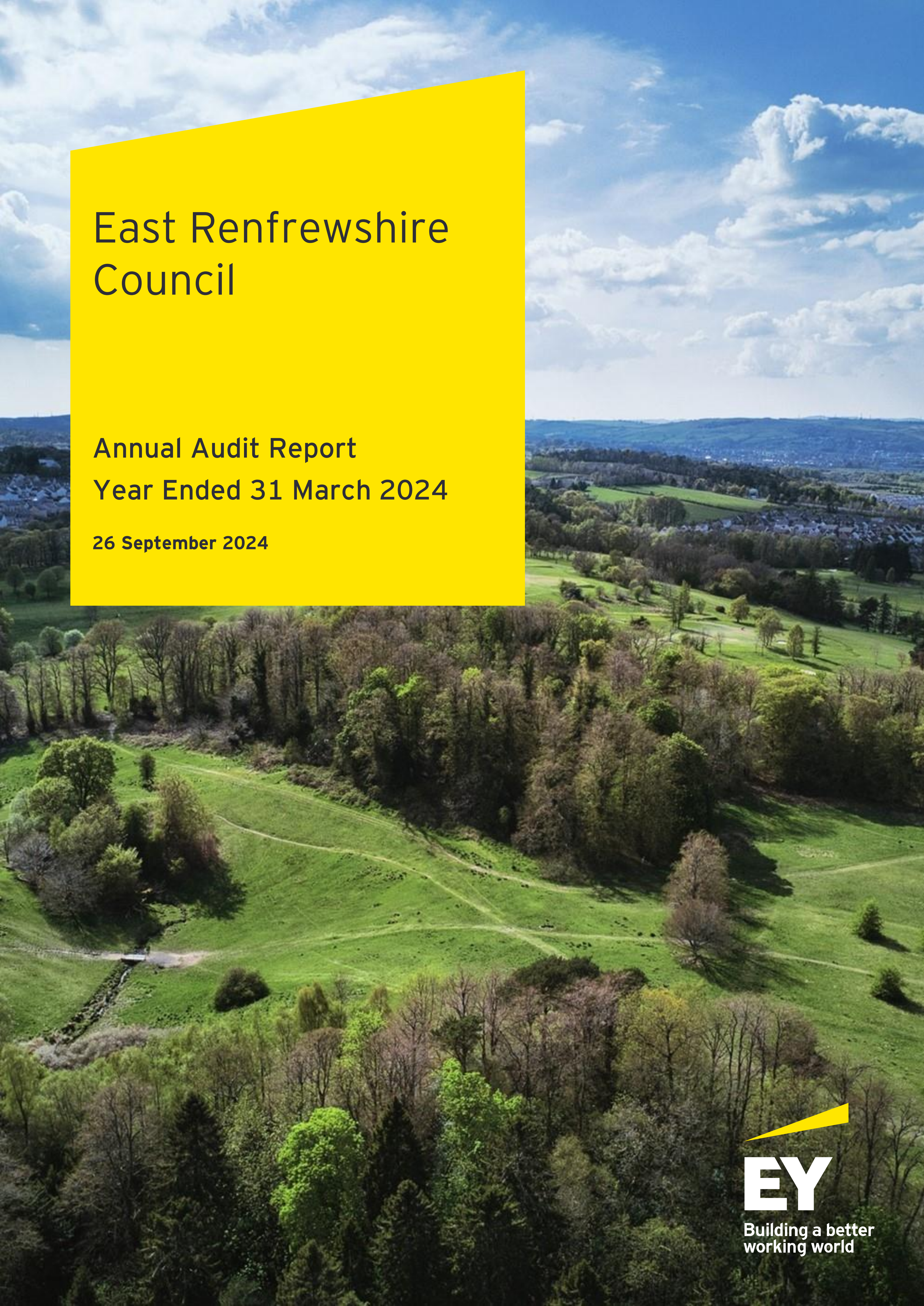


East Renfrewshire Council

Annual Audit Report
Year Ended 31 March 2024

26 September 2024

EY
Building a better working world

This report has been prepared in accordance with Terms of Appointment Letter, through which Audit Scotland and the Accounts Commission have appointed us as external auditor East Renfrewshire Council for financial years 2022/23 to 2026/27.

This report is for the benefit of the Council and is made available to the Audit Scotland and the Accounts Commission (together the Recipients). This report has not been designed to be of benefit to anyone except the Recipients. In preparing this report we have not taken into account the interests, needs or circumstances of anyone apart from the Recipients, even though we may have been aware that others might read this report.

Any party other than the Recipients that obtains access to this report or a copy (under the Freedom of Information Act 2000, the Freedom of Information (Scotland) Act 2002, through a Recipient's Publication Scheme or otherwise) and chooses to rely on this report (or any part of it) does so at its own risk. To the fullest extent permitted by law, Ernst & Young LLP does not assume any responsibility and will not accept any liability in respect of this report to any party other than the Recipients.

Accessibility

Our report will be available on Audit Scotland's website and we have therefore taken steps to comply with the Public Sector Bodies Accessibility Regulations 2018. Responsibility for compliance is with the body publishing the document.

Contents

1. Key messages

Financial statements

Financial statements

Our assessment: Green

We have concluded our audit of the financial statements of East Renfrewshire Council for the year ended 31 March 2024. The draft financial statements were provided in line with legislative deadlines. Supporting working papers were of a good quality with the exception of matters noted in relation to valuations. We continued to identify areas for improvement, relating to the provision of property, plant and equipment valuation supporting papers. During the course of the audit, we identified two accounting audit differences and a number of presentational differences that management adjusted in the financial statements.

Overall, we were satisfied that the Annual Governance Statement, reflects the requirements of CIPFA's *Delivering Good Governance Framework*.

We made five recommendations in relation to the financial statements, of which four relate to the Council's arrangements for the annual valuation of property, plant and equipment.

Going concern

Our assessment: Green

In accordance with the CIPFA Code of Practice on Local Authority Accounting, the Council prepares its financial statements on a going concern basis unless informed by the Scottish Government of the intention for dissolution without transfer of services or function to another entity.

Under auditing standard ISA 570, we are required to undertake greater challenge of management's assessment of going concern, including testing of the adequacy of the supporting evidence we obtained. The Council has concluded that there are no material uncertainties around its going concern status, however it has disclosed the nature of its financial position in the financial statements to reflect the ongoing impact of increased demand for services, inflationary pressures and uncertainty in financial planning.

We have no matters to report in respect of our work around going concern or the conclusions reached by the Council.

Our auditor judgements are RAG rated based on our assessment of the adequacy of the Council's arrangements throughout the year, as well as the overall pace of improvement and future risk associated with each area. This takes account of both external risks not within the Council's control and internal risks which can be managed by the Council, as well as control and process observations made through our audit work.

Wider Scope

Financial sustainability 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. Our assessment: Red	The Council draws upon scenario planning to prepare for the scale of the budget gaps ahead. The current projected gap for 2025/26 is £15.1 million, though uncertainties remain. The gap will be partly bridged using the remaining balance available in the Council's Service Concessions reserve (£2.3 million) but there is still a significant future budget gap to be addressed. Longer term financial planning remains challenging, primarily as a result of uncertainties in forecasting cost and demand pressures, future settlements from the Scottish Government and the funding of pay rises. The Council recognises the need to return to multi-year budgets when this is possible.
Financial management Financial management means having sound budgetary processes. Audited bodies require the ability to understand the financial environment and whether internal controls are operating effectively. Our assessment: Green	The Council recorded a deficit of £10.3 million, reflecting an underspend of £6.9 million within operational services, mainly as a result of one off movements. This continues a trend of significant underspends, beyond the level reported to elected members throughout the financial year. In 2023/24 the Council elected to draw upon £10.3 million from reserves to balance the financial position, including the planned use of the Service Concessions reserve. Use of non-recurring measures to balance the budget is not sustainable.
Vision, leadership & governance The effectiveness of scrutiny and governance arrangements, leadership and decision making, and transparent reporting of financial and performance information. Our assessment: Green	The Council has approved the Community Planning Partnership's Strategic Plan, "A Place to Grow" and will now refresh the underpinning strategies and plans to align to three new priority themes. Governance arrangements are established and the Annual Governance Statement concludes that they worked well throughout 2023/24. During the year, the Council's internal auditors had to delay planned areas of work as a result of significant capacity constraints, but successfully recruited to team vacancies by March 2024.
Use of resources The Council's approach to demonstrating economy, efficiency, and effectiveness through the use of resources and reporting outcomes. Our assessment: Green	The Council has a well-developed approach in place to monitor and report on key areas of performance, and was able to demonstrate key areas of improvement in 2023/24 within both service performance and in responding to the Strategic Outcomes within the Community Plan. National benchmarking data shows that the Council performs above the Scottish average in 64% of indicators. The Council has benefited from significant City Deal investment and continues to monitor progress against strategically important projects.

Best Value

Under the Code of Audit Practice June 2021, we perform an annual programme of work in relation to Best Value and wider scope responsibilities. For 2023/24, the Commission directed auditors to report on the Council's arrangements for workforce innovation. Our key conclusions against the work programme set by the Commission are reported within a separate Best Value Thematic Report

In our view, the Council's performance management and financial reporting arrangements allow the Council to demonstrate the achievement of Best Value. Our consideration of the strategic planning arrangements in 2022/23 concluded that there is a vision in place and that longer term strategic planning is based on community engagement and is aligned with community planning partners. The revised Community Planning Partnership's strategic plan, "A Place to Grow" reflects the significant engagement with stakeholders and has recently been approved.

The thematic review in 2023/24 considered the Council's arrangements for workforce planning and innovation. The Council has developed a People Strategy to support the delivery of the new strategic plan and work towards becoming a learning organisation.

2. Introduction

Purpose of our report

The Accounts Commission for Scotland appointed EY as the external auditor of East Renfrewshire Council and it's Group ('the Council' or 'the Group') for the five year period to 2026/27.

We undertake our audit in accordance with the Code of Audit Practice (June 2021); Auditing Standards and guidance issued by the Financial Reporting Council; relevant legislation; and other relevant guidance issued by Audit Scotland.

This Annual Audit Report is designed to summarise the key findings and conclusions from our audit work. It is addressed to both the Council and the Accounts Commission and presented to those charged with governance. This report is provided to Audit Scotland and is published on their website.

A key objective of audit reporting is to add value by supporting the improvement of the use of public money. We aim to achieve this through sharing our insights from our audit work, our observations around where the Council employs best practice and where practices can be improved, and how risks facing the organisation can be mitigated. We use these insights to form audit recommendations to support the Council.

Such areas we have identified are highlighted throughout this report together with our judgements and conclusions regarding arrangements, and where relevant recommendations and actions agreed with management. We also report on the progress made by management in implementing previously agreed recommendations made in 2022/23 (Appendix H).

We draw your attention to the fact that our audit was not designed to identify all matters that may be relevant to the Council. Our views on internal control and governance arrangements have been based solely on the audit procedures performed in respect of the audit of the financial statements and the other procedures performed in fulfilling our audit plan.

Our independence

We confirm that we have undertaken client and engagement continuance procedures, which include our assessment of our continuing independence to act as external auditor. Further information is available in Appendix B.

Scope and responsibilities

The Code sets out the responsibilities of both the Council and the auditor (summarised in Appendix A). We outlined these in our Annual Audit Plan which was presented to the Council's Audit and Risk Committee on 28 March 2024. There have been no material changes to the plan.

Our review and assessment of materiality

In our Annual Audit Plan, we communicated that our audit procedures would be performed using an overall materiality of £7.3 million. Exhibit 1 confirms that we have assessed that this basis of overall materiality remains appropriate and have updated the value for the actual outturn for the 2023/24 financial year as per the unaudited financial statements.

In 2022/23, performance materiality was set at 50% of planning materiality, in line with our risk assessment for all initial year audits. Within the Annual Audit Plan, presented to the Audit and Scrutiny Committee on 28 March 2024, we assessed that it was appropriate to continue to apply a lower level of materiality through the planning phase of the audit as a result of the significant audit adjustments identified through our prior year audit procedures.

We noted that if the Council could evidence progress against the areas of concern which resulted in adjustments in the prior year the basis on which materiality is set would be revised ahead of the completion of our audit. The adjustments and recommendations identified in the prior year predominantly related to the valuation of fixed assets and the application of assumptions that were inconsistent with the CIPFA Local Government Accounting Code of Practice.

Prior to the start of our substantive procedures, the Council evidenced that they had addressed the relevant recommendations raised in our prior year annual audit report and that they were no longer applying these assumptions. As a result of this and based on the results of our risk assessment procedures, we increased our performance materiality to 75% of overall materiality. As a result, performance materiality was raised from £3.6 million to £5.8 million.

Financial Statements audit

We are responsible for conducting an audit of the Group and Council's financial statements. We provide an opinion as to:

- Whether they give a true and fair view of the state of affairs of the Council and it's Group as at 31 March 2024 and of the income and expenditure of the Council and its Group for the year then ended;

Exhibit 1: Our materiality assessment in 2023/24

Our Annual Audit Plan explained that our audit procedures would be performed using a materiality of £7.3 million, with performance materiality set at 50% of overall materiality. We have considered whether any change to our overall materiality was required in light of the income and expenditure in 2023/24 and have increased our overall materiality, using the same basis, to reflect the updated information provided within the unaudited financial statements. Regarding performance materiality, based on the results of our risk assessment procedures, we have increased our performance materiality to 75% of overall materiality.

£7.7 million	£5.8 million	£0.38 million
Overall materiality	**Performance materiality**	**Reporting materiality**

Based on our understanding of the expectations of financial statement users, we apply a lower materiality level to the audited section of the Remuneration Report. We also apply professional judgement to consider the materiality of Related Party Transactions to both parties.

- Have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2023/24 Code.
- Whether they have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

We also review and report on the consistency of the other information prepared and published along with the financial statements.

We outlined the significant risks and other focus areas for the 2023/24 audit in our Annual Audit Plan.

Three significant risks were identified that impacted the audit of the financial statements:

- The risk of fraud in revenue and expenditure recognition;
- Misstatement due to fraud or error; and
- The valuation of property, plant and equipment.

In addition, we continued to place increased focus on management's assertion regarding the going concern basis of preparation in the financial statements. Our findings are summarised in Section 3 of this report.

Wider scope and best value

Under the Code of Audit Practice, our responsibilities extend beyond the audit of the financial statements. Due to the nature of the Council, our wider scope work requires significant allocation of resources in the audit. The Code requires auditors to provide judgements and conclusions on the four dimensions of wider scope public audit:

- The Council's arrangements to secure sound financial management.
- The regard shown to financial sustainability.
- Clarity of plans to implement the vision, strategy and priorities of the Council, and the effectiveness of governance arrangements for delivery.
- The use of resources to improve outcomes.

Our Annual Audit Plan identified two areas of audit focus in relation to wider scope audit:

- The Council's ability to develop sustainable and achievable medium term financial plans; and
- The Best Value thematic review in 2023/24, relating to workforce innovation.

Our annual assessment of the Council's arrangements to secure best value is integrated within our wider scope annual audit work. Our wider scope and Best Value findings are summarised in Section 4 of this report.

3. Financial statements

Introduction

The annual financial statements allow the Council to demonstrate accountability for the resources that it has the power to direct, and report on its overall performance in the application of those resources during the year.

This section of our report summarises the audit work undertaken to support our audit opinion, including our conclusions in response to the significant and other risks identified in our Annual Audit Plan.

Compliance with regulations

As part of our oversight of the Council's financial reporting process we report on our consideration of the quality of working papers and supporting documentation prepared, predominantly by the finance team, to support the audit.

The financial statements were prepared materially in accordance with the CIPFA Code of Practice on Local Authority Accounting 2023/24.

The draft financial statements were submitted for audit by 30th June 2024, in line with requirements. All core audit working papers were of a good quality and were provided in line with the agreed timetable.

We were satisfied that the Council made the financial statements available for public inspection in accordance with Regulation 9 of The Local Authority Accounts (Scotland) Regulations 2014.

As part of the audit process, we worked with the finance team to make enhancements to the presentation of the financial statements. We will continue to discuss good practice as part of our 2023/24 debrief and ongoing engagement with the Accountancy team.

Audit outcomes

We identified two adjustments arising from the audit, which have been reflected within the 2023/24 financial statements. Our overall audit opinion is summarised on pages 12-13.

We made four recommendations relating to the financial statements as a result of the annual audit. Three recommendations relate to the Council's programme of valuation of its Property, Plant and Equipment. These recommendations, together with management responses are included within the action plan in Appendix E.

Audit approach

We adopted a substantive approach to the audit as we have concluded this is the most efficient way to obtain the level of audit assurance required to conclude that the financial statements are not materially misstated.

During our planning procedures, we determine which accounts, disclosures and relevant assertions could contain risks of material misstatement. Our audit involves:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud, error or design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting. Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtaining sufficient appropriate audit evidence to express an opinion on the Group and Council financial statements.
- Reading other information contained in the financial statements to form assessment, including that the annual report is fair, balanced and understandable.
- Ensuring that reporting to the Audit and Scrutiny Committee appropriately addresses matters communicated by us and whether it is materially inconsistent with our understanding and the financial statements.
- We rigorously maintain auditor independence (refer to Appendix B).

Group financial statements

The Council has identified and accounted for the following interests in other entities within its Group financial statements:

- Common Good and Charitable Trusts
- Strathclyde Partnership for Transport
- Strathclyde Concessionary Travel Scheme
- Renfrewshire Valuation Joint Board
- East Renfrewshire Culture & Leisure Trust
- East Renfrewshire Integration Joint Board

The only significant component by size is the Council, which accounts for 99% of consolidated gross expenditure. We have conducted an audit of the Common Good, and we are separately appointed to audit the Integration Joint Board. For all other bodies, we obtained the financial statements and performed analytical review procedures.

One matter was identified as a result of our review of the group consolidation arrangements in relation to pension asset recognition for the East Renfrewshire Cultural and Leisure Trust – refer to Appendix F.

Key audit matters

Under the Code of Audit Practice (the Code), issued by Audit Scotland in June 2021. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on:

- the overall audit strategy, the allocation of resources in the audit; and
- directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Section 106 Trusts

The Council acts as trustee for six charitable trusts:

- Lieutenants Duff Memorial Institute;
- Newton Mearns Benevolent Association;
- Janet Hamilton Memorial Fund;
- John Pattison Memorial Fund,
- Hugh and Janet Martin Memorial Fund; and
- Netherlee School 1937 Endowment

As noted in our audit plan, Audit Scotland published a briefing in relation to Charitable Trusts across local government in February 2024.

The report noted that only twelve Councils in Scotland (including East Renfrewshire) administered more than five Section 106 charities in 2022/23, and advised that steps are taken to wind up and merge charitable trusts, or appoint an external trustee to remove the audit requirement for 2023/24.

Management have actioned this recommendation and have appointed South Ayrshire Council as an independent external examiner. As a result, the charitable trusts are now outside the scope of our audit, and we do not provide an opinion on these bodies.

Exhibit 2: Our audit opinion

Element of our opinion	Basis of our opinion	Conclusions
Financial statements ▶ Truth and fairness of the state of affairs of the Council at 31 March 2024 and its expenditure and income for the year then ended. ▶ Financial statements in accordance with the relevant financial reporting framework and relevant legislation.	▶ We report on the outcomes of our audit procedures to respond to the most significant assessed risks of material misstatement that we have identified, including our judgements within this section of our report. We did not identify any areas of material misstatement. ▶ We are satisfied that accounting policies are appropriate and estimates are reasonable. ▶ We have considered the financial statements against Code requirements, and additional guidance issued by CIPFA and Audit Scotland.	We have issued an unqualified audit opinion on the 2023/24 financial statements for the Council.
Going concern ▶ We are required to conclude on the appropriateness of the use of the going concern basis of accounting.	▶ We conduct core financial statements audit work, including review and challenge of management's assessment of the appropriateness of the going concern basis. ▶ Wider scope procedures including the forecasts are considered as part of our work on financial sustainability.	In accordance with the work reported on page 24, we have not identified any material uncertainties.
Other information ▶ We are required to consider whether the other information in the financial statements is materially inconsistent with other knowledge obtained during the audit.	▶ The Chief Financial Officer is responsible for other information included in the financial statements. ▶ We conduct a range of substantive procedures on the financial statements and our conclusion draws upon review of committee and Council minutes and papers, regular discussions with management, our understanding of the Council and the wider sector.	We are satisfied that the Annual Report meets the core requirements set out in the Code of Practice on Local Authority Accounting.

Exhibit 2: Our audit opinion (continued)

Element of our opinion	Basis of our opinion	Conclusions
Matters prescribed by the Accounts Commission ► Audited part of remuneration report has been properly prepared. ► Management commentary / annual governance statement are consistent with the financial statements and have been properly prepared.	**Our procedures include:** ► Reviewing the content of narrative disclosures to information known to us. ► Our assessment of the Annual Governance Statement against the requirements of the CIPFA Delivering Good Governance Code.	We issued an unqualified opinion.
Matters on which we are required to report by exception	**We are required to report on whether:** ► Adequate accounting records have been kept. ► Financial statements and the audited part of the remuneration report are not in agreement with the accounting records. ► We have not received the information or explanations we require.	We have no matters to report.

Our response to significant and fraud audit risks

1. Risk of fraud in revenue and expenditure recognition (Key audit matter)

What is the risk?

As we outlined in our Annual Audit Plan, ISA (UK) 240 requires us to assume that fraud risk from income recognition is a significant risk. In the public sector, we extend our consideration to the risk of material misstatement by manipulation of expenditure.

We consider there to be a specific risk around income and expenditure recognition through incorrect income and expenditure cut-off recognition to alter the Council's financial position around the financial year end, incorrect recognition applied to grant income with performance conditions and Incorrect capitalisation of revenue expenditure. We therefore consider this risk to be most prevalent in the following income and expenditure balances:

- **Total other expenditure:** £164.6 million and prior year (PY) comparator: £169.7 million;
- **Total other income:** £62.0 million and PY comparator: £58.1 million;
- **Other grants and capital grants**: £49.4 million and PY comparator: £55.0 million
- **Related creditor balances:** £32.5 million and PY comparator: £41.6 million;
- **Related debtor balances:** £4.1 million and PY comparator: £3.9 million; and
- **Capital Grant Receipts in Advance:** £10.5 million and PY comparator: £8.2 million.

Refer to accounting policies within Note 1 pages 54-65 and notes 2-3, 5, 12-14, 19-21 and 23 of the Consolidated Financial Statements.

In line with auditing standards, we rebut the risk around income and expenditure where appropriate depending on the nature of the account. Accordingly, we have rebutted the risk of improper recognition of income in respect of core grant funding from the Scottish Government, as well as in respect of council tax, non-domestic rate and investment income. With regards to expenditure, we have rebutted the risk of improper recognition of payroll, depreciation, and financing and investment expenditure.

What did we do?

We undertake specific, additional procedures for income and expenditure streams where we identify a fraud risk. For 2023/24 our work included:

- Inquiring with management and those charged with governance about risks of fraud and the controls put in place to address those risks.
- Reviewing and challenge management on any accounting estimates for evidence of bias.
- Reviewing and testing additional revenue and expenditure cut-off at the period end date.
- Ensuring that grant income satisfies recognition criteria tests.
- Conduct additional substantive testing of related income and expenditure transactions where we have identified a significant risk.
- Assessing and challenging manual adjustments / journal entries by management around the year end for evidence of management bias and evaluation of business rationale and supporting evidence.
- Testing material revenue and expenditure streams, including testing revenue and capital expenditure to ensure it has been correctly classified.

Other audit procedures: non-significant risk areas

- **Council Tax Income**

We established detailed expectations of income based on properties and rates and compared to actual income in the year. We audited the reconciliation between the financial statements and the relevant feeder system.

- **Non-Domestic Rates**

We established expectations of income to be collected by the billing authority and agreed the reconciliation between the general ledger and the feeder system. We also audit the Council's NDR grant return to the Scottish Government to ensure that reliefs have been applied appropriately.

- **Non ring-fenced grant income**

We substantively tested these balances to grant confirmation letters from third parties.

- **Depreciation, amortisation & impairment:**

We undertook testing of these balances in conjunction with our work on property, plant and equipment. We considered the appropriateness of useful lives of assets and recalculated depreciation charged in the year.

- **Pension costs:**

We have outlined our consideration of the valuation of pension assets and liabilities held by the Council on page 21.

In respect of all pension transactions impacting the Comprehensive Income and Expenditure Statement we agreed these journals to the underlying IAS 19 report prepared by the Council's actuary.

- **Employee expenses**

We established expectations of payroll costs in the year based on staff numbers and salary movements and compared our expectations to actual results and investigated variances. Our bespoke data analysers provided analysis of all payroll transactions in the year, from which we investigated and corroborated material and unusual transactions.

Our conclusions

- There was no disagreement during the course of the audit over any accounting treatment or disclosure and we encountered no significant difficulties in the audit.

2. Risk of management override (Key audit matter)

Our Annual Audit Plan recognises that under ISA (UK) 240, management is considered to be in a unique position to perpetrate fraud in financial reporting because of its ability to manipulate accounting records directly or indirectly by overriding controls that otherwise appear to be operating effectively. We respond to this risk on every engagement.

Risk of fraud

We considered the risk of fraud, enquired with management about their assessment of the risks of fraud and the controls to address those risks. We also developed our understanding of the oversight of those charged with governance over management's processes over fraud.

Testing on journal entries

We tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.

We obtained a full list of journals posted to the general ledger during the year and used our bespoke data analysers to identify potentially unusual journals based on posting patterns, amounts or areas of greater risk of judgement or incentive for management to adjust according to our identified risk areas for the audit. We evaluated the business rationale for any significant unusual transactions. In particular we considered:

- Journal entries made directly into the general ledger of a material nature to key accounts which are considered more likely to have an incentive to be manipulated;
- Journals transferring funds between useable reserves and restricted or separated accounts such as HRA accounts; and
- Journals adjusting between income and expenditure accounts and capital accounts.

We identified no unusual journals which could not be explained by management, or which indicated any additional risk of fraud.

Judgements and estimates

ISA (UK) 540 on accounting estimates was issued in December 2019 and was applicable to the Board's audit from 2020/21. In particular, risk factors relevant to the public sector included the following examples for consideration by auditors:

- a very high degree of estimation uncertainty caused by the need to project forecasts far into the future, including the valuation of local government pension assets and liabilities, considered on page 21 of this report; and
- areas where there may be a lack of available comparators for estimates that are unique to the public sector, such as the valuation of important public assets (such as property, plant and equipment, outlined on page 18 of this report).

Our procedures included:

- Testing management's process method, key assumptions, data;
- Testing management's process-estimation uncertainty;
- Considering evidence from events up to the report date; and
- Developing our own point estimate of the appropriate valuation.

We reviewed each significant accounting estimate for evidence of management bias, including retrospective consideration of management's prior year estimates.

Management disclosed its assessment of the critical accounting judgements and key estimates in the financial statements. We worked with management to enhance these, as outlined earlier in this report.

Accounting policies

We considered the consistency and application of accounting policies, and the overall presentation of financial information. We consider the accounting policies adopted by the Council to be appropriate and there were no significant accounting practices which materially depart from what is acceptable under the Code.

Remuneration report

The Council must prepare a Remuneration Report as part of the financial statements under the Accounting Code of Practice. We apply a lower level of materiality to the Remuneration Report due to the nature of the disclosures.

Within the Remuneration Report, the Council is required to disclose elected member expenses.

Our conclusions

- We have not identified any material weaknesses in the design and implementation of controls around journal processing. We did not identify any instances of evidence of management override of controls.
- We made minor amendments to the disclosures within the Remuneration Report as part of the audit (refer to Appendix F)
- There was no disagreement during the course of the audit over any accounting treatment or disclosure and we encountered no significant difficulties in the audit.

3. Valuation of Property, Plant and Equipment (Key audit matter)

What is the risk?

The fair value of property, plant and equipment (PPE) represent significant balances in the Council's financial statements (£956.8 million; *2022/23: £934.6 million*).

Refer to accounting policies in Note 1 (pages 53-64) and note 15 of the Consolidated Financial Statements.

Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet. In 2023/24, the Council's internal valuers completed a significant programme to revalue each class of asset.

The Council also has a significant capital programme with judgement being applied to the valuation of additions and split between revenue and capital expenditure. We note that the Council's previous auditors recommend that a valuation report is prepared to outline the work undertaken, the impact on the asset values and the methodology applied in completing the revaluation programme.

In prior years, local government auditors raised concerns that Code requirements were not being adhered to in respect of subsequent expenditure on infrastructure assets and the ability to evidence the existence of infrastructure assets at the balance sheet date. The Scottish Government agreed to provide a temporary statutory override whilst a permanent solution is developed within the Code. This statutory override was scheduled to end at 31 March 2024 however the Scottish Government have extended the override to 31 March 2025. The extension continues to carry an expectation that Councils will continue to address information deficits to ensure timely adoption of future Code requirements once a more permanent solution is delivered.

What did we do?

Our work over Property, Plant and Equipment focussed on the following areas:

- review and appraisal of the work performed by the Council's valuer, including the scope of the work performed, their professional capabilities and the results of their work;
- sample testing key asset information used by the valuers (e.g. floor plans to support valuations based on price per square metre);
- involving EY internal specialists to challenge the work performed by the Council's valuers;
- assessing any changes to useful economic lives against the most recent valuer assessments;
- testing accounting entries have been correctly processed in the financial statements;
- sample testing transfers from assets under construction and confirm for a sample that remain within assets under construction that development is still in progress;
- reviewing management's impairment assessment and assess the completeness of impairment considerations, including RAAC;
- reviewing the Council's approach to determining if any additional buildings are impacted by the use of RAAC;
- gaining an understanding of the level and nature of capital spend in year and perform testing on fixed asset additions ensuring an appropriate split between revenue and capital expenditure; and
- reviewing operating expenditure for evidence of capital addition omissions.

Our findings

Valuations

Early in the audit process, management explained that given the ongoing focus on the valuation of fixed assets by auditors, and the materiality and estimation uncertainty associated with valuations, the Council had continued to value 100% of assets in 2023/24, which supports the Accountancy Team's assessment of the appropriateness of valuations, but also increases the level of work required by the Council's valuers. The Council employs its own valuers within the Property and Technical Services (PATS) team. During the final audit visit, we requested a risk and materiality based sample of valuations to conduct our own testing, and selected a number to be reviewed by our valuation specialists.

We continued to experience delays in obtaining the valuation schedules for the assets subject to testing. Key working papers that we would expect to be presented and considered by management as part of a robust valuation process were not available at the start of the audit.

Our testing continued to identify errors within valuations, the most material being in the valuation of Eastwood High School, the Council's internal valuers adopted the Modern Equivalent Asset valuation approach to determine the floor area to use in the valuation workings. This resulted in a decrease in value of £33m in this asset from 2022/23. This methodology reduced the area of the school despite the reported status of the school being over capacity. We did not deem this valuation approach to be appropriate, or in line with the internal valuers' methodology applied to other schools.

As a result, we identified that Eastwood High School was understated by £24.3 million.

As part of our work in 2023/24, we assessed the status of management action against the recommendations that we made in 2022/23. Two of the three were completed as planned (refer to Appendix H). However, we highlight in Appendix E that further work is required to respond to PY Recommendation 1. While management issued valuation instructions to the internal experts outlining the information required as part our audit and highlighting the importance of adhering to the principles of the CIPFA Code of Accounting Practice, we continued to experience significant delays in obtaining this information.

In our view, there continues to be insufficient challenge of these valuations by management.

Recommendation 1: Management should ensure there is a sufficient level of internal review and challenge on the valuation documentation provided.

Recommendation 2: Management should give sufficient consideration to condition reports for fixed assets to ensure that alongside the age and obsolescence adjustment, any additional adjustments for the current condition of the asset is considered and appropriately applied.

Nil Book Value assets

As part of our existence testing on assets, we selected a sample of assets that have been depreciated to a nil net book value.

We identified that the majority of the sample could not be sufficiently reconciled to the information held on the fixed asset register, due largely to the aged nature of the assets. We have therefore identified a presentational difference to reflect the disclosure implications. However, we noted two wider issues as a result of this testing (refer to Recommendation 3).

Our findings continued

Recommendation 3: Management should review the record keeping underpinning the Fixed Asset Register to ensure it is sufficient to identify the status and location of individual assets. In addition, a review should be undertaken of the depreciation policy to ensure that asset lives are appropriate for each class of asset.

Infrastructure Assets

Our work over Infrastructure Assets focussed on the following areas:

- assessing whether infrastructure additions have been recorded in sufficient detail to enable verification of the underlying physical asset
- sample testing infrastructure assets to determine their existence at 31 March 2024; and
- review of the depreciation policy for infrastructure assets and ensuring it remains appropriate and in line with CIPFA guidance.

Management continued to apply the statutory override in respect to the disclosure of gross cost and accumulated depreciation in 2023/24.

Recommendation 4: Management should ensure that they are sufficiently prepared for the expiry of infrastructure asset statutory override, with the expectation that information deficits are addressed to ensure adequate accounting records for the measurement of infrastructure assets and timely adoption of the Code requirements.

Common Good Assets

In May 2023, the Local Authority Accounting Scotland Accounts Advisory Committee (LASAAC) issued updated guidance on accounting for Common Good Assets. LASAAC note that there is a requirement to maintain asset registers for all Common Good assets under the Community Empowerment Act 2015. However, previous assessments by LASAAC have noted that problems may have arisen over time as a likely consequence of:

- the historic nature of the Common Good which may encompass assets which are more than 100 years old; and
- there was no requirement for local authorities in Scotland to maintain formal asset registers until 1994.

As a result of the level of public interest in Common Good Assets, we set a lower testing threshold for our work. There were no findings in relation to Common Good Assets in 2023/24.

Our conclusions

- We identified two material misstatements in relation to the valuation of property, plant and equipment in Appendix F, and we have identified three recommendations for future years, and a further outstanding recommendation from 2022/23.
- While there was no disagreement during the course of the audit over any accounting treatment, we continued to experience delays in obtaining appropriate audit evidence for valuations.

Valuation of pension assets and liabilities

Audit requirements

The Council's net pension asset, measured as the sum of the long term payments due to members as they retire against the Council's share of the Strathclyde Pension Fund investments, is a material balance in the Council financial statements. At 31 March 2024 the unaudited financial statements disclosed a nil asset in line with the asset ceiling calculation provided by the scheme actuary (*2023: net asset of £131.9 million*).

Accounting for this scheme involves significant estimation and judgement, including financial and demographic assumptions. The Council engages an actuary to undertake the calculations on their behalf.

ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

Our findings

Accounting standards place a limit on the amount of pension surplus that can be included as an asset on an organisation's balance sheet. A council cannot show an asset on its balance sheet relating to a defined benefit pension scheme which exceeds the economic value it is likely to derive from the pension scheme. The amount that can be included as an asset is therefore restricted to the surplus which can be returned to the Council by way of refunds or reductions in future contributions. This restriction is known as the "asset ceiling". As part of our audit procedures, we requested that the Council obtain an asset ceiling report by its actuaries. Our actuarial specialists reviewed the asset ceiling report and were satisfied that it was materially correct.

Our conclusions

- We engaged specialists to support our work on the reasonableness of the underlying assumptions used by the Council's actuary.
- We undertook procedures to ensure that the information supplied to the actuary in relation to the Council was complete and accurate and that our own estimate of the valuation based on those inputs was materially consistent with the actuarial reports.
- We assessed the reasonableness of the underlying data used to inform the triennial valuation by performing testing of membership data.
- We considered the findings of the appointed auditor of the Strathclyde Pension Fund to obtain assurances over the information supplied to the actuary in relation to the Council, in particular in relation to the valuation of the Pension Fund assets at 31 March 2024 and we audited the accounting entries and disclosures made in the financial statements were consistent with the actuary's report.

Valuation of PFI/PPP Liabilities

Audit requirements

The value of PFI/PPP liabilities represent significant balances in the Council's financial statements with the Council holding 5 different contracts. Accounting for these contracts includes a number of complexities ensuring the financial models reflect any contract amendments and inflationary uplifts.

Within the 2023/24 financial statements, the Council holds £68.1 million in respect of PFI/PPP contract liabilities (*2022/23: £73.5 million*). Refer to accounting policy in Note 1 (page 63) and note 36 of the Consolidated Financial Statements.

Our findings

Our procedures included:

- reviewing the contractual agreements for each PFI/PPP asset and confirm any contract amendments have been appropriately reflected within the liability valuation;
- ensuring that the accounting models have been appropriately and accurately updated to reflect inflationary uplifts and actual unitary charge payments;
- testing accounting entries have been correctly processed in the financial statements;
- reviewing financial statement disclosures to ensure commitments are appropriately disclosed.

Our conclusions

- Based upon the audit procedures performed, we have concluded that PPP/PFI liabilities have been appropriately valued in accordance the CIPFA Code of Practice on Local Authority Accounting in the UK 2023/24 and IFRIC 12 Service Concession arrangements.

Implementation of IFRS 16

Audit requirements

CIPFA has confirmed that there will be no further delay of the introduction of the leases standard IFRS 16 to local government accounting. The standard must be adopted by 1 April 2024 at the latest.

Under the key changes, assets being used by the authority under operating leases are likely to be capitalised along with an associated lease liability.

Lease liabilities and right of use assets will be subject to more frequent remeasurement.

The 2023/24 Statement of Accounts is required to disclose the impact the initial application of IFRS 16 is expected to have on the authority's financial statements.

Our findings

Our procedures included:

- Review and comment upon the disclosures that the Council had made within the draft financial statements; and
- Consideration of the process undertaken to quantify the impact of the revised standard on the Council's financial statements.

Based on our work, we agreed with management's conclusion that the Council is not yet able to quantify the impact of IFRS 16 at the date of approval of these accounts.

Work is underway with the Council's external advisors to identify and review all lease arrangements against the requirements of IFRS 16. Until this exercise is finalised there could be material changes to the potential impact. On this basis no quantification of the potential impact has been provided at this stage.

Recommendation 5: As this is required to be implemented by financial year 2024/25, the Council should ensure that each class of lease is assessed to comply with the standard.

Our conclusions

- Management must implement robust systems to ensure all relevant data points, which could prompt a remeasurement or modification of the accounting entries, are captured in a timely manner, and prepare an accounting paper to set out the extent of any changes.

Going concern

Audit requirements

International Auditing Standard 570 Going Concern, as applied by Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom, requires auditors to undertake sufficient and appropriate audit procedures to consider whether there is a material uncertainty on going concern that requires reporting by management within the financial statements, and within the auditor's report.

Under ISA (UK) 570, we are required to undertake challenge of management's assessment of going concern, including testing of the adequacy of the supporting evidence we obtained. In light of the unprecedented nature of the pressure on public finances in Scotland, the ongoing cost of living crisis and inflationary pressures, we place increased focus on management's assertion regarding the going concern basis of preparation in the financial statements, and particularly the need to report on the impact of financial pressures on the Council and its financial sustainability.

Management's going concern assessment and associated disclosures cover the 12 month period following approval of the financial statements, to September 2025.

After completing its going concern assessment in line with the information and support provided through earlier discussions in the audit process, the Council has concluded that there are no material uncertainties around its going concern status. We have outlined our consideration of the Council's financial position going forward in the financial sustainability section of this report. We considered this in conjunction with management's assessment on going concern, focusing on:

- The completeness of factors considered in management's going concern assessment.
- The completeness of disclosures in the financial statements in relation to going concern and future financial pressures and how savings challenges in the short and medium term will be addressed.

Our conclusions

- We reviewed and challenged the going concern assessment provided by management. We verified the assessment to supporting information, including key reports to the Council and financial plans. We concur with management's assessment that there are no material uncertainties in relation to the going concern of the Council.

4. Best Value and Wider Scope Audit

Introduction

In June 2021, Audit Scotland and the Accounts Commission published a revised Code of Audit Practice. This establishes the expectations for public sector auditors in Scotland for the term of the current appointment.

Risk assessment and approach

The Code sets out the four dimensions that comprise the wider scope audit for public sector in Scotland:

- Financial management.
- Financial sustainability.
- Vision, Leadership and Governance.
- The use of resources to improve outcomes.

We apply our professional judgement to risk assess and focus our work on each of the wider scope areas. In doing so, we draw upon conclusions expressed by other bodies including the Council's internal auditors and the Care Inspectorate, along with national reports and guidance from regulators and Audit Scotland.

For each of the dimensions, we have applied a RAG rating, which represents our assessment on the adequacy of the Council's arrangements throughout the year, as well as the overall pace of improvement and future risk associated with each dimension.

Best Value

The Code explains the revised arrangements for the audit of Best Value. The Accounts Commission require auditors to assess and report on the Council's performance in meeting its Best Value and community planning duties.

The findings from our wider scope work have informed our assessment of Best Value in 2023/24. In addition, the Accounts Commission requested that we conduct a thematic review of leadership and strategic priorities, based on a work programme provided by Audit Scotland.

Exhibit 3: Our RAG ratings

Rating	
Red Amber Green	Our auditor judgements are RAG rated based on our assessment of the adequacy of the Council's arrangements throughout the year, as well as the overall pace of improvement and future risk associated with each area. This takes account of both external risks not within the Council's control and internal risks which can be managed by the Council as well as control and process observations made through our audit work.

Financial Sustainability

Our overall assessment: Red

The Council draws upon scenario planning to prepare for the scale of the budget gaps ahead. The current projected gap for 2025/26 is £15.1 million, though uncertainties remain. The gap will be partly bridged using the remaining balance available in the Council's Service Concessions reserve (£2.3 million) but there is still a significant future budget gap to be addressed.

Longer term financial planning remains challenging, primarily as a result of uncertainties in forecasting cost and demand pressures, future settlements from the Scottish Government and the funding of pay rises. The Council recognises the need to return to multi-year budgets when this is possible.

The pressure on public finances in Scotland continues to increase

Scotland's public services are facing unprecedented challenges. In August 2024, the Scottish Fiscal commission published their latest Fiscal Update, and noted that the Scottish Government is now facing a challenge in balancing its budget. The extent of these challenges was evidenced in August 2024 when emergency controls were put in place to restrict spending in 2024/25. The pressure on spending has increased with public sector pay offers in Scotland now higher than the pay policy published in May 2024, alongside significant uncertainty on the level of funding the Scottish Government will receive from the UK Government ahead of the UK Budget.

In May 2024, the Accounts Commission published a budget briefing summarising key issues arising from analysis of 2024/25 budgets which were agreed by Scotland's 32 councils.

A combined revenue budget of £16.6 billion was reported by councils' for 2024/25. Changes were made to the revenue funding from Scottish Government, taking cognisance of the commitments of the Verity House Agreement.

The Agreement (signed in June 2023) aims to develop a more collaborative approach to delivering three shared priorities:

- Tackling poverty;
- Just transition to net zero; and
- Sustainable public services.

This resulted in an increase in the revenue settlement for 2024/25 due to the Scottish Government including funding within the baseline general revenue grant which was previously ring-fenced or transferred in year from other portfolios. However, the increase in the general revenue grant is largely directed towards the delivery of Scottish Government policies or to support previous pay awards, rather than an increase in available funding for councils to use at their discretion.

At the time of setting their budgets, councils identified a total budget gap of £585 million, including East Renfrewshire Council's share of £12 million. Councils are facing an estimated cumulative budget gap of £780 million by 2026/27.

Ongoing uncertainties impact the Council's ability to make robust financial plans

Since the impact of the pandemic, Council officers have made clear that they would like to return to the previous good practice (last possible in 2020) of developing multi-year budgets to support financial, workforce and asset planning.

Continuing uncertainty for both the Scottish Government and local government budgets means that the impact on the finances available is very difficult to predict. One year budget settlements from the Scottish Government, and the late settlement of pay awards mean that accurate forecasting remains extremely challenging.

The Council plans to develop a three year Revenue Budget for the period 2025-28, subject to multi-year government data availability.

Recommendation: The Council's planned action aligns with the recommendation that we made in 2022/23, refer to Appendix E, PY Recommendation 4.

Medium Term Financial Planning is based on assumptions and current estimates

The Council continues to prepare an outline revenue financial plan (the most recent, from February 2024, covers the period 2024-2030).

This noted that the Council had expected to receive three year settlement figures from the Scottish Government both in December 2022 and 2023.

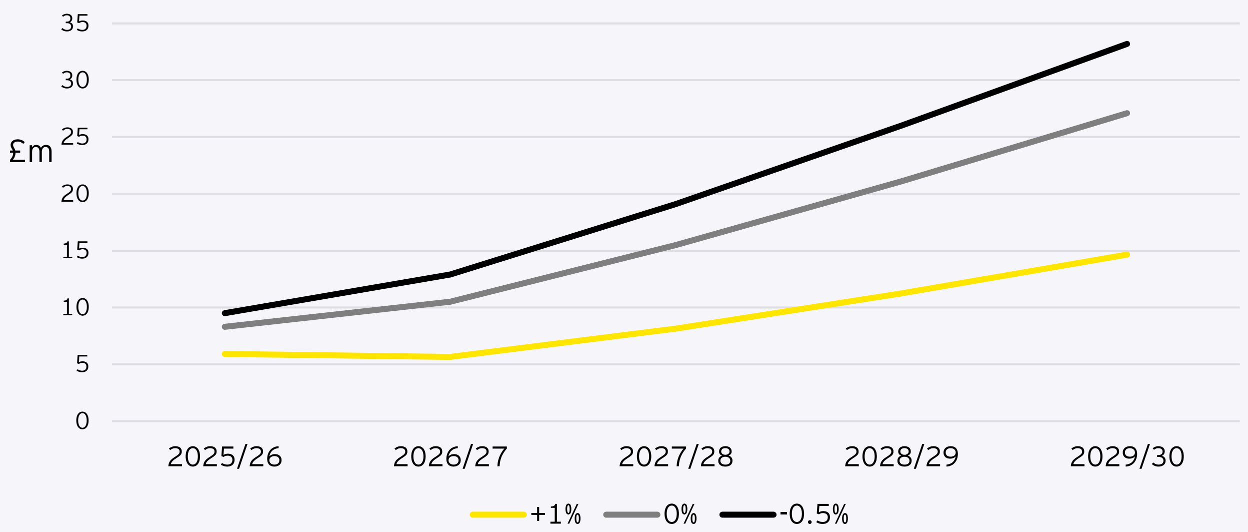
Alongside the outline revenue plan, the Council prepares three year financial plans as part of the Outcome Delivery Planning process.

Exhibit 4 highlights that the Council draws upon scenarios and assumption modelling to plan for budget gaps. The Council's forecasting is based on a medium scenario, of flat cash settlements from the Scottish Government, and is informed by the most recent understanding of policy decisions.

The Council must bridge a budget gap of £15.1 million in 2025/26

At the time that the revenue budget was set in February 2024, the Council estimated that gross budget gaps for 2025/26 and 2026/27 were £15.1 million and £5.1 million respectively, before the application of any new savings, drawdown from

Exhibit 4: The Council uses a range of scenarios to inform financial modelling. The funding gap over the period to 2029/20 ranges from £14.6 million to £33.2 million.



reserves or increases in Council Tax. However, significant uncertainties remain including:

- The level of funding made available to local government from the Scottish Government;
- Any further impact of demographic change
- The delivery of planned savings (any unachieved savings will add a recurring pressure to future years);
- The impact of demand pressures on the Council's partner, East Renfrewshire Integration Joint Board.

As Exhibit 5 outlines, the Council was able to bridge the budget gap in 2024/25 using:

- Use of reserves of £5.8 million, including £5 million of the resources allocated within the service concessions reserve;
- Savings of £3.1 million; and
- Additional income from the Scottish Government to fund the Council Tax freeze (£3.15 million).

The Council's approach to public consultation and early consideration by the cross-party Budget Strategy Group meant that £2.1 million of savings had been approved prior to the 2024/25 budget.

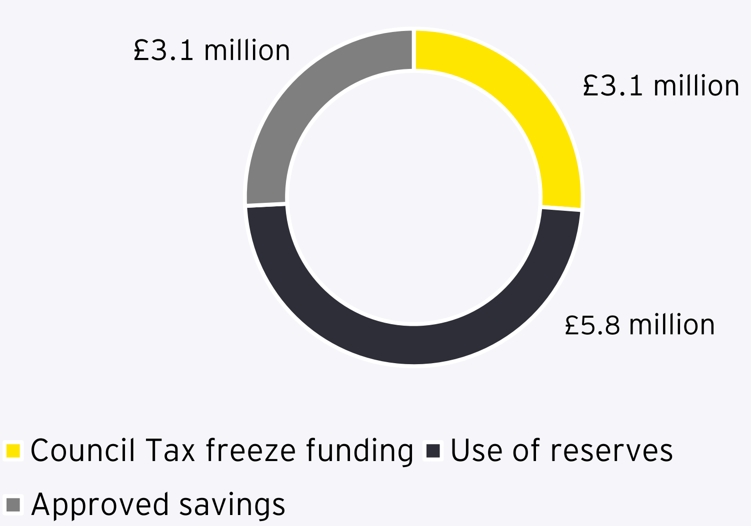
Similar plans are in place to secure early savings in advance of the 2025/26 budget, including £0.5 million approved to date by the Council.

The Council's reserves balances fell in 2024/25, in line with the budget strategy

The Council took advantage of fiscal flexibilities available to local government to secure one-off benefit of £14.8 million to the reserves position in 2022/23.

The restructuring of the liability held in the

Exhibit 5: The Council balanced the 2024/25 budget using £5 million of financial flexibilities and £3.1 million savings



Council's Balance sheet for its five PFI/PPP service concession arrangements over the lives of the assets instead of the lives of the contracts, allowed the Council to create a specific service concessions reserve to manage future budget gap pressures.

Exhibit 6 highlights that £7.5 million of this fund was used in 2023/24 to mitigate the impact of the flat cash settlement. The fund is expected to be fully used by March 2026, bridging around £2.3 million of the gap in 2025/26.

The Council also used most of the remaining Covid-19 funding in 2023/24 and has committed plans for the remaining balance of £1.8 million.

As in prior years, operational underspends were used to replenish reserves and while the Council's reserves fell by £10.3 million overall, the unearmarked General Reserves increased by £0.6 million, to £7.3 million.

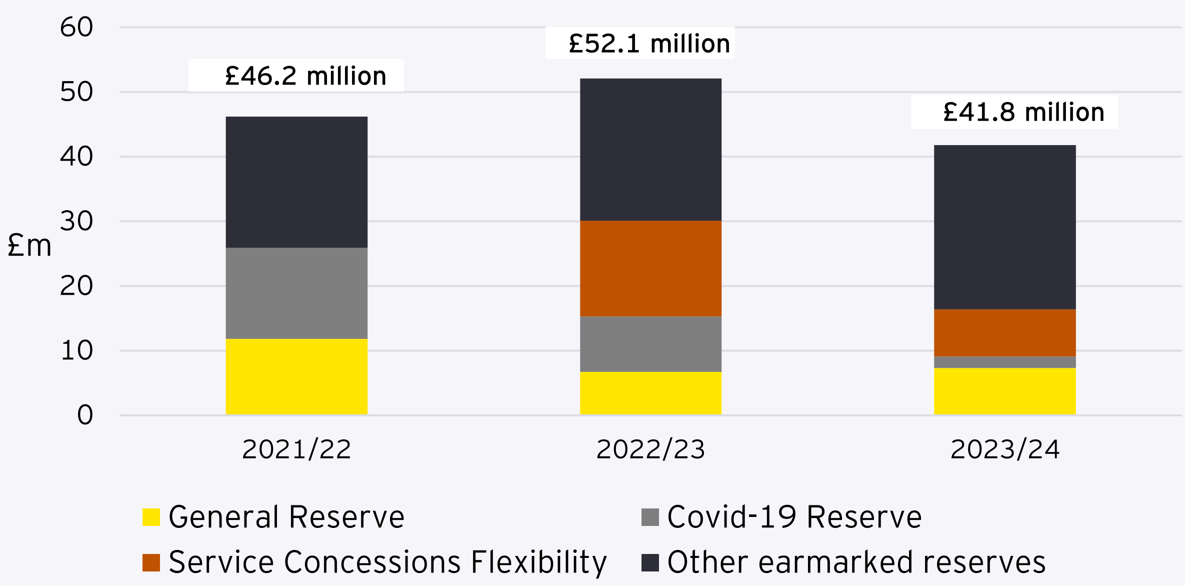
This represents 2.3% of the Council's annual budgeted net revenue expenditure and is within the target level set in the Council's Reserves Policy (February 2024).

The Council continues to set aside balances to respond to pressures in future years

Like many other Scottish local government bodies, the Council will benefit from a reduction in employers superannuation costs in 2024/25 and 2025/26 as a result of current surpluses within the Strathclyde Pension Fund local government pension scheme.

The employer contribution rates will fall from 19.3% in 2023/24 to 6.5% for two years, before returning to 17.5% in 2026/27. This results in a "windfall" where costs are lower than prior years, estimated at £6.3 million in each year.

Exhibit 6: Reserves balances decreased by £10.3 million during 2023/24 as a result of the application of service concession financial flexibilities



The Council's 2024/25 budget outlines plans to take advantage of the opportunity presented by the reduced pension rates to establish a new Investment in the Future reserve to provide future benefits.

The Council has set clear criteria for the use of the fund:

- Proposals should be sustainable (i.e. there must be an exit strategy);
- Proposals should not reverse any previously agreed savings;
- Proposals should be aligned to the Council's Strategic Plan; and
- Projects should support Spend to Save (pay for themselves) or should support investing in and developing our people.

The Cabinet considered initial proposals in May 2024, and supported the use of the fund to:

- Support East Renfrewshire Health and Social Care Partnership to respond to their financial gap (£0.7 million);
- Closing the poverty related attainment gap (£0.3 million)
- The introduction of parking charges and fleet utilisation (£0.4 million); and
- The creation of a reserve to invest in developing the workforce (£0.4 million).

Financial Management

Our overall assessment: Green

The Council recorded a deficit of £10.3 million, reflecting an underspend of £6.9 million within operational services, mainly as a result of one off movements. This continues a trend of significant underspends, beyond the level reported to elected members throughout the financial year.

In 2023/24 the Council elected to draw upon £10.3 million from reserves to balance the financial position, including the planned use of the Service Concessions reserve. Use of non-recurring measures to balance the budget is not sustainable.

Financial Outturn

The Council recorded a deficit on the provision of services of £10.3 million in 2023/24 before the budgeted application of reserves (£10.2 million). The performance was broadly in line with the approved budget, but reflects significant movements within individual reserves:

- The unbudgeted use of £6.8 million of Covid-19 funding; which was offset by
- £6.9 million of operational underspends within services, which allowed tranfers to the Repairs and Renewals Fund (£1 million), Capital Reserve (£1 million) and General Fund (£4.9 million).

The operational underspend was largely achieved as a result of one off movements including:

- improved income, including interest earned on temporary investment balances of £2.5 million;
- the recovery of £2.7 million from a successful VAT appeal dating back to 2006;
- underspends in utility and catering costs totalling £2.7 million.

These underspends were partially offset by additional homelessness costs (£0.6 million) and an unplanned contribution to the East Renfrewshire Integration Joint Board (£0.9 million).

As reported in prior years, the outturn was better than forecast throughout the financial year

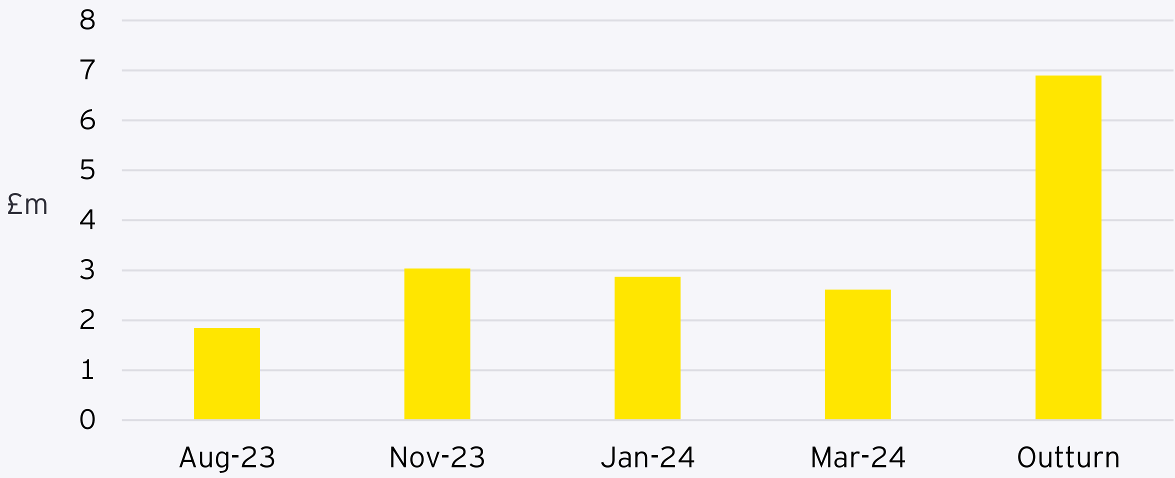
The 2023/24 financial outturn continues the trend of significant underspends noted in previous years. In 2022/23, we recommended improvements to budget monitoring and forecast reporting arrangements (refer to Appendix E,PY Recommendation 6).

The Council's approach to budget monitoring ensures that actual spend is compared to the approved budget, including the confirmed income at that date. During the financial year, additional income sources may become available but this income is not reflected until outturn reporting.

While this means that the budget monitoring reports remain prudent, and there is reduced risk of an unexpected overspend position, it does mean that the financial outturn may be better than elected members could reasonably expect throughout the financial year.

Exhibit 7 highlights that forecasting projected an underspend against service budgets throughout the financial year, but the level of underspend grew significantly between reporting in March and June 2024.

Exhibit 7: The level of projected underspend increased by £4.3 million between reporting in March 2024 and the outturn report in June 2024



Openness and transparency in financial reporting

The Accounts Commission's publication [Local Government budgets 2024/25], in May 2024 noted there are significant variations in the way that financial information is presented across councils in Scotland. To enhance accessibility and transparency, the Commission set out their expectations that all councils will present some fundamental, good practice information within publicly available budget papers.

The information that the Commission expects to see set out clearly includes:

- the annual revenue budget, comprising funding and income, prior to savings and other 'bridging' actions;
- the associated budget gap, prior to 'bridging' actions such as savings and use of reserves;
- the savings plan, clearly setting out the split between recurring and non-recurring actions;
- projected revenue budget gaps, both annual and cumulative; and
- the assumptions used in calculating projected budget gaps.

We were satisfied that the publicly available budget papers for East Renfrewshire Council addressed each of the Commission's expectations.

The Council reported lower expenditure than planned across its capital programmes in 2023/24

Councils across Scotland have noted the impact of the pandemic and the war in Ukraine on the delivery of capital programmes.

The Council's total capital investment was £46.5 million in 2023/24, including £41.4 million in the General Fund and £5.1 million in the Housing Revenue Account.

The initial budget for the General Fund Capital Plan was £72 million. There were variations within the planned programme, including school works where works need to be programmed around school holidays. The Council also reported throughout the year that construction costs are rising faster than general inflation due to shortages of materials and labour and also due to bidders factoring in additional risk in their pricing.

Based on recent tendering experience, frequently the returned prices cannot be accommodated within the existing budget provision.

In a number of cases, this has led to project delays, most noticeably at the start of projects.

Capacity within the finance team

In July 2024, the Chair of the Accounts Commission published a briefing on the importance of the role of Chief Finance Officers (CFOs) within local government in Scotland.

The Chair notes that as the challenges across the public sector intensify, the role of CFOs is increasingly complex. The CFO is expected to take an active leadership role, not just within the finance function, but across the organisation as a whole.

The Accounts Commission ask us to highlight if we have any concerns about the capacity and skills available to local government finance teams. They look for reassurance that the CFO is able to bring their influence to bear on all significant business decisions, so that the immediate and long-term implications on financial sustainability and stability are well understood.

The briefing recognises that when budgets tighten often corporate, or 'back office' functions face initial reductions, to avoid any immediate impact on front line services. Against this background, it is important that in the pursuit of back-office efficiencies, the effectiveness of the financial function is not put at risk.

As a result, the Commission also ask us to comment on whether the CFO is supported by a finance function that is resourced to be fit for purpose.

In 2022/23, we highlighted that the Council had identified a weakness in relation to the impact of retirals and the corresponding loss of experience and organisational knowledge. When the current CFO announced her plans to retire, we note that the Council commenced recruitment in sufficient time to allow a handover period of just under three months. We consider this to be good practice and has allowed the new postholder to continue to develop budget planning, and direct engagement with the Budget Strategy Group.

We also noted in 2022/23 that while the Council has an experienced finance team, there is a risk of key person dependence due to the relative size and multiple responsibilities of members of the team. We continued to observe this in 2023/24, but we noted as part of our work on Best Value (refer to page 40) that plans are in place throughout the Council to upskill teams and reduce the risk of dependence on one person. In 2023/24, the Accountancy team was impacted by turnover in a number of key posts, but recruitment was successful in year and overall the quality of working papers and support that we received from the team was good.

Vision, Leadership and Governance

Our overall assessment: Green

The Council has recently approved the Community Planning Partnership's Strategic Plan, "A Place to Grow" and will now refresh the underpinning strategies and plans to align to three new priority themes.

Governance arrangements are established and the Annual Governance Statement concludes that they worked well throughout 2023/24. During the year, the Council's internal auditors had to delay planned areas of work as a result of significant capacity constraints, but successfully recruited to team vacancies by March 2024.

The Council has updated its Strategic Plan, A Place to Grow

In September 2024, the Council will consider "A Place to Grow", refreshed the long term strategic vision for East Renfrewshire.

It has drawn upon significant stakeholder engagement and work with partners to refine and refresh the vision for the next 10 to 15 years and has replaced the 5 previous strategic outcomes to three clear priority themes:

- Children and Young People flourish
- Communities and Place thrive; and
- We all live well.

Once approved, further work will be undertaken to review each underpinning strategy and plan to align with the priority themes.

The Annual Governance Statement demonstrates that the Council has the key requirements for good governance in place

The key aspects of the Council's governance arrangements are required to be disclosed in the Annual Governance Statement within the financial statements.

We reviewed the governance statement against the requirements outlined in the CIPFA framework for *Delivering Good Governance in Local Government*, and against our understanding of the Council's arrangements in the period to 31 March 2024.

The Local Authority Accounting (Scotland) Regulations 2014 require that a review is undertaken, at least once in each financial year, of the effectiveness of the system of internal control. The Council's Chief Financial Officer has concluded that reasonable and objective assurance can be taken that any risks impacting on the achievement of our strategic outcomes were identified, and appropriate actions were taken for the year to 31 March 2024.

Her assessment is based on Statements of Assurance from Directors and Chief Executives within the Council and Culture and Leisure Trust. Two exceptions were raised within the Certificate of Assurances, including breaches of the employee codes within the Environment Directorate.

The Delivering Good Governance Framework notes that the annual governance statement should be approved at a meeting of the committee with a remit including audit or governance. In many Councils, the governance statement is considered as a separate report by the

Audit Committee equivalent prior to finalisation of the draft financial statements. This allows separate scrutiny alongside key governance documents such as the Internal Audit Annual Report.

While the Annual Governance Statement was included within the draft financial statements, good practice would allow separate consideration as a standalone item.

Recommendation 6: The Annual Governance Statement should be considered as a separate item by the Audit and Scrutiny Committee at its June meeting.

The Council concluded that its internal control arrangements remain effective

Within the Annual Governance Statement, the Council has concluded that they have obtained assurance that the system of internal control was operating effectively during the year.

The Council uses the Annual Governance Statement to explain the actions that will be taken in response to weaknesses, and reports on the progress against actions agreed in prior years.

The statement noted the impact in-year of vacancies within the Council's internal audit team. Eight internal audit reviews that were planned to be completed were required to be deferred into 2024/25.

Each review was approved by the Audit and Scrutiny Committee. While each of the vacancies has now been filled, there will be a delay before the audit cycle returns to normal.

Through our audit of the financial statements, we consider the design and implementation of key controls related to areas of significant risk to the financial statements. This work has included documenting the key internal financial controls and performing walkthroughs to ensure controls are implemented as designed.

We undertook an assessment of the financial control environment as part of our planning work and updated our understanding as part of the year end audit. Following the revisions to the ISA (UK) 315, our audit methodology included a greater focus on the use of IT in the system of internal control. Our work did not identify any significant weaknesses in the systems of internal control relevant to the preparation of the Council's financial statements.

Internal audit follow up recommendations to ensure that agreed actions have been implemented as planned

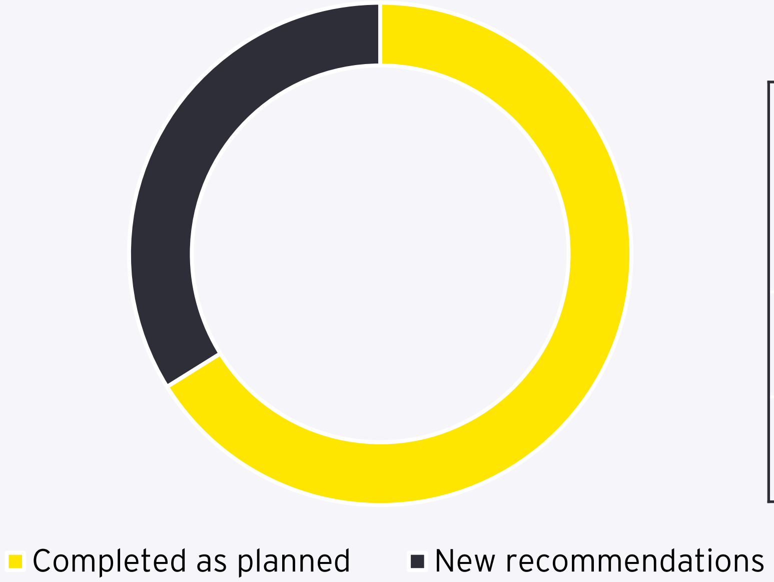
The internal audit team set aside days within their programme of work to conduct follow-up audits. These seek to ensure that the recommendations previously made by Internal Audit and accepted by management have been implemented as planned.

In the period to June 2024, 7 follow up audits were completed across 4 Directorates. Internal audit either accept the recommendations as implemented, or make new recommendations for action.

Exhibit 8 highlights that around 66% of the actions followed up by internal audit (a total of 124 recommendations) were considered to be complete.

However, 42 new recommendations were made, including 18 within the Environment Service.

Exhibit 8: Internal audit's follow up of recommendations noted that around two-thirds were completed as planned



Rating of internal audit's new recommendations:

High	3
Medium	13
Low	26

Use of resources

Our overall assessment: Green

The Council has a well-developed approach in place to monitor and report on key areas of performance, and was able to demonstrate key areas of improvement in 2023/24 within both service performance and in responding to the Strategic Outcomes within the Community Plan. National benchmarking data shows that the Council performs above the Scottish average in 64% of indicators.

The Council has benefited from significant City Deal investment and continues to monitor progress against strategically important projects.

The Council regularly reports on its performance

The Council has a comprehensive Performance Framework in place to report on performance against the Strategic Outcomes within the previous Strategic Plan. The annually-refreshed Outcome Delivery Plan provides a direct link to the priorities within the Community Plan.

The Annual Performance Report for 2023/24 will be published in September 2024, after normal timescales were impacted by the timing of the general election.

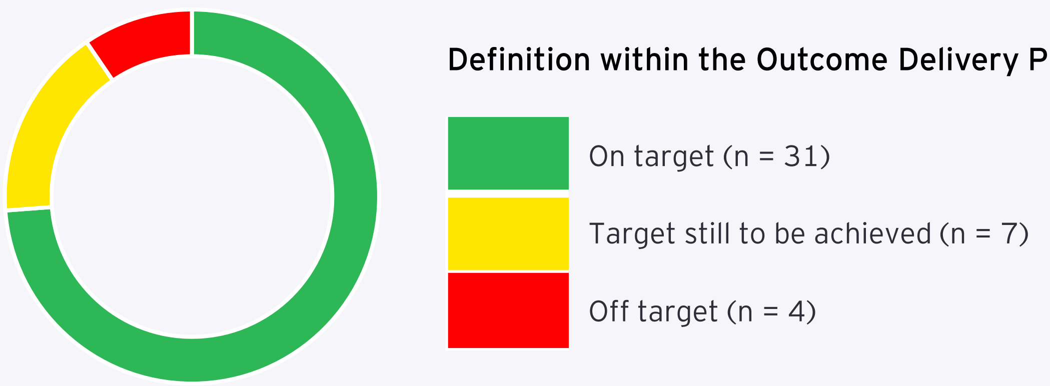
The Council considers a 6-monthly strategic performance report mapped to the Strategic Outcomes and updating on the Outcome Delivery Plan.

This includes an assessment of performance against targets, along with trend information and a description from the service including reasons for any slippage against targets.

Exhibit 9 highlights that in 2023/24, the Council assessed progress as "Green" for 74% of the indicators where targets were set within the Outcome Delivery Plan. Key achievements include:

- The Council's operational emissions reduced by 8% in 2022/23;
- The Council exceeded the target to build 270 new affordable homes over the period 2017-23 (413 were completed in partnership between the Council and its social housing partners); and
- The target 65% of Citizens' Panel respondents reported that they are satisfied with services.

Exhibit 9: The Council reported that it delivered 74% of targets against the Strategic Outcomes within the Outcome Delivery Plan in 2023/24



The Council reports on overall benchmarking with other Scottish authorities

In May 2024, the Council's Cabinet considered the results of the 2022/23 Local Government Benchmarking Framework (LGBF) exercise. This presents a suite of measures of performance, comparing the Council's outcomes to comparators across Scotland.

In August 2024, the Accounts Commission reinforced their view of the importance of the LGBF. They noted that the latest LGBF annual report shows that the pace of improvement in councils is slowing, with 2022/23 the first year that the rate of decline in indicators has overtaken the rate of improvement. This is against a backdrop of growing financial, demand and workforce pressures.

Exhibit 10 highlights that East Renfrewshire's performance exceeded national averages for 64% of the indicators in 2022/23. For Children's Services, the Council continues to perform at the highest level ranking 1st or 2nd nationally across all measures. The indicators where the Council was ranked as first include:

- The proportion of pupils entering positive destinations (98.7% compared to Scottish average of 95.9%);
- The school attendance rate (93% compared to Scottish average of 90.2%);
- The participation rate for 16-19 year olds (97.7% compared to Scottish average of 94.3%); and
- The cost per primary pupil place.

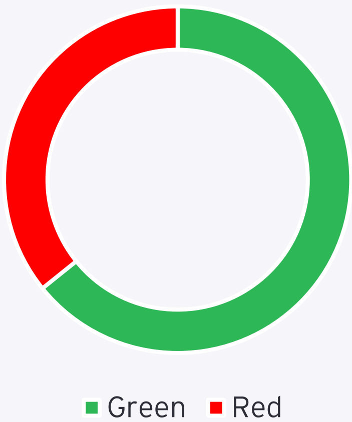
Other service areas that significantly exceed the national average performance include:

- The proportion of Adult Care Service graded 'good' or better (87% compared to Scottish average of 75%); and
- Rates of readmission to hospital within 28 days per 1,000 discharges improved from 76.8 to 67.8. This was better than the Scottish average of 101.7.

There were three indicators where the Council ranked as 32nd out of Scottish councils:

- Gross value added per capita (£11,472 against an average of £27,039).

Exhibit 10: East Renfrewshire's performance exceeded Scottish averages for 64% of indicators in 2022/23



Definition within the Local Government Benchmarking Framework

Green	Performance significantly exceeds Scottish average (n = 5)
Red	Performance compares unfavourably to Scottish level performance (n = 4)

- The proportion of procurement spend spent on local enterprises (11.9% against Scottish average of 29.6%); and
- the weekly cost of "children looked after" in residential services (the Council's average weekly cost is £8,742 against an average of £4,804).

The Council's significant City Deal investments made progress in 2023/24

The Council has benefitted from a programme of Glasgow City Region City Deal projects that are intended to stimulate economic growth in East Renfrewshire. The projects are expected to improve transport links, increase leisure opportunities, support business development, create jobs and unlock residential land.

East Renfrewshire's City Deal programme (M77 Strategic Corridor) will result in a total investment of £44 million comprising £38 million from the Scottish and UK Governments and co-funded by the Council's £6 million capital contribution.

The Council considered update reports on the City Deal projects throughout 2023/24. The status of the projects at August 2024 was:

- Aurs Road Improvements, underway;
- New Rail Station at Barrhead South, estimated to begin in 2025;
- Country Park Visitor Facilities; for which initial feasibility and site investigations have been undertaken;
- Levern Works – land remediation (Project is complete)
- The Greenlaw Works (Completed); and
- Balgraystone Rd improvements (Completed).

The Aurs Road project aims to improve local connections between Newton Mearns and Barrhead and will support visitor facilities at the Dams to Darnley Country Park.

The Council's investment in this project is £1.72 million. Most of the City Deal funding is made up of £5.5 million in contributions from the Scottish and UK governments. The rest of the funding is provided by Transport Scotland through Sustrans' Places for Everyone programme, the Scottish Government's Bridge Fund and developer contributions from new house building projects in the area.

The road has been closed since January 2024 and the original anticipated re-opening date was scheduled for December 2024. In the course of the ongoing works, some issues have been encountered with ground conditions and contractors have therefore sought to mitigate delays on site, as far as possible, by continuing to work around the impacted areas. The City Deal team is working alongside project managers and contractors to understand the impact that the factors identified will have on the programme.

At this stage, we understand that any additional costs emerging as a result of the difficulties will be met from the City Deal programme.

Best Value

In our view, the Council's performance management and financial reporting arrangements allow the Council to demonstrate the achievement of Best Value. Our consideration of the strategic planning arrangements in 2022/23 concluded that there is a vision in place and that longer term strategic planning is based on community engagement and is aligned with community planning partners. The revised Community Planning Partnership strategic plan, "A Place to Grow" reflects the significant engagement with stakeholders and has recently been approved.

The thematic review in 2023/24 considered the Council's arrangements for workforce planning and innovation. The Council has developed a People Strategy to support the delivery of the new strategic plan and work towards becoming a learning organisation.

Thematic review

Under the Code of Audit Practice June 2021, we perform an annual programme of work in relation to Best Value and wider scope responsibilities. This work includes reviews based on annual thematic Best Value topics prescribed by the Accounts Commission (the Commission).

For 2023/24, the Commission directed auditors to report on workforce innovation. Our key conclusions against the work programme set by the Commission are outlined in Exhibit 11.

Basis for our assessment

As auditor to the Council, we are required to comment on how effectively, in our view, the Council demonstrates that it meets its Best Value responsibilities.

In forming this judgement, we draw upon the thematic Best Value work and our wider planning work, alongside the work conducted to support our wider scope responsibilities, and specifically:

- Documentation review and fieldwork interviews with senior officers;
- Our consideration of the Council's financial planning processes including the most recent Medium Term Financial Plan and budget monitoring reports;
- Governance arrangements, including monitoring reports on the use of resources and scrutiny arrangements;
- Our assessment of performance reporting to the Council; and
- The Council's revised Strategic Plan, " A Place to Grow" and priority themes.

The Council can demonstrate that it has the key elements needed to deliver Best Value in place

The Community Planning Partnership has reviewed and updated its longer-term strategic planning based on engagement with communities and partnership working with key stakeholders. A further programme of work is planned to fully refresh the frameworks that will support delivery, including a review of current community planning structures and plans.

The Council has a Performance Framework in place and the Council compares well to others within the Local Government Benchmarking Framework. As with other Councils across Scotland, the financial position is increasingly challenging. The requirement to make savings in a way that protects the key priorities of the Council is likely to become very difficult.

Exhibit 11: The key findings from our Best Value Thematic Review

Summary of findings

- The Council refreshed its approach to workforce planning in 2023/24 to support the development of its strategic planning framework. The revised Community Planning Partnership's strategic plan, "A Place to Grow" has recently been approved. As part of the updated arrangements, a People Strategy has been developed to support the Council's aim to become a learning organisation.
- The Council has made recent improvements to workforce planning arrangements within service improvement planning documentation. This process supports the identification and understanding of specific risk areas within services, and allows escalation to the Organisational Development Board.
- The Corporate Management Team maintains oversight over workforce planning and the development of key skills and capabilities to support wider strategic planning via the Organisational Development Board. We concluded that there is scope to further improve elected member understanding of key risks and performance in the workforce.
- A Digital Transformation Programme is in place, with Workforce Productivity one of three priorities. The Council has delivered a number of projects under the programme to date including automation projects, the development of management dashboards, significant system changes and upgrades, and the roll-out of hand-held devices for frontline staff, including those in social care. Main Council offices are being refurbished to support modern, flexible, digital working.
- Like many other local authorities, the Council experiences recruitment challenges across key service areas including social care, facilities management, project management and digital roles.

Areas of Good Practice

- The Council has a well-established leadership development programme to support succession planning across the organisation.
- The Council has developed a series of internal management information dashboards which are available for managers on the Microsoft Teams platform.
- A Health and Wellbeing programme of work which includes training, health checks and financial wellbeing courses for members of staff.

Our Recommendations

- The Council should consider how best to broaden awareness of key workforce planning issues amongst elected members.
- The 2025/26 budget process needs to address the funding of the digital transformation programme to continue to enhance the efficiency and effectiveness of services.
- The Council should take steps to improve participation rates in Quality Conversations across the Council.
- The Council must take steps to increase the response rate to the employee survey.

Appendices

A Code of audit practice: Responsibilities

Audited body responsibilities

Audited bodies have the primary responsibility for ensuring the proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety and regularity that enable them to successfully deliver their objectives. The features of proper financial stewardship include the following:

Corporate governance

Each body, through its chief executive or accountable officer, is responsible for establishing arrangements to ensure the proper conduct of its affairs including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements. Audited bodies should involve those charged with governance (including audit committees or equivalent) in monitoring these arrangements.

Financial statements and related reports

Audited bodies must prepare annual accounts comprising financial statements and other related reports. They have responsibility for:

- Preparing financial statements which give a true and fair view of their financial position and their expenditure and income, in accordance with the applicable financial reporting framework and relevant legislation.
- Maintaining accounting records and working papers that have been prepared to an acceptable professional standard and that support their accounts and related reports disclosures.
- Ensuring the regularity of transactions, by putting in place systems of internal control to ensure that they are in accordance with the appropriate authority.
- Preparing and publishing, along with their financial statements, related reports such as an annual governance statement, management commentary (or equivalent) and a remuneration report in accordance with prescribed requirements.
- Ensuring that the management commentary (or equivalent) is fair, balanced and understandable.

It is the responsibility of management of an audited body, with the oversight of those charged with governance, to communicate relevant information to users about the entity and its financial performance, including providing adequate disclosures in accordance with the applicable financial reporting framework. The relevant information should be communicated clearly and concisely.

Audited bodies are responsible for developing and implementing effective systems of internal control as well as financial, operational and compliance controls. These systems should support the achievement of their objectives and safeguard and secure value for money from the public funds at their disposal. They are also responsible for establishing effective and appropriate internal audit and risk-management functions.

Standards of conduct for prevention and detection of fraud and error

Audited bodies are responsible for establishing arrangements for the prevention and detection of fraud, error and irregularities, bribery and corruption and to ensure that their affairs are managed in accordance with proper standards of conduct by putting proper arrangements in place.

A Code of audit practice: Responsibilities (cont.)

Maintaining a sound financial position

Audited bodies are responsible for putting in place proper arrangements to ensure that their financial position is soundly based having regard to:

- Such financial monitoring and reporting arrangements as may be specified.
- Compliance with any statutory financial requirements and achievement of financial targets.
- Balances and reserves, including strategies about levels and their future use.
- How they report to deal with uncertainty in the medium and longer term.
- The impact of reporting future policies and foreseeable developments on their financial position.

Responsibilities for best value, community reporting and performance

Local government bodies have a duty to make arrangements to secure best value. best value is defined as continuous improvement in the performance of the body's functions. In securing best value, the local government body is required to maintain an appropriate balance among:

- The quality of its performance of its functions.
- The cost to the body of that performance.
- The cost to persons of any service provided by it for them on a wholly or partly rechargeable basis.

In maintaining that balance, the local government body shall have regard to:

- Efficiency.
- Effectiveness.
- Economy.
- The need to meet the equal opportunity requirements.

The local government body shall discharge its duties under this section in a way which contributes to the achievement of sustainable development.

In measuring the improvement of the performance of a local government body's functions for the purposes of this section, regard shall be had to the extent to which the outcomes of that performance have improved.

The Scottish Government's Statutory Guidance on best value (2020) requires bodies to demonstrate that they are delivering best value in respect of seven themes:

1. Vision and leadership
2. Governance and accountability
3. Effective use of resources
4. Partnerships and collaborative working
5. Working with communities
6. Sustainability
7. Fairness and equality

The Community Empowerment (Scotland) Act 2015 is designed to help empower community bodies through the ownership or control of land and buildings, and by strengthening their voices in decisions about public services.

Specified audited bodies are required to prepare and publish performance information in accordance with Directions issued by the Accounts Commission.

A Code of audit practice: Responsibilities (cont.)

Internal audit

Public sector bodies are required to establish an internal audit function as a support to management in maintaining effective systems of control and performance. With the exception of less complex public bodies the internal audit programme of work is expected to comply with the Public Sector Internal Audit Standards.

Internal audit and external audit have differing roles and responsibilities. External auditors may seek to rely on the work of internal audit as appropriate.

Appointed auditors' responsibilities

Appointed auditors' statutory duties for local government bodies are contained within Part VII of the Local Government (Scotland) Act 1973, as amended.

These are to:

- Audit the accounts and place a certificate (i.e., an independent auditor's report) on the accounts stating that the audit has been conducted in accordance with Part VII of the Act.
- Satisfy themselves, by examination of the accounts and otherwise, that:
  - The accounts have been prepared in accordance with all applicable statutory requirements.
  - Proper accounting practices have been observed in the preparation of the accounts.
- The body has made proper arrangements for securing best value and is complying with its community reporting duties.
- Hear any objection to the financial statements lodged by an interested person.

Appointed auditors should also be familiar with the statutory reporting responsibilities in section 102 of the Local Government (Scotland) Act 1973, including those relating to the audit of the accounts of a local government body.

B Independence report

Introduction

The FRC Ethical Standard and ISA (UK) 260 'Communication of audit matters with those charged with governance', requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in December 2019, requires that we communicate formally both at the reporting stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

During the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We ensure that the total amount of fees that EY charged to you for the provision of services during the period, analysed in appropriate categories, is disclosed.

Required Communications

Planning Stage

- The principal threats, if any, to objectivity and independence identified by EY including consideration of all relationships between you, your directors and us.
- The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review.
- The overall assessment of threats and safeguards.
- Information about the general policies and process within EY to maintain objectivity and independence.

Final Stage

- To allow you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed.
- Details of non-audit/additional services provided and the fees charged in relation thereto.
- Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us.
- Details of all breaches of the IESBA Code of Ethics, the FRC Ethical Standard and professional standards, and of any safeguards applied and actions taken by EY to address any threats to independence.
- Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy.
- An opportunity to discuss auditor independence issues.

We confirm that we have undertaken client and engagement continuance procedures, including our assessment of our independence to act as your external auditor. We have identified no relationships that impact the audit of East Renfrewshire Council.

C

Required communications

We have detailed below the communications that we must provide to the Council.

Required communications	What is reported?	Our reporting to you When and where
Terms of engagement	Confirmation by the Audit and Scrutiny Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	Audit Scotland Terms of Appointment letter (December 2022) - audit to be undertaken in accordance with the Code of Audit Practice.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Annual Audit Plan - March 2024
Reporting and audit approach	Communication of the reporting scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.	Annual Audit Plan - March 2024
Significant findings from the audit	▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures. ▶ Significant difficulties, if any, encountered during the audit. ▶ Significant matters, if any, arising from the audit that were discussed with management. ▶ Written representations that we are seeking. ▶ Expected modifications to the audit report. ▶ Other matters if any, significant to the oversight of the financial reporting process. ▶ Findings and issues regarding the opening balance on initial audits.	This Annual Audit Report - September 2024.

C Required communications (cont.)

Required communications	What is reported?	Our reporting to you When and where
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: ▸ Whether the events or conditions constitute a material uncertainty ▸ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▸ The adequacy of related disclosures in the financial statements	This Annual Audit Report.
Misstatements	▸ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation. ▸ The effect of uncorrected misstatements related to prior periods. ▸ A request that any uncorrected misstatement be corrected. ▸ Corrected misstatements that are significant. ▸ Material misstatements corrected by management.	This Annual Audit Report.
Fraud	▸ Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity. ▸ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist. ▸ A discussion of any other matters related to fraud.	This Annual Audit Report.
Internal controls	Significant deficiencies in internal controls identified during the audit.	This Annual Audit Report.

C

Required communications (cont.)

Our reporting to you

Required communications	What is reported?	When and where
Related parties	Significant matters arising during the audit in connection with the entity's related parties including, when applicable: ▸ Non-disclosure by management ▸ Inappropriate authorisation and approval of transactions ▸ Disagreement over disclosures ▸ Non-compliance with laws and regulations ▸ Difficulty in identifying the party that ultimately controls the entity	This Annual Audit Report.
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence. Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: ▸ The principal threats ▸ Safeguards adopted and their effectiveness ▸ An overall assessment of threats and safeguards ▸ Information about the general policies and process within the firm to maintain objectivity and independence	Annual Audit Plan and this Annual Audit Report.
External confirmations	▸ Management's refusal for us to request confirmations. ▸ Inability to obtain relevant and reliable audit evidence from other procedures.	This Annual Audit Report.
Representations	Written representations we are requesting from management and/or those charged with governance.	This Annual Audit Report.
Best value and wider scope judgements and conclusions	Our reporting will include a clear narrative that explains what we found and the auditor's judgement in respect of the effectiveness and appropriateness of the arrangements that audited bodies have in place regarding the wider-scope audit.	This Annual Audit Report.

C

Required communications (cont.)

Our reporting to you

Required communications	What is reported?	When and where
Consideration of laws and regulations	▸ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off. ▸ Enquiry of the Audit and Scrutiny Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit and Scrutiny Committee may be aware of.	This Annual Audit Report.
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise.	This Annual Audit Report.
Auditors report	Any circumstances identified that affect the form and content of our auditor's report.	This Annual Audit Report.
Group matters	▸ An overview of the type of work to be performed on the financial information of the components. ▸ An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components. ▸ Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work. ▸ Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted.	This Annual Audit Report
Key audit matters	The requirement for auditors to communicate key audit matters, which apply to listed companies and entities which have adopted the UK Corporate Governance Code in the private sector, applies to annual audit reports prepared under the Code.	This Annual Audit Report.

D Timeline of communication and deliverables

2024

Month	Audit activity	Deliverable	Timing
January	Risk assessment for Financial Statements and wider scope audit dimensions		
February		Annual Audit Report	27 March 2024
March	Walkthrough of key systems and processes	Submission of quarterly fraud return	
April			
May			
June	Update meeting with Finance Team	Submission of quarterly fraud return	
July	Year end audit fieldwork		
August			
September	Audit completion procedures	Annual Audit Report	26 September 2024

E Action Plan

We include an action plan to summarise specific recommendations included elsewhere within this Annual Audit Report. We grade these findings according to our consideration of their priority for the Council or management to action.

Classification of recommendations		
Grade 1: Key risks and / or significant deficiencies which are either critical to the achievement of strategic objectives or significant risks to material compliance with regulatory requirements. Consequently, management needs to address and seek resolution urgently.	**Grade 2:** Risks or potential weaknesses which impact on objectives and compliance, or impact the operation of a single process, and so require prompt but less urgent immediate action by management.	**Grade 3:** Less significant issues and / or areas for improvement which we consider merit attention but do not require to be prioritised by management.

2023/24 Recommendations

No.	Findings and / or risk	Recommendation / grading	Management response / Implementation timeframe
1.	**Valuation Programme** As part of our initial procedures we noted that the value of one secondary school had fallen significantly since 2022/23 with no rationale provided within the supporting working papers. This was subsequently identified as a material adjustment and was subsequently amended within the financial statements.	Management should ensure there is a sufficient level of internal review and challenge on the valuation documentation provided. Grade 2	**Response:** Senior Management will strengthen existing arrangements. **Responsible officer:** Director of Environment and Head of Finance **Implementation date:** April 2025
2.	**Evidence of consideration of all condition surveys** During testing, we noted that in some cases the rationale for obsolescence rates was unclear, leading to increased queries with internal valuers.	Management should give sufficient consideration to condition reports for fixed assets to ensure that alongside the age and obsolescence adjustment, any additional adjustments for the current condition of the asset is considered and appropriately applied. Grade 2	**Response:** Management will consider and record the impact of all available intelligence relating to Fixed Assets before finalising valuations. **Responsible officer:** Director of Environment **Implementation date:** April 2025

E

Action Plan continued

2023/24 Recommendations			
No.	**Findings and / or risk**	**Recommendation / grading**	**Management response / Implementation timeframe**
3.	**Nil book value assets** As part of our existence testing on assets, we selected a sample of assets that have been depreciated to a nil net book value. We identified that the majority of the sample could not be verified to confirm the existence of the asset. Testing highlighted that the asset life allocated to key components such as kitchens within the depreciation policy appears to be lower than actual lives.	Management should review the record keeping underpinning the Fixed Asset Register to ensure it is sufficient to identify the status and location of individual assets. In addition, a review should be undertaken of the depreciation policy to ensure that asset lives are appropriate for each class of asset. Grade 2	**Response:** Work on the Fixed Asset Register is already underway and a review of asset lives was already planned. **Responsible officer:** Director of Environment and Head of Finance **Implementation date:** March 2025
4.	**Infrastructure Assets** The extension of the Statutory Override continues to carry an expectation that Councils will continue to address information deficits to ensure timely adoption of future Code requirements once a more permanent solution is delivered.	Management should ensure that they are sufficiently prepared for the expiry of infrastructure asset statutory override, with the expectation that information deficits are addressed to ensure adequate accounting records for the measurement of infrastructure assets and timely adoption of the Code requirements. Grade 2	**Response:** Records maintained since the introduction of the legislation. Council has no information on historic movements. **Responsible officer:** Director of Environment and Head of Finance **Implementation date:** March 2025

Action Plan continued

2023/24 Recommendations			
No.	**Findings and / or risk**	**Recommendation / grading**	**Management response / Implementation timeframe**
5.	**Implementation of IFRS 16** Management must implement robust systems to ensure all relevant data points, which could prompt a remeasurement or modification of the accounting entries, are captured in a timely manner. An accounting paper should be prepared to set out the extent of any changes.	As this is required to be implemented by financial year 2024/25, the Council should ensure that each class of lease is assessed to comply with the standard. *Grade 2*	**Response:** Work is already underway. **Responsible officer:** Head of Finance **Implementation date:** March 2025
6.	**Annual Governance Statement** Under the Delivering Good Governance Framework, there is an expectation that the annual governance statement should be approved at a meeting of the committee with a remit including audit or governance.	The Annual Governance Statement should be considered as a separate item by the Audit and Scrutiny Committee at its June meeting. Grade 3	**Response:** The Annual Governance Statement is routinely considered at the June meeting as part of the Draft Annual Accounts but will also be presented as a separate item in future. **Responsible officer:** Chief Executive **Implementation date:** June 2025

E Action Plan continued

Outstanding 2022/23 Recommendations			
No.	**Findings and / or risk**	**Recommendation / grading**	**Management response / Implementation timeframe**
1	Management should review its valuation arrangements to ensure that clear instructions are issued to valuation experts, including the detailed audit information requirements.	**Response:** Accountancy management will issue revised instructions to valuation staff, more clearly setting out audit requirements, so that appropriate information is available at the start of future audit. **Responsible officer:** Head of Accountancy **Implementation date:** 31 October 2023	**Partially complete:** Management issued instructions to valuation experts outlining the information required as part our audit and highlighting the importance of adhering to the principles of the CIPFA Code of Accounting Practice. However, significant delays were still noted in obtaining this information. We note that there continues to be insufficient challenge of these valuations by management.
4	The Council needs to develop a realistic and costed medium term financial plan that supports the delivery of strategic objectives.	**Response:** The Council's current medium term financial plan will be updated to ensure that it reflects appropriate costs and delivery timescales for strategic objectives for 2024/25 and beyond. **Responsible officer:** Head of Accountancy **Implementation date:** February 2024	**Ongoing:** We note within "Financial Sustainability" that the Council has committed to preparing three year budgets as soon as reliable information on key funding assumptions is available.

E Action Plan continued

Outstanding 2022/23 Recommendations continued			
No.	**Recommendation**	**Management response**	**Our assessment of progress**
6	The Council should review budget monitoring processes to increase the accuracy of forecasts throughout the year.	**Response:** Recent outturn variance trends will be reviewed with a view to improving forecasting accuracy. **Responsible officer:** Head of Accountancy **Implementation date:** March 2024	**Ongoing:** The Council's outturn continued to reflect a significant operational underspend which exceeded the level reported to elected members throughout the year.
7	The Council should have a workforce plan for the Finance Team which includes any training requirements and succession planning arrangements.	**Response:** The Accountancy Workforce Plan is contained within its Service Plan and is updated annually. The most recent restructure of the service, in December 2022, sought to broaden key staff's experience and knowledge and thereby reduce risk of single points of failure. Staff development comprises both on-the-job experience, shadowing and training. **Responsible officer:** Head of Accountancy **Implementation date:** May 2024	**Partially complete:** Management have evidenced that they are able to fill vacancies within the finance team as they arise. However, it is noted that there remains significant key person dependency within the team.
9	The Audit and Scrutiny Committee should review its arrangements against updated good practice guidance.	**Response:** The Audit & Scrutiny Committee is scheduled to carry out its next self assessment during 2024/25 and will ensure that this takes cognisance of the latest good practice guidance. **Responsible officer:** Head of HR and Corporate Services **Implementation date:** March 2025	**Not yet due:** The Audit & Scrutiny Committee are scheduled to carry out its self- assessment during 2024/25 and therefore no progress has yet been made.

E Action Plan continued

Outstanding 2022/23 Best Value Recommendations			
No.	**Recommendation**	**Management response**	**Our assessment of progress**
1	The Council should work to quantify the cost gap in relation to delivering net zero targets for 2045.	**Response:** The Council will continue to work towards the full costing of its recently agreed GTZ action plan in order to influence national funding discussions. **Responsible officer:** Head of Housing, Property & Net Zero & Head of Accountancy **Implementation date:** ongoing	**Ongoing:** While the Council has set aside £0.2 million to prepare assessments, this will remain an area of risk.
2	The Council needs to further develop a realistic and costed medium term financial plan that supports the delivery of strategic objectives.	**Response:** The Council will use the detailed 3-year financial planning options and budget engagement feedback completed in 2023 to develop future years' planning on the basis of Scottish Government funding announcements to come. **Responsible officer:** Head of Accountancy **Implementation date:** February 2024	**Ongoing:** Refer to recommendation 4.

F Adjusted and unadjusted differences

This appendix sets out the adjustments that were processed as part of finalisation of the financial statements.

Current year misstatements that have been corrected

No.	Note	Description	Impact on financial statements
1	Note 15: Property, Plant and Equipment	Valuation of Eastwood High School (Other Land & Buildings) - Review of the valuation of Eastwood High School identified that the site had been revalued on a modern equivalent asset basis (MEA). This basis is typically used for buildings which are under capacity and therefore would not be rebuilt to the same specification. The application of actual area to the valuation results in a material audit variance.	Dr Land and Buildings £27,491k Dr Movement in Reserves £3,195k Cr Revaluation Reserve £(24,296k) Cr Education Expenditure £(3,195k) Cr Capital Adjustment Account £(3,195k)
2	Group Balance Sheet	East Renfrewshire Culture and Leisure trust are an admitted member in the Strathclyde Pension Fund. While the Trust has no intention of doing so, it has a right to recognise a pension asset on the basis that they can theoretically readily exit the scheme and obtain a refund. ERCLT has a net asset of £13.274m and this should therefore be recognised by East Renfrewshire Council as part of the consolidated group accounts.	Dr Pension Asset £15,687k Cr Unusable Pension Reserve (15,687k)

In addition to the matters outlined above, we also identified a number of presentational differences which we reported to management including the gross up of debtors balances and the removal of nil Net Book Value assets from the Fixed Asset note. Management adjusted £25.9 million of these differences with no impact on Note 10 and the remaining £125k of differences were not adjusted on the basis of materiality.

We also identified a number of minor differences to the Remuneration Report which were adjusted by management on the basis that these disclosures are audited to a lower level of materiality than other areas of the accounts.

G

Audit Fees

2023/24 Fees

The Council's audit fee is determined in line with Audit Scotland's fee setting arrangements. Audit Scotland will notify auditors about the expected fees each year following submission of Audit Scotland's budget to the Scottish Commission for Public Audit, normally in December. The remuneration rate used to calculate fees is increased annually based on Audit Scotland's scale uplift.

	2023/24	2022/23
Component of fee:		
▸ Auditor remuneration – expected fee	£231,960	£218,830
▸ Additional audit procedures (Note 1)	£43,528	£48,367
▸ Audit of Section 106 Trusts	NA	£8,704
Audit Scotland fixed charges:		
▸ Performance audit and best value	£60,900	£55,800
▸ Audit support costs	£8,450	£8,300
Sectoral price cap	(£13,320)	(£11,230)
Total fee	**£331,518**	**£328,771**

The expected fee for auditor remuneration is based on a risk assessment of publicly available information from the 2021 tender exercise. It assumes that the Council has well-functioning controls, an effective internal audit service, and an average risk profile for its sector across a range of areas for consideration, including financial, operational and governance risks. Throughout the course of their work, auditors may identify new, developing or otherwise enhanced areas of risk that are required to be addressed to deliver an audit to the quality standards expected, and in line with the requirements of the Code of Practice.

Note 1 – During the yearend audit for 2022/23, areas of additional work were required to complete the audit, in line with the risk assessment and process set out above. These areas of work were around pension asset ceiling calculations, and asset valuation work.

We anticipate additional work around pension asset recognition and subsequent asset ceiling calculations will be required going forward as a recurring area of work, given the current funding position of the SPF.

We have raised a number of recommendations in the annual audit report in relation to the Council's arrangements around asset valuation. These recommendations are important, in addition to ensuring code compliant financial statements preparation and to the reduction of additional audit time required going forward for the Council.

H Completed Prior Year Recommendations

This appendix sets out the recommendations that were made in our prior year annual audit report, along with our assessment of progress.

No.	Recommendation	Management response	Our assessment of progress
2	The Council should ensure that the basis of valuations is in line with the Code of Accounting Practice.	**Response:** Valuers will operate in line with the Code of Accounting Practice. **Responsible officer:** Head of Environment (Strategic Services) **Implementation date:** 31 March 2024	**Complete:** We reviewed the valuation workings and confirmed that the issues noted through our prior year work regarding the application of principles inconsistent with the CIPFA Code of Accounting Practice were addressed.
3	The Council should consider its arrangements for recording common good assets against the updated LASAAC guidance	**Response:** Arrangements will be reviewed to ensure compliance with updated LASAAC guidance. **Responsible officer:** Head of Accountancy/Chief Officer – Legal & Procurement **Implementation date:** 31 March 2024	**Complete:** We reviewed the Common Good arrangements and confirmed that these are in line with updated LASAAC guidance.
5	The Council should review the Reserves Policy to ensure it fully reflects its current risks and priorities	**Response:** Work has already commenced on the scheduled review of the Council's Reserves Policy **Responsible officer:** Head of Accountancy **Implementation date:** February 2024	**Complete:** The updated Reserves Policy was approved in February 2024.

H Completed Prior Year Recommendations

No.	Recommendation	Management response	Our assessment of progress
8	There is an urgent need to respond to the current level of vacancies within the Council's internal audit team	**Response:** The internal audit vacancies have recently been readvertised. Should this be unsuccessful, other options will be considered **Responsible officer:** Chief Executive **Implementation date:** December 2023	**Complete:** The internal audit team has filled vacancies and at 31 March 2024 was fully resourced. However, it should be noted that there will be a delay before the impacts of this will benefit the Council.

Prior year Best Value recommendations

No.	Recommendation	Management response	Our assessment of progress
3	The Council should re-establish organisation-wide arrangements for the self-evaluation of services.	**Response:** Review the Council's approach to self-evaluation, ensuring a consistent approach through service planning. **Responsible officer:** Director of Business Operations & Partnerships **Implementation date:** September 2024	**Complete:** Key services have completed service improvement plans following new corporate guidance.

I Additional audit information

Introduction

In addition to the key areas of audit focus outlined within the Report, we have to perform other procedures as required by auditing, ethical and independence standards and other regulations. We outline the procedures below that we will undertake during the course of our audit.

Our responsibilities under auditing standards

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the going concern basis of accounting.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Read other information contained in the financial statements, the Audit and Scrutiny Committee reporting appropriately addresses matters communicated by us to the Committee and reporting whether it is materially inconsistent with our understanding and the financial statements.
- Maintaining auditor independence.

Purpose and evaluation of materiality

- For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.
- Materiality determines the locations at which we conduct audit procedures and the level of work performed on individual account balances and financial statement disclosures.
- The amount we consider material at the end of the audit may differ from our initial determination. At this stage it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

Additional audit information (cont.)

Audit Quality Framework/Annual Audit Quality Report

- Audit Scotland are responsible for applying the Audit Quality Framework across all audits. This covers the quality of audit work undertaken by Audit Scotland staff and appointed firms. The team responsible are independent of audit delivery and provide assurance on audit quality to the Auditor General and the Accounts Commission.
- We support reporting on audit quality by proving additional information including the results of internal quality reviews undertaken on our public sector audits. The most recent audit quality report can be found at: Quality of public audit in Scotland: Annual report 2023/24 | Audit Scotland
- EY has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained. Details can be found in our annual Transparency Report: **https://www.ey.com/en_uk/about-us/transparency-report**

This report

This report has been prepared in accordance with Terms of Appointment Letter from Audit Scotland through which the Accounts Commission has appointed us as external auditor of East Renfrewshire Council for financial years 2023/24 to 2026/27.

This report is for the benefit of the Council and is made available to the Accounts Commission and Audit Scotland (together the Recipients).

This report has not been designed to be of benefit to anyone except the Recipients. In preparing this report we have not taken into account the interests, needs or circumstances of anyone apart from the Recipients, even though we may have been aware that others might read this report.

Any party other than the Recipients that obtains access to this report or a copy (under the Freedom of Information Act 2000, the Freedom of Information (Scotland) Act 2002, through a Recipient's Publication Scheme or otherwise) and chooses to rely on this report (or any part of it) does so at its own risk. To the fullest extent permitted by law, Ernst & Young LLP does not assume any responsibility and will not accept any liability in respect of this report to any party other than the Recipients.

Complaints

If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with Stephen Reid who is our Partner responsible for services under appointment by Audit Scotland, telephone 0131 777 2839, email sreid2@uk.ey.com. If you prefer an alternative route, please contact Hywel Ball, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you.

Should you remain dissatisfied with any aspect of our service, or with how your complaint has been handled, you can refer the matter to Audit Scotland, 4th Floor, 102 West Port, Edinburgh, EH3 9DN. Alternatively you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

EY | Building a better working world

EY exists to build a better working world, helping to create long-term value for clients, people and society and build trust in the capital markets.

Enabled by data and technology, diverse EY teams in over 150 countries provide trust through assurance and help clients grow, transform and operate.

Working across assurance, consulting, law, strategy, tax and transactions, EY teams ask better questions to find new answers for the complex issues facing our world today.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via ey.com/privacy. EY member firms do not practice law where prohibited by local laws. For more information about our organization, please visit ey.com.

Ernst & Young LLP
The UK firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC300001 and is a member firm of Ernst & Young Global Limited.

Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

UKC-030109 (UK) 08/23. Artwork by Creative UK.
ED NONE

In line with EY’s commitment to minimise its impact on the environment, this document has been printed on paper with a high recycled content.

ey.com/uk