

East Renfrewshire Council

2016/17 Annual Audit Report



 AUDIT SCOTLAND

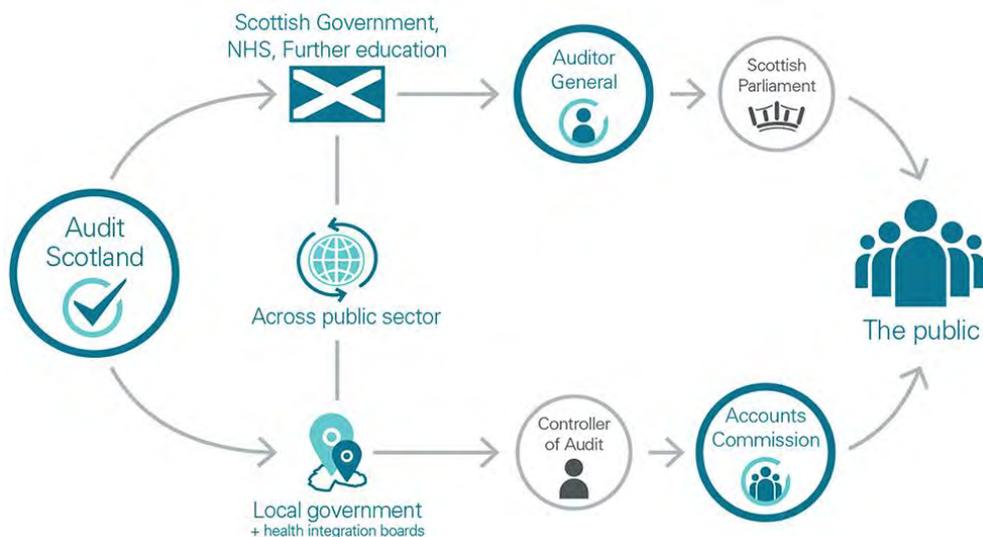
To Members of the East Renfrewshire Council and the Controller of Audit

28 September 2017

Who we are

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

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



About us

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

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

- carrying out relevant and timely audits of the way the public sector manages and spends money
- reporting our findings and conclusions in public
- identifying risks, making clear and relevant recommendations.

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Key messages

Audit of the 2016/17 annual accounts

- 1 Our audit opinions were all unqualified. These covered the financial statements, management commentary, remuneration report and the annual governance statement.
- 2 Unqualified opinions were issued for all the trusts administered by the Council.

Financial management

- 3 The Council has sound arrangements for budget monitoring and reporting but with some scope for improving the accuracy of the reporting to members of projected outturns at the year end
- 4 The Council reported an underspend on the net cost of services of £6.3 million in 2016/17. There is a history of underspends on the revenue budget compared to original forecasts, resulting at times in high levels of unplanned year-end balances.
- 5 Controls relating to financial systems operated effectively although improvements are required in the area of invoice processing.

Financial sustainability

- 6 The council is in a stable financial position with high levels of reserves and low levels of debt
- 7 A long-term financial strategy was prepared in 2016/17 which sets out the future budget challenges. The budget for 2017/18 was a one- year budget and preparations are underway for the development of the next three year budget cycle. The savings requirement for the next three year cycle has been identified at £26.3 million.
- 8 The Council's financial position is sustainable in the medium term although rising demand, increasing costs of services and pressures on central funding will continue to place a strain on the Council's capacity to deliver services at the current levels.

Governance

- 9 Overall the council has sound governance arrangements in place which include effective internal arrangements.

Value for money

- 10 A Best Value Assurance Review of the council was undertaken in 2016/17. This report is due to be published on 2 November 2017.

Introduction

1. This report is a summary of the findings arising from the 2016/17 audit of East Renfrewshire Council.

2. The scope of the audit was set out in our Annual Audit Plan presented to the 2nd March 2017 meeting of the Audit and Scrutiny Committee. This report comprises:

- an audit of the annual report and accounts
- consideration of the four dimensions that frame the wider scope of public sector audit requirements as shown in [Exhibit 1](#).

Exhibit 1

Audit dimensions



Source: Code of Audit Practice 2016

3. The main elements of our audit work in 2016/17 have been:

- an interim audit of the Council's main financial systems and governance arrangements
- audit work covering the Council's arrangements for securing Best Value relating to East Renfrewshire Council (e.g. financial management, financial sustainability and the use of resources)
- an audit of the Council's 2016/17 annual report and accounts including the issue of an independent auditor's report setting out our opinions

4. East Renfrewshire Council is responsible for preparing the annual report and accounts that show a true and fair view in accordance with the Local Authority Accounts (Scotland) Regulations 2014. It is also responsible for establishing effective governance arrangements and ensuring financial management is effective.

5.Our responsibilities as independent auditor are established by the Local Government in Scotland Act 1973 and the [Code of Audit Practice 2016](#) guided by the auditing profession's ethical guidance.

6.As public sector auditors we provide an independent auditor's report on the annual report and accounts. We also review and report on the arrangements within East Renfrewshire Council to manage its performance and use of resources such as money, staff and assets. Additionally, we report on the Council's best value arrangements. In doing this, we aim to support improvement and accountability.

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

8.This report raises matters from the audit of the annual report and accounts, risks or control weaknesses. Communicating these does not absolve management from its responsibility to address the issues we raise, and to maintain adequate systems of control.

9.Our annual audit report contains an action plan at [Appendix 1 \(page 28\)](#). It sets out specific recommendations, responsible officers and dates for implementation.

10.As part of the requirement to provide fair and full disclosure of matters relating to our independence, we can confirm that we have not undertaken non-audit related services. The 2016/17 audit fee for the audit was set out in our Annual Audit Plan and as we did not carry out any work additional to our planned audit activity, the fee remains unchanged.

11.This report is addressed to both the Council and the Controller of Audit and will be published on Audit Scotland's website www.audit-scotland.gov.uk.

12.We would like to thank all management and staff who have been involved in our work for their co-operational and assistance during the audit.

Part 1

Audit of 2016/17 annual report and accounts



Main judgements

Unqualified audit opinions on the Council's annual report and accounts. There are no unadjusted errors arising from our audit work.

Unqualified audit opinions on the charitable trusts administered by the Council.

We are satisfied that the 2016/17 annual accounts have been correctly prepared on a going concern basis.

Unqualified audit opinions

13. The annual report and accounts for the year ended 31 March 2017 will be approved by the Council and considered by the Audit Committee on 28/09/2017. We reported, within our independent auditor's report:

- an unqualified opinion on the financial statements
- unqualified opinions on the management commentary, remuneration report and annual governance statement.

14. Additionally, we have nothing to report in respect of those matters which we are required by the Accounts Commission to report by exception.

Audit of charitable trusts administered by East Renfrewshire Council

15. Due to the interaction of the Local Government in Scotland Act 1973 with the charities legislation, a full and separate audit and auditor's report is required for each registered charity where members of East Renfrewshire Council are sole trustees, irrespective of the size of the charity.

16. East Renfrewshire Council administers seven charitable trusts. Unlike last year when there were separate accounts prepared for each individual trust, the results of the trusts were amalgamated into one set of financial statements for the year ended 31 March 2017. This significantly improved the efficiency of the year end accounting and auditing process.

17. Our duties as auditors of the charitable trusts administered by East Renfrewshire Council are to:

- express an opinion on whether the charity(s) financial statements properly present the charitable trusts' financial position and are properly prepared in accordance with charities legislation
- read the trustees' annual report and express an opinion as to whether it is consistent with the financial statements

The Council's annual report and accounts are the principal means of accounting for the stewardship of its resources and its performance in the use of its resources.

- report on other matters by exception to the trustees and to the Office of the Scottish Charity Regulator.

18. We received the trusts' accounts in line with the agreed timetable and after completing our audit we issued unqualified audit opinions in respect of the 2016/17 financial statements of East Renfrewshire Council Trust Funds.

19. We are reporting an area of improvement to the governance of payments made from the Netherlee Trust. Netherlee Trust made total grant awards of £23K to 5 former pupils to advance their musical talents. These cheques were made payable to the individuals and there is currently no requirement for grant recipients to confirm the subsequent use of the grant for the purpose it was awarded.

[Action plan \(appendix 1, point 4\)](#)

Submission of the Council's annual report and accounts for audit

20. We received the unaudited annual report and accounts on 30 June 2017, in line with the audit timetable set out in our 2016/17 Annual Audit Plan. In 2016/17, the Council's group accounts included the financial results of East Renfrewshire Health and Social Care Integration Joint Board, East Renfrewshire Culture and Leisure Trust, common good and trust funds in line with 2015/16.

21. The preparation of the financial statements of the IJB relies on the provision of information from the systems of East Renfrewshire Council and NHS Greater Glasgow and Clyde (NHSGGC). Our financial systems controls work and substantive testing of transactions allowed us to provide the IJB auditors with assurances on the completeness and accuracy of the financial information that the council provided to the IJB. In the same way the NHSGGC auditors have provided assurances on the completeness and accuracy of the financial information that the health board provided to the IJB. This provides us with assurances on the accuracy and completeness of IJB figures included in the council's group accounts.

22. The working papers provided with the unaudited report and accounts were of a good standard and finance staff provided good support to the audit team during the audit. This helped ensure that the final accounts process ran smoothly.

Risk of material misstatement

23. [Appendix 2](#) provides a description of those assessed risks of material misstatement that were identified during the planning process which had the greatest effect on the overall audit strategy, the allocation of resources to the audit and directing the efforts of the audit team. Also, included within the appendix are wider audit dimension risks, how we addressed these and conclusions.

Materiality

24. Materiality defines the maximum error that we are prepared to accept and still conclude that that our audit objective has been achieved (i.e. true and fair view). The assessment of what is material is a matter of professional judgement. It involves considering both the amount and nature of the misstatement.

25. Our initial assessment of materiality for the annual report and accounts was undertaken during the planning phase of the audit and is summarised in [Exhibit 2 \(page 9\)](#). Specifically with regard to the financial statements, we assess the materiality of uncorrected misstatements, both individually and collectively.

26. On receipt of the annual report and accounts and following completion of audit testing we reviewed our original materiality calculations and concluded that they remained appropriate.

Exhibit 2

Materiality values

Materiality level	Amount
Overall materiality – This is the calculated figure we use in assessing the overall impact of audit adjustments on the financial statements. It was set at 1% of gross expenditure for the year ended 31 March 2017.	£2.8 million
Performance materiality – This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality this would indicate that further audit procedures should be considered. Using our professional judgement we have calculated performance materiality at 50% of overall materiality.	£1.4 million
Reporting threshold (i.e. clearly trivial) – We are required to report to those charged with governance on all unadjusted misstatements in excess of the 'reporting threshold' amount. This has been calculated at 1% of overall materiality, rounded up to £30k.	£30,000

Source: Audit Scotland Annual Audit Plan 2016/17

Evaluation of monetary misstatements

27. There was one material adjustment to the unaudited financial statements arising from our audit. This related to an error in the calculation of the discount rate used in the valuation of council houses at 31 March 2017. This had resulted in the year end valuation being overstated by £7.5 million. This has now been corrected.

28. The following monetary errors were identified in the unaudited financial statements which exceeded our reporting threshold:

- the value of Assets held for Sale was overstated by £324k due to the incorrect accounting treatment of council houses held at the year end due to be sold under the "right to buy" legislation
- Expenditure was overstated by £122k due to duplicate payments to suppliers. This was spread across both revenue and capital spend.
- Income was under stated by £29k due to transactions not being posted from a council bank account
- Income was over stated by £38k due to the omission of a year end accrual
- Sundry creditors and housing rents bad debt provision were understated by £40k due to posting errors in year end housing rent arrears balances
- Errors in the posting of a current liability to a current asset of £386k

29. The net effect of correcting the above errors was a reduction in the balance sheet of £7.9 million, mainly due to a reduction in property, plant and equipment.

30. It is our responsibility to request that all errors are corrected although the final decision on this lies with those charged with governance taking into account advice from senior officers and materiality. Management have corrected all errors considered material to the financial statements.

Presentation Changes

31. There were a number of presentational changes arising from our audit of the Group results in the unaudited financial statements. These included :

- The removal of the inter-company transactions between the council and East Renfrewshire Culture and Leisure Trust
- The correction of subsidiary gross income and expenditure and the correction of the presentation of the balances for associates and joint ventures
- In addition a material post audit adjustment was made to the 2016/17 financial statements of the East Renfrewshire Culture and Leisure Trust. This related to the change in actuarial assumptions used to calculate the IAS 19 pension valuation. This related to the change in assumptions relating to future pay rises and resulted in the pension liability at 31 March 2017 changing from a deficit of £302k to a surplus of £1.1 million. This late adjustment was reflected in the council's group accounts.

32. The overall affect of all changes noted moved t balance sheet value of Property, plant and equipment and pension liability on the group balance sheet. Reducing the closing balance from £310 million to £304 million.

East Renfrewshire Charitable Trusts

33. There were no monetary errors identified in the financial statements of the charitable trusts and only a small number of minor presentation changes.

Significant findings

34. International Standard on Auditing 260 (UK & Ireland) requires us to communicate to you significant findings from the audit. These are summarised in [Exhibit 3](#) (where a finding has resulted in a recommendation to management, a cross reference to the Action Plan in [Appendix 1](#) has been included).

Exhibit 3

Significant findings from the audit of East Renfrewshire Council and Charitable Trusts

Issue	Resolution
East Renfrewshire Council	
<p>1. Duplicate Payments</p> <p>A control failure was identified in relation to the identification of potential duplicate payments. A review of potential duplicate payments made in 2016/17 was reviewed by both Internal Audit and finance staff. This review identified duplicate payments made of £122k in 2016/17. These duplicate payments have been adjusted and work is underway to recover overpayments made.</p>	<p>The financial statements have been adjusted for the duplicate payments made in 2016/17 of £122k. Systems have been further developed to review for potential duplicate payments prior to every payment run and further training provided to staff.</p>
<p>2. Supplier Bank Details changes</p> <p>During the year a fraudulent request was made to change a suppliers bank details. The change was then made without procedural checks being performed by the council. Two subsequent payments were however stopped by the bank.</p>	<p>Checks have been completed on all payments made to suppliers whose bank details have been changed. Documentation to support these changes is now being collated.</p>

Issue	Resolution
<p>Further checks undertaken by internal audit identified that there are a further 20 bank details changes that have been made for which there was not adequate evidence of checks being undertaken by council staff. All payments made to these suppliers have been confirmed by staff as having been received by the supplier. However, work is to be completed on ensuring that the required level of documentation has been received for each change.</p>	
<p>2. Social Housing Valuation</p> <p>An error was identified in the calculation of the social housing discount factor used in the valuation of some council houses. The correction of this error had effect of reducing the valuation of the housing stock by £7.5m</p>	<p>The financial statements have been adjusted by £7.5 million.</p>
<p>3. Assets Held for Sale</p> <p>At the year-end, the council held a number of council houses as assets held for sale. These assets had been transferred to assets held for sale at the 2015/16 valuation. However, the Code requires that assets held for sale are held at the lower of valuation or expected sale price. For council houses, the code requires that this is the discounted right to buy price.</p>	<p>An adjustment of £324k was made to the values of the assets held for sale in the financial statements.</p>
<p>4. Surplus assets</p> <p>The fixed asset register identified a number of assets as being surplus. However, these assets had not been reflected on the Property, Plant and Equipment Note as being surplus, but had been included within operational assets. A review of these assets was undertaken by officers and assets with a value of £3.297m were identified as being surplus. The Property, Plant and Equipment note will also be adjusted for 2015/16 as these assets had been transferred from Investment Properties in the previous year.</p> <p>The Valuer has confirmed that these assets have been valued in accordance with the code requirements for surplus assets at fair value; therefore this will be a presentational only error.</p>	<p>Surplus assets of £3.3 million 2016/17 have been identified and this has been amended in the financial statements.</p> <p>The Property, Plant and Equipment note will also be restated for £4.4 million in 2015/16 to reflect that these assets should have been identified as being surplus when transferred from Investment Property.</p>
<p>5. Valuation of Eastwood Health Centre</p> <p>ERC have a policy of full revaluation of all land and buildings every year. The new Eastwood Health Centre transferred from assets under construction during 2016/17 with the Health Centre opening to the public in August 2016. No revaluation has been undertaken for this asset and this is currently recorded in the financial statements at cost.</p>	<p>The council is of the view that, given that the property is very new, the value of the health centre is not materially different from the value recorded in the financial statements.</p> <p>Additional assurance on the valuation will be sought from management in a letter of representation</p> <p>The council should ensure that a valuation for this building is obtained in 2017/18.</p> <p>Action plan (appendix 1, point 1)</p>
<p>6. Title Deeds Testing</p> <p>A small sample of title deeds was selected for testing from the Fixed asset register. One of the samples title deeds could not be located by the</p>	<p>Additional evidence has been provided to support the asset the assets being originally in the ownership of Strathclyde Regional Council.</p> <p>The council should ensure that title for this asset is</p>

Issue	Resolution
council. It would appear that this property was a social work site that transferred from Strathclyde Regional Council	obtained in 2017/18 Action plan (appendix 1, point 2)

East Renfrewshire Council Charitable Trusts

7. Payments made by Netherlee Charitable Trust

During 2016/17, the Netherlee Trust made total grant awards of £23K to 5 former pupils to advance their musical talents. These cheques were made payable to the individuals and there is currently no requirement for grant recipients to confirm the subsequent use of the grant monies.

Trustees will consider the introduction of processes for confirming the proper use of grant awards.

Additional assurance on the use of Trust funds will be sought from management in a letter of representation.

[Action plan \(appendix 1, point 5\)](#)

Going concern

35. The financial statements of the Council, its group and the associated charitable trusts have been prepared on the going concern basis.

Other findings

36. Our audit identified a number of presentational and disclosure issues which were discussed with management. These were adjusted and reflected in the audited annual report and accounts.

Objections and Whole of Government Accounts

37. The Local Authority Accounts (Scotland) Regulations 2014 require a local authority to publish a public notice on its website that includes details of the period for inspecting and objecting to the accounts. This must remain on the website throughout the inspection period. The Council complied with the regulations.

38. The Council submitted a consolidation pack for the whole of government accounts audit on 10 July 2017.

Part 2

Financial management



Main judgements

The council's financial position is stable, with a high level of reserves and a low level of level of borrowing. The Council reported an underspend of £6.3 million 2016/17. There is a history of underspends on the revenue budget compared to original forecasts, resulting at times in high levels of unplanned year-end balances.

The council prepares detailed three-year year cyclical budgets and its current Three-year budget period ends in 2017/18. Planning for the next three-year period is underway.

The Council has appropriate internal controls in place within main financial systems and our testing confirmed that these were operating effectively apart from two significant internal control weaknesses relating to invoice processing and payment systems.

Financial performance in 2016/17

39.In March 2016 the Council approved a budget of £222million for 2016/17.

40.The Council has a long history in delivering services within budget. An underspend of £6.3 million was reported on the provision of services in 2016/17, representing 2% of actual gross expenditure for the year. This is against an original forecast of a year end break-even position.

41. All services within the council have in general reported budget underspends during 2016/17. The major reasons supplied for the underspends are noted as:

- the early achievement of efficiencies
- vacancy management, particularly within Education Services where lower levels of sickness absence has reduced the need for temporary staff cover. In addition, there has been a shortage in the availability of supply teaching staff
- reduced borrowing costs
- the over-recovery of income

42.There are a number of services that have over several years consistently underspent against original budgets. As shown in Exhibit 4, this has resulted in high levels of unplanned year end balances. The Accounts Commission has reported on the importance of councils' budgets and forecasts reflecting actual spending levels and patterns. With the council having a history of underspends, budgets should be revised/re-based to more accurately reflect patterns of spending.

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

43. At the budget strategy group meeting in June 2017, a report was presented on actions the council was planning to address these underspends. These actions include reviewing contingency budgets and moving centralised budgets into departments to better reflect spend.

Exhibit 4

Transfers to reserves compared with budgeted transfers

Year	Actual £ million	Planned £ million	Variance £ million
2012/13	9.1	0.7	8.4
2013/14	5.3	0.5	4.8
2014/15	4.4	0.1	4.3
2015/16	8.8	1.0	7.8
2016/17	5.3	0.0	5.3

Source: Audited Financial Statements, East Renfrewshire Council

Housing Revenue Account

44. The Council is required by legislation to maintain a separate housing revenue account and to ensure that rents are set to at least cover the costs of its social housing provision. Rent levels are therefore a direct consequence of the budget set for the year.

45. Overall expenditure and income were in line with budget and there was an overspend in 2016/17 of £134k. The main reason for this overspend was additional costs incurred to reduce future interest charges by repaying debt early. This overspend was met from a planned transfer from the HRA reserve balance.

Financial savings

46. With reduced funding from government and increased demand for financial services, efficiency savings are an important means of bridging the gap between funding received and spending commitments.

47. The approved budget for 2016/17 reported that the council required to make savings of £7.5 million. The council undertook public consultation on these savings in November 2014. 2016/17 is year 2 of the 2015/16-2017/18 3-year budget programme

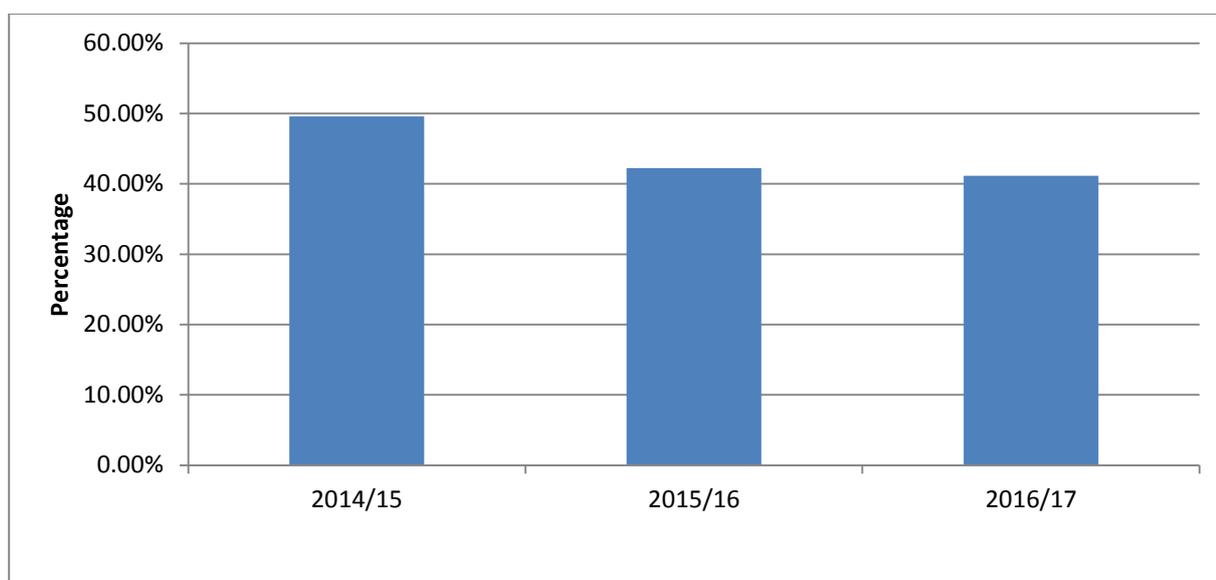
Borrowing in 2016/17

48. The Council's outstanding loans at 31st March 2017 were £64.3 million, an increase of £2.9 million on the previous year. £2.1 million of loan principal repayments were made and there were £5.0 m of new loans taken out during 2016/17. The council has relatively low levels of loan debt and has one of the

lowest debt levels amongst other Scottish Local Authorities. However, the council has a number of PFI/PPP contracts that are also considered as part of indebtedness which is summarised in [Exhibit 5](#). These contracts commit the council to fund the future revenue requirement for the duration of the contract (25-30 years).

Exhibit 5

Overall indebtedness as a percentage of annual income over past 3 years



Source: East Renfrewshire Council Financial Statements

Lender Option Borrower Option loans

49. During the year Audit Scotland received correspondence on a number of council's using Lender Option Borrower Option (LOBO) loans. A LOBO loan is typically a long term loan where the interest rate is initially fixed but the lender has the option to propose or impose on pre-determined future dates, a new fixed interest rate. The borrower has the option to either pay the revised interest rate or to repay the loan.

50. East Renfrewshire Council has three separate LOBO loans with a total value of £14.4 million. This represents 22% of its total market debt portfolio of £64.3 million at 31 March 2017.

51. We have considered certain aspects of the council's LOBO loans and based on our review of supporting papers, including an analysis of the LOBOs and comparable PWLB rates of interest and the council's treasury management policies we can conclude that:

- the use of LOBOs has been undertaken in line with the council's treasury management policy, which has been reviewed and approved annually by councillors
- the interest rates on the LOBOs were lower than the comparable PWLB rates available at the time, and the council's interest costs to date on these loans have been less than the PWLB equivalent
- the option to propose or impose a new fixed interest rate has never been exercised by the lenders
- the potential for debt restructuring is kept under regular review by the Council as part of its treasury management arrangements.

52. There are no further issues we wish to raise in this report.

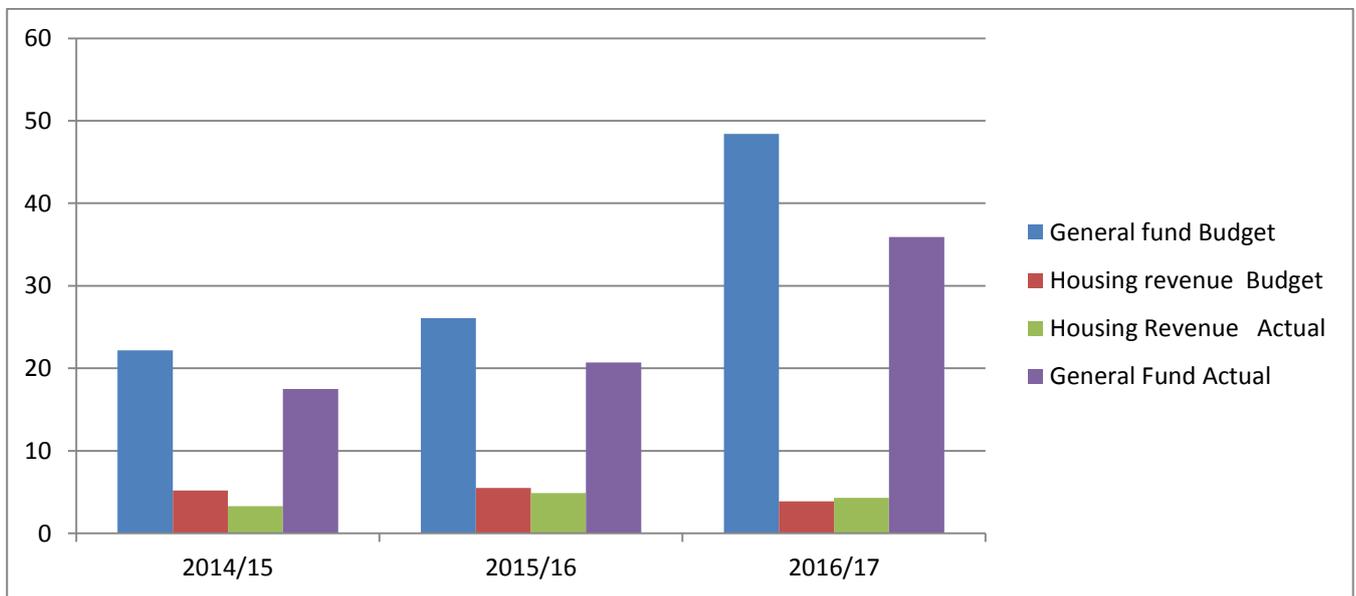
Capital programme 2016/17

53. Total capital expenditure in 2016/17 was £40.2 million. Of the total capital budget, £36.0 million related to general services and £4.2 million to the housing revenue account.

54. Capital spend was £12.2 million below budget. The Council has a history of slippage in its capital programme as outlined in [Exhibit 6](#). The HRA budget increased during the year due to additional monies received and transfers from reserves to fund additional “rented off the shelf dwellings”.

Exhibit 6

Capital spend compared to budget (General Fund and HRA)



Source: East Renfrewshire Council

55. The main reasons for reduced capital spending on the General Fund included:

- Protracted negotiations on City Deal projects with third parties such as Scottish Water and Transport Scotland
- Delays in the planned acquisition of land and property and delays in the adaptation of office accommodation as part of the Agile working initiative
- More involved procurement processes and the deferment of capital works until 2017/18 in order to minimise disruption to services
- Within the Schools capital programme, agreed changes to contractors' work plans. While there was a reduction to the planned level of spend in 2016/17, on the Barrhead High School New Build project, there were no delays in the construction programme and the new school opened on its target date.
- The housing programme had a small slippage of £26k. However, within this is additional spend of rent off the shelf properties. There was underspend on £1 million on external works programme. The most significant delays within this project relate to delays in procurement and tendering.

Budgetary monitoring and control

56. The [Local Government in Scotland: Financial overview 2015/16](#) (November 2016) highlighted that the need for budgets and forecasts to reflect actual spending becomes increasingly important for Councils with decreasing (or low levels) of usable reserves to rely on.

57. Within the Council, the detailed scrutiny of financial performance is delegated to the Cabinet which receives five revenue and quarterly capital budget monitoring reports. Budget monitoring reports are also put to the Full Council for noting. From our review of these reports and attendance at committees we concluded that they provided good narrative explanations for significant variances against budget and provide an overall picture of the budget position at service level.

58. The budget monitoring reports also forecast projected out-turn positions for the year. However, there is a history of significant differences between the final out-turn reported to members in April and the actual outturn reported in the financial statements. [Exhibit 7](#) outlines the level of these differences over the last five years. By not providing timely and accurate information on projected budget underspends, members will be less able to effectively scrutinise performance against budgets.

[Action plan \(appendix 1, point 2\)](#)

59. The council has recognised this and, in the Budget Strategy Group meeting in June 2017, it was agreed that projections be improved to better inform members.

Exhibit 7

Analysis of estimated revenue budget outturns reported to member's v actual outturns

Year	Actual Out-turn (reserves transfers & unallocated general fund balance)	Budget Report
2016/17	£8.6 million	£4.9 million
2015/16	£10.6 million	£4.9 million
2014/15	£4.7 million	£1.3 million
2013/14	£5.3 million	£2.7 million
2012/12	£8.5 million	£6.2 million

Source: East Renfrewshire Council financial statements and East Renfrewshire Council Outturn reports

Capacity within the Council

60. The Section 95 officer is the Head of Service with responsibility for finance. She is a member of the corporate management team and has direct access to the chief executive and Council members. We concluded that the Section 95 officer has appropriate status within the Council.

61. The council is going through a period of significant change and is in the process of advancing its vision and its extensive transformation programme. The unprecedented pace and extent of planned changes are likely to place significant pressures on the capacity of staff.

62. With the recent Council elections there have been a number of new members elected. It is important that they receive adequate training on how the Council works and how it is financed if they are to exercise their scrutiny responsibilities effectively. We reviewed the induction training and materials provided to new members and concluded that it was fit for purpose.

Internal controls

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

64. Our findings were included in our interim audit report that was presented to the Audit and Scrutiny Committee on 17/08/2017. We concluded that the key controls were operating effectively apart from two significant control weaknesses in the following areas:

- The council were subject to a fraudulent request to change a supplier's bank account details. This request was made at the time when the council wrote to all suppliers to request invoices be sent to the creditors team and to update suppliers' bank details. This change was made by the council with no checks undertaken by officers, against Council procedures. Two subsequent payments totalling £2.3 m were made to the fraudulent bank account. Procedures employed by the council's bank stopped these payments and all the monies were refunded to the council.
- Checks on potential duplicate payments to suppliers were not being adequately carried out. The council's internal auditors have completed a full review of potential duplicate payments in 2015/16 and 2016/17. This highlighted total overpayments of £122k in 2016/17. Corrective action has been taken by the council and we are satisfied that the impact on the financial statements has been corrected.

65. The control weaknesses identified in our interim audit report have been adequately reported in the Annual Governance Statement.

Prevention and detection of fraud

66. We have responsibility for reviewing the arrangements put in place by management for the prevention and detection of fraud. We reviewed the Council's arrangements including policies and codes of conduct for staff and elected members, whistleblowing, fraud prevention and fraud response plan.

67. Based on the evidence reviewed by us, we concluded that the Council has adequate arrangements in place for the prevention and detection of fraud.

National Fraud Initiative

68. The National Fraud Initiative (NFI) in Scotland is a counter-fraud exercise co-ordinated by Audit Scotland. It uses computerised techniques to compare information about individuals held by different public bodies, and on different financial systems, to identify 'matches' that might suggest the existence of fraud or error.

69. The latest position on NFI investigations by the Council is summarised in [Exhibit 8](#).

Exhibit 8

National Fraud Initiative

Total number of matches



3293

Number recommended for investigation



531

Completed/closed investigations



1170

Source: NFI website

70. Our overall conclusion on the current NFI exercise is that the NFI contact in the council demonstrated an adequate oversight of the process and a good awareness of progress to-date. However, the self-appraisal checklist has not been fully completed and the reporting arrangements on the results of investigation of matches are not yet clear. As such, senior management and members may be unaware of the progress made and actions being carried out. An update report on NFI is planned for the Audit and Scrutiny Committee in November 2017.

Part 3

Financial sustainability



Main judgements

The council's financial position is stable and well resourced, with a high level of reserves and a low level of borrowing.

The council faces unprecedented financial challenges, forecasting a need to save £26.3 million from its revenue budget in the next three years. Savings options are currently being finalised with members of the Budget Strategy Group.

The Council produced a long-term financial strategy for the first time in 2016/17.

Financial planning

71. It is important that long-term financial strategies are in place which link spending to the Council's strategies. In December 2016, East Renfrewshire Council presented its first long term financial strategy to Full Council. As financial year 2017/18 represented the final year in the council's 3 year cyclical budget, councillors only approved a single year budget in 2017/18. It is recommended good practice that this single year budget should be supported by indicative future spending plans covering at least a three year period and that forecast the impact of relevant pressures on the Council. Other than the high level figures included in the financial strategy, detailed indicative spending plans were not available at the time of approving the 2017/18 budget.

[Action plan \(appendix 1, point 3\)](#)

72. Good practice, as set out in our [Scotland's public finances – a follow-up audit: Progress in meeting the challenges](#) (June 2014) recommends that public bodies should include scenario planning as part of their financial strategy. The Accounts Commission recommended that when future Scottish Government funding is not known, councils should plan for a range of scenarios so they are prepared for different levels of funding.

73. The council has taken the positive step of using scenario planning and producing a range of funding scenarios which ranged between future reductions in funding of between 2% and 5%. Additional information has been produced outlining for members the various economic and demographic challenges that the council may face over the period of its financial strategy.

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

Funding position

74. The Council approved its 2017/18 budget in February 2017. The budget was set at £230.5 million with a funding gap of £7.2 million. Plans to address this gap included £7 million of savings. £1.5 million from increases to council tax and a reserves transfer of £2.8 million were also approved permitting a one-off investment in services of £4.1 million.

75. The Council's financial projections for 2018/19 to 2020/21 identify the need to make total savings of £26.3 million. The Council has identified a suite of savings options which include efficiency savings, service reviews and redesigns and reductions in services. The savings requirement for the next 3 year budget period represent a substantial increase (27%) from the £20.7 million savings achieved in the previous 3 years.

Savings options

76. East Renfrewshire Council has identified that it needs to make savings of £7 million in 2017/18. The Council expects the programme of service reviews and redesigns included in its business transformation programme (Modern Ambitious Programme or MAP) to make a significant contribution to future savings plans whilst protecting or improving outcomes for citizens. The council is budgeting to secure £3.9 million of savings from efficiencies in 2017/18 and an additional £9 million of savings from MAP across 2018/19 to 2020/21

77. The council's Budget Strategy Group is currently finalising savings options for 2018/19 to 2020/21 to address the £26.3 million of savings that will be required over this period. The Budget Strategy Group consists of members of the administration and officers. It is expected that these plans will be approved in late September and a public consultation exercise is planned for October 2017.

Reserves

78. One of the key measures of the financial health of a local authority is the level of reserves held. The level of usable reserves held by the Council decreased from £61.6 million in 2015/16 to £53.6 million in 2016/17 as illustrated in [Exhibit 9](#).

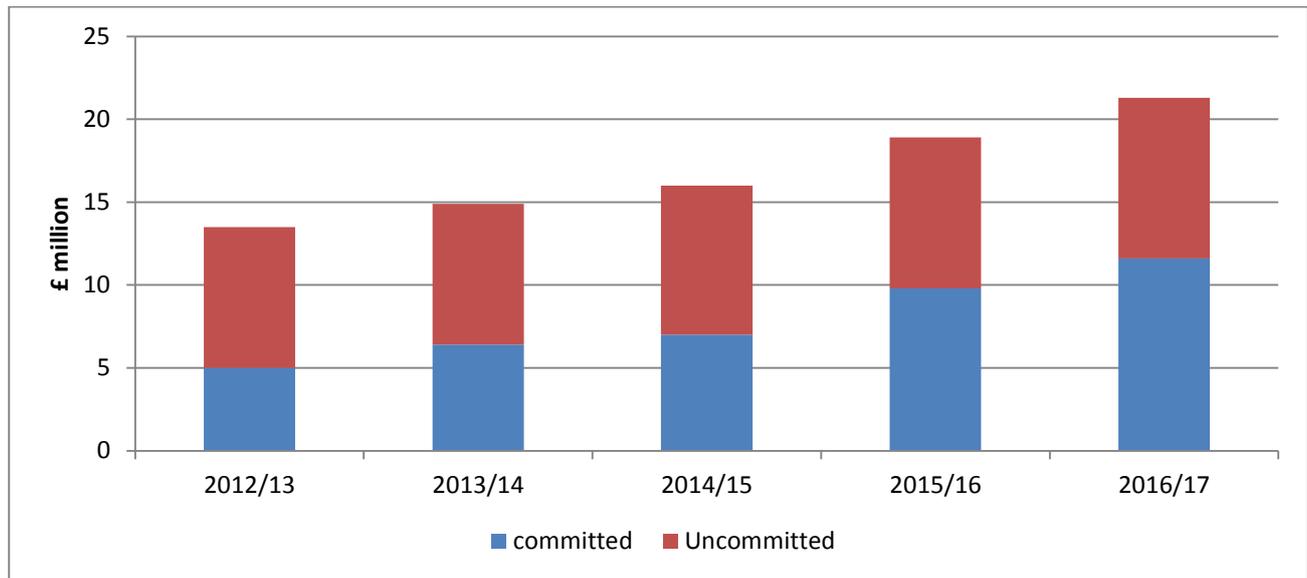
79. The general fund reserve is the largest of the usable reserves. This reserve has no statutory restrictions on its use. Its main purpose is to provide a contingency fund to meet unexpected expenditure and as a working balance to help cushion the impact of uneven cash flows. Within the general fund balance, there can also be committed funds. These are funds that the council has earmarked for a particular use. The largest of these earmarked funds within East Renfrewshire council is the Modernisation Fund.

80. The Council reviews the level of its uncommitted reserves when setting the budget each year. The Council's approved reserves strategy specifies that uncommitted reserves should be at least 4% of budgeted net revenue. The level of uncommitted general fund reserves at 31 March 2017 was £9.7 million. At 4.2% of budgeted net revenue this was, overall, in line with the council's agreed strategy.

81. [Exhibit 8](#) provides an analysis of the general fund reserve over the last five years split between committed and uncommitted reserves. This shows that the council has been able to increase committed general reserves over the period and that uncommitted levels have remained constant and within the 4% reserve strategy.

Exhibit 8

Analysis of general fund over last five years



Source: East Renfrewshire Council financial statements

82. Overall the level of usable reserves has reduced by £8.0 million in 2016/17, with the largest reduction being in the balance held on the Capital Reserve. This was a budgeted use of the capital reserve aimed at mitigating the use of borrowing to finance the increased capital programme. Exhibit 9 summarises the reserves movement in year.

Exhibit 9

Reserves movement in year

Description	31 March 2016 £ million	31 March 2017 £ million
General Fund	18.9	21.4
Housing Revenue Reserve	1.4	1.2
Repairs & Renewals Fund	10.5	9.5
Insurance Fund	1.9	1.9
Capital reserve	28.9	19.6
Total Usable Reserves	61.6	53.6

Source: East Renfrewshire Council Financial Statements

Part 4

Governance and transparency



Main Judgements

Overall the council has sound governance arrangements in place

The Annual Governance Statement and Management Commentary are fair and balanced and are consistent with the financial statements

We were able to place reliance on the work of Internal Audit in a number of areas.

Governance arrangements

83. Overall the council has sound governance arrangements in place. The Council's arrangements for governance and transparency formed part of our Best Value review undertaken in East Renfrewshire Council in 2016/17. The report is due to be published in November 2017, and therefore these points are largely not replicated here.

Management commentary, annual governance statement and remuneration report

84. The Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 requires councils to prepare and publish, along with their financial statements, an annual governance statement, management commentary and a remuneration report that are consistent with the disclosures made in the financial statements. The management commentary should be fair, balanced and understandable and also clearly address the longer-term financial sustainability of the body.

85. Based on our knowledge and work performed, we concluded that the management commentary, annual governance statement and remuneration report are consistent with the financial statements.

Internal audit

86. Internal audit provides senior management and elected members with independent assurance on the Council's overall risk management, internal control and corporate governance processes.

87. The internal audit function is carried out by East Renfrewshire Council Internal Audit section. We carried out a review of the adequacy of the internal audit function and concluded that it has sound documentation standards and reporting procedures in place and that it complies with the main requirements of the Public Sector Internal Audit Standards (PSIAS).

88. To avoid duplication of effort we place reliance on the work of internal audit wherever possible. In 2016/17 we placed formal reliance on internal audit's work in the following areas: debtors, rent accounting, payroll, finance ledger and creditor payments. Also, we considered internal audit report findings as part of our wider dimension work.

Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision making and transparent reporting of financial and performance information.

ICT

89. We identified in our 2016/17 Annual Audit Plan the council's arrangements for disaster recovery and business continuity as potential areas of risk. The council's data backup processes were all held within the council area and there was a plan to outsource these arrangements to a third party data centre. This data centre became operational in August 2017 with phase 1 relating to council wide network systems now being completed. Plans are now underway to move to phase 2 which is the all the individual systems and applications that the council has in operation.

90. The council is continuing its review of business continuity plans, with departmental plans due to be completed by October 2017 and the corporate council plan completed thereafter. There is a risk that until the full implementation of the improved disaster recovery processes, the council suffers a loss of data and potential disruption to services.

Action plan (appendix 1, point 5)

91. We also raised as a potential risk in our 2016/17 Annual Audit Plan, the fact that the council's Information Security Policy was out of date and had not been revised since October 2014. A revised version has now been prepared and this has been subject to review by external consultants. Due to the recruitment of an Information Security Officer, this has not yet been issued to staff.

Action plan (appendix 1, point 6)

Integration of health and social care

92. Legislation to implement health and social care integration was passed by the Scottish Parliament in February 2014. This brings together NHS and local council care services under one partnership arrangement for each area.

93. Integration will mean a greater emphasis on enabling people to stay in their homes, or another homely setting, where possible, sharing their lives with their family and friends and doing the things that give life meaning and value.

94. The East Renfrewshire Health and Social Care Integration Joint Board (IJB) is provided in partnership with NHSGGC and became fully operational on 15 October 2015. East Renfrewshire had a long-standing, integrated approach to delivering health and social care services, beginning with the formation of the Community Health and Care Partnership (CHCP) in 2006. An IJB governance framework has been established and good progress has been made to embed these arrangements.

95. The financial transactions of the East Renfrewshire Health and Social Care IJB have been consolidated into the Council's group accounts. The Council's contribution to the IJB for 2016/17 was £47 m.

96. The East Renfrewshire Health and Social Care Strategic Plan 2015-18 sets out the IJB's strategic priorities. An early success has been the construction of the Eastwood Health and Care Centre which opened in August 2016. This joint health and council funded building allows for joint-working amongst health and social care staff.¹ The membership and governance of the IJB provide sufficiently for scrutiny of decisions by councillors.

97. Audit Scotland, as part of a series of reports, will be reporting on integration authorities' progress after the first year of the establishment of IJBs. This is not due until spring 2018 by which time auditors will be in a better position to assess progress once the work on this report has been completed

Local scrutiny plan

98. The 2017/18 Local Scrutiny Plan (LSP) prepared by the Local Area Network (LAN) of scrutiny partners for the Council was submitted to East Renfrewshire Council in May 2017. It was also reported to Cabinet on 22 June 2017. The LAN did not identify any new scrutiny risks in the year which would require specific scrutiny work during 2017/18. The Council will be subject to a range of nationally driven scrutiny activity as set out in the LSP.

Equalities

99. The Equality Act 2010 introduced a public sector general duty that encourages public bodies to mainstream equality, that is, ensure it is part of their 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.

100. We reviewed the current 2017-2021 equalities report and concluded the Council has met its statutory duty to:

- publish information on progress made in mainstreaming equality within the Council
- report on progress made towards achieving equality outcomes published in 2013
- publish annual employee information and details of the progress made in gathering and using information to better meet the duty
- publish updated gender pay gap information.

101. We concluded, on the basis of evidence reviewed, that the Council is proactive in ensuring that equality is mainstreamed.

Part 5

Value for money



Main judgements

The Best Value audit undertaken during 2016/17 will be published on 2nd November 2017.

Best Value

102. The Accounts Commission agreed the overall framework for a new approach to auditing Best Value in June 2016. Best Value will be assessed over the five year audit appointment, as part of the annual audit work. In addition a Best Value Assurance Report (BVAR) for each council will be considered by the Accounts Commission at least once in this five year period. The Best Value review of East Renfrewshire Council was undertaken in the current year and the BVAR report will be discussed by the Accounts Commission on 14 October 2017.

103. In considering value for money, our annual audit report would normally provide comment on the council's arrangements for :

- performance management
- following the public pound
- procurement
- community engagement
- shared services

These areas were considered as part of our Best Value audit and will be included in our Best Value audit report. As such they are not replicated here .

Value for money is concerned with using resources effectively and continually improving services.

Statutory performance indicators (SPIs)

104. The Accounts Commission places great emphasis on councils' responsibility for public performance reporting. The Commission does not prescribe how councils should report this information but expects them to provide the public with fair, balanced and engaging performance information.

105. For 2016/17 two (SPIs) were prescribed:

- SPI 1: covering a range of information relating to areas of performance such as improving local public services, improving local outcomes, engaging with communities and achieving Best Value
- SPI 2: relates to the reporting of performance information as required by the Local Government Benchmarking

106. Overall we concluded that the Council's arrangements for publication are Satisfactory.

National performance audit reports

107. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2016/17, a number of reports were issued which are of direct interest to the Council. These are outlined in [Appendix 4](#).

108. In line with good practice, arrangements are in place for the council to consider national reports. These are presented to the Audit and Scrutiny Committee and members are made aware of key issues. The council does not routinely report the council's position in respect of the key issues reported. Action taken in response to reports is dependant on the nature of the national report and the service to which it relates.

Good practice points

109. The council reports its performance against the Local Government Benchmarking Framework (LGBF). The council's style of reporting against LGBF indicators is clear and helps councillors to make informed judgements on the performance of services. Indicators are grouped under the council's strategic outcomes and there are detailed references to on going trends and family groups. The most notable point was the reference to council strategy to explain trends and the data. The overall result was a very insightful and informative report.

Appendix 1

Action plan 2016/17

2016/17 recommendations for improvement

Page no.	 Issue/risk	 Recommendation	 Agreed management action/timing
11	<p>1. Eastwood Health Centre Valuation</p> <p>The council has a policy of revaluing all land and buildings each year. However, the new Eastwood Health Centre which opened in August 2016 has not been revalued in 2016/17. Additional assurances have been requested to audit that the valuation of the building will not differ materially from the value contained in the financial statements, which is the cost to the council of the build.</p> <p>There is a risk that the asset values recorded in the financial statement are incorrect.</p>	<p>East Renfrewshire Council should ensure that a valuation is undertaken on this property during 2017/18</p>	<p>A valuation on this property will be undertaken during 2017/18</p> <p>Margaret McCrossan Head of Accountancy 31 March 2018</p>
14	<p>2. Budget Underspends & reporting</p> <p>The council has a history of underspend against budget. Given the budget pressures that services are under, there is a need for budgets to be revised/re-based to reflect actual patterns of expenditure to ensure spending is accurately forecast and effectively monitored during the year. Additionally, information on high year end underspends is not communicated to members timeously to allow for corrective or different actions to be taken.</p> <p>There is a risk that the budgets are not accurate and that budget reports to members do not allow time</p>	<p>East Renfrewshire council should review the budget setting to ensure that the budgets reflect actual demand. The council should also ensure that the budget reports provided to members are accurate and timeous to ensure that members can fulfil their role of scrutinising of the budget and can take corrective or additional action regarding these budgets.</p>	<p>The Council's budget process has already been reviewed with significant 2016/17 underspends scrutinised and budgets adjusted accordingly for future years. Centrally held budgets have also been transferred to services where ever possible during 2017/18 to improve monitoring and forecasting.</p> <p>Margaret McCrossan Head of Accountancy 8 February 2018</p>

Page
no.

Issue/risk

Recommendation

Agreed management
action/timing

for corrective action to be made.

19

3. Financial Pressures

The council are currently preparing savings plans to address the £26.3 million savings requirement for the 3 year period 2018/19-2020/21. The last three year budget cycle reported savings of £20.7 million. At time of approving 2017/18 budgets, detailed indicative budgets for future years were not available for members to help inform decisions.

There is a risk that the Council is unable to deliver the same level of savings that it has achieved in recent years without significant impact on service provision and that indicative budgets are not available to members to help inform their difficult budget decisions.

East Renfrewshire council should ensure that medium term financial plans are prepared and available to members to allow the impact of decisions made to be fully understood.

The council is currently progressing its medium term financial plan for 2018/21 and will consider an updated longer term financial plan prior to agreeing the budget for 2018/19 and indicative budgets for 2019/21 in February 2018.

Margaret McCrossan
Head of Accountancy
8 February 2018

12

4. Governance arrangements around the Netherlee Charitable Trusts

During 2016/17, the Netherlee Trust made total grant awards of £23k to 5 former pupils to advance their musical talents. These cheques were made payable to the individuals and there is currently no requirement for grant recipients to confirm the subsequent use of the grant monies.

There is a risk that grant awards are not used for intended purpose and do not comply with the purposes of the Trust.

Trustees should consider the introduction of processes by which the proper use of grant awards can be confirmed.

The council will write to the Trustees of Netherlee Trust asking them to consider introducing a process to confirm the proper use of grants awarded.

Margaret McCrossan
Head of Accountancy
31 December 2017

35

5. Disaster Recovery/business continuity arrangements

East Renfrewshire council should ensure that the business continuity

Phase 1 provides basic network services. Phase 2 requires the support of the



Page
no.

Issue/risk

Recommendation

Agreed management action/timing

The data centre became operational in August 2017 with phase 1 now being completed. Plans are now underway to move to phase 2 which is the all the individual systems and applications that the council has in operation, The council is continuing its review of business continuity plans and.

There is a risk that until the full implementation of the improved disaster recovery processes, the council suffers a loss of data and potential disruption to services

arrangements are current and that disaster recovery arrangements are tested.

major business application vendors to ensure resilience is achievable across multiple data centres. For many of the older systems this will be challenging. Due to this ICT will use the Fitness for Purpose Assessment process and any subsequent procurements to ensure the major business applications will provide resilience across multiple data centres. This measured approach will ensure procurement and deployment decisions are based on appropriate criteria rather than solely from a resilience perspective. This balanced approach ensures best value across the board.

In the intervening period, ICT will continue to test and enhance disaster recovery plans as they currently stand for major business applications. Where applications will support multiple data centres ICT will programme a deployment schedule to implement this capability.

Murray Husband

Head of ICT and Digital Enablement

31st March 2019

35

6. Information Security Policy

The current version of the council's information security policy has not been updated since October 2014. A revised version has been prepared and this has been subject to review by external consultants. Due to the recruitment of an Information Security Officer, this has not yet been issued to staff.

There is a risk that council processes and procedures will not keep pace with any potential, new or emerging threats while there is an

East Renfrewshire council should ensure that the revised policy is issued promptly and ensures that practices within the council reflect the latest guidance.

The existing policies have been refreshed by the interim Information Security Officer and further assured by external advisors. Publication has been held pending the expected appointment of a permanent Information Security and Digital Risk Officer (ISDRO), which has an expected commencement date of early November 2017. The new ISDRO will be given the opportunity to review before publication.

Should the appointment be delayed or unsuccessful, then publication will be carried out without further



Page
no.

Issue/risk

Recommendation

**Agreed management
action/timing**

out of date security policy

review.

Murray Husband

Head of ICT and Digital
Enablement

1st December 2017

**7. Adequacy of Rent
Arrears Bad Debt
Provision**

The council currently provides a bad debt provision for irrecoverable housing rent arrears at 75%. However, during 2016/17 changes were made to the write off period for this debt and the level of bad debt provision has remained at 75% for a number of years. Additionally, all rent arrears are provided at the same rate despite the fact that former tenant rent arrears are considered to be harder to collect.

There is a risk that the current policy on bad debt provision does not accurately reflect the recoverability of each individual debt. .

East Renfrewshire council should review the bad debt provision policy for rent arrears.

The council will review the bad debt provision for housing rents during the current year.

Margaret McCrossan

Head of Accountancy

31 March 2018

Appendix 2

Significant audit risks identified during planning

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

Audit risk	Assurance procedure	Results and conclusions
Risks of material misstatement in the financial statements		
<p>1 Risk of management override of controls</p> <p>ISA 240 requires that audit work is planned to consider the risk of fraud, which is presumed to be a significant risk in any audit. This includes consideration of the risk of management override of controls in order to change the position disclosed in the financial statements.</p>	<p>Detailed testing of journal entries.</p> <p>Review of accounting estimates.</p> <p>Focused testing of accruals and prepayments.</p> <p>Evaluation of significant transactions that are outside the normal course of business</p>	<p>We did not identify evidence of management override of controls as a result of the assurance procedures we carried out.</p>
<p>2 Risk of fraud over income & expenditure</p> <p>ISA 240 presumes a risk of fraud over income which is expanded to include fraud over expenditure in the public sector by the Code of Audit Practice</p> <p>East Renfrewshire Council receives a significant amount of income in addition to Scottish Government funding. The extent and complexity of these income streams means that, in accordance with ISA240, there is an inherent risk of fraud. Particular areas of risk include council tax, non domestic rates and income from sundry debtors. The risk of fraud over expenditure also applies due to the variety and extent of expenditure incurred by the council in delivering services</p>	<p>Analytical procedures on income and expenditure streams.</p> <p>Detailed testing of revenue and expenditure transactions focusing on the areas of greatest risk.</p>	<p>We assessed the design of key controls in place at the council and did not highlight any issues that would result in an increased risk of fraud over income or expenditure.</p> <p>We carried out substantive (sample) testing over income and expenditure. We did not identify any evidence of fraud.</p>
<p>3 Creditors</p> <p>Concerns have been reported by the council's Internal Audit section regarding the length of time taken by the council to pay suppliers and in the level of duplicate payments made to</p>	<p>Detailed testing of expenditure transactions.</p> <p>Detailed cut-off testing</p> <p>Targeted testing on duplicate payments</p>	<p>Detailed testing was completed on creditors and duplicate payments. Control weaknesses were identified with duplicate payments and this was reported in the interim audit report. Adjustments have been made to</p>

Audit risk	Assurance procedure	Results and conclusions
<p>suppliers. There is a risk that the council may incur financial loss as a result of making duplicate payments or through the application of penalties. There is also a reputational risk to the Council.</p>		<p>the financial statements and these have been noted in paragraph 28.</p>
<p>4 Carefirst</p> <p>In 2015/16 the council introduced a Care Finance system which is used to process payments to care providers as part of the social work database. A number of concerns with the system were reported by Audit Scotland in 2015/16. These related to the lack of segregation of duties and incomplete and delayed reconciliations between the Care finance system and the finance ledger. In addition, there have been significant delays in the time taken to pay creditors by the HSCP. There is a risk that under/overpayments to providers are not identified and addressed, and could result in misstatements in the financial statements</p>	<p>Targeted testing on payments to care providers</p> <p>Detailed cut-off testing</p> <p>Review of segregation of duties controls</p> <p>Review of system reconciliations</p>	<p>Detailed testing of care provider's payments undertaken and of segregation of duties. No issues identified.</p> <p>A Review of Carefirst reconciliations was undertaken as part of the financial statement audit and also during our interim work and no issues identified.</p>

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

<p>5 Financial sustainability</p> <p>The council has identified a need to make savings of £7.216 million in 2017/18 and further recurring annual revenue savings on average of £12 million for the period to 2021/22. Making these additional savings will be challenging given the service reforms and workforce reductions which the council has already implemented. There is also a risk that the level of planned budget savings will adversely affect the level and quality of service provision.</p>	<p>Review of the council's arrangements for financial planning as part of our Best Value audit work.</p> <p>Review of the council's progress in achieving its planned savings.</p>	<p>The savings target for 2017/18 has been revised to £7 million. This relates to late monies received from Scottish Government. Plans are in place to deliver these plans. Current budget monitoring reports show a projected underspend of £2.6 million for 2017/18.</p> <p>Plans are currently being developed to meet the next 3 year budget cycle. This remains an ongoing risk.</p> <p>Action plan (appendix 1, point 3)</p>
<p>6 Disaster Recover/Resilience planning</p> <p>The council has recently secured a second data centre. This should allow full disaster recovery testing to be undertaken. In addition, the council is now undertaking a review of business continuity</p>	<p>Review of disaster recovery arrangements and testing undertaken.</p> <p>Review of Business Continuity and resilience planning arrangements</p>	<p>The new data centre went live in August 2017 for phase 1. Phase 1 is for council wide network systems/applications. Plans are now being developed for phase 2 to be rolled out. Phase 2 relates to more specialist systems/applications. The transfer of these will be on an application by application basis</p>

Audit risk	Assurance procedure	Results and conclusions
<p>plans with the aim of improving resilience planning. There is a risk that until the full implementation of the improved disaster recovery processes, the council suffers a loss of data and potential disruption to services</p>		<p>and will be driven by system/application upgrades.</p> <p>The business continuity arrangements for each department are currently being reviewed. This is expected to conclude at the end of October 2017. Following this, the corporate Business Continuity plan will be revised.</p> <p>Given that progress here is still underway, a continued risk remains.</p> <p>Action plan (appendix 1, point 5)</p>
<p>7 Information security policy</p> <p>The council's information security policy has not been updated since October 2014. There is a risk that if this policy is not kept current then it will not keep pace with any potential, new or emerging threats</p>	<p>Review of the progress made in updating the council's information security policies</p>	<p>The information security policy has been reviewed by external consultants and has been assessed as being satisfactory. However, this has yet to be issued by the council.</p> <p>The delay in issuing this has been due to the recruitment of an Information security Officer on a permanent basis. The council are currently advertising this post.</p> <p>Given that progress here is still underway, a continued risk remains.</p> <p>Action plan (appendix 1, point 6)</p>

Appendix 3

Summary of national performance reports 2016/17



Apr			
May		Common Agricultural Policy Futures programme: an update	
Jun		South Ayrshire Council: Best Value audit report	 The National Fraud Initiative in Scotland
Jul		Audit of higher education in Scottish universities	 Supporting Scotland's economic growth
Aug		Maintaining Scotland's roads: a follow-up report	 Superfast broadband for Scotland: a progress update
			 Scotland's colleges 2016
Sept		Social work in Scotland	 Scotland's new financial powers
Oct		Angus Council: Best Value audit report	 NHS in Scotland 2016
Nov		How councils work – Roles and working relationships in councils	 Local government in Scotland: Financial overview 2015/16
Dec		Falkirk Council: Best Value audit report	 East Dunbartonshire Council: Best Value audit report
Jan			
Feb		Scotland's NHS workforce	
Mar		Local government in Scotland: Performance and challenges 2017	 i6: a review
			 Managing new financial powers: an update

Local government relevant reports

[The National Fraud Initiative in Scotland - June 2016](#)

[Social work in Scotland - September 2016](#)

[How councils work - Roles and working relationships in councils - November 2016](#)

[Local government in Scotland: Financial overview 2015/16 - November 2017](#)

[Local government in Scotland: Performance and challenges 2017 - March 2017](#)

East Renfrewshire Council

2016/17 Annual Audit Report

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