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East Renfrewshire Council

Annual Audit Report

25 September 2025



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About this report

This report has been prepared in accordance with Terms of Appointment Letter, through which the Accounts Commission has appointed us as external auditor of 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 Accounts Commission, the Controller of Audit 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.

Accessibility

Our Report may be available on Audit Scotland's website, and we have therefore taken steps to comply with the Public Sector Bodies Accessibility Regulations 2018. Responsibility rests with the publishing organisation to ensure that standards are met.

Executive summary

This report summarises the findings from the 2024/25 annual audit of East Renfrewshire Council (the Council). The scope of the audit was set out in our Annual Audit Plan, presented to the 27 March 2025 meeting of the Council's Audit and Scrutiny Committee. This report summarises:

- Our conclusions arising from the audit of the Council's financial statements; and
- Significant matters and conclusions on the wider scope areas that frame public audit as set out in the Code of Audit Practice 2021.

Financial statements We have concluded our audit of the financial statements of East Renfrewshire Council for the year ended 31 March 2025.

Including our consideration of management's assessment of going concern

The draft financial statements were provided in line with legislative deadlines. Supporting working papers were of a good quality and were provided on a timely basis. However, we continued to identify areas for improvement, relating to the provision of property, plant and equipment valuation supporting papers, predominantly relating to the timing of completion of these working papers and the valuer's communication of changes to management. During the course of the audit, we identified four accounting audit differences which were updated by management to be reflected within the financial statements. In addition to the audit differences, disclosure comments were raised and amended as part of the audit process, comments not amended were accepted on the basis of materiality.

We were satisfied that the Annual Governance Statement reflects the requirements of CIPFA's updated Delivering Good Governance Framework, including the identification and disclosure of relevant areas for improvement.

In accordance with the CIPFA Code of Practice on Local Government Accounting, the Council prepares its group and Council 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.

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.

Best Value

Councils have a statutory duty to have arrangements to secure Best Value. The Council should have effective processes for scrutinising performance, monitoring progress towards their strategic objectives and holding partners to account.

We perform an annual programme of work in relation to Best Value and wider scope responsibilities. In addition to this, The Accounts Commission considered the Council's arrangements within a Controller of Audit report, which was published in February 2025. The report endorsed the Council's approach to transformation and managing its finances, and there were no separate recommendations as a result of the findings.

The Council has well-developed strategic planning arrangements and has made key improvements to its performance reporting to align with the priorities within A Place to Grow. A Place to Grow was developed following significant engagement with Community Planning Partners and communities and establishes the future priorities for the refreshed strategy.

The Council has been able to demonstrate key improvements in 2024/25, both to its financial position and financial management arrangements overall but difficult decisions will continue to be required to bridge an estimated £12.8 million cumulative budget gap to 2029/30, and risks remain that policy or funding decisions require further areas of savings.

Executive summary: Wider Scope responsibilities

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: **Amber**

The Council draws upon scenario planning to prepare for the scale of budget gaps ahead. The current projected gap to 2029/30 is £12.8 million, representing a significant improvement on expectations in previous forecasts. As a result of an improved financial position, the Council was able to replenish its General Reserves. The balance is now 2.7% of net expenditure, within the target range of 2-4% set in the Council's reserves policy.

Longer term financial planning remains challenging, primarily as a result of uncertainties in forecasting cost and demand pressures, policy and changes in projected settlements from the Scottish Government and expectations in relation to the funding of pay rises.

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 delivered an underspend against budget of £2.5 million, which was in line with budget forecasting reports throughout the year. A review of existing budgets has been undertaken to target areas where expenditure is likely to be lower than forecast in future years, with a corresponding reduction in the budget gap that is required to be met by the identification of recurring savings.

A significant overspend has been identified in relation to the Aurs Road project, which will result in Council contributions rising from £1.8 million to up to £8.7 million.

Vision, Leadership and 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 launched the Community Planning Partnership's Strategic Plan "A Place to Grow" in 2024/25 and has made progress in aligning the underpinning strategies, including the Medium-Term Financial Strategy, to align to three new priority themes. The Annual Governance Statement concludes governance arrangements worked well throughout 2024/25.

We made a recommendation relating to the Council's whistleblowing policy. Whistleblowing arrangements should be made available on the Council's website and a mechanism for regular reporting to elected members should be established to allow oversight of the nature of cases.

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 performs above the Scottish average in 69% of benchmarking indicators. The Council has a well-developed approach in place to monitor and report on progress against strategic priorities and was able to demonstrate key areas of improvement in 2024/25. The revised arrangements to report on performance against the new A Place to Grow delivery plan adopt key areas of improvement, including the integration of equality measures.

Sustainability features as a key outcome of A Place to Grow, illustrating the commitment to integrate sustainability as part of standard planning arrangements but there are not currently enough resources in place to successfully meet the 2045 net zero target.



1 Introduction

Purpose of our report

The Accounts Commission for Scotland appointed EY as the external auditor of East Renfrewshire Council ('the Council') 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 members of 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, how risks facing the Council can be mitigated and incorporating all findings from our procedures over Best Value and the Accounts Commission's Controller of Audit Report. 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. 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.

The Code of Audit Practice sets out the responsibilities of both the Council and the auditor (refer to Appendix A). We outlined the scope of our work within our Annual Audit Plan which was presented to the Council's Audit and Scrutiny Committee on 27 March 2025. There have been no material changes to the plan.

Financial Statements audit

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

- Give a true and fair view of the state of the affairs of the Council as at 31 March 2025 and of its income and expenditure for the year then ended;
- Have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2024/25 Code; and
- 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 2024/25 audit in our Annual Audit Plan, which was presented to the Audit and Scrutiny Committee on 27 March 2025.

Three significant risks were identified that impacted the financial statements:

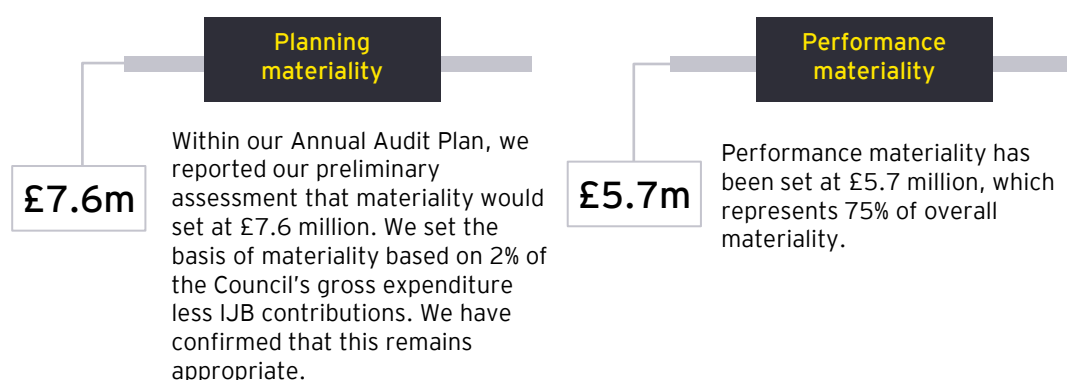
- The risk of fraud in expenditure recognition;
- Misstatement due to fraud or error, including through management override of controls;
- The valuation of property plant and equipment.

In addition, we continued to place focus on management's assertion regarding the going concern basis of preparation in the financial statements, alongside the three inherent risks identified in our audit plan:

- The valuation of pension assets and liabilities
- The valuation of PFI/PPP liabilities
- The implementation of IFRS 16

Our findings are summarised in Section 3 of this report.

Exhibit 1: Updated assessment of materiality



We outlined our intention to report on misstatements that exceeded £0.38 million within our Annual Planning Report. There were four misstatements identified that breached this reporting level. Our consideration of these adjustments is set out in Appendix F.

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 and the Common Good Fund. We also apply professional judgement to consider the materiality of Related Party Transactions to both parties.

Wider Scope and Best Value audit

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 Best Value and the Wider Scope dimensions

- The Council's ability to develop sustainable and achievable medium term financial plans; and
- The Best Value thematic review in 2024/25, relating to transformation.

In addition to this, the Accounts Commission considered the Council's arrangements within a Controller of Audit report, which was published in February 2025. The report endorsed the Council's approach to transformation and managing its finances. There were no separate recommendations as a result of the findings, however we have performed a follow up of prior year recommendations as part our year end assessment.

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 3 of this report.



2 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.

The plan highlighted three areas that we identified as a significant risk relating to the presumed risk of fraud in revenue and expenditure recognition, including through management override of controls, misstatement due to fraud or error and the valuation of property, plant and equipment. In addition to this, we also recognise a number of inherent risks which are outlined within this report.

The Council complied with key regulations, including the submission of draft financial statements for audit within the sector deadline and arrangements for public inspection.

The financial statements were prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting 2024/25. The draft financial statements and supporting working papers were submitted for audit on 19th June 2025, following the consideration by the Audit and Scrutiny Committee, ahead of the required sector deadline of 30th June 2025.

As part of our oversight of the Council's financial reporting process we consider key aspects of the Council's preparation of the financial statements and supporting documentation, predominantly by the finance team, to support the audit. We also reviewed the financial statements and made comments aimed at improving the compliance with the Code of Accounting Practice, or to enhance the understanding of the financial statements.

The key qualitative aspects that we consider in relation to the preparation of the financial statements, along with our conclusions, are set out within Exhibit 2, overleaf.

Audit outcomes

As part of the audit, we reviewed the financial statements and made several comments aimed at improving the compliance with the Code of Accounting Practice and enhance the presentation of the financial statements. We worked with management to make minor amendments to the financial statement disclosures, and we will continue to highlight and discuss good practice throughout our period of appointment.

We identified four adjusted differences arising from the audit which require to be reflected within the financial statements which have been outlined within Appendix F.

We made 2 recommendations relating to the financial statements as a result of the annual audit and a further recommendation as a result of our wider scope procedures. These recommendations together with management responses are included within the action plan in Appendix E.

Exhibit 2 highlights that management continue to show a commitment to addressing the recommendations raised through the annual audit process, including those relating to the property, plant and equipment valuation process. In advance of preparing draft financial statements, management established a review process which allowed them to identify any significant year on year movements in valuations which could be indicative of error. In addition to this, they sample checked the supporting evidence between the valuations to ensure accuracy of the calculations. We continue to note audit variances related to the valuations of property, plant and equipment, and several recommendations remain in progress, but management have responded positively and continue to make good progress against all recommendations.

Our assessment of the quality of the financial statements preparation and support is summarised in Exhibit 3, overleaf.

Exhibit 2: Management's progress against PY recommendations

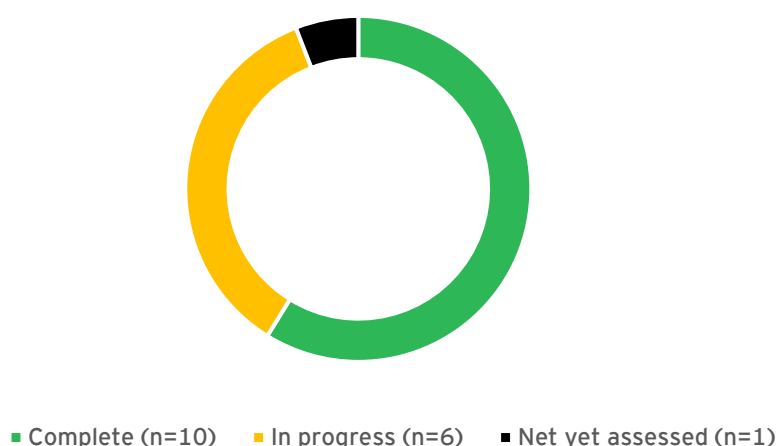


Exhibit 3: Factors impacting the execution of the audit continued

Area	Status	Explanation
Timeliness of the draft financial statements	Effective	<ul style="list-style-type: none"> The financial statements were shared with audit and presented to the Audit and Scrutiny Committee on 19th June 2025.
Quality and completeness of the draft financial statements	Effective	<ul style="list-style-type: none"> Our review of the financial statements identified minor presentational and disclosure changes and minimal internal inconsistencies.
Delivery of working papers in accordance with agreed client assistance schedule	Effective	<ul style="list-style-type: none"> The working papers to support the audit were provided prior to 30th June in line with the client assistance schedule shared with the Finance team.
Timeliness and quality of evidence supporting key accounting estimates	Identified areas for improvement	<ul style="list-style-type: none"> Whilst noting an improvement in the overall quality of working papers, we continued to identify areas for improvement, relating to the provision of property, plant and equipment valuation supporting papers. This predominantly relates to the timing of completion of these working papers and the valuer's communication of changes to management, which resulted in errors being identified through the audit process. Some challenges were encountered through the audit around timeliness of responses to substantive queries where these fall to individuals across the Council. We have discussed through the debrief process with management and will continue to work collectively to ensure a more efficient approach going forward.
Access to finance team and personnel to support the audit in accordance with agreed project plan	Effective	<ul style="list-style-type: none"> The Chief Financial Officer (CFO) and Corporate Finance Manager made themselves available during the early stages of the audit and we continued to receive good support throughout the audit process.
Volume and value of identified misstatements	Identified areas for improvement	<ul style="list-style-type: none"> We identified a low volume of misstatements, however due to the material nature of the property, plant and equipment balance, the value of adjustments (which net off against each other) was high and therefore were required to be adjusted my management.
Volume of misstatements in disclosure	Effective	<ul style="list-style-type: none"> A number of disclosure comments were raised and amended as part of the audit process, those not amended were accepted on the basis of materiality.
Adherence to public inspection period	Effective	<ul style="list-style-type: none"> 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.
Management's response to prior year recommendations	Effective	<ul style="list-style-type: none"> As shown in Exhibit 2, management has made good progress in addressing the recommendations raised by audit in prior years, evidencing their willingness to address issues on a timely basis.

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 financial statements.
- Reading other information contained in the financial statements to form an 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).

Our overall audit opinion is summarised on the following page.

Exhibit 4: Our Audit Opinion

Element of our opinion	Basis of our opinion	Conclusions
Financial statements <ul style="list-style-type: none"> Truth and fairness of the state of affairs of the Council at 31 March 2025 and its expenditure and income for the year then ended. Financial statements in accordance with the relevant financial reporting framework and relevant legislation. 	<ul style="list-style-type: none"> 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 2024/25 financial statements for the Council.
Going concern <ul style="list-style-type: none"> We are required to conclude on the appropriateness of the use of the going concern basis of accounting. 	<ul style="list-style-type: none"> 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 18, we have not identified any material uncertainties.
Other information <ul style="list-style-type: none"> We are required to consider whether the other information in the financial statements is materially inconsistent with other knowledge obtained during the audit. 	<ul style="list-style-type: none"> 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 board 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.
Matters prescribed by the Accounts Commission <ul style="list-style-type: none"> 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. 	<p>Our procedures include:</p> <ul style="list-style-type: none"> 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	<p>We are required to report on whether:</p> <ul style="list-style-type: none"> 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.

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 Limited
- East Renfrewshire Integration Joint Board.

We considered the arrangements in respect of each of the Council's group undertakings at the planning stage and continued to review throughout the audit process.

The only significant component by size is the Council, which accounts for 99% of consolidated gross expenditure.

The East Renfrewshire Integration Joint Board (IJB) is identified as a joint venture and consolidated in accordance with the requirements of the Code. We are appointed auditors of East Renfrewshire Integration Joint Board and report separately on our audit of the IJB.

No specific risks were identified that indicated a component in full was significant by risk, as the IJB does not affect the transactions as such, only the nominal.

As part of our risk assessment required under the newly introduced auditing standard, ISA600, we gave consideration as to whether there were any indicators that a component is significant due to size or risk on an account level and identified the following entities as specific scope components meaning that the audit is limited to specific accounts or disclosures identified by the Group audit team:

- Strathclyde Partnership for Transport: Due to the group balance sheet including a material investment in SPT, we issued group instructions to the SPT auditors, Audit Scotland. The instructions covered specific procedures in respect of material balance sheet accounts, including cash, short term investments, property, plant and equipment, short term creditors and reserves.
- East Renfrewshire Culture & Leisure Limited - We issued group instructions to the ERCLL auditors, Wbg (Audit) Ltd. The instructions covered specific procedures in respect of the cash balance due it being material by nature and income, expenditure and pension assets due to there being a material value within the Group CIES.

Our communications with the component auditors note the audits are complete with no significant matters brought to our attention which impact the Group.

Our response to significant and fraud audit risks

We identified three significant risks within our 2024/25 Annual Audit Plan:

Risk of fraud in expenditure recognition, including through management override of control (a 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.

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 judgements are we focused on?

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.

What did we do?

We undertake specific, additional procedures for income and expenditure streams where we identified a fraud risk. For 2024/25 our work included:

- Inquiring of management and those charged with governance about risks of fraud and the controls to address those risks.
- Reviewing and challenging management on any accounting estimates for evidence of bias.
- Reviewing and testing additional income and expenditure cut-off at the period end date.
- Testing an extended sample of grant income to ensure it satisfies recognition criteria tests.
- Conducting 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.
- Developing a testing strategy to test material revenue and expenditure streams, including testing revenue and capital revenue to ensure it has been correctly classified.

Impacted balances within the financial statements:

- Other expenditure: £157 million (PY: £161million);
- Other income: £53 million (PY: £60 million);
- Other grants and capital grants: £54 million (PY: £49 million);
- Related creditor balances: £31 million (PY: £33 million);
- Related debtors balances; £4.3 million (PY: £4.4 million) and
- Capital grant receipts in advance: £10 million (PY: £11 million)

Refer to accounting policies within Note 1 (pages 54-66) and notes 5, 21, 24 and 32 of the Consolidated Financial Statements.

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 20. In respect of all pension transactions impacting the Comprehensive Income and Expenditure Statement we agreed these journals to the underlying IAS19 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:

- Our testing identified one misstatement, above our reporting threshold, relating to revenue and expenditure recognition, which was corrected by management. Further detail can be found at Appendix F.
- We have not identified any material weaknesses in the design and implementation of controls around journal processing to the extent that they may materially impact the financial statements. We did not identify any instances of evidence of management override of controls.
- 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.

Misstatement due to fraud or error

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, including undertaking the following procedures:

Recommendation 1:

A number of bank accounts were identified on external bank confirmations that the Council had not included within their list of accounts and confirmed were no longer in use. Old and unused accounts should be closed by management.

- **Risk of fraud:** We considered the risk of fraud, including through our enquiries 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 in relation to fraud by receiving written confirmations from the Chair of the Audit and Scrutiny Committee.

While no areas identified the existence of fraud, as part of our procedures in relation to bank confirmations, we identified a number of bank accounts that exist in the Council's name which are no longer in use and had not been included within the Council's own reconciliation processes. As a result of the fraud risk relating to unmonitored bank accounts, we shared the list of additional bank accounts with management and raised a minor recommendation to require the closure of these accounts.

- **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 been 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.

- **Judgements and estimates:** Under ISA (UK) 540, 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 20 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).

Recommendation 2:

One of the estimates prepared by the Council relates to the balance of accrued leave at the year end. We noted a minor procedural error in the calculation of the Council's accumulated absence accrual relating to staff on local government terms and conditions, as it was calculated through a sample which omitted staff members within the Education service.

Misstatement due to fraud or error continued

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.
- **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.

Our conclusions:

- We have not identified any material weaknesses in the design and implementation of controls around journal processing to the extent that they may materially impact the financial statements. We did not identify any instances of evidence of management override of controls.
- 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.

Valuation of Property, Plant & Equipment

What is the risk?

The fair value of property, plant and equipment (PPE) represent significant balances in the Council's financial statements (2024/25: £1.012 billion; 2023/24: £956.8 million). The Council also has a significant capital programme with judgement being applied to the valuation of additions and split between revenue and capital expenditure.

Impacted balances within the financial statements:

- Property, plant and equipment:
£1.01billion (PY: £956.8 million)

Refer to accounting policies within Note 1 (pages 66-67) and note 15.

As part of its valuation programme, the Council revalued approximately £730 million of its asset base in 2024/25. The Council's internal valuers also gave consideration to all asset classes in the year, allowing them to evaluate the impact of any significant movements in the year on the remainder of the asset base.

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 at the balance sheet date. The Scottish Government agreed to provide a temporary statutory override whilst a permanent solution is developed within the code. The statutory override is scheduled to end 31 March 2025 with the expectation that councils will have addressed information deficits to ensure timely adoption of future code requirements once a more permanent solution is delivered.

What judgements are we focused on?

Management is required to make material judgemental inputs and apply estimation techniques to calculate the year end balances recorded in the balance sheet.

We focused on the judgments that have been applied by the valuers when determining the valuation approach and methodology applied when completing the valuation programme.

What did we do?

Our work over property, plant and equipment focused 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;
- Review of the valuer's assessment of assets that have not been revalued in year, including their evaluation of movements in BCIS rates and whether there are any indicators of impairment or change in use that could trigger a requirement for the asset to be revalued;
- Sample testing key asset information used by the valuers (e.g. floor plans to support valuations based on price per square metre);
- Assessing any changes to useful economic lives against the most recent valuer assessments;
- Testing accounting entries have been correctly processed in the financial statements;

- Reviewing management's impairment assessment and assess the completeness of impairment considerations;
- 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

As a result of significant findings in prior years, including the identification of material errors within valuations, we engaged with Council officers early in the audit process to support improvements during 2024/25. The Council adopted a revised valuations programme, to value at least 20% of each class of asset in each financial year, rather than a full valuation on an annual basis. Under the revised programme, any assets not formally valued will be subject to a desktop valuation by the Council's internal valuers. Any assets that have had a greater than 10% movement, will also be subject to separate revaluation. We were content that the Council's proposed approach met the requirements of the Code.

In line with our prior year recommendation, the Council's Finance Team performed initial internal consistency checks for a sample of assets that were revalued in year. As a result of the queries raised by the Finance Team, the Council's internal valuers identified an error within the valuation of PFI/PPP assets. Initially, the Council's internal valuers adopted the Modern Equivalent Asset valuation approach for the valuation of primary schools. Following challenge, it was determined that actual footprint of the schools should be used to reflect the ongoing demand for education in Newton Mearns. While this error was reflected within the supporting schedules, the difference was not communicated to the Finance Team in time for the preparation of the draft financial statements. As a result, a material error is highlighted in Appendix F.

Our conclusions:

- We identified three material misstatements in relation to the valuation of property, plant and equipment outlined in Appendix F.
- While there was no disagreement during the course of the audit over any accounting treatment, we note that the finance team experienced delays in obtaining supporting evidence for valuations which resulted in material audit variances being identified.

Valuation of Pension Assets and Liabilities

Impacted balances within the financial statements:

- Net pension asset: £263.7 million (restricted to nil) (PY: £178.6 million (restricted to nil))
- Unfunded liability: £14.5 million (PY: £16.9 million)

Refer to accounting policies within Note 1 (pages 66-67) and note 40.

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 2025, the unaudited financial statements disclosed a nil asset of £263.7million, which was limited to nil in line with the asset ceiling calculation provided by the scheme actuary and accounting requirements under IFRIC 14 (2024: net asset of £178.6 million limited to nil). An unfunded liability of £14.5million (2024: £16.9million) is also recorded on the Council's balance sheet.

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.

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 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 2025 and we audited the accounting entries and disclosures made in the financial statements were consistent with the actuary's report.

Implementation of IFRS 16

What is the risk?

As outlined in our audit plan, the council has adopted IFRS 16 from 1 April 2024. IFRS 16 eliminates the operating/finance lease distinction for leases and imposes a single model geared towards the recognition of all but low-value or short-term leases. These are now recognised on the Balance Sheet as a 'right of use' asset and lease liability reflecting the obligation to make lease payments. For PFI/PPP assets which were already reflected as assets on the balance sheet prior to the implementation of IFRS 16 a decrease in unusable reserves matches against the corresponding increase in liability.

Successful transition depended on the council capturing additional information about leases both new and existing, especially regarding the future minimum lease payments.

Due to the complexity of the PFI/PPP contracts (of which the Council hold five contracts with a total liability of £92.3 million at 31 March 2025) there is a risk that the financial statements do not show the correct entries and that the related commitments are not disclosed properly. The council will also be required to record indexation linked payments in accordance with IFRS 16. This means that the liability must be remeasured if there is a change in future lease payments resulting from a change in an index/rate used to determine those payments.

What judgements are we focused on?

The key judgements and inputs that affect the value of the Right of Use liability and Right of Use Asset include the length of the lease agreement, the interest rate that is to be applied and the yearly lease repayment.

Management were also required to make the judgement of leases that would be determined as low value.

We focused on the judgements required in the PPP/PFI leases where there was a variable element, such as the uplift required for RPI where the forecasts will need to be updated.

What did we do?

- Gained an understanding of the processes and control developed by the Council relevant to the implementation of IFRS 16;
- Tested a sample of new and existing leases, not previously held on the balance sheet, and agreed the key judgments back to the lease agreements, including that the agreement had been accurately identified as a lease, the correct discount rate had been used to calculate the right of use asset and that the start and end date had been accurately identified.
- Reviewed the contractual agreements for PPP/PFI assets and confirmed that contract amendments have been appropriately reflected within the liability valuation;
- Reviewed the councils accounting assessment of the impact of the application of IFRS 16 to their PPP/PFI liabilities;
- Test accounting entries are correctly processed in the financial statements;

Impact of IFRS 16 on the financial statements:

- Increase in Right of use assets for assets not previously held on the Balance Sheet: £2.4 million
- Increase in Lease liabilities for assets not previously held on the Balance Sheet: £2.4 million
- Increase in PFI/PPP Assets: £14.1 million
- Decrease in Revaluation Reserve due to PPP/PFI: £18.5million
- Increase in PFI/PPP Liabilities: £32.6 million

Refer to accounting policies within Note 1 (pages 66-67) and notes 35 and 36.

- Recalculated the expected opening balance on transition and agreed movements to the journal postings;
- Calculated the finance costs and closing liability, agreed this to the liability per the note to the accounts;
- Reviewed management policies for the identification of low value and short term leases; and
- Review that financial statement disclosures to ensure commitments are appropriately disclosed.

Our conclusions:

- From our testing we have not identified any material issues in the judgements that management have applied when calculating the ROU Asset, liability, finance costs or depreciation charges.
- 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.
- 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.

Wider Scope and Best Value audit

Introduction

In June 2021, Audit Scotland and the Accounts Commission published the current 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 members of the Local Area Network (comprising other scrutiny bodies including the Care Inspectorate and Education Scotland) along with national reports and guidance from regulators and Audit Scotland. The findings from our wider scope work have informed our assessment on Best Value themes in 2024/25.

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.

Exhibit 5: Our RAG ratings

	Red	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.
	Amber	
	Green	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

Financial sustainability looks forward to the medium and longer term to consider whether the body is planning effectively to continue to deliver its services **in** the way in which they should be delivered. Our focus is therefore on the strategic planning that the Council has undertaken to support its sustainability and ability to deliver balanced budgets in the medium term.

The pressure on public finances in Scotland continues to rise

In June 2025, the Scottish Government published the [Scottish Government Medium-Term Financial Strategy](#), providing an economic, funding and spending outlook for the financial years 2025/26 to 2029/30 and outlines the fiscal strategy to deliver sustainable public finances. This sets out the scale of the divergence in the growth of spending relative to funding, resulting in a gap of £2.6 billion by 2029/30. In August 2025, the Scottish Fiscal Commission published its [Fiscal Update](#), highlighting the longer-term challenges for the Scottish Budget due to an ageing population. The demographic growth in Scotland in the next 25 years will be in the older age groups and with this will come an increase in demand for health and social care services. In addition to this, the impact of inflation, rising energy costs and geopolitical factors mean that the funding received is worth less in real terms but carries the expectation to deliver more.

In 2025/26, the Scottish Government took steps to baseline revenue funding for ring-fenced priorities, taking cognisance of the commitments of the Verity House Agreement in relation to tackling poverty, the just transition to net zero and sustainable public services. This resulted in an increase in the revenue settlement for local government in 2025/26 overall, although 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 2025/26 budgets, councils identified a difference of £647 million between anticipated expenditure and the funding and income they receive (the 'budget gap'), including East Renfrewshire's Councils share, £7 million. Across local government in Scotland, councils are facing an estimated cumulative budget gap of £997 million by 2027/28. Over the life of the Scottish Government's Medium Term Financial Plan, to 2029/30, local government's relative share of resource spending is forecast to fall from 24% of the budget to 23%. The forecast assumes that spending on non-pay social care will increase by 3.3% in real terms per year on average. Social care pay rises will be met by the Scottish Government in line with the Public Sector Pay Policy. Remaining Local Government spending is expected to rise in line with inflation over the life of the plan.

The Council estimates that its cumulative funding gap over the next 5 years will be in the region of £12.8 million

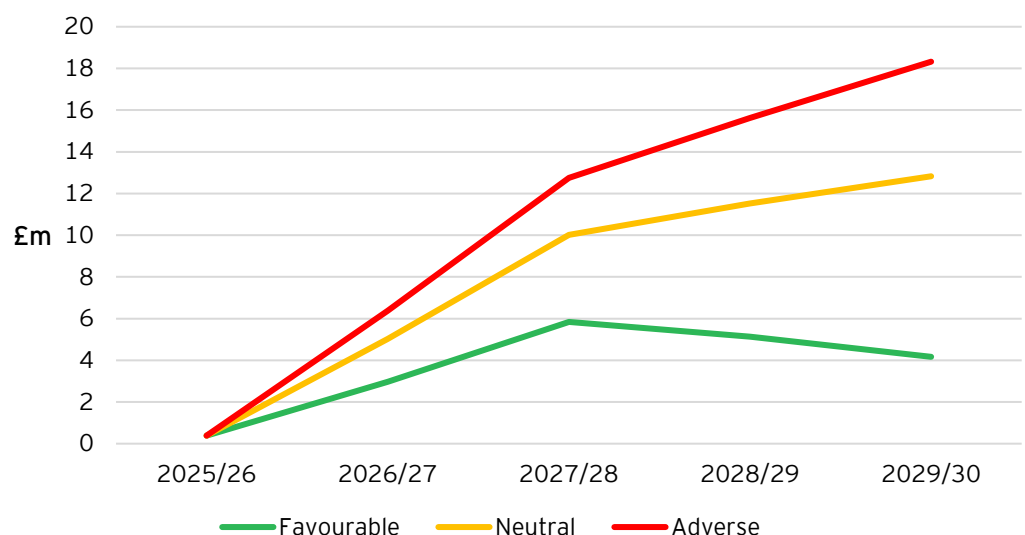
The Council approved its Medium Term Financial Strategy to 2029/30 in February 2025, in line with the statutory deadline to approve a balanced budget. As a result, the Strategy was developed prior to the publication of the Scottish Government's outlook.

Continuing uncertainty for both the Scottish Government and local government budgets means that it remains difficult to forecast finances in the medium term. Exhibit 6 notes that Council has adopted three scenarios to inform the Strategy. The Council's budget forecasting is based on a neutral scenario, and is based on assumptions including:

- Core funding from Scottish Government as per settlement for 2025/26, with a 0.5% increase each year thereafter;
- 60% of direct costs for the increase in employers' national insurance contributions for both the Council and IJB will be funded each year; and
- the adoption of an 8% increase in Council Tax in 2025/26, followed by and a 3% increase each year thereafter.

Under this scenario, the Council faces a cumulative funding gap of £12.8 million over the 5 years of the plan, including £0.4 million in 2025/26.

Exhibit 6: The Council's Medium Term Financial Plan identifies a cumulative funding gap of £12.8 million over 5 years



Source: East Renfrewshire Council Medium Term Financial Plan, February 2025

At the time that the revenue budget was set in February 2025, the Council estimated that gross budget gaps for 2026/27 and 2027/28 were £5.02 million and £5.0 million respectively, assuming an annual increase in Council Tax of 3% but prior to the application of any new savings or drawdown from reserves. However, significant uncertainties remain including:

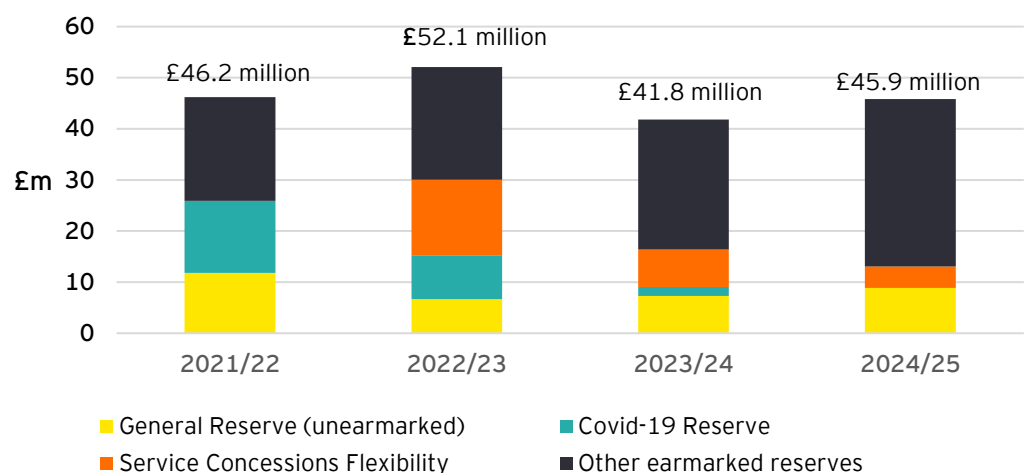
- The impact of policy decisions and funding settlements made to local government by the Scottish Government;
- Any further impact of demographic change;
- The delivery of planned savings (any unachieved savings will add a recurring pressure to future years); and
- The impact of demand pressures on the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

The Council was able to increase its reserves during 2024/25 as a result of operational underspends

As Exhibit 7 highlights, the Council's overall reserves increased in 2024/25, despite the expectation within the 2024/25 budget that reserves would fall by £8.48 million. As in prior years, operational underspends were used to replenish reserves with the Council's reserves increasing by £4.1 million overall. Unearmarked General Fund reserves increased by £1.5 million to £8.8 million. This represents 2.5% of the Council's annual budgeted net revenue expenditure and is within the target level set in the Council's Reserve Policy.

The Council made use of the remaining £1.8 million of Covid-19 funding in 2024/25 to address recovery from the pandemic, allowing for organisational recovery and wellbeing support to be provided for vulnerable individuals including direct financial support to residents.

Exhibit 7: Overall reserves increased by £4.1 million in 2024/25



Source: East Renfrewshire Council Financial Statements 2021/22 - 2024/25

Area of good practice:

The Council has set aside non-recurring windfalls to support the development of savings plans to bridge budget gaps in future years.

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

The level of underspend meant that the Council was not required to draw on the service concessions reserve, and a balance of £4.2 million now remains to support the budget gap in future years when employer's contribution levels return to 17.5% in 2026/27 (2024/25 and 2025/26: 6.5%).

The Service Concessions Earmarked Fund was created following the application of financial flexibilities to restructure the liability held within the balance sheet for its service concession arrangements. Structuring the liability 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.

The Council has also established an Investment in the Future reserve to benefit from the one-off reductions in employer pension contributions in 2024/25 and 2025/26.

The Investment in the Future Fund was created with clear criteria for use, including the need to be sustainable, support spend to save measures and align with the Strategic Plan. Projects that were approved in 2024/25 include:

- The purchase of a further £1 million of temporary housing to respond to the homelessness emergency;
- The funding of a Property Condition Survey to inform the Council's capital programme (£0.5 million);
- The extension of the commitment to a Community Capacity Building reserve for a further 5 years (£1.2 million); and
- Additional contributions to the Employee Wellbeing and Development Reserve for a further 5 years (£1 million).

The reserve will be topped up with the saving associated with the reduction in employer contribution costs in 2025/26. The 2025/26 budget estimates the closing balance of this reserve to be £6.2 million by March 2026.

The Council approved plans to bridge a budget gap of £5 million in 2025/26

The budget gap that the Council was required to bridge in 2025/26 was significantly lower than previously forecast (a reduction of around £8 million from the assumption within the Medium Term Financial Outlook considered in February 2024). The key factor was a more favourable than expected settlement from the Scottish Government, alongside further improvements in demographic funding.

The Council was able to bridge the gap in 2025/26 by drawing upon:

- The use of the service concession reserve to meet £0.385 million of the gap on a non-recurring basis;
- Recurring savings of £1.235 million, including £0.844 million that were approved prior to the 2025/26 budget process as a result of early consideration by the cross-party Budget Strategy Group; and
- Additional income from an 8% increase in Council Tax (£5.446 million).

The Accounts Commission reported in May 2025 that all councils in Scotland raised council tax rates to meet additional costs in 2025/26, by between 6 and 15.65%.

Our conclusions:

- The Council draws upon scenario planning to prepare for the budget gaps ahead. The current projected gap to 2029/30 is £12.8 million, representing a significant improvement on expectations in previous forecasts, though uncertainties remain.
- As a result of an improved financial position, the Council was able to replenish its General Reserves. The balance is now 2.7% of net expenditure, within the target range of 2-4% set in the Council's reserves policy.
- 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.

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 focus is therefore on in-year monitoring and reporting arrangements, including the achievement of planned savings, and the Council's financial outturn for 2024/25.

The Council recorded a surplus on the provision of services of £4.1 million in 2024/25

When the Council set its budget for 2024/25, it anticipated that a draw on reserves would be required of £8.48 million. The Council's outturn position for the year records a surplus on the provision of services of £4.1 million, representing an improved in-year position of £12.6 million. This was principally achieved as a result of:

- the late distribution of General Revenue Grant funding following the redetermination of the 2024/25 Local Government Finance Settlement (£13 million over the course of 2024/25); alongside
- An in-year operational underspend of £2.5 million on service provision.

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

- Reduced costs relating to staff turnover (£0.6 million)
- Underspends in the utility and restructuring costs totalling £1.4 million
- Additional income and interest earned on temporary investment balances (£1.8 million)

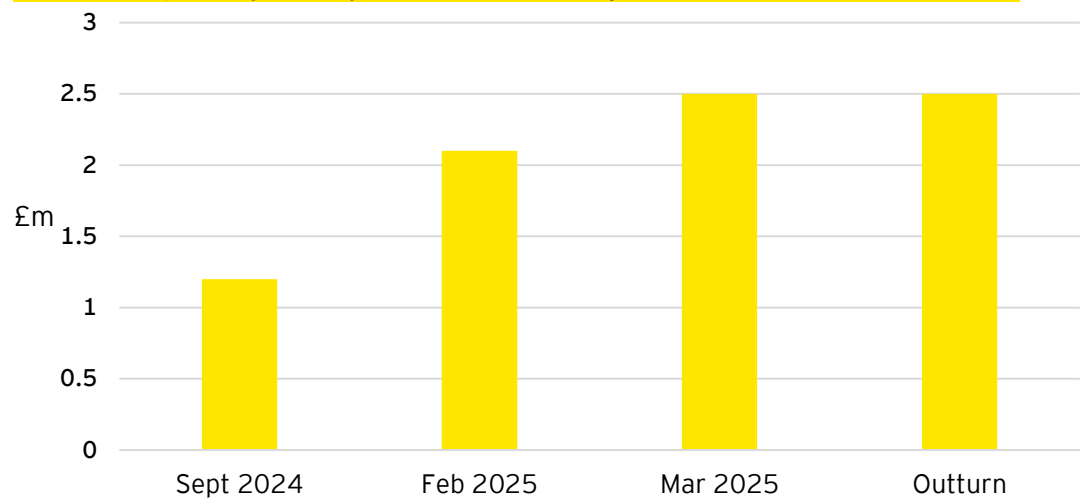
These were partially offset by increased costs relating to homelessness and temporary accommodation pressures of £1.7 million.

The Council recorded an underspend in line with projections during the year and has plans to significantly improve budget forecasting

Within the Controller of Audit's [report](#) on East Renfrewshire Council, the Accounts Commission noted our previous comments that the Council has historically adopted a prudent approach to financial management. The Commission set out an expectation that the Council would continue work on in-year budget monitoring to ensure that elected members are presented with the most accurate and timely information throughout the year, to support them in their decision-making.

Exhibit 8 highlights that the Council's budget forecasting reports projected an underspend against service budgets throughout the financial year, in line with the outturn reported in June 2025, and representing a significant improvement in accuracy against prior years.

Exhibit 8: The Council's level of underspend on service expenditure was in line with reporting throughout the financial year



Source: East Renfrewshire Council Financial Monitoring reports 2024-25

The Finance Team worked closely with colleagues across all departments to undertake reviews of a number of key areas. From these reviews, opportunities were identified to refine a number of budgets in advance of 2026/27. The cross-party Budget Strategy Group in August 2025 considered the result of reviews that have been completed in relation to:

- Energy costs and consumption;
- The greater use of temporary accommodation rather than hotels and bed & breakfast accommodation, and availability of new permanent homes to respond to homeless households;
- The more accurate reflection of demographic funding impacting Early Years;
- The balance likely to be required in the Workforce Restructuring Reserve to meet future restructuring costs; and
- The implications of the hand back of two PFI contracts in August 2026.

The outcome of the reviews is likely to be a reduction in budgeted expenditure of around £2.8 million, which has a corresponding impact on the budget gap to be met by savings in 2026/27.

Openness and transparency in financial reporting

In 2024/25, we reported that the Accounts Commission had set a range of expectations for Councils' presentation of publicly available budget papers.

The Accounts Commission updated consideration, [Local Government Budgets 2025/26](#) reported that there has been good progress against most of the expectations, including transparency in relation to key budget assumptions. However, further improvements could be made in the transparency of budget gaps and associated savings.

Area of good practice:

The Council improved the accuracy of budget monitoring reports in 2024/25 and has undertaken a series of reviews to enhance forecasting in future years.

In future, the Accounts Commission expects to see councils encourage more active participation in the budget-setting process by ensuring that:

- Budget papers and financial monitoring reports provided to elected members include clear and understandable headline figures that state the impact of specific budget decisions on the overall financial position of the council;
- Budgets should link back to the council's corporate plan to allow elected members to make spending choices better informed by, and based upon, the council's priorities;
- Fundamental information, such as the forecast budget gap, is clearly presented as part of the consultation process with residents;
- Estimated costings of how specific proposals will contribute to managing the budget gap are made available to residents, including the potential contribution of any proposed increase to council tax and the anticipated impact levels on service delivery;
- General public consultations are supplemented by targeted consultations with groups most impacted by changes to specific services and that consideration is given to how to encourage participation; and
- The ongoing impact of budget decisions are fully assessed, including through Equality Impact Assessments, to enable elected members to make informed decisions.

We are satisfied that the publicly available budget papers for East Renfrewshire Council addressed each of the Commission's expectations. We understand that plans are in place to launch an updated budget engagement exercise to inform future medium term financial planning in 2026.

Capacity within the Council's finance team

As we reported in 2023/24, the Council's former Chief Financial Officer retired in September 2024. During 2025, a number of other long-standing finance team members have retired or left the Council. We noted in prior years that due to the relative size of the Finance Team, there is a risk of key person dependency. However, to date, recruitment to replacement roles has been successful and we continued to conclude that, overall, the quality of working papers and support that we received from the finance team was good.

Following a review of the effectiveness of the existing arrangements, we note that the new Chief Financial Officer has also identified the need for Finance Business Partnering Manager to ensure that services are provided with effective support from the Finance Team. This will provide further strength and depth within the team to manage any future departures.

In our discussions with management, we have noted that across the UK we have observed increasing numbers of system related issues at local government, impacting timely and accurate financial processing, monitoring and reporting. At East Renfrewshire Council, our observations from our audit appointment to date have included that, while financial reporting is largely accurate and timely, it includes workarounds which have been developed historically to produce the financial statements, including the extensive use of spreadsheets. We have highlighted that the workarounds are used as the Council is not making full use of the functionality of the finance system. This will be an area of focus for the new Finance Business Partnering Manager once they are in post, and we will review progress in 2025/26.

The Council spent £65.4 million on capital programmes during the year

The Council's total capital investment was £65.4 million in 2024/25, including £42.8 million in the General Fund and £22.5 million in the Housing Revenue Account. Key projects undertaken in 2024/25 include:

- The completion of the Neilston Learning Campus (total cost £29 million, and in-year spend of £3 million); and
- The continuing Eastwood Leisure Centre project (total cost £55.7 million, in year spend of £1.3 million).

The City Deal Levern Valley Accessibility project was the largest single area of capital expenditure in 2024/25, at £13.6 million. Initially, the cost of the project was £22.7 million, when the project was approved in 2015. East Renfrewshire Council's original investment in the project was £1.8 million or 8% of the total funding package, with the remainder of costs matched by City Deal funding and a range of partners including Sustrans, the Scottish Government's Bridge Fund and housing developers.

Aurs Road was initially estimated to be fully completed by early 2025 but following a number of issues encountered on site, partially as a result of the nature of historic infrastructure, the project has experienced delays and is currently expected to be completed by Spring 2026. The delays have led to a rise in costs due to the need to meet the cost of additional survey work and redesign of some aspects of the project. A 'Cost to Complete' estimate has been provided by the New Engineering Contract 3 (NEC3) Project Manager, including a cost sensitivity within this estimate.

As a result of the NEC3 Project Manager's assessment of the cost to complete, the revised project outturn cost is estimated to be in the region of £28 - £30.5 million. This results in a funding shortfall that will require to be met by the Council. A total of between £4.3 million to £6.9 million additional budget is required to be made available. In September 2025, the Council was asked to consider the use of up to a £3 million contribution from the Capital Reserve and up to £3.9 million of additional borrowing, dependent on the final outcome cost of the project and any additional funds that may be obtained, for example, through underspends within other projects. The confidentiality requirements of an NEC contract, along with the need to develop accurate costings, meant that there were delays in reporting the full financial impact of required remedial actions. Throughout the building phase, officers have provided updates to elected members on a monthly basis about progress.

Our conclusions:

- The Council delivered an underspend against budget of £2.5 million, in line with budget forecasting reports throughout the year.
- A review of existing budgets has been undertaken to target areas where expenditure is likely to be lower than forecast in futures years, with a corresponding reduction in the budget gap that is required to be met by the identification of recurring savings.
- A significant overspend has been identified in relation to the Aurs Road project, which will result in Council contributions rising from £1.8 million to between £6.1 million and £8.7 million.

Vision, Leadership and Governance

This considers the effectiveness of scrutiny and governance arrangements, leadership and decision making, and transparent reporting of financial and performance information.

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

In December 2024, the Council and community planning partnership launched “A Place to Grow”, the refreshed 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 Places thrive; and
- We all live well.

Following its approval, the Council has undertaken an exercise to review each underpinning strategy with the aim of aligning these with the priority themes. This includes the review of the Medium-Term Financial Strategy in February 2025, ensuring that financial planning and resource is aligned with the wider strategic priorities outlined within A Place to Grow.

The Annual Governance Statement demonstrated that it 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 2025.

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 2025.

Her assessment is based on Statements of Assurance from Directors and Chief Executives within the Council and Culture and Leisure Trust and notes that no new exceptions have been raised for 2024/25.

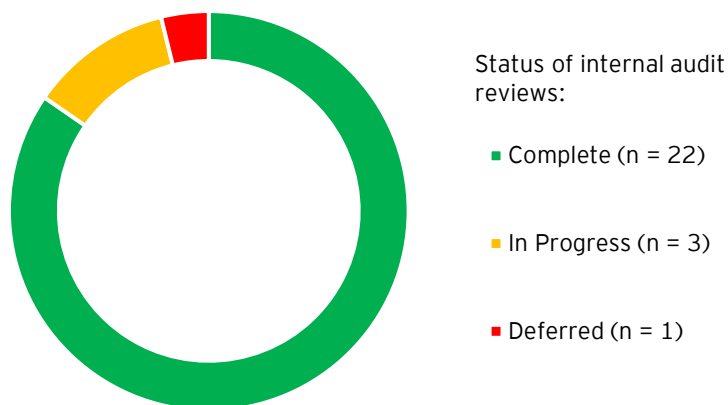
The Delivering Good Governance Framework notes that the annual governance statement should be approved at a meeting of the committee with a remit including audit or governance. We highlighted in 2023/24 that in many Councils, the governance statement is considered as a separate report by the Audit Committee equivalent prior to finalisation of the draft financial statements to allow separate scrutiny alongside key governance documents such as the Internal Audit Annual Report. In response to our recommendation, the Annual Governance Statement was presented separately from the draft financial statements at the Audit & Scrutiny Committee in June 2025.

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. In 2023/24, the Chief Auditor noted the impact of vacancies within the Council's internal audit team on the delivery of the Internal Audit Plan. Eight internal audit reviews that were planned to be completed were required to be deferred into 2024/25. Following successful recruitment to fill the positions in 2023/24, Internal Audit were able to improve overall delivery against plan as shown in Exhibit 9 below.

Exhibit 9: Internal Audit's delivery against plan improved in 2024/25 as a result of addressing vacancies



Source: East Renfrewshire Council Internal Audit Annual Report 2024-25

Whilst a Whistleblowing Policy is in place, the Council should ensure that this is accessible to both staff and members of the public

EY's Global Integrity Report [How can trust survive without integrity? Why taking the human-centred approach empowers an ethical culture](#) was published in June 2024. The report is based on a survey of 5,464 board members, senior managers, managers, and employees across various sectors; and in 53 countries. 530 interviews were conducted in Government & Public Sector organisations.

It found that overall, integrity standards are improving but corporate misconduct appears to be on the rise. The gap between what leaders say about integrity versus how they act is growing, which perpetuates integrity risk within the organisation.

Our survey found that overall, employees' perceptions of standards of integrity within Government and Public Sector organisations has declined over the last two years relative to all industries. Only 38% of employees think that standards have improved, compared to 49% of commercial organisations.

Nearly four out of 10 (38%) global respondents admit they'd be prepared to behave unethically in one or more ways to improve their own career progression or remuneration – more than one and a half times higher than the levels recorded in our 2022 survey. Within Government and Public Sector respondents, 26% of employees had reported issues of misconduct to a whistleblowing hotline and a further 27% had concerns that they had not reported. Exhibit 10 outlines the reasons cited for not reporting within government and public sector organisations.

Exhibit 10: Reasons to avoid reporting concerns about misconduct within government and public sector organisations



Source: EY Global Integrity Report, Government and Public Sector respondents

Recommendation 3:

The Council should ensure that the Whistleblowing Policy is available publicly and ensure that there is a regular reporting mechanism to elected members on the nature and outcome of whistleblowing cases.

The survey also shows that third parties are involved in more than two-thirds (68%) of significant compliance violations and major fraud. While this drops to 62% within the government and public sector responses, we know that third party and anonymous reporting is often the source of the identification of frauds within public sector organisations.

We note that East Renfrewshire Council has a whistleblowing policy, which has been promoted internally on the Council's intranet, including by the Chair of the Audit and Scrutiny Committee. However, the policy and reporting process is not available externally to allow third parties to raise concerns. This reduces the opportunities for concerns to be raised. There is also no current mechanism for regular reporting to elected member of the frequency, nature and outcome of whistleblowing concerns.

The Council continues to perform its responsibilities effectively in relation to the National Fraud Initiative

We have continued to review the Council's response to the National Fraud Initiative, including the governance arrangements and the counter fraud response to the number of matches highlighted during the exercise. We noted that East Renfrewshire Council continue to be considered high performing compared to other Scottish councils in terms of the follow up and response to matches flagged by NFI.

The Accounts Commission has drawn attention to serious concerns in relation to exit package decisions for senior officers in Glasgow City Council

In September 2025, the Accounts Commission published its [findings](#) in relation to a Controller of Audit report on Glasgow City Council. The Controller highlighted serious concerns on how decisions were made around a number of exit packages for a number of senior officers. The Commission has written to every Council to ask that the lessons learned are considered by the Audit and Scrutiny Committee. This will include reviewing the Scheme of Delegation and decision-making processes.

The Commission recognises that councils continue to face financial challenges, and service redesign and restructuring are key tools available to respond to these challenges. Where decisions around restructuring and exit packages are being taken, councils must ensure there is clear evidence of effective governance, independent scrutiny, and value for money, as well as robust and transparent record keeping.

Our conclusions:

- The Council launched the Community Planning Partnership's Strategic Plan "A Place to Grow" in 2024/25 and has made progress in aligning the underpinning strategies, including the Medium-Term Financial Strategy, to align to the new priority themes.
- Governance arrangements are well-established, and the Annual Governance Statement concludes that they worked well throughout 2024/25. There was a significant improvement in the delivery against the Internal Audit Plan as a result of filling key vacancies.
- The Council's whistleblowing policy should be made available on their website and a mechanism for regular reporting to elected members should be established to allow oversight of the nature of cases.

Use of Resources

We consider the Council's approach to demonstrating economy, efficiency, and effectiveness through the use of resources and reporting outcomes.

The Council continues to report regularly on performance, including the publication of a Strategic Year End Performance Report in June each year

All councils have a responsibility, under the duty of Best Value, to report performance to the public. The Accounts Commission has a statutory duty to direct councils to publish information that will:

- Enable comparisons of performance between councils and over time; and
- Show how well they are improving local outcomes with community planning partners in their area.

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

Under the arrangements in place during 2024/25, the Council considered a strategic performance report against each of the Strategic Outcomes agreed within the Outcome Delivery Plan on a six-monthly basis. This includes an assessment of performance against targets, along with trend information and a description from the service including where necessary, reasons for slippage against targets.

The Accounts Commission's expectations for public performance reporting continues to evolve. The Accounts Commission issued a revised Statutory Performance Information Direction in December 2024, which will take effect from 2025/26. The updated Direction requires that the Council's public performance reporting should be sufficient to demonstrate:

- how they are working with partners to achieve local shared outcomes;
- how they are responding to the needs of their local communities;
- how they are learning from best practice elsewhere;
- what factors are impacting on their performance;
- how they are using data to inform decision-making; and
- how they measure success.

In April 2025, the Council agreed an initial one year delivery plan and measurement framework for reporting on progress against *A Place to Grow*, including the introduction of a new "Organisational Healthcheck" section. Annual public performance reporting will be aligned with the revised outcome priorities, including where the action or target is related to the Council only, or is delivered with community planning partners.

In our view, the Council demonstrates that it meets the expected scrutiny requirements within its public performance reporting.

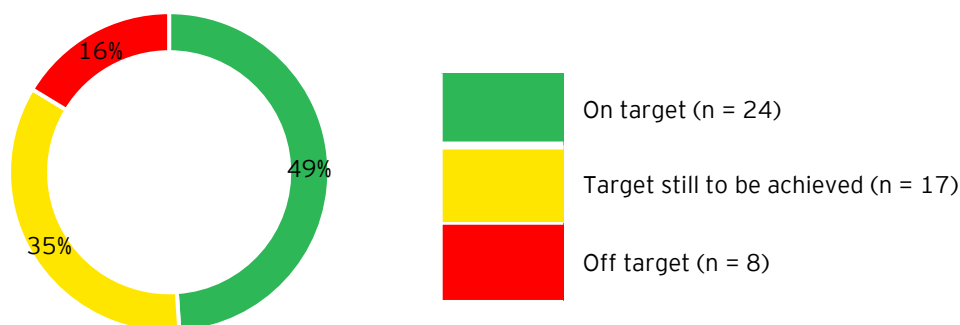
The Council reports annually on performance against each of the outcome areas, including progress against performance indicators, key highlights and areas of focus

Exhibit 11 highlights that in 2024/25, the Council assessed progress as “on target” for 49% of the indicators where targets were set within the Council’s Outcome Delivery Plan. The report also summarises the direction of travel of indicators, and we note that of the indicators where targets have not yet been achieved, 65% improved against the prior year. Key achievements for 2024/25 include:

- 18 East Renfrewshire schools have now achieved Rights Respecting Gold Award- an award granted by UNICEF to schools that have fully embedded children’s rights throughout the school in its policies, practice, and ethos.
- Every school in East Renfrewshire has achieved the Digital School Award, recognising excellence in the use of digital technologies across learning and teaching.
- The Council exceeded the Local Housing Strategy’s target of bringing a minimum of 45 new affordable homes into the housing supply, with the Council taking ownership of 110 new affordable homes in the year.

The 2024/25 report marks the conclusion of the Outcome Delivery Plan as the Council transitions to their new long-term strategic vision *A Place to Grow*.

Exhibit 11: The Council achieved 49% of the outcome targets set within the Outcome Delivery Plan in 2024/25



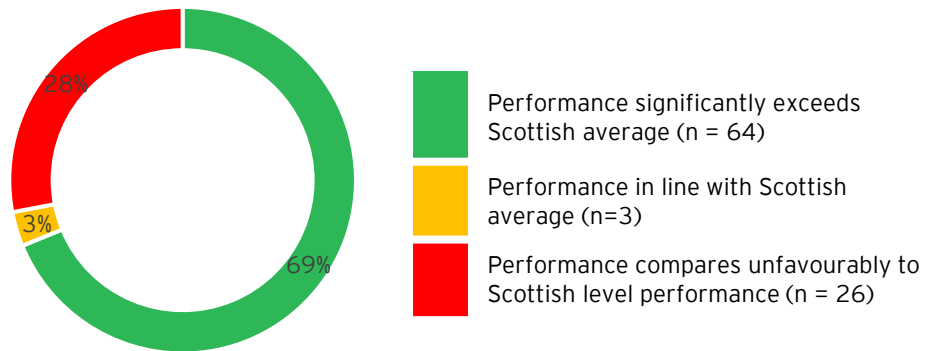
Source: East Renfrewshire Council Outcome Delivery Plan 2024/25 End Year Report June 2025

The Council’s performance compares favourably to other Scottish local authorities

In May 2024, the Council’s Cabinet considered the results of the 2023/24 Local Government Benchmarking Framework (LGBF) exercise. This presents a suite of measures of performance, comparing the Council’s outcomes to comparators across Scotland.

Exhibit 12 highlights that East Renfrewshire’s performance exceeded national averages for 69% of the indicators in 2023/24 (a further improvement against the 64% in 2022/23).

Exhibit 12: The Council outperforms the Scottish average in 69% of LGBF Indicators, more than any other authority



Source: Local Government Benchmarking Framework outcomes 2023/24

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 school attendance rate (93.1% compared to Scottish average of 90.3%);
- Percentage of pupils gaining 5+ awards at Level 5 (89% compared to a Scottish average of 67%)
- Percentage of pupils gaining 5+ awards at Level 6 (73% compared to a Scottish average of 39%)

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

- Proportion of total household waste that is recycled (58.2% compared to a Scottish average of 43.5%)
- The proportion of Adult Care Service graded 'good' or better (89.3% compared to Scottish average of 77%)
- Rates of readmission to hospital within 28 days per 1,000 discharges (73.6 compared to Scottish average of 103.9)

There was one indicator where the Council ranked as 32nd out of Scottish councils:

- Proportion of procurement spend on local enterprises (11.4% compared to a family group average of 20.9% and Scottish average of 30.7%).

The Council has demonstrated that it has met its equalities duties

Under the current Code of Audit Practice, there is an expectation that equalities will be advanced through the external audit process, and that we will therefore carry out work on the Fairness and Equality characteristic at least once during the audit appointment. As a result, we considered the Council's arrangements as part of our overall work in 2024/25.

The Council considered its most recent Equality and Human Rights Mainstreaming Report in April 2025, prior to publication on the Council's website for public scrutiny. The report highlights the work that has been undertaken to date to integrate equality considerations into the work of the Council, including:

- The launch of the new People Strategy, with a clear commitment to equality, diversity, inclusion and belonging;
- Recent enhancements to the Equality, Fairness and Rights Impact Assessment process to identify the potential impacts of policy decisions, and the approach to scrutinising the judgements within the assessments;
- The support and development of the Employee EDI network; and
- The establishment of a Community Equalities Forum to help influence local decision-making and raise awareness about equality issues.

The report also launches the Council's new Equality Outcomes for 2025-2029. The new outcomes were informed by relevant evidence and lived experience feedback. This included sources of evidence such as the Census, Citizen's Panel survey results, and NHS Greater Glasgow and Clyde Health and Wellbeing Survey results. The Council also gathered feedback through a survey, and engaged with a range of community groups representing different protected characteristics groups, and many with intersectionality.

Area of good practice:

The Council has embedded equality measures within its performance reporting and scrutiny arrangements.

Future reporting on equalities has been integrated within the revised performance reporting arrangements. We note that within the Year 1 Delivery Plan, all activities and measures are marked to describe if they are:

- A "universal" target, intended or expected have a broad-based benefit for all people of East Renfrewshire; or
- A "lifting" or equity activity, measure and/or target. This relates to activities and measures where the Council is working to tackle the inequalities and barriers that some people face, such as poverty or trauma or living with a disability or long-term condition.

As a result of our work, and consideration of the extensive consultation undertaken as part of the Council's strategic planning, we concluded that equality and equity considerations are well-embedded within the Council's arrangements, including its collaborative and integrated community planning and other partnership arrangements.

Despite progress made to date, the Council notes that there are not currently enough resources in place to successfully meet its 2045 net zero

The Climate Change (Scotland) Act 2009 set out measures adopted by the Scottish Government to reduce emissions in Scotland by at least 80% by 2050. The Climate Change (Emissions Reductions Targets) (Scotland) Act 2019 amended this longer-term target to net-zero by 2045, five years in advance of the rest of the UK. While the Scottish Government announced in April 2024 that it would stand down its annual and interim targets for cutting greenhouse gas emissions, the long-term target to reach net zero by 2045 remains in place.

Sustainability features as a key outcome of the Council's long-term strategic plan "A Place to Grow", illustrating the commitment to integrate sustainability as part of standard planning arrangements.

The Council reports its emissions to Sustainable Scotland Network each year and a report on the latest trends and future forecast is made to Cabinet, typically in January each year. It also reports carbon emissions as part of its annual financial statements, noting a 36.6% decrease since establishing a baseline for progress in 2019/20, with most of the reduction being attributed to the Clyde Waste Valley Partnership contract, which sends waste for energy recovery instead of landfill.

The Council approved its Get to Zero action plan in February 2024 which outlines the actions required to be taken over the 20 year period to 2045 in order to meet the target set by the Scottish Government. Despite the progress made to date with regards to emissions, the Council notes that there are not currently enough resources in place to successfully meet the net zero target. The Council's action plan outlines the significant action and investment required to meet the target, which includes transitioning away from diesel vehicles and gas boilers in council properties and improving energy efficiency through investment in capital but at this stage, in common with other Scottish local authorities, the Council does not have a pathway to the level of investment required to meet the target.

Our conclusions:

- The Council has a well-developed approach in place to monitor and report on progress against strategic priorities and was able to demonstrate key areas of improvement in 2024/25. The revised arrangements to report on performance against the new A Place to Grow delivery plan adopt key areas of improvement, including the integration of equality measures.
- The Council performs above the Scottish average in 69% of benchmarking indicators
- Sustainability features as a key outcome of *A Place to Grow*, illustrating the commitment to integrate sustainability as part of standard planning arrangements but there are not currently enough resources in place to successfully meet the 2045 net zero target.

Best Value considerations

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 2024/25, the Commission directed auditors to report on the Council's approach to transformation. Our key conclusions against the work programme set by the Commission are outlined in Exhibit 13.

Our assessment in 2024/25 reflects the work conducted to support our wider scope responsibilities, and developed throughout our appointment. Our consideration therefore includes:

- 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;
- The Council's governance arrangements, including monitoring reports on the use of resources and scrutiny arrangements;
- Our assessment of performance reporting to the Council and public; and
- The Council's arrangements to align key plans and strategic with the revised Strategic Plan, *A Place to Grow* and priority themes.

The Accounts Commission requires the Controller of Audit to report each council at least once over the five-year audit appointment on the Council's performance on its Best Value duty. This enables the Accounts Commission to make findings for improvement where appropriate. The Controller of Audit reported on the Council's progress against Best Value in February 2025, noting that the Council excels in many areas whilst also providing findings to enable further improvement. We have therefore considered the Commission's findings as part of our assessment and follow up work.

The Council can demonstrate that it has effective arrangements to deliver Best Value

As part of its overall findings, the Accounts Commission noted that the Council has made good progress in addressing recommendations both from the previous Best Value Assurance Report, and in response to previous external audit recommendations. The Commission also highlighted the consistently strong performance of East Renfrewshire Council across a broad range of corporate and service areas including education, adult and children's care, digital transformation and waste and recycling.

Since the publication of the Controller of Audit report, the Council has published its arrangements to report on performance against the new Strategic Plan, *A Place to Grow*. We note that the Council has outlined further improvements to its performance reporting arrangements, including the integration of reporting key equalities measures and targets, aimed at lifting individuals and communities.

We note within our consideration of "Financial Sustainability" that the Council's financial position strengthened during 2024/25, partly as a result of funding from the Scottish Government reflecting key demographic movements.

Within “Financial Management” we also noted key improvements in relation to the Council’s budget forecasting. Work has also been undertaken to review existing budgets to target areas where expenditure is likely to be lower than forecast in future years. This will signal a corresponding reduction in the budget gap that is required to be met by the identification of recurring savings within the 2026/27 report. The Council’s Digital Transformation Strategy has also highlighted the productivity gains that have been possible as a result of the Council’s investment in key transformation projects.

Overall, we concluded that Council’s governance, performance management and financial reporting arrangements allow the Council to demonstrate the delivery of Best Value.


Exhibit 13: Key findings from our 2024/25 Best Value Thematic Review on the Council’s approach to transformation

- The Council’s Digital Transformation Strategy has been updated to reflect the strategic priorities within *A Place to Grow*. This sets out the Council’s approach to the appropriate use of artificial intelligence, process automation, and the use of data and business intelligence, including in major system change;
- Transformation, service redesign and digitisation form core elements of the Council’s Medium Term Financial Strategy. Within the digital programme, clear criteria for prioritisation are in place, which includes the ability to deliver quantifiable savings and the positive impact on customer or employee experience. We did note that the robustness of the assessment of anticipated benefits varied across project briefs, and therefore how project benefits can be measured and reported.
- One of the key principles within the current Digital Transformation Strategy is that processes are designed in an inclusive way that provides support to those that need it. Each project within the programme is subject to initial screening and, if required, an Equalities, Fairness and Rights Impact Assessment (EFRIA).
- The Council could evidence change as a result of the EFRIA and user engagement process, but we noted that project closure reports could be enhanced to provide specific consideration of the outcomes for vulnerable communities and service users.

Source: East Renfrewshire Council Best Value Thematic Review 2024/25, September 2025

Our conclusions:

- The Council has well-developed strategic planning arrangements and has made key improvements to its performance reporting to align with the priorities within *A Place to Grow*. *A Place to Grow* was developed following significant engagement with Community Planning Partners and communities and establishes the future priorities for the refreshed strategy.
- The Council has been able to demonstrate key improvements, both to its financial position and financial management arrangements overall but difficult decisions will continue to be required to bridge an estimated £12.8 million cumulative budget gap to 2029/30, and risks remain that policy or funding decisions require further areas of saving.



Appendices

A

Code of audit practice:
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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.

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.



Code of audit practice: Responsibilities continued

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 plan 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 continued**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 and audit fees

2024/25 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. All fees below are inclusive of VAT.

As we outlined in our audit planning report, the expected fee for auditor remuneration, set by Audit Scotland, is based on a risk assessment of publicly available information from the 2021 tender exercise. As set out in our Audit Planning Report the agreed fee is based on the following assumptions:

- Officers meeting the agreed timetable of deliverables;
- Our financial statements' opinion being unqualified;
- Appropriate quality of documentation is provided by the Council;
- The Council has an effective control environment, including internal audit function and an average risk profile for its sector; and
- The Council complies with its responsibilities under the Code of Audit Practice (refer to Appendix A).

This is the basis for the estimated level of time and skill mix involvement by auditors.

If any of the above assumptions prove to be unfounded, we would seek a variation to the agreed fee.

	2024/25	2023/24
Component of fee:		
▪ Auditor remuneration - expected fee	£241,700	£231,960
• Additional audit procedures (Note 1)	£52,884]	£43,528
Audit Scotland fixed charges:		
▪ Performance audit and best value	£58,310	£60,900
▪ Audit support costs	£6,070	£8,450
Sectoral price cap	(£12,590)	(£13,320)
Total fee	£346,374	£331,518

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 Audit Scotland Code of Practice.

Note 1 - During the year end audit for 2024/25, a number of areas of additional work were required to complete the audit, in line with expectations set out in our audit planning report. We have provided our assessment of additional cost to management will provide an update to the Audit and Scrutiny Committee to confirm the final fee variation when finalised. Our assessment of additional cost reflects £28,400 in relation to new areas of work required due to changes in auditing and accounting standards. These areas include group accounting arrangements under ISA 600 and additional procedures required due to the implementation of IFRS16. Ongoing additional time in relation to valuation work resulted in additional costs of £24,400 (compared to £42,530 in 2023/24).



Required communications

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

		Our reporting to you
Required communications	What is reported?	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 2025
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 2025
Significant findings from the audit	<ul style="list-style-type: none"> ▶ 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 2025.
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ 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 - September 2025.



Required communications (cont.)

Our reporting to you

Required communications	What is reported?	When and where
Misstatements	<ul style="list-style-type: none"> ▶ 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 - September 2025.
Fraud	<ul style="list-style-type: none"> ▶ 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 - September 2025.
Internal controls	Significant deficiencies in internal controls identified during the audit.	This Annual Audit Report - September 2025.
Related parties	<p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> ▶ 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 - September 2025.
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ 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.

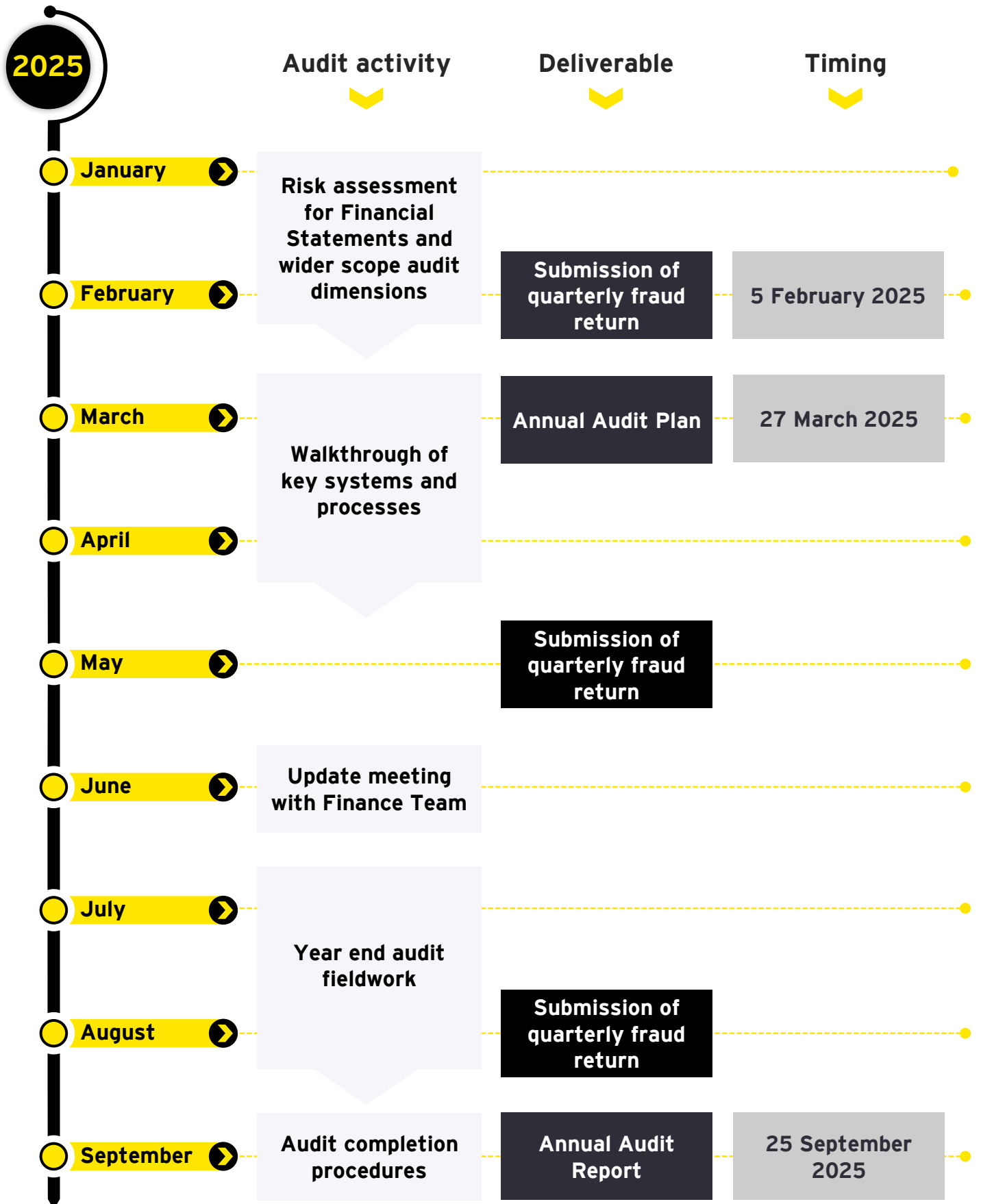


Required communications (cont.)

		Our reporting to you
Required communications	What is reported?	When and where
External confirmations	<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations. ▶ Inability to obtain relevant and reliable audit evidence from other procedures. 	This Annual Audit Report - September 2025.
Representations	Written representations we are requesting from management and/or those charged with governance.	This Annual Audit Report - September 2025.
Consideration of laws and regulations	<ul style="list-style-type: none"> ▶ 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 Finance, Audit and Scrutiny Committee may be aware of. 	This Annual Audit Report - September 2025.
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise.	This Annual Audit Report - September 2025.
Auditors report	Any circumstances identified that affect the form and content of our auditor's report.	This Annual Audit Report - September 2025.
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 - September 2025.
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 - September 2025.

D

Timeline of communication and deliverables



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. 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 consider merit attention but do not require to be prioritised by management.

2024/25 recommendations

No.	Findings and / or risk	Recommendation / grading	Management response / Implementation timeframe
1.	<p>Dormant bank accounts not closed on a timely basis</p> <p>A number of bank accounts were identified on external bank confirmations that the Council had not included within their list of accounts and confirmed were no longer in use.</p>	<p>The list of bank accounts were shared with management to close. Going forward, the Council should ensure that bank accounts are closed on a timely basis.</p> <p><i>Grade 3</i></p>	<p>Response:</p> <p>It is noted that the balances on these accounts are almost zero however these will be closed for completeness.</p> <p>Responsible officer:</p> <p>Chief Financial Officer</p> <p>Implementation date:</p> <p>31 October 2025</p>
2.	<p>Accumulated Absences Accrual</p> <p>The Council's accumulated absence accrual for staff on local government terms and conditions is calculated through a sample which omitted local government staff within the Education service. There is a risk that the accrual is not reflective of the entire population of staff.</p>	<p>Whilst no material error was noted this year, the approach should be updated going forward.</p> <p><i>Grade 3</i></p>	<p>Response:</p> <p>This will be reflected in the financial statements going forward.</p> <p>Responsible officer:</p> <p>Chief Financial Officer</p> <p>Implementation date:</p> <p>31 March 2026</p>
3.	<p>Access to Whistleblowing Policy</p> <p>The Council's whistleblowing policy is currently held within the Council's intranet as opposed to being readily accessible on the Council's website. As a result, the Council reduces its opportunities for concerns to be raised.</p> <p>We also noted that there is no current mechanism for regular reporting to elected members of the frequency, nature and outcome of instances of whistleblowing concerns.</p>	<p>The Council should ensure that the Whistleblowing policy is available on the website and ensure that there is a regular reporting mechanism on the nature and outcome of whistleblowing cases.</p> <p><i>Grade 2</i></p>	<p>Response:</p> <p>The whistleblowing policy will be made publicly available, and reporting will be put in place.</p> <p>Responsible officer:</p> <p>Chief Auditor</p> <p>Implementation date:</p> <p>31 March 2026</p>

E Action Plan

Set out below are the recommendations that were made in 2023/24, along with our assessment of progress.

Prior year recommendations			
No.	Recommendation	Management response	Our assessment of progress
1.	Management should ensure there is a sufficient level of internal review and challenge on the valuation documentation provided.	Response: Senior Management will strengthen existing arrangements. Responsible officer: Director of Environment and Head of Finance Implementation date: April 2025	Complete: Management evidenced a high level of scrutiny over the valuation documentation provided, including considering movement of assets year on year and sample checking the documentation prepared by the valuations team for error and inconsistency.
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.	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	Progress made, more work required: Management evidenced that they considered the impact of all available intelligence relating to the asset base in preparing valuations. However, the Council should seek to ensure that these considerations are given prior to the preparation of the unaudited financial statements to minimise the risk of audit variances.
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.	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	Progress made, more work required: Management has removed a large number of nil NBV value assets which could no longer be identified following the recommendation made by audit in the prior year. However, the Council should continue to assess the useful lives of assets, ensuring that the assets lives are appropriate for each class of asset.

E Action Plan

Set out below are the recommendations that were made in 2023/24, along with our assessment of progress.

Prior year recommendations			
No.	Recommendation	Management response	Our assessment of progress
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.	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	Not yet assessed: We will continue to monitor progress on this recommendation until the statutory override has expired and the Council has successfully implemented the changes required under the CIPFA code.
5.	As IFRS 16 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.	Response: Work is already underway. Responsible officer: Head of Finance Implementation date: March 2025	Complete: Management prepared accounts which reflected the implementation of IFRS 16 ahead of the 30 June statutory deadline for delivery of draft financial statements. As noted on page 18, no areas of concern have been identified through our audit work.
6.	The Annual Governance Statement should be considered as a separate item by the Audit and Scrutiny Committee at its June meeting.	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	Complete: The Annual Governance Statement was presented as a separate item within the Audit and Scrutiny Committee held on 19 June 2025.



Action Plan

Set out below are the outstanding recommendations that were made in 2022/23, along with our assessment of progress.

Outstanding 2022/23 recommendations

No.	Recommendation	Management response	Our assessment of progress
1.	Management should review its valuation arrangements to ensure that clear instructions are issued to valuation experts, including the detailed audit information requirements.	<p>Response:</p> <p>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.</p> <p>Responsible officer:</p> <p>Head of Accountancy</p> <p>Implementation date:</p> <p>31 October 2023</p>	<p>In progress: Management engaged closely with valuation experts and audit to revise the valuation approach and issue clear instructions in the current year. This resulted in a much higher quality of evidence provided however we continued to note issues with regards to the timeliness of information being available. We will continue to monitor this recommendation as the Council enter the second year of the revised arrangements.</p>
4.	The Council needs to develop a realistic and costed medium term financial plan that supports the delivery of strategic objectives.	<p>Response:</p> <p>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.</p> <p>Responsible officer:</p> <p>Head of Accountancy</p> <p>Implementation date:</p> <p>February 2024</p>	<p>Complete:</p> <p>The Council considered the updated Medium Term Financial Plan in February 2025 which noted the demographic pressures facing the Council alongside funding pressures impacting the whole sector.</p>
6	The Council should review budget monitoring processes to increase the accuracy of forecasts throughout the year.	<p>Response:</p> <p>Recent outturn variance trends will be reviewed with a view to improving forecasting accuracy.</p> <p>Responsible officer:</p> <p>Head of Accountancy</p> <p>Implementation date:</p> <p>March 2024</p>	<p>Complete: The Council have now established a cross-party strategy group which meets regularly throughout the year with a view to ensuring that they can develop realistic and costed medium term financial plan. In addition, each service is being challenged to increase forecasting accuracy with a view to developing a more realistic vision across the council.</p>



Action Plan

Set out below are the outstanding recommendations that were made in 2022/23, along with our assessment of progress.

Outstanding 2022/23 recommendations

No.	Recommendation	Management response	Our assessment of progress
7.	The Council should have a workforce plan for the Finance Team which includes any training requirements and succession planning arrangements.	<p>Response:</p> <p>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.</p> <p>Responsible officer:</p> <p>Head of Accountancy</p> <p>Implementation date:</p> <p>May 2024</p>	<p>Progress made, more work required: The accountancy team continues to face the risk of single points of failure through key person dependency. However, following the restructuring process, a new role has been introduced and is currently in the recruitment phase. We will therefore continue to monitor this area going forward.</p>
9.	The Audit and Scrutiny Committee should review its arrangements against updated good practice guidance.	<p>Response:</p> <p>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.</p> <p>Responsible officer:</p> <p>Head of HR and Corporate Services</p> <p>Implementation date:</p> <p>March 2025</p>	<p>Complete: As scheduled, the Audit and Scrutiny carried out its self assessment against the latest good practice guidance during the 24/25 financial year.</p>



Action Plan

Set out below are the outstanding recommendations that were made in 2022/23, along with our assessment of progress.

Outstanding 2023/24 Best Value recommendations

No.	Recommendation	Management response	Our assessment of progress
1.	The Council should consider how best to broaden awareness of key workforce planning issues amongst elected members.	<p>Response:</p> <p>It is proposed that a more comprehensive workforce planning summary be included in the annual Financial Planning report to Councillors as part of budget setting.</p> <p>Responsible officer:</p> <p>Head of HR & Corporate Services</p> <p>Implementation date:</p> <p>March 2025</p>	<p>Complete: As part of the cross-party budget strategy group, elected members receive regular communication on FTE statistics and where investment is required within the workforce. Organisational health checks and graphics from the workforce profile dashboards will continue to be shared as part of the financial planning and performance reporting processes.</p>
2.	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.	<p>Response:</p> <p>As the 2023/24 accounts are finalised, it has been agreed to allocate a further £2M into the Modernisation Fund. This will be agreed by Members in September.</p> <p>Responsible officer:</p> <p>Head of Accountancy</p> <p>Implementation date:</p> <p>September 2024</p>	<p>Complete: The Council continues to replenish the Modernisation Fund, wherever possible, from year-end general fund surpluses to enable projects in future years to be considered. In addition to this, the Council monitors the projects that are funded by the Modernisation Fund to ensure that they are transformational and that where possible roles that have become business as usual are being baselined into budgets going forward.</p>



Action Plan

Set out below are the outstanding recommendations that were made in 2023/24 through out Best Value considerations, along with our assessment of progress.

Outstanding 2023/24 Best Value recommendations

No.	Recommendation	Management response	Our assessment of progress
3.	<p>Performance discussions are a critical process for any organisation to ensure that employees continue to fulfil their roles effectively and develop throughout their career.</p> <p>The Council should take steps to improve participation rates in Quality Conversations across the Council.</p>	<p>Response:</p> <p>The communication of Quality Conversations and timeframes will be enhanced. The current wellbeing survey questions will be reviewed and broadened to a focus on employee engagement. In addition, question wording will be changed to make it clear to employees what is meant by 'Quality Conversations' and that this includes one-to-one meetings between employees and managers.</p> <p>Responsible officer:</p> <p>Head of HR & Corporate Services</p> <p>Implementation date:</p> <p>May 2025</p>	<p>Progress made, more work required: The Council have noted improvements in participation rates in Quality Conversations, evidenced by response to their employee survey.</p> <p>The 2022/23 survey identified that 26% of employees did not have regular conversations for goals and development, this has decreased to 19% in the current year.</p> <p>The Council continues to view this as an area for improvement and is aware of the importance of encouraging proactive engagement in these conversations at all levels.</p>
4.	<p>The Council must take steps to increase the response rate to the employee survey.</p>	<p>Response:</p> <p>There are plans to broaden the content of the next employee survey, with more of a focus on employee engagement. Steps will also be taken to improve completion rates including via communication and sustained promotion and encouragement from leadership.</p> <p>Responsible officer:</p> <p>Director of Business Operations & Partnerships</p> <p>Implementation date:</p> <p>May 2025</p>	<p>Complete: The Council has evidenced that they have successfully increased the response rate to their employee survey from 24.6% in 2023 to 54.17% in 2025. Leadership plan to carry out the next employee survey in 2027.</p>



Action Plan

Set out below are the outstanding recommendations that were made in 2022/23 through out Best Value considerations, along with our assessment of progress.

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.	<p>Response:</p> <p>The Council will continue to work towards the full costing of its recently agreed GTZ action plan in order to influence national funding discussions.</p> <p>Responsible officer:</p> <p>Head of Housing, Property & Net Zero & Head of Accountancy</p> <p>Implementation date:</p> <p>Ongoing</p>	<p>Ongoing: The Council acknowledges the challenges faced in relation to delivery of net zero targets, noting that significant action and investment will need to be required as soon as possible to achieve the goal. We will therefore continue to monitor this area.</p>
9.	The Council needs to further develop a realistic and costed medium term financial plan that supports the delivery of strategic objectives.	<p>Response:</p> <p>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.</p> <p>Responsible officer:</p> <p>Head of Accountancy</p> <p>Implementation date:</p> <p>February 2024</p>	<p>Complete: The Council have now established a cross-party strategy group which meets regularly throughout the year with a view to ensuring that they can develop realistic and costed medium term financial plan.</p> <p>The Council considered the updated Medium Term Financial Plan in February 2025 which noted the demographic pressures facing the Council alongside funding pressures impacting the whole sector.</p>

F

Adjusted and unadjusted audit differences

Adjusted audit differences

No.	Note	Description	Impact on financial statements
1.	Note 15: Property, Plant and Equipment	<p>Valuation of Primary Schools in Newton Mearns</p> <p>Review of the valuation of several primary schools in Newton Mearns identified that the sites had been revalued on a modern equivalent asset basis. This basis is typically used and therefore would not be rebuilt to the same specification. Following discussions with stakeholders, it was concluded that due to the demand for education in the areas the application of actual area to the valuation would be more appropriate which resulted in a material audit variance.</p>	<p>Dr Property, Plant & Equipment: £14,833k</p> <p>Dr MIRS Rev Depcn & Impairment £3,396k</p> <p>Cr Revaluation Reserve: £11,437k</p> <p>Cr Capital Adjustment Account £3,396k</p> <p>Cr Impairment £3,396k</p>
2.	Note 15: Property, Plant and Equipment	<p>Valuation of Schools with a PPP/PFI element</p> <p>At the time of preparation of the unaudited financial statements, sufficient support could be obtained to support the split of assets between other land & buildings and PPP/PFI buildings and therefore the finance team could not update the valuation for these assets. Support was provided as part of the audit process, and the balances have been updated to reflect.</p>	<p>Dr Accumulated Depreciation: £1,314k</p> <p>Dr Impairment: £1,917k</p> <p>Dr Revaluation Reserve: £3,884k</p> <p>Dr Capital Adjustment Account £1,917k</p> <p>Cr Property, Plant & Equipment: £7,115k</p> <p>Cr MIRS Rev Depcn & Impairment: £1,917k</p>
3.	Note 15: Property, Plant and Equipment	<p>Errors within valuation schedule</p> <p>We noted two errors within the valuations schedules which has resulted in a material audit variance. Neither error was in relation to methodology applies by the valuers.</p>	<p>Dr Revaluation Reserve: £2,137k</p> <p>Cr Property, Plant and Equipment: £2,137k</p>
4.	Note 24: Creditors & Note 15: Property, Plant and Equipment	<p>Our substantive procedures identified a duplicate accrual for an invoice relating to capital works which had been both automatically and manually accrued in to the 24/25. Whilst it was correct to recognise the expenditure in 24/25, expenditure was overstated by the value of the invoice.</p>	<p>Dr Creditors (Other Accounts): £634k</p> <p>Cr AUC Additions: £634k</p>

In addition to the matters outlined above, we have been notified of a late adjustment in the audit of the Strathclyde Pension Fund which would increase the fund assets for East Renfrewshire Council by £1,910k (PY: £2,118k) in the disclosure tables. This would not impact the asset ceiling recorded and therefore no impact on the financial statements.

We also identified several presentational differences which we reported to and were adjusted by management.



Additional audit information

Introduction

In addition to the key areas of audit focus outlined within the plan, 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 Finance, 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.
- 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 providing 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 2024/25 | 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 2022/23 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.

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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.

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