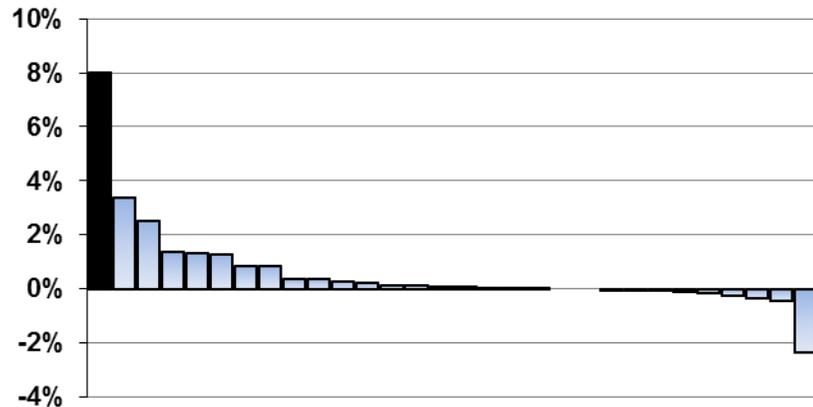
### Exhibit 3: Usable reserves

Description	31 March 2016 £ million	31 March 2015 £ million
General fund	61.378	58.854
Housing revenue reserve	10.239	10.645
Revenue Statutory Funds	2.855	2.853
Capital Receipts Reserve	4.116	3.760
Capital Statutory Funds	62.788	29.006
<b>Total usable reserves</b>	<b>141.376</b>	<b>105.118</b>

Source: Renfrewshire Council 2015/16 financial statements

54. 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 of £7 million represents 1.9% of the net cost of services (2014/15: 2.1%). This position satisfies the council's policy to maintain uncommitted reserves at a minimum of £7 million.
55. The main increase in reserves in 2015/16 is due to the £34 million transfer from the general fund and housing revenue account to the capital statutory funds. This transfer is significantly higher than the movement in capital reserves for any other mainland council.

**Exhibit 4: Movement in usable capital reserves as a % of net revenue including rents (Renfrewshire highlighted)**

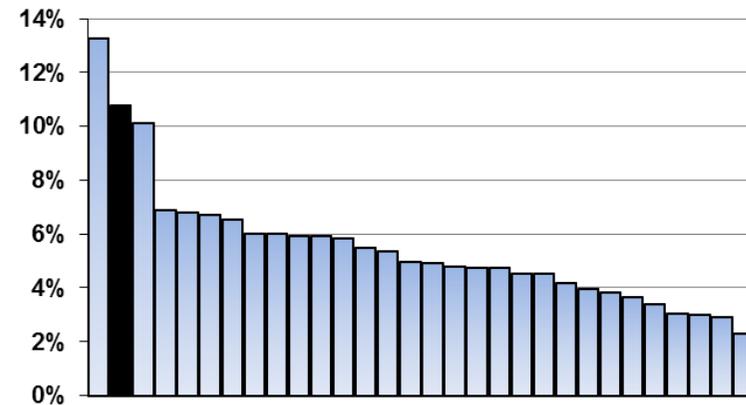


Source: 2015/16 unaudited financial statements (mainland councils)

- 56. Discussions with officers have confirmed that this is part of the council’s intention to review its future financial and debt smoothing strategy and will provide capital financing for major capital investment projects over the next few years.
- 57. The council’s debt smoothing strategy accelerates the repayments made by services in the short to medium term. However the effect of this was reduced in 2015/16 by £16 million (from £37.7 million to £21.8 million). Despite this reduction, **Exhibit 5** demonstrates that the council still applies a relatively high proportion for external debt repayment.

- 58. The effect of this policy is that funds are made available for capital financing/external debt repayment and reserves are established to defray future expenditure, but that in the short term expenditure on services are reduced.

**Exhibit 5: Statutory provision for repayment of debt as a % of net revenue including rents (Renfrewshire highlighted)**



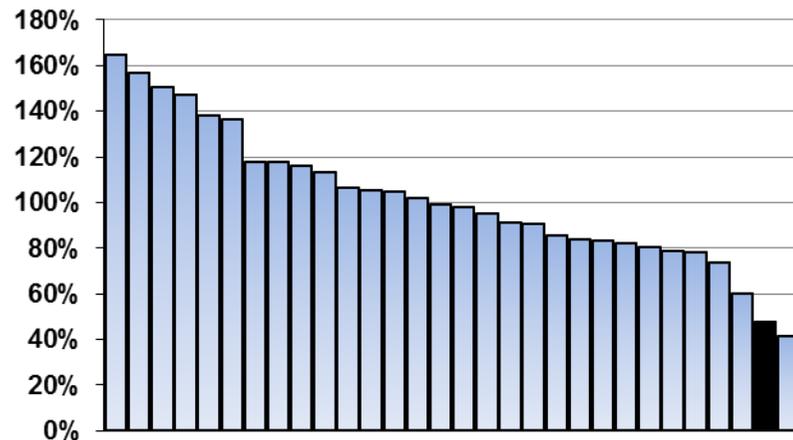
Source: 2015/16 unaudited financial statements (mainland councils)

**Borrowing**

- 59. At 31 March 2016 total borrowing was £229 million, a decrease of £7 million on the 2015 borrowing level of £236 million. Analysing long term borrowing as a proportion of net revenue stream gives an indication of the relative indebtedness of the council. The

following exhibit shows that the council has relatively low levels of borrowing and external debt.

#### Exhibit 6: Net external debt as a % of net revenue including rents (Renfrewshire highlighted)



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

#### Historic accounting deficit

60. The council reported a £4 million accounting surplus for 2015/16. This is in contrast with accounting deficits of £9 million and £14 million in 2014/15 and 2013/14.

## Resource Management

### Council transformation/efficiency strategy

61. The council plans to make a number of significant savings through the use of the better council change programme which was devised to address budget deficit gaps. The change programme has centred on the following key areas in recent years:
- debt smoothing strategy
  - the reconfiguration of 'back office' services
  - the introduction of a new consolidated support service model
  - a review of environmental and waste management services
  - investment in the early intervention and prevention agenda for children and adults to reduce cost pressures for the council.
62. The council is currently implementing phase 2 of the savings programme which involves the implementation of the new ERP (enterprise resource planning) system. The implementation of the ERP system involves implementation of a suite of fully integrated finance, payroll and procurement software applications which automate and streamline administrative processes. This project involves a one off implementation cost of £3 – 4 million however is expected to achieve recurring savings of around £2 million per annum for a 3-5 year period.
63. Other savings plans include the new council website which was launched in March 2016 and the online customer portal (My

Account) which was also launched in March. The new website involved redesigning the structure and content of the council's website to make it more appealing to customers wishing to use web services as a means of interacting with the council whilst the online customer portal allows online payment for a number of council services (for e.g. council tax payments).

### Capital programme 2015/16

64. The council approved its general services and housing capital programme for 2015/16 in February 2015. There has been a significant underspend in the capital programme in 2015/16 of £19 million. This includes re-profiling of capital projects of £11.5 million and slippage of £8 million. Actual spend was £34 million (general services) and £13.5 million (housing).
65. The general services' programme was concentrated on the new build, refurbishment and repair of schools, infrastructure and flood prevention measures and the lifecycle maintenance programme. The housing programme focused on "major component replacement".

### Asset management

66. The 2015-18 corporate asset strategy was issued to the Planning and Property Policy Board in August 2015. The asset strategy links to the themes in the council plan and capital budgets agreed for the three year period. The council has revised the corporate landlord operating model relating to building management and maintenance and adopted an integrated approach for hard and

soft Facilities Management (FM) under the Director of Community Resources from 1 April 2015. An action plan is now in place within the strategy for the key strategic actions to be completed by 2018.

### Workforce Management

67. The Organisational Development strategy 2016-19 was approved by the Council's Leadership Board in December 2015 and outlined key priorities aligned to the council's strategic outcomes. A key priority is to develop and improve the council's approach to workforce planning and people development. An Organisational Development Strategy progress report was presented to the Corporate Management Team in April 2016. The report discussed a more detailed approach to develop management and leadership skills in the context of workforce planning.
68. The Organisational Development Strategy focuses on managing change effectively, through a more flexible workforce and potential changes to roles, teams, working patterns and delivery partners.
69. A total of 14 exit packages were approved in 2015/16. We have reviewed these exit packages and concluded that the authorisation and best value assessment were completed appropriately and accounts disclosures were accurately recorded.
70. This brings the total exit packages approved since 2010/11 to 1,150 with total costs of £73 million. The total upfront costs were £18 million (25%) for amounts paid to individuals, £23 million (31%) to the pension fund (for strain-on-the-fund costs). The remaining £32 million (44%) is for the estimated capitalised cost of

added years; the cumulative effect of the council paying an additional pension amount until someone dies. The costs reflect the scale of change delivered across the council.

## Conclusion on financial sustainability

71. 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

72. In June 2014, Audit Scotland reported on [Scotland's public finance](#) 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.



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



**Table 2: Assessing financial planning**

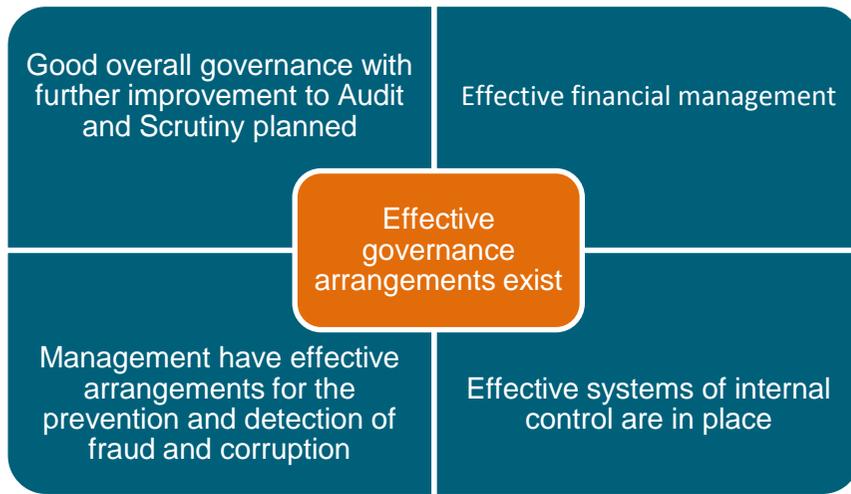
<b>How fully do our financial plans identify estimated differences between income and expenditure (budget shortfall)?</b>	
<b>74.</b>	In March 2016 members approved a balanced budget of £382 million for 2016/17. The budget reflects a 3.4% reduction in funding from the Scottish Government and incorporates savings of £6.8 million delivered from the Better Council Change programme and £2.5 million from other corporate savings. The budget reflects council plan priorities on investment in priority areas, principally economic and cultural regeneration, jobs and tackling poverty.
<b>75.</b>	The latest financial monitoring report up to the end of June 2016, to the Finance and Resources Policy Board is currently reporting a breakeven position for the council, indicating that the planned savings are being delivered.
<b>76.</b>	The 2016/17 budget paper explained that the anticipated position through to 2017/18 will continue to be challenging and after the expected savings from debt-smoothing and Better Council Change Programme there is an estimated budget gap of between £1 million and £6 million, which is principally dependent on grant settlement and pay award, after taking account of savings activities. The Head of Finance is currently carrying out scenario planning on these factors.
<b>77.</b>	A more detailed three-year financial plan is also being prepared for members for the end of September. It will include scenario plans covering key variables of grant levels and pay awards; key pressures like back-log maintenance and long-term horizon scanning and the on-going level of uncertainty.
<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>	
<b>78.</b>	As noted above, the 2016/17 savings activities are on track to deliver a balanced budget. For 2017/18, there remains a funding gap of between £1 million and £6 million and the position for 2017/18 will be developed as part of the update to members at the end of September. The Better Council Change programme continues into phase two with a range of projects as noted above. In June 2016 members were updated that officers are now looking themes for the next phase from 2018 where further redesign of services is anticipated. As part of this, the longer-term viability of the voluntary severance package is being reviewed.

**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?**

79. Renfrewshire Council publishes financial outlook papers annually highlighting key messages from Scottish Government financial settlement and estimated savings gaps, for example in December 2013 members were provided with financial outlook 2014/15 to 2017/18. They have determined principles for financial planning, for example extensive use of ear-marked reserves as a mechanism to support medium-term financial planning. The strategy is being currently being reviewed and updated. The papers include high-level messages rather than detailed financial plans.
80. The council has been examining various scenarios as part of a 30-year financial planning exercise of the Housing Revenue Account. This has included assumptions for:
- Additional housing investment
  - Bad debt provision
  - Inflationary pressures on costs
  - Rent increases

**Appendix IV - Action Plan No. 3**

# Governance and transparency



- 81. 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.
- 82. 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

- 83. The council is supported by a number of standing boards, see below:



- 84. The council has developed and adopted a local code of corporate governance which reflects the key components as set out in the CIPFA/SOLACE Framework Corporate Governance in Local Government: A Keystone for Community Governance. The local code is subject to annual review by officers and presented to the Audit, Scrutiny and Petitions Board in March.
- 85. Subject to the issue below, we conclude that the council has effective overarching and supporting governance arrangements

which provide an appropriate framework for organisational decision-making.

86. There have been a small number of changes to reporting arrangements during 2015/16 with Renfrewshire Leisure now to be reported through the leadership board and adult services now reported via Renfrewshire integrated Joint Board
87. The Convener of the Audit, Scrutiny and Petitions Board is currently a member of the administration of the council, while the Deputy Convener is an opposition member. This arrangement has been in place for some time, including the previous administration. This practice is unusual within Scotland, with most conveners of audit committees being drawn from the opposition. As noted in previous reports the council will review its arrangements on the chairing of this committee as the council plans for the outcome of local government elections in 2017.

#### Appendix IV - Action Plan No. 4

88. From attendance at this committee we continue to note that the majority of discussion and questions from members relate to the petitions presented to the Board rather than audit and scrutiny related issues.

### Financial management arrangements

89. 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.
90. We assessed the role and status of the proper officer against CIPFA's "Statement on the role of the Chief Financial Officer in Local Government" and concluded that the council complies with the statement's five principles.
91. We reviewed the council's financial regulations, which are revised annually, and concluded that they are comprehensive and current. The council's financial regulations are available on the council's website.
92. Financial monitoring reports (both revenue and capital) are submitted to the policy boards at each meeting. Reports are well laid out and explanations for variances are provided. The council reported a breakeven position during the first six months of the financial year and then forecasted a £1.2 million underspend from November 2015 onwards.

93. As auditors we attend a number of council and committee meetings each year. Members provide reasonable challenge and question budget holders on significant variances and service performance issues.
94. We are satisfied that the council has demonstrated effective financial management in the current year.

## Internal financial control

95. 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.
96. No material weaknesses in the accounting and internal control systems were identified which could adversely affect the ability to record, process, summarise and report financial and other relevant data so as to result in a material misstatement in the financial statements. However our main findings from the work performed include:
- There is an inconsistent approach over the physical verification of assets within different departments and for different asset types. A formal procedure should be introduced to ensure consistency across services.
  - Debt write offs for those individual debts under £10k are authorised by the Director of Finance and Resources on an annual basis, however there was a delay in the authorisation of housing rents write-offs in 2015/16 and only provided in

September 2016. Officers have confirmed that this write-off authorisation process will now be completed on a quarterly basis.

- Internal audit reported that the majority of invoices tested for approval were authorised correctly. As some invoices were incorrectly authorised, we therefore extended substantive testing and the results were satisfactory.

## Internal audit

97. 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.
98. Our review of internal audit concluded that internal audit operates in accordance with Public Sector Internal Audit Standards and has sound documentation and reporting procedures in place.
99. The Chief Auditor reported in her 2015/16 report that the 2015-16 Internal Audit Plan was 95% complete with the remaining work now finalised.
100. Formal reliance on the work of internal audit 2015/16 was placed on:
- Non Domestic Rates

- Payment authorisation.
- 101.** The annual internal audit report was issued in June 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 identifies a small number of audits where the level of assurance provided by internal audit was limited, including self directed payments and building security arrangements and the reasons for the limited assurance include delays in the approval of care packages and financial reviews of client payments, and a lack of clear roles and responsibilities within building security services in the council. These areas are noted in the Annual Governance Statement.

## ICT audit

- 102.** During the year we completed a review of the council's arrangements in response to a potential cyberattack. Our assessment showed that the arrangements and controls in place were robust. The corporate risk register has been updated to include cyber attacks as a high level risk.
- 103.** The departmental Major Incident Plan is under development and will shortly be submitted to management for approval.

## Arrangements for the prevention and detection of fraud

- 104.** 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.
- 105.** We conclude that the council had adequate arrangements in place.
- 106.** NFI progress reports are regularly given to the Audit, Scrutiny and Petitions Board and also the senior management team. From a review of the NFI database, the council's response to cases appeared reasonable and the majority of cases have now been closed off or have identified a fraud/error. In most outcomes where fraud has been identified, the Council's Debt Recovery team are pursuing repayments for any overpayment. The Council are also issuing warning letters, cautions or penalties as they see fit. We have no concerns over the Council's response to outcomes.
- 107.** During the last NFI exercise 1870 matches were processed, with 996 being cleared. There were a total of 870 frauds and 4 errors resulting in a recoverable total of £750,000.
- 108.** Responsibility for benefit fraud investigation remained with internal audit until 1 March 2016, when it transferred to the Department for Work and Pensions Single Fraud Investigation Service (SFIS). Following this the Director of Finance and Resources agreed to retain a corporate counter fraud resource within the Internal Audit Team. The aim of the team is to investigate non-benefit fraud such

as tenancy fraud and other corporate fraud, as well as being the Council's single point of contact with the DWP for all enquiries/information they require from the Council to enable them to undertake housing benefit investigations. A business plan has been prepared and agreed with the Director of Finance and Resources.

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

- 109. The arrangements for the prevention and detection of corruption in Renfrewshire Council are satisfactory and we are not aware of any specific issues that we need to record in this report.
- 110. During the year a councillor was reported to the Commissioner for Ethical Standards in Public Life in Scotland (the Commissioner) for an alleged breach of the councillors' code of conduct relating to conduct at meetings. The hearing is due to be held in October 2016.

## Transparency

- 111. Overall we concluded that the council is open and transparent although we have encouraged improvements in the balance and transparency of reporting of the financial position in this year's management commentary. This includes making the original revenue estimate clear from revised budgets during the year; ensuring that the outturn position is reconcilable to the statutory

general fund position in the financial statements and asking for additional disclosures of transfers to reserves.

- 112. At 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 or subsequent broadcast via the council's internet site.
- 113. 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.
- 114. All elected members registers of interest are available from the council website. Senior officers have up to date registers but these are not available on the website, however officers have informed us that this information will be published in the near future. We also consider that the register should be extended to other staff within the council where appropriate.

### Appendix IV – Action Plan No.5

## Freedom of Information requests

- 115. The council responded to 98.7% of freedom of information requests within statutory timescales as at March 2015 and this fell slightly to 94.6% in March 2016. In addition, from 2014/15 to 2015/16 the council saw a 29% increase in the number of requests received.
- 116. Internal audit completed a review of FOI arrangements in 2015/16 and found that satisfactory arrangements are in place for

responding to Freedom of Information requests. Some recommendations were made including appointing FOI Coordinators and determining a timescale for completion of improvements to the FOI database, which could increase the amount of information in the council's publication scheme and reduce the number of FOI requests to be answered.

Audit Scotland and will be reported to the Partnership Board in a separate Annual Audit Report for 2015/16 by 30 September 2016.

## Integration of health and social care

117. 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.
118. The integration scheme for the Partnership was submitted to the Scottish Government by the Council on 16 March 2015. Further revisions were required and the scheme received Cabinet Minister approval and subsequent legal establishment of the Partnership on 27 June 2015. Health and social care functions were not formally delegated to the IJB until 1 April 2016 and 2015/16 was therefore a shadow year.
119. The Board first met on 18 September 2015 and approved the appointment of the Chief Officer and Chief Finance Officer and the Partnership Board membership and scheme. The Strategic Plan was approved and functions and budgets were delegated to the Partnership.
120. The Partnership has produced financial statements for 2015/16 covering the period to 31 March 2016 which have been audited by

# Best Value



121. 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

122. The Local Area Network (LAN) of scrutiny partners published the 2016/17 Local Scrutiny Plan in April 2016. This was presented to the Audit, Scrutiny and Petitions Board on 25 April 2016. No scrutiny risks were identified that required additional scrutiny by

the LAN in 2015/16. The council continues to demonstrate a commitment to continuous improvement

- 123. One of the main reports published by partners was a joint inspection of children’s services. At the request of the Renfrewshire Community Planning Partnership (CPP), the Care Inspectorate led a joint inspection of children’s services. It differed from previous joint inspections of services to protect children in that it focused on the role of the wider CPP and not just Renfrewshire Council’s Child Protection Committee.
- 124. The report, published in December 2015, commended the work of partners. The inspection measured progress against nine quality indicators. Renfrewshire Council received six ‘very good’, two ‘good’ and one ‘adequate’ grade, which the report described as a very positive result given the scale of inspection.

## Self-assessment

- 125. Over the past few years the council has used a range of tools for self-assessment including Audit Scotland best value toolkits and more recently the Public Service Improvement Framework. A second cycle was completed in 2014 with a third planned for 2016. However, due to the level of restructuring across corporate services (ICT, policy and commissioning, finance), wider policy changes (community empowerment, health and social care integration) and work on key priorities (UK City of Culture Bid, Tackling Poverty, City Deal) no self-assessment exercises were completed in 2015/16.

126. In September 2016, the corporate management team considered arrangements for a long-term self-assessment programme and this will be taken to members for approval later in 2016.

#### Appendix IV - Action Plan No.6

## Procurement

127. Between 2009 and 2014 Scotland Excel carried out procurement capability assessments (PCA) across local authorities to measure performance in a common format. In December 2014, Scotland Excel scored Renfrewshire Council as providing superior performance under its procurement capability assessment at 83%, which was the highest in Scotland; the average was 62%.
128. In 2016 a national working group involving Scotland Excel, other centres of expertise and Scottish Government developed a replacement for the PCA, which is the procurement commercial improvement programme (PCIP); it continues to focus on driving improvement and encouraging the sharing of good practices.
129. The council took part in the 2016 assessments and Scotland Excel reported good performance. The council were given a score of 83% for this year, which places them in the top section.

## Following the public pound

### Delivering through partnership

130. Increasingly councils deliver services through partnership and arms' length external organisations. Strong governance

arrangements, including regular and proportionate monitoring are key for effective management of public funds.

131. Renfrewshire Council has two significant developments in this area: the Glasgow and Clyde Valley City Deal and transfer of expanded services to Renfrewshire Leisure Ltd (a trust).
132. For City Deal, last year we noted that approval and reporting was to the Leadership Board. In December 2015 members approved the Airport Access strategic business case but to date there have been no monitoring reports.
133. For Renfrewshire Leisure, the transfer of the management and delivery of cultural and leisure services from the council took place over two phases: 1 July 2015 and 1 December 2015. Members approved that performance of Renfrewshire Leisure would now be monitored by the Leadership Board. Council monitoring is undertaken by the Leadership Board via the Head of Strategic Planning & Policy Development, who is not part of Renfrewshire Leisure's board. This is good practice.
134. However, to date we have only seen one report to the Leadership Board, in March 2016, which was not in the public domain.
135. The council advise that a financial monitoring report for City Deal and Renfrewshire Leisure will go to the Leadership Board in September and the first six-monthly monitoring report on Renfrewshire Leisure is due to go to the Leadership Board in November 2016.

#### Appendix IV - Action Plan No.7

## Tackling Poverty

136. The updated council plan has a specific priority “*Reducing the level and impact of poverty*” and £6 million is being invested across a range of over 50 projects. In September 2015, the council approved a Tackling Poverty Strategy and at each meeting of the Leadership Board members have been provided with updates of different aspects of the programme. In June 2016, a one-year progress report was presented to members.

## Performance management

137. The council has a well-established performance framework in place where service improvement plans (SIPs) are based on the council plan and incorporate performance outcomes. SIP scorecards continue to be reported to relevant policy board every six months. The council uses a performance management system to monitor progress against actions.

138. In December 2015, members approved an updated council plan. The previous council plan (December 2013) council plan had 170 actions and our 2013/14 report commented that there were no performance measures for all the actions. The updated plan is shorter, more focused on key project e.g. Paisley 2021 City of Culture Bid and includes measures to monitor progress. The measures are part of the SIPs and the corporate management team review progress and performance on a quarterly basis.

139. Our 2014/15 annual report commented that the council plan progress report focused on key positive message and we

considered that the overall balance of reporting could be improved. This year the mid-year update to the Leadership Board in June 2016 again focused on key achievements. A full update of progress (including actual versus target performance measures) on the revised council plan is due to go to the Leadership Board in December 2016.

## Housing and council tax benefits performance

140. In June 2015 we completed a follow-up review on our 2012 audit of housing and council tax benefits which found that the council had made commendable progress in addressing risks raised in our report with 23 risks actioned and only 1 outstanding. Our report recognised:

- A clear and comprehensive performance management regime and regular reporting of benefit performance to staff, senior management and members.
- Continuous improvement in new-claimant processing performance from an average of 30 days in 2012/13 to 25 days in 2014/15.
- Improvement in the time taken to process changes of circumstances from an average of 13 days (2013/14) to 8 days in 2014/15.

141. The end of year 2015/16 performance statement notes significant improvement in time taken to process appeals (53 days against a target of 60), and the recovery of debt raised (increase to 83.5%), however the processing time for revisions was over the target.

142. As part of the welfare reform update presented to the Finance and Resources policy board it notes that the level of DHP awarded increased slightly by £0.1 million to £1.95 million but the volume of applications dropped by 25%. Payments from the Scottish Welfare Fund remained similar to the previous year at £1.25 million and the volume of claims awarded decreased by just 3%.

## Local Government Benchmarking Framework (LGBF)

143. The council participates in the LGBF and the indicators are included in service improvement plans. The 2015/16 data is currently being collected. The validated 2014/15 data was published by the Improvement Service on 29 January 2016 with key messages on Renfrewshire's performance presented to the Audit, Scrutiny and Petitions' Board in February 2016.

144. Key messages from the report included an improved overall position and examples where Renfrewshire Council is in the bottom quartile. Overall, the council improved its rankings from the previous year and is now in the top quartile for fourteen indicators, in comparison to ten last year and reduced the number of indicators in the bottom quartile from ten to seven in 2014/15.

Specific examples include:

- teachers sickness absence - ranking improved from 20 to 12
- energy efficient council dwellings – ranking improved from 22 to 14

- percentage of adults satisfied with leisure facilities: ranking changed from 14 to 6
- proportion of pupils entering positive destinations - performance decreased from 92% to 90.9% and ranking changed from 22 to 28. The reports notes that leavers' destinations would be discussed with schools and individual action plans put in place for each school.

## Overview of performance targets in 2015/16

145. SIP outturn reports are provided to the policy boards bi-annually. Some of the reporting deadlines for indicators under the LGBF are not due until November and so the summary position for 2015/16 is not available. However from review of the unaudited SPI return we noted that the council has met 63% of its performance targets.

146. Areas of good or improving performance include:

- The proportion of operational accommodation in satisfactory condition and that is suitable for its current use.
- Percentage of long term care clients receiving intensive home care.
- Percentage of council tax due in the year, collected by the end of the year.

147. Whilst areas for improvement were:

- Street Cleanliness Score - % of areas assessed as clean.
- Carriageway Condition: % of road network considered for treatment

- Current tenant rent arrears as a % of the rent due.

## Statutory performance indicators (SPIs)

148. The Accounts Commission places great emphasis on councils' responsibility for public performance reporting. The Commission does not prescribe how councils should report but expects councils to provide citizens with fair, balanced and engaging performance information reporting.
149. For 2015/16 three (SPIs) were prescribed:
- SPI 1: covering a range of information relating to areas of corporate management such as employees, assets and equalities and diversity.
  - SPI 2: covering a range of information relating to service performance.
  - SPI 3: relates to the reporting of performance information as required by the Local Government Benchmarking Framework.
150. The council has demonstrated that the process is well planned with instructions issued to those preparing and checking the indicators. Internal audit complete a second review on a sample of PIs. In previous years performance indicators were prepared and reported together but from 2013/14 there are different deadlines, with some information not due until November. Full results will not be available until the early 2016.
151. In 2016 the council launched a new website and the front page clearly shows a link to [Information, Performance and Statistics](#),

where there is summary data on 2016/17 Facts and Figures and 2014/15 SPI information. The site will include more recent monitoring reports, but the latest six-monthly SPI report is from May 2015.

## Appendix IV - Action Plan No.8

## Local performance audit work

152. 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 organisational development plan was approved by the Leadership Board in December 2015 and therefore is only in its infancy. It will take time for the council to embed its key priorities.
  - The council requires to design and implement an approach to succession planning. This is a key priority within the Organisational Development strategy.
  - The council recently appointed a workforce planning manager who is now preparing workforce plans for services.

## National performance audit reports

153. 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 has processes in place to ensure that all national reports, and the council's position on recommendations, are considered by members.

## Equalities

154. The Equality Act 2010 introduced a new public sector 'general duty' which encourages equality to be mainstreamed into public bodies' core work. The Act requires that by no later than 30 April 2015 and every two years thereafter, public bodies must publish a report on the progress made to achieve the quality of outcomes it has set. The council met this requirement; on 1 April 2015 the Leadership Board reviewed the Equality Outcomes and Mainstreaming Progress report, which updated members on its progress against its 12 equality outcomes, employee information and gender pay gap information.
155. Currently, the Strategic Planning and Policy Development Team is reviewing the equality outcomes, with an update due to the corporate management team later in the year.
156. Overall, we conclude that the council has a clear commitment to best value through continuous improvement.

# Appendix I: Significant audit risks

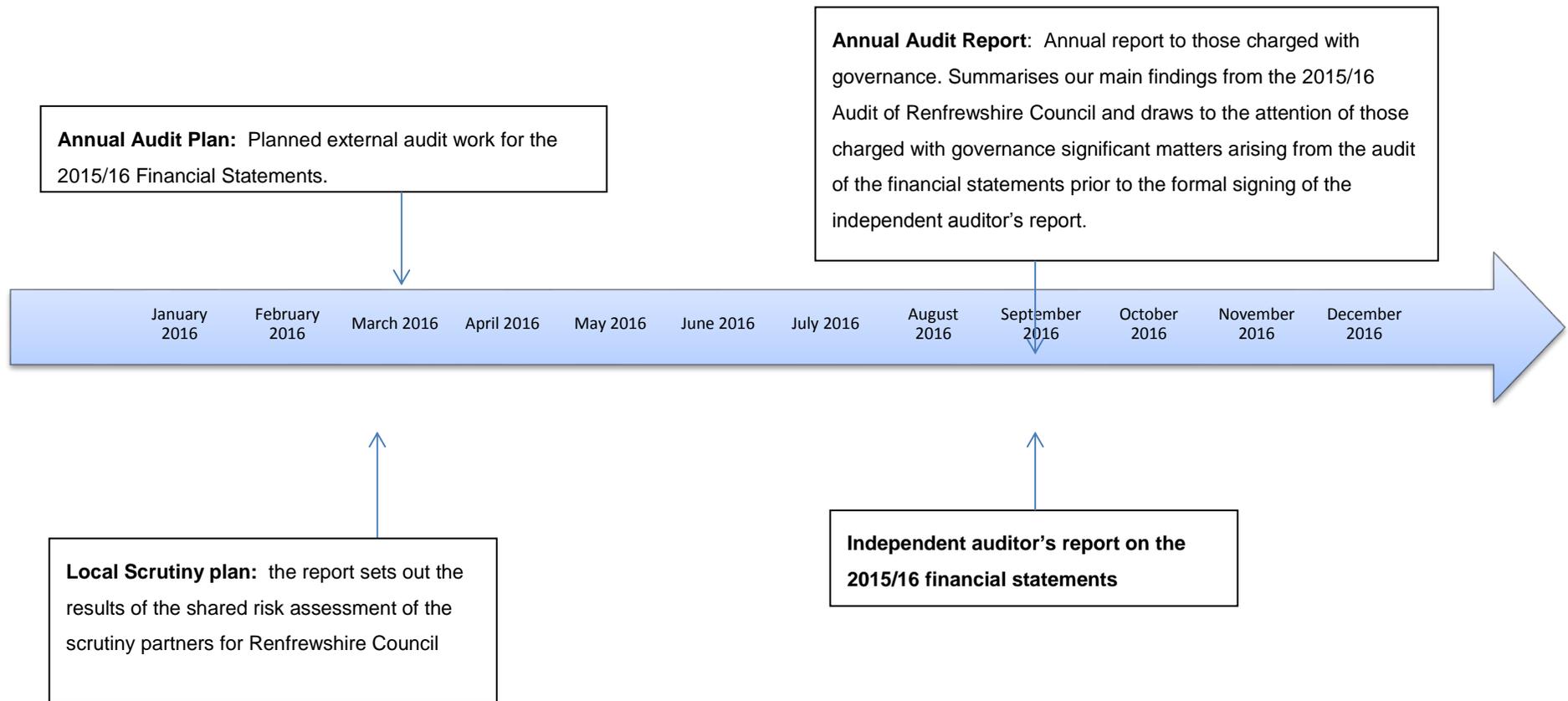
The table below sets out the financial statement audit risks we identified during the course of the audit and how we addressed each risk in arriving at our opinion on the financial statements.

Audit Risk	Assurance procedure	Results and conclusions
<b>Risk of material misstatement</b>		
<p><b>Pressures on preparing the accounts</b></p> <p>Due to changes in finance staff preparing aspects of the accounts and others also working on implementing the new ERP system there is a risk the accounts will not be delivered to meet council deadlines, or insufficient working papers be available.</p>	<ul style="list-style-type: none"> <li>• Meet with finance staff in March to discuss expectations on working papers and review any revised timetable.</li> <li>• Meet with key offices each week during the audit to bring queries to officers' attention early in the audit process.</li> <li>• Review the completeness of submissions in the unaudited financial statements</li> </ul>	<ul style="list-style-type: none"> <li>• We experienced some delays in receiving supporting documentation during the financial statements process due to the high level of staff involvement with corporate projects (ERP),</li> <li>• All documentation was received in time to allow the signing of the financial statements.</li> </ul>
<p><b>Income</b></p> <p>Renfrewshire Council receives a significant amount of income in addition to Scottish Government funding.</p> <p>The extent and complexity of income means there is an inherent risk of fraud in accordance with ISA240.</p>	<ul style="list-style-type: none"> <li>• We will substantively test revenue streams to ensure that income has been completely and accurately recorded.</li> <li>• We will review the results of the internal audit work and assess if additional work required.</li> </ul>	<ul style="list-style-type: none"> <li>• We tested income across a variety of income streams including Housing Rents, NDR, council tax income and within various service departments and results were satisfactory. We did not identify any evidence of fraud.</li> </ul>

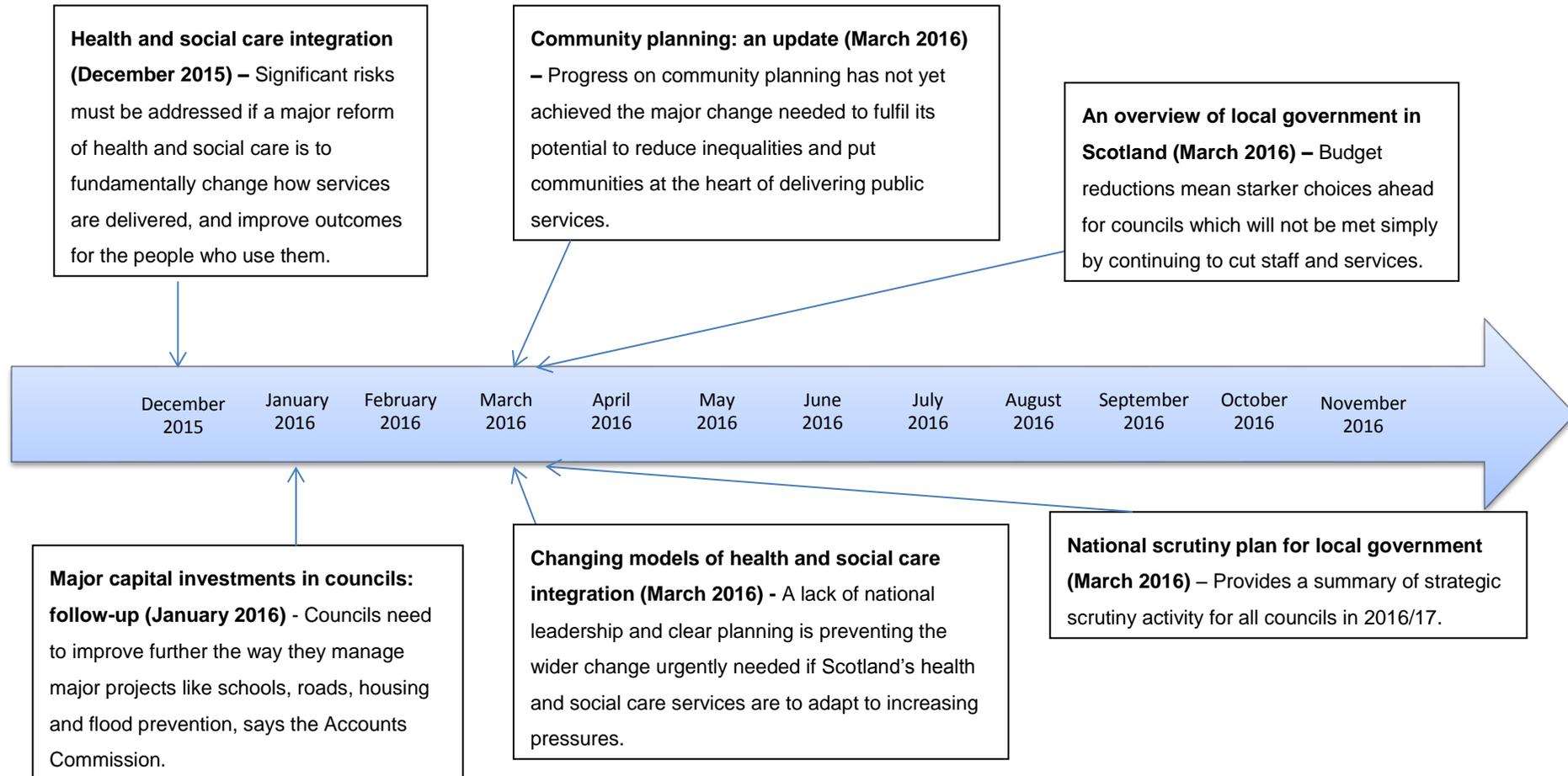
Audit Risk	Assurance procedure	Results and conclusions
		<ul style="list-style-type: none"> <li>Reviewed internal audit's findings on External Funding arrangements; results satisfactory.</li> </ul>
<p><b>Holiday Pay</b></p> <p>Councils may be liable for 'back-dated' element of holiday pay costs, however there is uncertainty over the potential liability and there is a risk that this may be understated in the financial statements or not adequately disclosed.</p>	<ul style="list-style-type: none"> <li>Discussions to be held with Legal services during the financial statements audit.</li> <li>Assessment of judgements and evaluations made by officers and of the financial liability at 31 March 2016 to ensure completeness and accuracy.</li> </ul>	<ul style="list-style-type: none"> <li>We discussed the position with Head of Corporate Governance.</li> <li>We reviewed the provision in the accounts and assessed that the provision is accurate and complete.</li> </ul>
<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.</p>	<ul style="list-style-type: none"> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>We reviewed the valuation process for Land, properties and pensions and found the process to be robust, with the exception of a significant error in the council house valuation, which has been corrected in the audited financial statements.</li> </ul>
<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 that otherwise appear to be operating</p>	<ul style="list-style-type: none"> <li>Detailed testing of journal entries.</li> <li>Review of accounting estimates for bias.</li> <li>Evaluating significant transactions that are outside the normal course of business.</li> </ul>	<ul style="list-style-type: none"> <li>No unusual or inappropriate transactions were identified as part of detailed testing of journal entries.</li> <li>A review of accounting estimates did not show any instance of bias.</li> <li>No significant transactions outside the</li> </ul>

Audit Risk	Assurance procedure	Results and conclusions
effectively.		<p>normal course of council business were identified.</p> <ul style="list-style-type: none"> <li>• Cut-off testing was satisfactory</li> <li>• Our conclusion is that there is no management override of controls at the council.</li> </ul>
<b>Risks identified from the auditor's wider responsibility under the Code of Audit Practice</b>		
<p><b>Financial Sustainability</b></p> <p>Council has approved a balanced budget for 2016/17 and officers currently project a remaining funding gap of up to £6m for 2017/18; however, if savings targets are not met or there are significant changes to assumptions there is a risk to the budgeted position and the ongoing need to deliver savings may have an impact on services and the delivery of strategic priorities.</p>	<ul style="list-style-type: none"> <li>• Review of detailed budget papers.</li> <li>• Ongoing discussion with council officers.</li> <li>• Review of detail of savings planned and the progress/achievement against these.</li> </ul>	<ul style="list-style-type: none"> <li>• Updates on the Better Council Change Programme were provided to members in year noting proposed actions for key savings areas.</li> <li>• We have recommended that longer-term financial planning is developed at the council.</li> </ul>

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



# Appendix III: Summary of 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.	31, 33, 34	<p><b>Changes to 2016/17 financial statements</b></p> <p>We asked for a number of changes to be made to this year's management commentary to assist with the fair and balanced reporting of outturn against budget and to ensure the management commentary agreed to the financial statements.</p> <p>Renfrewshire Integrated Joint Board commences responsibility for its budget on 1 April 2016. This will have an impact on the council's accounts preparation arrangements.</p> <p>From 2016/17 local authorities will be disclosing Highways Network Asset as a new category within the long-term assets section of the Balance Sheet.</p> <p><b>Recommendation</b></p> <p>In the context of the changes above and those identified in CIPFAs <a href="#">Understanding Local Authority Financial Statements</a>, we expect that the format, transparency and processes will be reviewed by senior officers as part of the 2016/17 process of preparing the financial statements</p>	<p>The Council has been preparing for the changes brought about by the commencement of the Integrated Joint Board and the network asset infrastructure valuation changes; and will continue to ensure that both accounting code changes and recommendations made by Audit Scotland are appropriately incorporated into the 2016/17 financial statements.</p>	<p>Head of Finance, due date 31 March 2107</p>

No. AS ref.	Paragraph ref.	Issue/risk/Recommendation	Management action/response	Responsible officer / Target date
2.	32	<p><b>Renfrewshire Council Trust Funds</b></p> <p>The year-end balances of the Trust Funds are made up of £30,657 cash balances across the three funds. At recent spending levels the funds will be fully distributed in the next few years, just leaving the Coats Observatory being held by its own trust.</p> <p>There is a risk that community groups will no longer be able to access funding they have been used to receiving over a long period of time or that the funds are no longer appropriate and should be wound-up.</p> <p><b>Recommendation</b></p> <p>Officers should review the level of funding/disbursement and put in place a plan for the sustainability or closure of funds over the next few years.</p>	<p>The Council agreed when setting up the Trust Funds in 2010 that once the funds transferred to them were exhausted, that the Funds would be wound up. Committed expenditure will continue to be closely monitored and members will be advised when the remaining funds have been fully allocated.</p>	<p>Director of Finance and Resources 31 March 2017</p>

No. AS ref.	Paragraph ref.	Issue/risk/Recommendation	Management action/response	Responsible officer / Target date
3	79	<p><b>Developing longer-term financial planning.</b> Renfrewshire Council currently publishes a 1-year budget and high-level financial forecasts.</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>The Council published a financial outlook report for the period 2014/15 to 2017/18. This report will require updating and this is planned to be available for the Council meeting in September 2016. The report will include information with regards key financial risks the Council will face in the medium term; and will again be supported by a longer term strategy which will include strategic financial principles the Council should consider in seeking to mitigate these risks.</p>	<p>Director of Finance and Corporate Services</p> <p>30 September 2016</p>

No. AS ref.	Paragraph ref.	Issue/risk/Recommendation	Management action/response	Responsible officer / Target date
4	87	<p><b>Convener of the Audit, Scrutiny and Petitions Board</b></p> <p>The convener of the Audit, Scrutiny and Petitions Board is currently a member of the administration when best practice would be for the convener to be from the opposition.</p> <p>We recommend that the council review its arrangements on the chairing of this committee as the council plans for the outcome of local government elections in 2017.</p>	<p>The Head of Corporate Governance will raise with the incoming administration the Audit Scotland recommendations on convener of audit committees after the 2017 local government elections.</p>	<p>Head of Corporate Governance May 2017</p>
5	114	<p><b>Register of Interest</b></p> <p>A register of interest has been recently collated for senior officer however this information is not in the public domain.</p> <p><b>Recommendation</b></p> <p>Information relating to senior officers interests should be published on the council website and the council should consider extending the scope of the register to other staff.</p>	<p>The Head of Corporate Governance is arranging for the website to be updated with register of interest details.</p> <p>The Council will consider when and if further disclosure is appropriate.</p>	<p>Head of Corporate Governance 31 October 2016</p> <p>30 June 2017</p>

No. AS ref.	Paragraph ref.	Issue/risk/Recommendation	Management action/response	Responsible officer / Target date
6	126	<p><b>Self assessment</b></p> <p>There were no self assessment programmes in 2015/16. With the level of change and financial pressures in the public sector there is a risk that self-assessment stops being part of the culture of the council.</p> <p><b>Recommendation</b></p> <p>Plans for self assessment are completed and disseminated to members.</p>	<p>The focus for officers in 2015/16 has been to establish the new business partner framework across corporate services and support key delivery projects under the council plan and change programme.</p> <p>Corporate management team recently reviewed proposals for a long-term self assessment programme which will be taken to members for approval later in 2016.</p>	<p>Head of Strategic Planning and Policy Development</p> <p>31 December 2016</p>

No. AS ref.	Paragraph ref.	Issue/risk/Recommendation	Management action/response	Responsible officer / Target date
7	134	<p><b>Monitoring of Renfrewshire Leisure and City Deal</b></p> <p>There have been no monitoring reports to date on City Deal and only paper on Renfrewshire Leisure was not in the public domain.</p> <p>There is a risk of insufficient monitoring by members on progress of these key partnerships.</p> <p><b>Recommendation</b></p> <p>The Leadership Board is updated with progress in the next quarter and reports should be in the public domain.</p>	<p>The issue is one of timing. Members approved in December 2014 that monitoring would be through the Leadership Board. Now the transfer has taken place, as planned, the first six-monthly report will go to Leadership Board in November 2016.</p> <p>Officer monitoring of Renfrewshire Leisure is now every quarter by the Head of Policy and Commissioning, who is independent of RL.</p> <p>Financial monitoring report on City Deal and Renfrewshire Leisure will be issued in September 2016.</p>	<p>Head of Strategic Planning and Policy Development</p> <p>30 November 2016</p>

No. AS ref.	Paragraph ref.	Issue/risk/Recommendation	Management action/response	Responsible officer / Target date
8	151	<p><b>Performance Information on Council Website</b></p> <p>The new council website provides summary data on 2016/17 Facts and Figures and 2014/15 SPI information however latest six-monthly SPI report is from May 2015.</p> <p><b>Recommendation</b></p> <p>The website should be updated with the most recent SPI information and arrangements put in place for it to be updated on a regular basis.</p>	<p>The website will be updated with current SPI data and arrangements put in place for it to be updated on a regular basis.</p>	<p>Head of Strategic Planning and Policy Development</p> <p>31 December</p>