

# Renfrewshire Council

## Annual report on the 2012/13 audit



Prepared for Members of Renfrewshire Council and the Controller of Audit  
October 2013

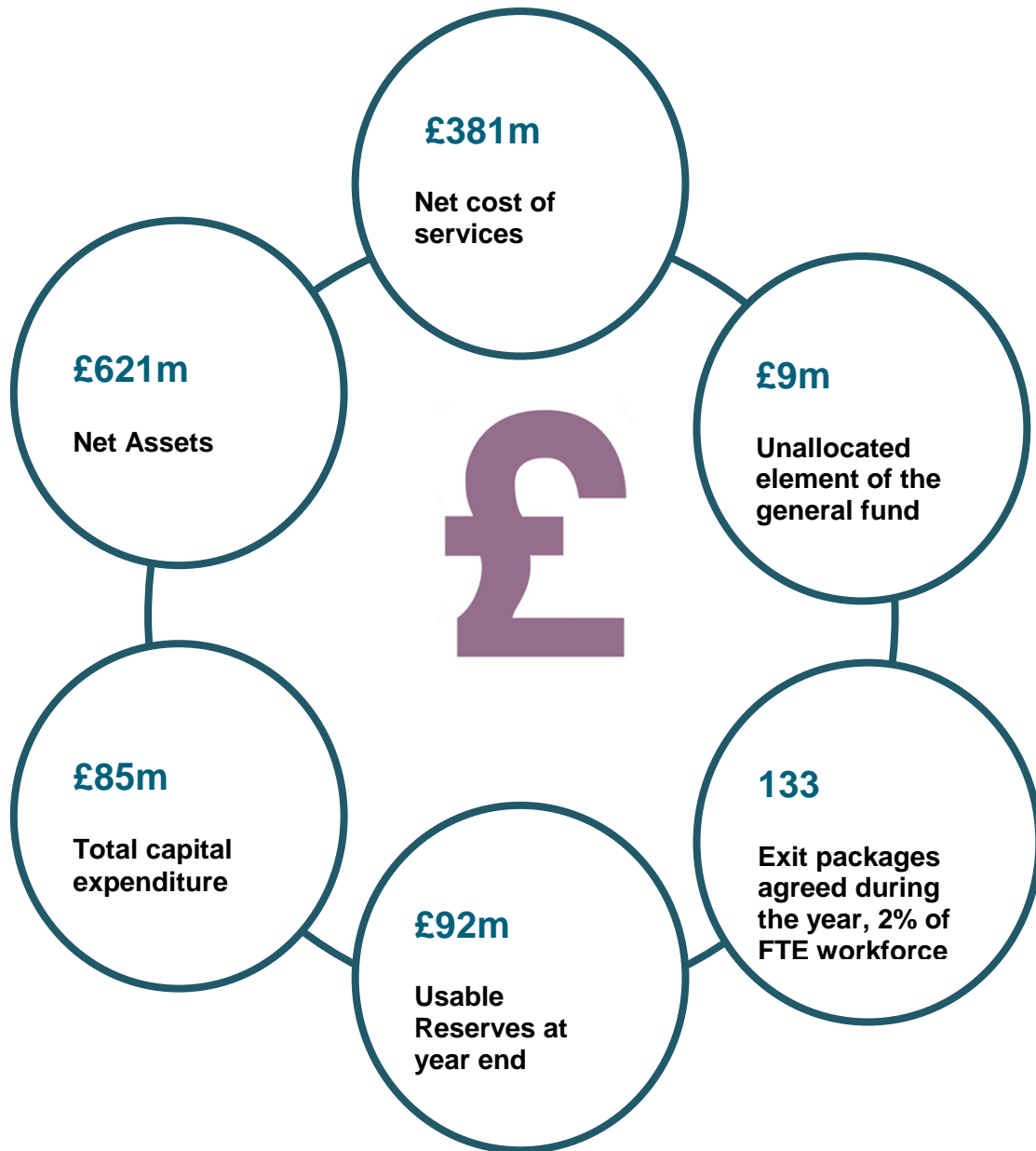
Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. It provides services to the Auditor General for Scotland and the Accounts Commission. Together they ensure that the Scottish Government and public sector bodies in Scotland are held to account for the proper, efficient and effective use of public funds.

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# Key facts



# Key messages

We have given an unqualified audit opinion on the financial statements of Renfrewshire Council (the council) and its group for 2012/13.

The council achieved an accounting net surplus of £9 million. After statutory adjustments, the in-year general fund surplus was £5.5 million. This exceeded the budgeted surplus of £0.7 million.

Net assets for the council decreased from £938 million to £621 million due to new and more reliable data being used to value the council houses.

The in-year outturn was achieved after significant planned charges to services for "capital funded from current revenue" (CFCR) and principal debt repayments. The £43 million of accelerated debt repayments, which were part of the council's medium term debt smoothing strategy, meant that the council was able to finance in-year capital expenditure without the requirement to access external borrowing. This is the second year that the council has made accelerated payments and this forms a key part of the council's debt smoothing strategy. This strategy is a key element of the council's medium term financial planning and whilst it means that services are being charged with accelerated principal debt repayments over the short term, revenue savings are being released each year until at least 2017/18.

The council has one of the highest levels of usable reserves (as a proportion of net revenue spend), compared to all Scottish councils. Total useable reserves are £92 million, which includes £27 million for capital funds, £12 million for the Housing Revenue Account and £50 million in the general fund. In the general fund the council has ring-fenced £41 million for future expenditure plans.

Following the May 2012 elections, a governance review resulted in the council boards changing to better reflect the new priorities and three departments merged into two new directorates.

For the two years to March 2012 the council had the highest percentage of staff early departures of all councils in Scotland. A further 133 departures were agreed in 2012/13, 2% of the total workforce (full-time equivalent). The council expects workforce reductions will continue through voluntary early retirement/ voluntary redundancy over the next two years but the council is also recruiting in specific risk areas as can be seen in the increased number of benefit staff in post to support welfare reform changes.

## Outlook

In February 2012 the council assessed that it faced an estimated budget deficit of £13.5 million over 2013/14 and 2014/15 and members agreed net savings across all services in order to achieve a balanced budget over the two years.

Early indications show that rent arrears have been increasing in 2013/14 due to welfare benefit changes ("bedroom tax") and the under occupancy reduction to housing benefit. The council is actively exploring ways of tackling the problem through raising awareness and direct engagement with tenants, providing additional support services and further Discretionary Housing Payment (DHP) funding.

# Introduction

1. This report is the summary of our findings arising from the 2012/13 audit of Renfrewshire Council (the council). The purpose of the annual report on the audit is to summarise the auditor's opinions (i.e. on the financial statements) and conclusions, and to report any significant issues arising. The report is divided into sections that reflect the public sector audit model.
2. A number of reports have been issued in the course of the year in which we make recommendations for improvements (Appendix A). We do not repeat all of the findings in this report, but instead we focus on the financial statements and any significant findings from our wider review of the council.
3. Appendix B is an action plan setting out the high level risks we have identified from the audit. Officers have considered the issues and agreed to take the specific steps in the column headed "planned management action". We do not expect all risks to be eliminated or even minimised. What we expect is that the council understands its risks and has arrangements in place to manage these risks. Members should ensure that they are satisfied with the proposed management action and have a mechanism in place to assess progress.
4. This report is addressed to members and the Controller of Audit and should form a key part of discussions with the audit, scrutiny and petitions board, either prior to, or as soon as possible after, the formal completion of the audit of the financial statements. Reports should be available to the other stakeholders and the public, where appropriate. Audit is an essential element of accountability and the process of public reporting.
5. This report will be published on our website after consideration by the council. The information in this report may be used for the Accounts Commission's annual overview report on local authority audits. The overview report is published and presented to the Local Government and Regeneration Committee of the Scottish Parliament.
6. The management of the Council is responsible for preparing financial statements that show a true and fair view and for implementing appropriate internal control systems. The auditor is responsible for auditing and expressing an opinion on the financial statements. Weaknesses or risks identified by auditors are only those that have come to their attention during their normal audit work, and may not be all that exist. Communication by auditors of matters arising from the audit of the financial statements or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.

# Financial statements

7. Audited bodies' financial statements are an essential part of accounting for their stewardship of the resources made available to them and their performance in the use of those resources.
8. Auditors are required to audit financial statements in accordance with the timescales set by Audit Scotland, which may be shorter than statutory requirements, and give an opinion on:
  - whether they give a true and fair view of the financial position of audited bodies and their expenditure and income
  - whether they have been properly prepared in accordance with relevant legislation, the applicable accounting framework and other reporting requirements.
9. Auditors review and report on, as appropriate, other information published with the financial statements, including the annual governance statement and the remuneration report. Auditors also review and report on the Whole of Government Accounts return. This section summarises the results of our audit on the financial statements.

## Audit opinion

10. We have given an unqualified opinion that the financial statements of Renfrewshire Council for 2012/13 give a true and fair view of the state of affairs of the council and its group as at 31 March 2013 and of the income and expenditure for the year then ended.

## Legality

11. Through our planned audit work we consider the legality of the council's financial transactions. In addition, the Director of Finance and Corporate Services has confirmed that, to the best of her knowledge and belief, and having made appropriate enquiries of the council's corporate management team, the financial transactions of the council were in accordance with relevant legislation and regulations. There are no legality issues arising from our audit which require to be brought to members' attention.

## Going concern and group accounts

12. The council has prepared the financial statements on the assumption that both the council and its group can continue to operate as a going concern in future.
13. Local authorities are required to prepare group accounts in addition to their own accounts, where they have a material interest in other organisations. For the purpose of consolidation and incorporation within the group accounts, the council has six associates, two joint ventures and the common good and sundry trust funds.
14. The overall effect of inclusion of all of the council's subsidiaries, associates and common good fund is to reduce net assets by £416 million. This includes £386 million for the council's share of Strathclyde Police's pension liability.



15. The group balance sheet as at 31 March 2013 discloses net assets of £205 million, a significant decrease from 31 March 2012 of £599 million. This is due to the reduction in council house valuation as described at paragraph 23.

## Annual Governance Statement

16. As part of our annual audit we review the disclosures made in the annual governance statement, included in the financial statements, and the process for obtaining sufficient assurances to inform the content of the statement.
17. We are satisfied that the disclosures in the annual governance statement are in line with the guidance contained in the CIPFA publication *Delivering Good Governance in Local Government*. The annual governance statement refers in outline to a number of areas where improvements are being progressed:
  - implementation of the public service improvement framework
  - completion and testing of disaster recovery plans
  - review of the authorised signatory database and establishing financial limits for electronic orders.

## Remuneration report

18. We are satisfied that the remuneration report has been prepared in accordance with the relevant legislation. The disclosures within the 2012/13 financial statements include all eligible remuneration for the relevant council officers and elected members, including pension benefits.

## Accounting issues

19. Local authorities in Scotland are required to follow the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 (the 2012/13 Code). Overall we are satisfied that the council prepared the 2012/13 financial statements in accordance with the 2012/13 Code.

## Accounts submission

20. The council's unaudited financial statements were submitted to the Controller of Audit by the deadline of 30 June 2013. A comprehensive working papers package was also available soon after this date. This enabled us to conclude the audit and certify the financial statements prior to the target date of 30 September 2013. The financial statements have been presented to members and are available from the council website.

## Presentational and monetary adjustments to the unaudited accounts

21. A number of presentational amendments were made at the request of audit. These adjustments are aimed at improving disclosures within the financial statements.
22. Officers adjusted the financial statements for the monetary errors identified as part of the audit. The main issues were discussed with the Director of Finance and Corporate Services at

a meeting on 9 September and included within our Report to those charged with Governance (ISA 260 Report) submitted to the Audit, Scrutiny and Petitions Board on 23 September 2013.

### Council house valuation

23. The accounts presented for audit showed the council house valuation had decreased significantly from £693 million as at 31 March 2012 to £387m as at 31 March 2013. The Foreword to the Statement of Accounts explains the valuation method is linked to market rentals in the area and that better information on market rentals resulted in the decrease in value. As a result of the audit an error in the calculation was identified and the council house valuation increased by £10 million to £397 million.

### Whole of government accounts

24. The whole of government accounts (WGA) are the consolidated financial statements for all branches of government in the UK. The council submitted the consolidation pack to support its 2012/13 WGA return to the Scottish Government on 4 October 2013. The audit work was completed on 31 October.

### Outlook

25. An audit is required of all registered charities where the local authority is the sole trustee irrespective of the size of the charity. To date, in Renfrewshire Council, this audit has been provided by Milne Craig Chartered Accountants, but from next year, Audit Scotland will undertake the audit of the four charitable trusts and three common good funds. This is due to the interaction of section 106 of the Local Government (Scotland) Act 1973 with the charities' regulations. The Assistant Auditor General wrote to local government directors of finance in June 2013 advising them of these new arrangements and the Accounts Commission's decision to appoint the auditor of relevant charities.
26. A consultation exercise is currently underway on revision to the Local Authority Accounts (Scotland) Regulations. It is likely that for 2013/14 local authorities (or a committee whose remit includes audit) will require to approve the financial statements by 30 September. Currently, the Audit, Scrutiny and Petitions Board consider audit's ISA 260 report but do not formally approve the accounts prior to this date. If the change is made officers will need to review the timetable for completing the audit to ensure finalised accounts are provided to full council meeting for approval before the end of September 2014.
27. Police and fire functions transferred to national police and fire bodies on 1 April 2013. The assets, liabilities and transactions will no longer form part of the group financial statements.

# Financial position

28. Audited bodies are responsible for conducting their affairs and for putting in place proper arrangements to ensure that their financial position is soundly based.
29. Auditors consider whether audited bodies have established adequate arrangements and examine:
  - financial performance in the period under audit
  - compliance with any statutory financial requirements and financial targets
  - ability to meet known or contingent, statutory and other financial obligations
  - responses to developments which may have an impact on the financial position
  - financial plans for future periods.
30. These are key areas in the current economic circumstances. This section summarises the financial position and outlook for the organisation.

## Financial results

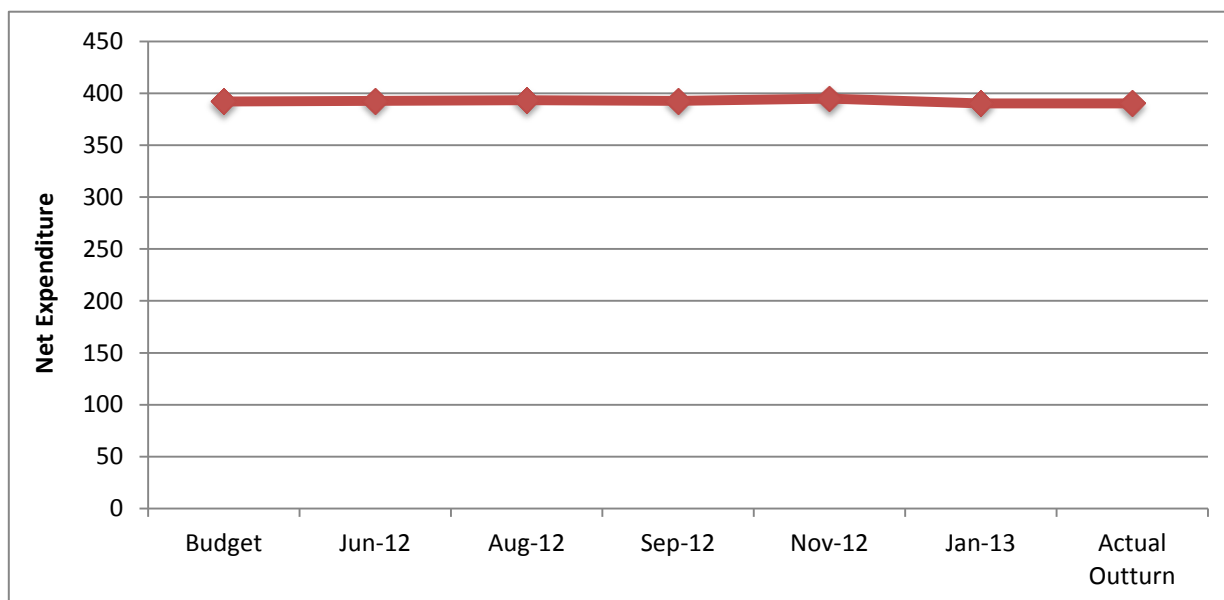
31. In 2012/13, as recorded in the comprehensive income and expenditure statements, the council spent £596 million and achieved an accounting surplus of £9.2 million. There are two main areas of accounting adjustments that are made to translate the accounting surplus to the statutory or general fund position. These are:
  - capital charges - depreciation is removed and an internal repayment of debt from services is substituted
  - actuarial pension charges are removed and employer pension contributions substituted.
32. Taking the above adjustments into account, the general fund increased by £5.5 million in the year, an under-spend of £4.8 million in comparison to the planned £0.7 million surplus. Of the under-spend, £1.1 million was planned as part of the council's annual contribution to the PPP reserve, leaving a net under-spend across services of £3.7 million which represents 1% of the base budget. The main reasons for the service under-spends are:
  - Finance and Corporate Services: an under-spend in employee costs, an over recovery in income for licensing activities and the recovery of costs associated with the May 2012 elections. These contributed to a net under-spend of £0.518 million against budget.
  - Other Housing Services: a net under-spend of £0.783 million, primarily due to reduced demand for specialist housing services and a better than anticipated outcome on the council's Housing Benefit Subsidy income.
  - Miscellaneous Services: an under-spend of £1.3 million achieved by the successful conclusion of ongoing valuation appeals for refunds of non-domestic rate payments and a reduction in year-end provisions.
  - An over-recovery in the collection of council tax income of £0.564 million

### Budget Management

- 33. Each year the budget is constructed from the detailed estimates used for the previous year, with adjustments for unavoidable budget pressures and decisions by Council on savings and investments identified in service budgets and also transfers that can be made across services, based on the council's strategic priorities.
- 34. Capital and revenue monitoring reports for services are presented to respective policy boards and finance monitoring reports for total of council services are taken to the Finance and Resources Board. The reports include an anticipated year-end position.
- 35. Exhibit 1 below shows how the projected year-end net expenditure position developed through the year.

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#### Exhibit 1: projected year-end net expenditure and outturn



Source: Revenue Budget Monitoring Reports: Council Overview (excludes specific grants for police)

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### Financial position

- 36. Based on the information in this section of the report, we have concluded that, subject to any major change in pension valuations or Scottish Government funding, the financial position of the council remains stable and its activities are currently financial sustainable. The increasing general fund balance and low external borrowing position demonstrates that financially the council is preparing for the significant future financial challenges.
- 37. The council applies its usable reserves for medium and longer term planning purposes. The total of usable reserves decreased by £19 million from the previous year, representing the in-year application of amounts from the capital fund on primarily the school estates' strategy. The general fund balance has risen 37% in the last two financial years, but the £50 million balance includes earmarked commitments of £41 million; this includes £10.6 million for waste

management strategy, £11.5 million for PPP and £7.5 million for ongoing service modernisation.

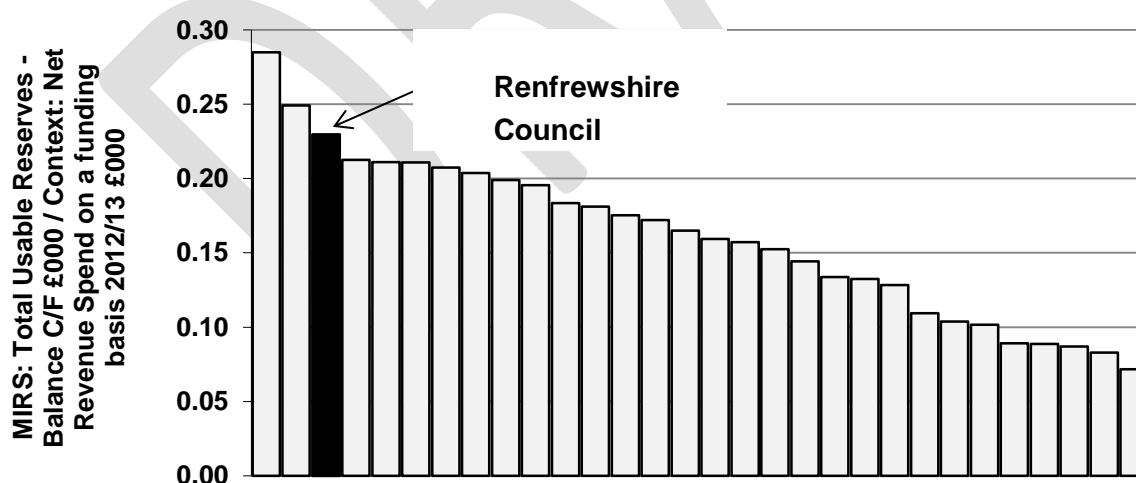
### Exhibit 2: Usable reserves

Description	2011	2012	2013
	£million	£million	£million
General Fund	36.6	45	50.5
Capital Fund	40	39.6	22.9
Capital Receipts Reserve	7.5	12.4	4.2
Housing Revenue Account	10.7	11.8	11.8
Repairs & Renewal Fund	0.3	0.3	0.3
Insurance Fund	2.5	2.5	2.5
<b>Total Usable Reserves</b>	<b>97.6</b>	<b>111.6</b>	<b>92.3</b>

Source: Renfrewshire Council 2012/13 and 2011/12 financial statements

38. Exhibit 3 below shows that as a proportion of net revenue spend the council has a high level of reserves, compared to other councils as it plans to fund existing commitments and anticipated financial pressures.

### Exhibit 3: Total usable reserves carried forward as a proportion of net revenue spend



Source: Unaudited financial statements Scottish councils for 2012/13

## Pension costs

39. The council is a member of the Strathclyde Pension Fund, which is a multi-employer defined benefit scheme. The council has recognised its share of the net liabilities for the pension fund in the balance sheet. The valuation at 31 March 2013 increased the council's share of the deficit by 26%, from £160 million to £202 million. This is principally due to the reduction in discount rate, which is aligned to rates of return of government bonds. The scale of the movements in the council's net pension liability over the last 5 years, arising from the annual valuation, can be seen in exhibit 4 below.

### Exhibit 4: Net Pension liability 2008/09 - 2012/13

	2008/09	2009/10	2010/11	2011/12	2012/23
	£ million	£ million	£ million	£ million	
Liability	71	252	84	160	202

Source: Renfrewshire Council audited financial statements 2009/10, 2011/12 and 2012/13

40. The valuation of pension liabilities is based on the last formal valuation of the Strathclyde Pension Fund, carried out in 2011 and the next valuation will not be carried out until March 2014.
41. This additional liability does not have any immediate impact on the council's financing requirements. It is estimated that the employer contributions for 2013/14 will be £17.5 million compared to £17.7 million in 2012/13. Contributions may change following the next triennial valuation.

## Equal pay

42. The Equal Pay Act 1970 makes it unlawful for employers to discriminate between men and women in terms of their pay and conditions where they are doing the same or similar work, work rated as equivalent, or work of equal value. Employees who consider that they have been discriminated against in terms of pay and are dissatisfied with the council's proposed resolution or compensation can elect to have a case heard before an employment tribunal. The council had estimated that funds of £11.8 million were required as a provision to appropriately provide for the assessed risks associated with specific ongoing equal pay claims and wider associated equal pay risks.
43. The council has continued to actively manage specific equal pay claims and the wider associated risks in the context of the wider equal pay environment and specific changes in legal precedents and during the year. The council moved to settle the majority of live equal pay claims. A total of 603 equal pay settlement offers were made by the council during the year, with 584 accepted. This resulted in payments of £2 million. At the end of August 2013, 19 claims were outstanding. There are also some new claims for 2012/13 and these, along with the reassessment of wider equal pay risks following the action taken by the council over the course of 2012/13, formed the basis of the officer risk-based assessment that a provision

of £3.4 million is required to appropriately settle future equal pay claim risks. This required a reduction in the carrying value of the council's equal pay provision and £6.2 million was consequently returned to the general fund. The final cost on equal pay claims remains uncertain and it is likely that resolution of the issue will take some time.

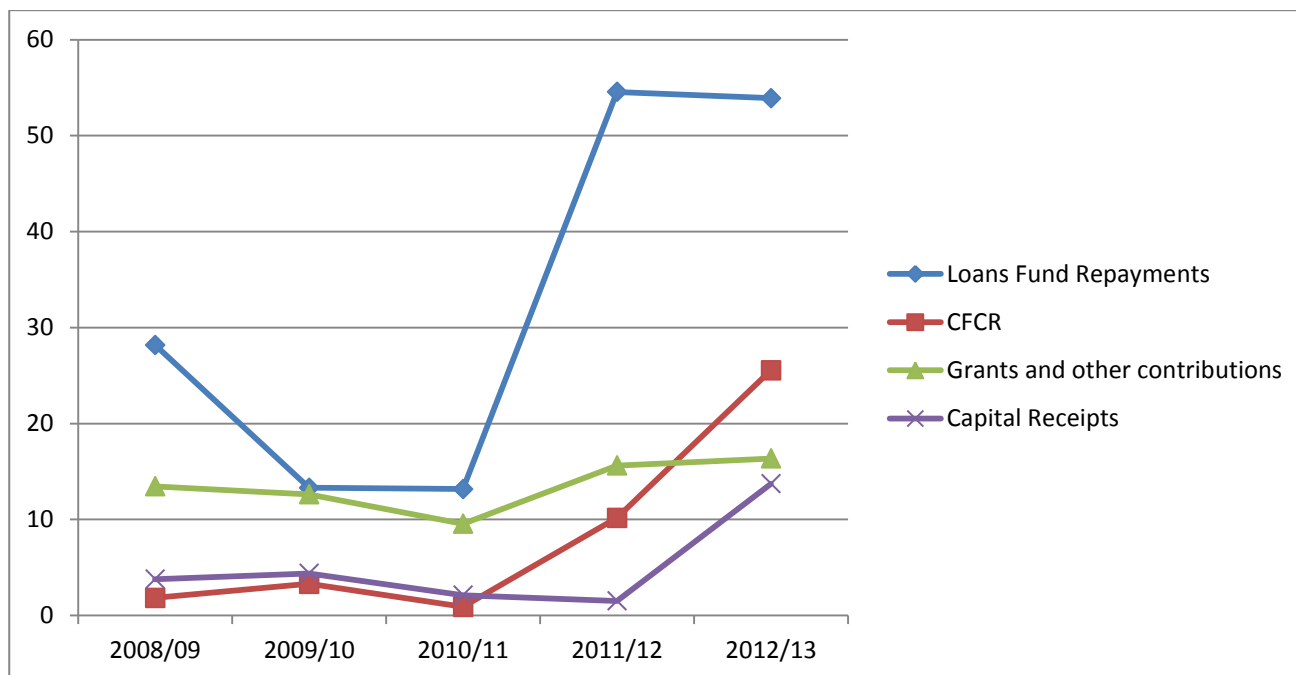
## Housing Revenue Account (HRA)

44. In 2012/13 the HRA incurred an accounting deficit of £17.4 million (2011/12 £13.9m deficit). This arose principally due to depreciation and impairment charges of £33 million. As agreed by members in 2011/12, the surplus from the building services' trading operation, (£1.4 million) is included as income in the HRA (£2.9 million in 2011/12). After making statutory adjustments, there is a small increase to the total useable reserves position of £0.007 million (£1.1 million in 2011/12).

## Capital investment and performance 2012/13.

45. The council spent £85 million on capital investment in 2012/13, split across HRA (£35 million) and general services (£50 million).
46. The opening capital budget for HRA was £34.8 million, which increased during the year to £37.6 million. The under-spend against the revised budget was due to timing of contractor work on the various elements of the improvement programme to achieve the Scottish Housing Quality Standards.
47. For general services the opening budget was £63 million, which increased to £87 million. The under-spend of £37 million includes elements of re-profiling and slippage. The capital monitoring returns produced by the council during the year show that there was slippage of £8 million in 2012/13 in a number of capital projects, including:
- £1.4 million for the Renfrew flood prevention scheme
  - £1.9 million for Transforming Renfrewshire, ICT projects and the lifecycle capital programme
  - £1.8 million on the townscape heritage initiative and the Paisley town centre regeneration programme.
48. Programmes totalling £28 million were re-profiled into 2013-14, including Park Mains High School and St James Primary (totalling £12.3 million) and Johnstone Town Hall (£9.8 million).
49. Exhibit 5 below shows the sources of finance for capital expenditure in 2012/13. In line with financial plans, there was a significant increase in funding from capital receipts and CFCR. Loans fund principal repayments continued at 2011/12 levels, as part of the debt smoothing strategy, and has ensured the council has not had to add to the level of external borrowing for 2012/13.

**Exhibit 5: Capital Adjustment Account funding movements 2008/09 - 2012/13**



Source: Renfrewshire Council financial statements 2008/09 - 2012/13

50. Exhibit 6 shows the trend of increasing CFCR payments from 2008/09 to 2012/13. A total of £25.5m was charged to services for CFCR in 2012/13, compared to budget of £26.7m. The increase is primarily to support the significant investment to deliver the Scottish Housing Quality Standard programme and also the investment programme for schools, leisure, community and town centre estate.

**Exhibit 6: Annual CFCR charged to services (incl. HRA) (£ million)**

2008/09 £ million	2009/10 £ million	2010/11 £ million	2011/12 £ million	2012/13 £ million
1.8	3.3	0.9	10.2	25.5

Source: Renfrewshire Council financial statements 2008/09 - 2012/13

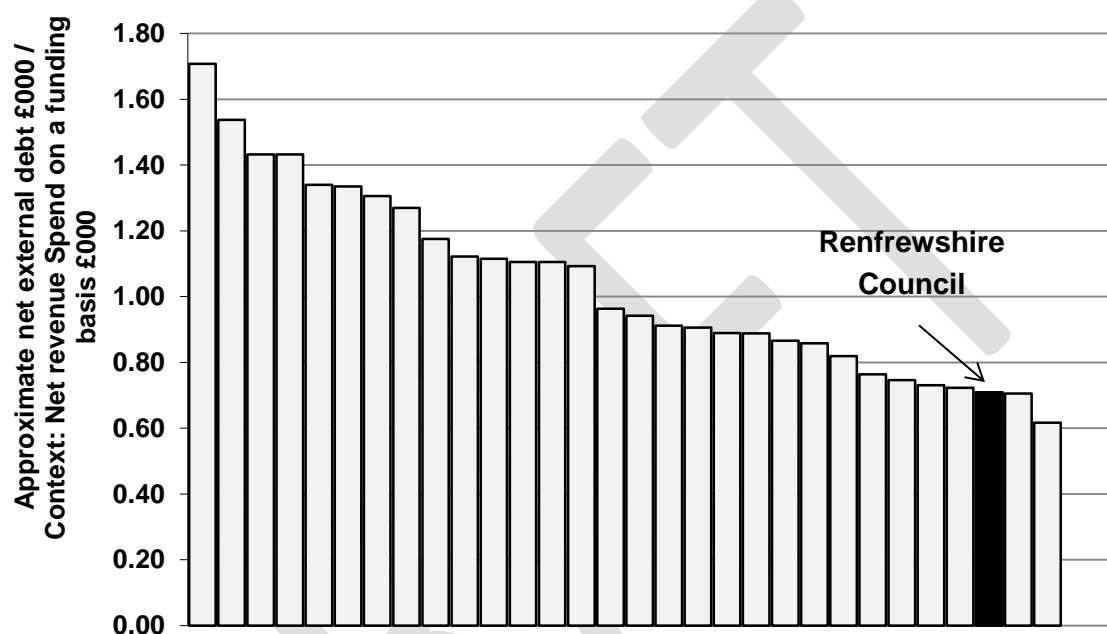
51. The council approved a two year general capital programme for 2013/14 to 2014/15 with £81.8 million of investment. This will be again principally funded by internal repayment of existing borrowing, government grants, capital receipts and capital funded from current revenue. This includes projects such as the new St James Primary School, Johnstone Town Hall, the vehicles replacement programme, the roads and footways upgrade programme and the buildings capital lifecycle fund.



## Treasury management

52. At 31 March 2013 the council had total borrowings of £281 million (2011/12 £284 million), a significant proportion of which is at fixed rate (78%). The council continues to have one of the lowest levels of net external debt. This can be assessed as a proportion of net revenue spend (refer exhibit 7). This reflects the impact of the medium term debt smoothing strategy objective to reduce long-term debt.

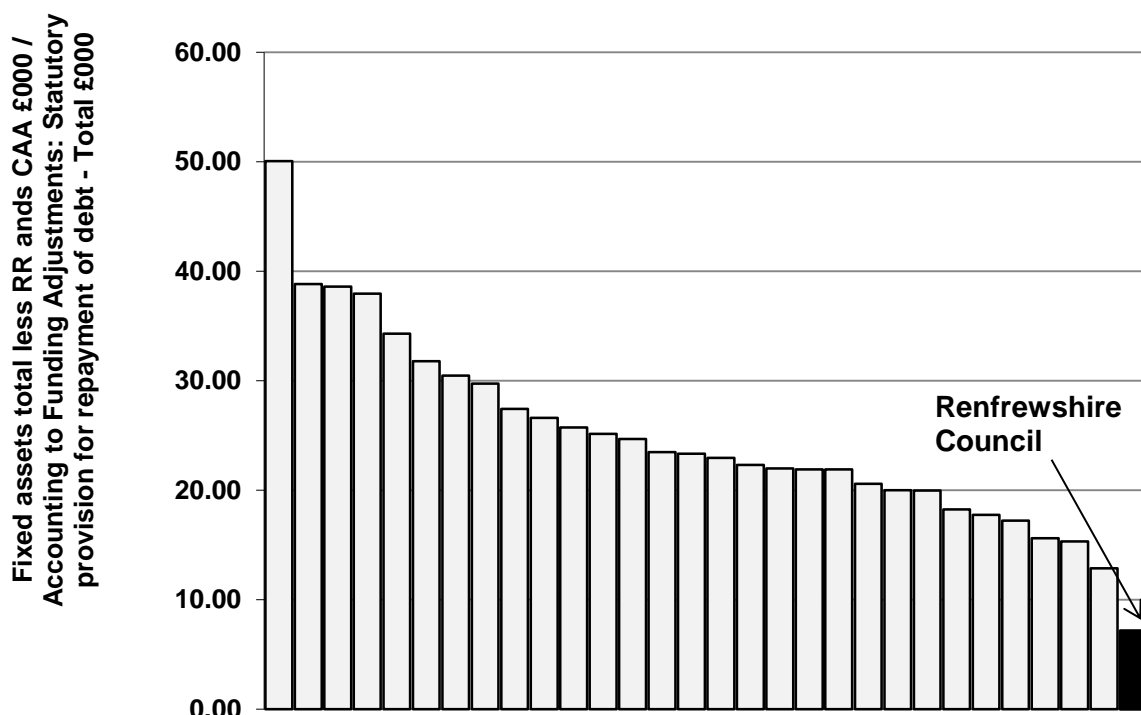
### Exhibit 7: Net external debt as a proportion of net revenue spend



Source: Source: Unaudited financial statements for Scottish councils for 2012/13 (excluding Orkney and Shetland)

53. In 2011/12, the council's debt smoothing strategy provided for a significant increase in the budgeted debt principal charged to the general fund. This results in a planned reduction in outstanding debt levels, accelerated debt repayment charges to the general fund in the short to medium term and significant planned savings in the general fund charges over the medium term to long term. The impact of the accelerated debt repayment charges to the general fund during the year meant there was no requirement for the council to increase external borrowing during the year to fund the current capital programme. In 2012/13 the council made £51 million of internal principal debt repayments (£54 million in 2011/12), including £43 million of accelerated repayments.
54. Prior to implementing the debt smoothing strategy the repayment of debt (advances from the loans fund) was based on more typical periods, for example 25 years, which would be similar to other Scottish authorities. Exhibit 8 shows the change in the repayment period but this will return to more typical levels upon completion of the smoothing programme.

**Exhibit 8: Graph representing the years over which principal repayments are charged to services**



Source: Source: Unaudited financial statements for Scottish councils for 2012/13 (excluding Orkney and Shetland)

## Financial planning to support priority setting and cost reductions

### Transforming Renfrewshire

55. Transforming Renfrewshire has been a significant corporate change programme intended to deliver both service improvements and savings. The programme is being refreshed and the new 2013-2017 council plan will include further strategic change priorities. The council estimates that £12.2 million net recurring revenue savings have been achieved from the programme and improvements have been made to the customer service operation and back-office services streamlined.
56. Improving procurement was part of the Transforming Renfrewshire programme. In December 2012, the council's procurement unit achieved a procurement capability assessment (PCA) score of 75%, compared to a previous score 66%. This performance level is classed as 'superior' and Renfrewshire is the only Scottish council to achieve this status. Officers estimate that over 40% of total financial benefits from Transforming Renfrewshire programme were achieved through procurement.

## Medium Term Financial Strategy

57. The council approved the Medium Term Financial Strategy in September 2012. The strategy includes the continuation of the debt smoothing programme of which expected savings are approximately £15 million over the five-year period.
58. The delivery of a long- term waste solution remains a key objective for the council. The landfill tax escalator remains a key cost pressure of £2.5 million in recurring cost over the next five years. The council's strategy has been to increase recycling rates and reduce levels of landfill waste. For the longer term the council is part a joint programme with other councils to improve residual waste, as described at paragraph 66.

## Workforce reduction

59. Audit Scotland's national report *Managing early departures from the Scottish public sector*, was published in May 2013. In the two years to March 2012, 760 staff left Renfrewshire Council at a projected cost of £44 million. The council has the highest percentage of total staff taking early departures of all councils in Scotland (10.4%) and the fifth highest average cost of exit package. This reflects the high level of senior managers that left in 2010/11.
60. The projected whole life cost of £44 million includes £12 million for amounts paid to individuals £12 million to the pension fund (for strain-on-the-fund costs) and the estimated capitalised cost of added years (the cumulative effect of the council paying an additional pension amount until someone dies) of £20 million.
61. A further 133 departures were agreed before 31 March 2013 at a total estimated cost of £10.7 million, with £2 million attributable to individuals, £3.2 million for pension strain-on-the-fund costs and £5.5 million in respect of the estimated capitalised cost of added years. These departures only represent 2% of the total workforce (full-time equivalent) and while staff are leaving through voluntary severance, the council is recruiting in specific risk areas to meet demands as can be seen in increased number of benefit staff at paragraph 93.
62. We have reviewed the business cases and the approval process at Renfrewshire Council and we are satisfied that these are appropriate and take into account pay-back periods.
63. A new Workforce and Organisational Development Strategy 2013-15 was launched in March 2013 and confirms that the workforce will continue to decrease through voluntary early retirement/ voluntary redundancy over the next two years.
64. Staff surveys took place in 2013 and services are currently analysing the results and devising actions plans.

## Partnership working

65. The council continues with some long-standing partnership arrangements including the work of Scotland Excel and providing the billing and collection service for East Renfrewshire Council's non domestic rates. Scotland Excel has now relocated into the council's headquarters achieving savings for both the council and Scotland Excel.

66. Over the past few years we have provided an update on the progress with shared support services across Clyde Valley partners. Progress continues to be mixed:
- There continues to be good progress on the waste management work stream with the procurement process continuing through 2013.
  - The Regional Child Care Commissioning Initiative (as part of the Clyde Valley Health and Social Care collaborative) identified the need for three areas of collaboration: treatment foster care, understanding outcomes and costs of care and concurrency planning for younger children. In 2012/13 these projects began and multi-dimensional foster care is due to be launched in summer 2014.
  - Support services work stream is now focused on ICT, but work remains at planning stage.
67. The council continues to work closely with the Renfrewshire Community Health Partnership (CHP). The Scottish Government requires all local partnerships to prepare and publish a ten-year strategic Joint Commissioning Plan and a three-year joint commissioning plan for health and social care services for older people.
68. Community health partnerships will be replaced by health and social care partnerships in 2015. The council actively participates in the national consultation exercise and senior officers, for example the Director of Social Work and the Director of Finance and Corporate Services, are involved in various advisory groups,

## Service redesign

69. Savings continue to be identified through reviewing structural arrangements. As part of the December 2012 corporate governance review, three departments: Housing & Property Services, Environmental Services and Planning & Transport were merged into two new directorates called Development & Housing Services and Community Resources.

## Outlook

### 2013/14 budget and beyond

70. In February 2012 the council assessed that it faced an estimated budget deficit of £13.5 million over 2013/14 (£3 million) and 2014/15 (£10.5 million) and members agreed net savings across all services in order to achieve a balanced budget over the two years. The base budget for 2013/14 of £367 million (2011/12 £408 million) reflects the loss of funding of £39 million following the transfer of police and fire functions to national bodies.
71. In August the Finance and Resources Policy Board were updated on budget performance for the period to 19 July 2013. There was a minor underspend on the current position, with no significant under and over spends on services. Officers forecast a break-even position for the full year.
72. Funding pressures on the HRA have emerged since 1 April 2013 through a significant increase of £229,000 in rent arrears (compared to current rent arrears of £1.2 million as at 31 March 2013), due to the introduction of the under occupancy reduction to housing benefit. A

periodic overview of the ongoing position on this financial risk area for the HRA will be outlined in detail in the rent collection and arrears performance report which will be submitted on a regular basis over the course of 2013/14 to the Housing & Community Safety board.

**Refer Action Point No. 1**

DRAFT

# Governance and accountability

73. The three fundamental principles of corporate governance – openness, integrity and accountability – apply to all audited bodies, whether their members are elected or appointed, or whether they comprise groups of people or an individual accountable officer.
74. Through its chief executive or accountable officer, each body is responsible for establishing arrangements for ensuring 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 usually involve those charged with governance, including audit scrutiny and petitions boards, in monitoring these arrangements.
75. Consistent with the wider scope of public audit, auditors have a responsibility to review and report on audited bodies' corporate governance arrangements as they relate to:
- corporate governance and systems of internal control
  - the prevention and detection of fraud and irregularity
  - standards of conduct and arrangements for the prevention and detection of corruption.
76. In this part of the report we comment on key areas of governance.

## Corporate governance

### Processes and committees

77. In May 2012 the council agreed to review its decision-making structures to better address the significant challenges from the economic downturn and changes in public sector landscape. The council's governance arrangements had been in place since 2001. In December 2012 the council approved changes to its policy boards, service departments and management structures, which it expects will release savings and improve support to members and officers to focus on key issues.
78. There are three new policy boards: Economy and Jobs; Sport, Leisure and Culture; Planning and Property and also a new procurement sub-committee of the renamed Finance and Resources Policy Board. Other changes include the extended role and remit of the leadership board and revised names and remits for the other boards. Three committees were deleted from the structure.
79. In our 2011/12 annual report we raised concerns on the operation of the Scrutiny and Petitions Board, which operates as the council's audit committee. These are detailed at Exhibit 9 below with a short update.

**Exhibit 9: Follow-up on 2011/12 issues**

2011/12 issue	2012/13 update
Two members of the Scrutiny and Petitions Board were also on the Leadership Board, which was against council guidelines	Members who previously sat on both the Leadership Board and Scrutiny and Petitions Board no longer sit on both boards
Our first impression was that hearing of petitions and wider scrutiny tends to dominate, with the financial audit element of meetings being perhaps out of context.	The Scrutiny and Petitions Board has been renamed the Audit, Scrutiny and Petitions Board and remit amended to ensure that the audit work of the board is given prominence. From attending meetings we observed that scrutiny work still takes up most of the committee's time, which is partly down to witnesses providing evidence to the committee as part of the inquiries, but we are less concerned about the focus given to external audit work, through our longer experience of attending the Board.
The Convener of the Scrutiny and Petitions Board was a member of the administration of the Council, while the Deputy Convener is an opposition member. We considered that there is greater independence if conveners or chairs of audit committees are drawn from the opposition.	Audit Scotland's Local Government Overview Report (March 2013), supported the fundamental principle that audit committees should be chaired by someone who is not a member of the political administration but acknowledged that ultimately, the effectiveness of the audit committee depends on the committee members and their approach. From attending the committee we observed that there is challenge and discussion from both the convener and members of the opposition.

**Internal control**

80. While auditors concentrate on significant systems and key controls in support of the opinion on the financial statements, their wider responsibilities require them to consider the financial systems and controls of audited bodies as a whole. The extent of this work is informed by their assessment of risk and the activities of internal audit.
81. As part of our audit work we reviewed the high level controls in a number of the council's financial systems including the general ledger, treasury management, payroll, council tax, cash and trade receivables. In general the results of the testing were satisfactory. We relied on internal audit's work on non-domestic rates, trade payables, year-end bank reconciliations and rental income arrears. The annual Internal Audit Report presented by the Chief Auditor to the Audit, Scrutiny and Petitions Board concluded that reasonable assurance can be placed

on the council's overall framework of controls for the year to 31 March 2013. However, there were two areas of risk we wish to highlight:

- **Payroll:** Due to a backlog in processing source documentation for scanning within the HR business support section, we experienced delays in obtaining documentation for our audit testing. There was missing documentation for approximately 10% of our requested sample. The ongoing scanning delay means payroll cannot retrieve information efficiently for its own checking purposes and officers had to spend additional time retrieving documentation for audit.
- **Trade payables:** In our 2012/13 annual audit plan we noted the Chief Auditor reported in the 2011/12 internal audit report that the controls currently in place were not adequate to ensure that all financial transactions were appropriately authorised. Work was ongoing to review authorised signatories and establish financial limits. Internal audit's annual report for 2012/13 records these issues continue. Their 2012/13 testing reported that of 30 invoices sampled, 20% had not been suitably authorised.

**Refer to Action Point No. 2**

82. Due to these control weaknesses we undertook additional substantive testing as part of our work on the financial statements and the results from that testing was satisfactory.

### Internal audit

83. A key element of our work on internal controls is the extent of reliance that we place on the work of internal audit in terms of International Standards on Auditing 610 (Considering the work of internal audit). The findings from our review of internal audit concluded that the internal audit service operates in accordance with the CIPFA Code of Practice for Internal Audit in Local Government and the quality of work allowed us to place formal reliance on aspects of their work as noted above. This not only avoided duplication of effort but also enabled us to focus on other areas of risk.

### Information Management and Technology

84. Information Management and Technology is very much part of how new processes and service changes are delivered and in September 2013 the Leadership Board were updated on the many different IMT projects delivered under the Transforming Renfrewshire programme. Officers also reported on those projects that were not delivered and that lessons learned were being used to inform the ICT strategy.
85. The current strategy, which covered the period 2009 - 2012, will be incorporated into a new Information and Technology Strategy, 'Connect Renfrewshire', which has been distributed for consultation with stakeholders.
86. Internal audit's follow-up work on disaster recovery reported, in August 2013, that ICT current arrangements may not be able to support the recovery of ICT systems in the event of a disaster. The annual governance statement records that actions are now being progressed by management to ensure that plans are in place and will be tested.



87. Last year we reported that the Information Commissioner (ICO) was about to conduct a data protection audit in October 2012. This concluded there was reasonable assurance that processes and procedures were in place and being followed. The audit made 21 recommendations but also identified several areas of good practice, e.g. security controls in place. A desk-based follow-up in July 2013 confirmed that recommendations had been addressed and data protection arrangements were reassessed as providing a high level of assurance.

### Public Services Network

88. The council exchanges data with many other public bodies and makes use of Cabinet Office sponsored arrangements to share electronic data with other public sector bodies. For example, the council shares benefit information with the Department of Work and Pensions while social work and education departments exchange information with the police, community justice partnerships and children's hearings.
89. The government secure intranet (GSI) is the mechanism that allows the council to share data and services. The council must re-apply annually to the Cabinet Office to be allowed to connect to the government secure network. This year the government is replacing GSI with the public services network (PSN). The new code of connection is challenging and uncompromising about security measures.
90. The initial application was not successful but following additional work, in September 2013 the Cabinet Office awarded accreditation to the council, along with an action plan of issues to be addressed, for example further work is required on portable devices that access PSN and this is to be completed by December 2013.

### Housing and council tax benefits performance audit

91. As a follow up to our housing benefit/council tax benefit (HB/CTB) programme completed in May 2012 we reviewed performance information for the 2012/13 year. This demonstrated improved performance in the speed of processing for new claims and for change of circumstances and in the number of pre-payment accuracy checks carried out. The level of accuracy had also increased, exceeding the local target of 80%.
92. In June 2012 the benefits service commenced a programme of risk based intervention activity, targeting and reviewing specific benefit cases. In the six months to December, of the specific cases selected from the ongoing benefit caseload for review, 60% had a subsequent change to ongoing benefit entitlement.
93. As part of the council's response to Welfare Reform changes, including the establishment of the new Council Tax Reduction Scheme and the new Scottish Welfare Fund, the Council integrated these new responsibilities into the existing Benefits Service. As part of the integration process the council recruited 13 new staff members to manage the new responsibilities. It is however recognised that the service continues to face an increasing workload due to the economic climate and welfare reform against a background of year on year reductions in administration grant support from the Department of Work and Pensions

(DWP) and this continues to present challenges for the council to maintain flexibility and capacity to withstand future changes in the benefits system

94. The service is receiving an increased number of requests for discretionary housing payments, requests for revision of decision(s) and housing benefit appeal requests. As a result the service is slightly behind its 10 day target for the processing of changes in circumstances, but this is still an improvement on an average of 13 days in 2011/12.
95. Our performance audit team will review progress on the council's action plan in the latter half of 2014/15 and in the interim we continue with our annual audit of the benefits subsidy as directed by DWP.

## Prevention and detection of fraud and irregularities

96. Audited bodies are responsible for establishing arrangements to prevent and detect fraud and other irregularity. We noted that Renfrewshire Council has a range of measures in place to prevent and detect fraud, including Standing Orders and Financial Instructions, a Code of Conduct for members and staff. Also, a number of other policies are available to staff via the intranet including 'whistleblowing'. The latter is addressed through the council's Confidential Reporting Policy which includes detailed guidance on how to report suspicions of fraud and irregularities.
97. The council's internal audit function has a formal programme of work, which, although not designed to detect fraud, does provide assurance on the operation of the control systems which are designed to prevent fraud.
98. Overall, we have concluded that the council's arrangements were adequate in relation to the prevention and detection of fraud and irregularities, although it should be noted that no system can eliminate the risk of fraud entirely.

## National Fraud Initiative in Scotland

99. Renfrewshire Council participates in the National Fraud Initiative (NFI). The NFI uses computerised techniques to compare information about individuals held by different public bodies, and on different financial systems, to identify circumstances (matches) that might suggest the existence of fraud or error.
100. The current NFI data exercise identified 6,816 data matches of which 1,581 were recommended for investigation by the council. Good progress has been made in the investigation of these data matches with 1,121 matches investigated to date. To date there have been eight identified cases of fraud, which are all benefit fraud cases and total approximately £18,000.
101. As NFI co-ordinators, Internal Audit monitor the outcomes from matches investigated by service staff. As work is ongoing in this area no formal update has been made to the Audit, Scrutiny and Petitions Board based on this years exercise, however a report will be presented to the Board in 2014.

## Standards of conduct and arrangements for the prevention and detection of corruption

102. Audited bodies are responsible for ensuring that their affairs are managed in accordance with proper standards of conduct and have proper arrangements in place for implementing and monitoring compliance with standards and codes of conduct, standing orders and financial instructions. Auditors consider whether bodies have adequate arrangements in place.
103. The council has separate Code of Conduct for both members and officers with specific sections for each group. The Codes cover a number of areas including gifts and hospitality, expenses and allowances, conflicts of interests and use of council resources. The council also has an Anti-Fraud and Corruption Policy which includes reference to all relevant policies and procedures aimed at preventing fraud and corruption.
104. The Council currently maintains a register of interest for elected members, which is available from the council website. The Council originally maintained a register for senior officers which was introduced in 2009 however this has not been updated. Work is ongoing to introduce a revised register by the end of 2013, which will support identifying related party transactions, which require to be disclosed in the financial statements. The development of a register for senior officers is an area of basic practice which we expect to exist. Advanced arrangements would extend this register to all staff and include processes for gaining annual confirmation.

**Refer to Action Plan No.3**

105. Apart from this one area, we conclude that the council's arrangements are otherwise appropriate.

## Outlook

### Welfare reform

106. The Welfare Reform Act 2012, as reported last year represents the biggest reform of the UK welfare system for 60 years. Last year we reported that it was clear that the council places significant importance on the welfare reform changes and was committed to meeting the challenges ahead. The council's response continues to be managed through programme management arrangements, with progress on the projects reported on a regular basis to the welfare reform steering group and the corporate management team.
107. One of the challenges has been to explain all of the changes to residents affected by welfare reform and to encourage them to seek help when required. The council, as part of a communications' strategy, has published a number of leaflets to help people understand the changes. The *'benefits are changing'* leaflet was produced for residents and distributed throughout the area.
108. The Renfrewshire Council website had dedicated pages on welfare reform, which explains all the actions that have been carried out by the council, so for example in June 2013, the council wrote to everyone in Renfrewshire who was about to be affected by the benefit cap and then visited those who had not responded.

109. Some changes have already taken place since April 2013 with the introduction of the new Scottish Welfare Fund. When it became apparent that the electronic processing system was not available from the supplier from 1 April, contingency arrangements had to be invoked. Testing prior to 1 April identified issues with computerised cheque payments and so manual procedures were introduced. Internal audit confirmed there were appropriate procedures in place for issuing manual cheques and adequate security arrangements security. The new ICT system, to administer the Scottish Welfare Fund, went live in July, relieving some pressure from staff who had been working with the labour intensive manual process until this point.
110. The Leadership Board receives regular reports on the potential impact of welfare reform. From the latest update provided in September 2013 we noted that there are significant risks identified with the proposed introduction of direct payment of housing costs within Universal Credit. This places responsibility on individual tenants to manage their overall finances and payment of their rent.
111. Rent arrears have been increasing in Renfrewshire. In 2011/12 arrears totalled £2.2 million and these had slightly increased to £2.3 million in the current year (4.9% of total rent due). Revenue officers estimated that welfare reform will result in a further net increase in arrears, as noted at paragraph 73. Housing Services are actively exploring ways of tackling the problem through raising awareness and direct engagement with tenants, providing additional support services and further DHP funding.

**Refer to Action Plan No.1**

112. National roll out of Universal Credit is due for full implementation within the UK by 2017. The original planned national roll-out was due in October 2013 however this has been delayed with no further details of a revised implementation date for the council.

# Best value, use of resources and performance

113. Audited bodies have a specific responsibility to ensure that arrangements have been made to secure best value. The Local Government (Scotland) Act 1973 places a duty on the auditors of local government bodies to be satisfied that proper arrangements have been made for securing best value and complying with responsibilities relating to community planning. Auditors are also required to review and report on audited body's progress against its best value improvement plan, if required.
114. Additionally, auditors of local government bodies have a responsibility to review and report on the arrangements that specified audited bodies have made to prepare and publish performance information in accordance with directions issued by the Accounts Commission.
115. Furthermore, as part of their statutory responsibilities, the Auditor General and the Accounts Commission may procure, through Audit Scotland, examinations of the use of resources by audited bodies and publish reports or guidance. Auditors may be requested from time to time to participate in:
- a performance audit which may result in the publication of a national report
  - an examination of the implications of a particular topic or performance audit for an audited body at local level
  - a review of a body's response to national recommendations.
116. This section includes a commentary on the best value/ performance management arrangements within the council. We also note any headline performance outcomes and measures used by the council and comment on any relevant national reports and the council's response to these.

## Management arrangements

### Best value

117. Audit Scotland's best value report on Renfrewshire Council was in 2006 and the outcome of the annual shared risk assessment performed by the Local Area Network (LAN) has since concluded a targeted best value review has not been required.
118. In 2011 the Council completed a self-assessment review against the criteria in all 18 of Audit Scotland's best value toolkits. For each toolkit, officers assessed performance against advanced practice, basic practice and areas for improvement with updates provided to the Chief Executive and the Leadership Board. In 2013, the council are revisiting the BV2 toolkits. These have been allocated to lead officers to establish what, if any, improvements has been made for each area. The re-assessment is due for completion this autumn and a report will be taken to the corporate management team in 2014.

119. The council has fully implemented the Public Service Improvement Framework, which is a self-assessment tool used to conduct a systematic and comprehensive review of activities and results. Cycle 1 of these assessments was completed in 2011 and improvement plans were put in place for a total of 35 services. Cycle 2 assessments began in November 2012 and are currently ongoing.
120. We noted last year that the council prepares a corporate assessment, which pulls together all the key messages from the different self-assessment and review strands. The aim is to allow the corporate management team and elected members to more easily identify the priorities for improvement. Information is gathered around six areas:

- |                        |                   |                          |
|------------------------|-------------------|--------------------------|
| • Audit and Inspection | • Self-evaluation | • Employee engagement    |
| • Customers            | • Partnerships    | • Performance management |

121. The latest update was provided to the June 2013 Leadership Board. Of the 32 actions, 24 actions were 100% complete. Two actions with the least progress related to Clyde Valley shared-services work streams, particularly for waste management, but these have completion plan dates for future years and progress was on track.

## Community Plan

122. After the May 2012 elections the council began preparing a new community plan and last year we reported this involved a number of strategic needs assessment consultation events. A draft Renfrewshire Community Plan and Single Outcome Agreement was approved by the council in June 2013. It is structured around six key themes:
- Children and young people
  - Jobs and the economy
  - Community care
  - Health and wellbeing
  - A safer and stronger Renfrewshire
  - A greener Renfrewshire
  - Empowering our communities
123. The plan was submitted to the Scottish Government for review by a cross-sector quality assurance (QA) team. The Leadership Board was updated in September on the feedback from the quality review process, which reported a number of key strengths on the plan, in particular:
- The strategic needs assessment process followed by the partners over the previous 18 months had established a clear, evidence-based and shared vision among all of the partners over the issues and challenges facing Renfrewshire. In particular the role and

involvement of the voluntary sector and business community was much stronger than previously.

- The plan is clearly focused on those activities where partnership working is required and will add value, with an expectation that this will make associated planning documents within partner organisations easier to develop and link into the overall community planning process.
- The community plan represents a step change in the level and nature of community empowerment and leadership, with a clear role for the local third sector interface organisation in the development and delivery of community capacity building and localised community planning and involvement.

124. The Community Planning Partnership has now to prepare a detailed resource plan over the first year of the Community Plan. Currently information is being collated on the overall spend within Renfrewshire and this will be used to develop realigned budgets and resource plans covering the next three years of the plan.
125. The plan can now be found on the council's website and a series of community launch events is planned, one for each theme of the plan. They will bring together all relevant partners within the community of Renfrewshire to agree priorities and actions for delivery.
126. A revised council plan is still in development. The plan will reflect the priorities outlined in the refreshed community plan and illustrate the role the council will play in delivering the agreed outcomes. Officers aim to integrate the council plan with their medium term financial strategy and the corporate transformation programme. A consultation programme has been developed and the plan is currently with services for comment. A draft plan is due in early November with a launch planned for spring 2014.

## Performance management

127. The council has a well-established performance management framework in place. Service improvement plans for 2013-15 have been prepared incorporating performance outcomes which are subject to regular scrutiny by the relevant policy board. The service improvement plans include a number of key performance measures used to record progress against service outcomes. The council uses its performance management system, Covalent, to monitor progress against each services action plan and scorecard.
128. To improve benchmarking across Scotland, the Society of Local Authority Chief Executives (SOLACE) and the Improvement Service developed a suite of indicators that capture unit cost, customer satisfaction and performance data across key service areas for the local authorities. The Council has adopted these indicators as part of its corporate management team (CMT) scorecard and quarterly performance reports are provided to the CMT. A number of taskgroups have been set up to examine the Council's position on some indicators in order to identify inconsistencies in the application of the guidance or areas of good practice.

## Overview of performance in 2012/13

### Statutory performance indicators (SPIs)

129. In 2012/13, a total of 25 SPIs were required and these indicate a mostly improving picture of performance. In comparison to 2011/12, 15 indicators (60%) had improved performance, 9 had declined (36%) and one remained unchanged.
130. The improved indicators include managing tenancy changes, waste recycling and the provision of homecare services. The percentage of council housing stock meeting the Scottish Housing Quality Standard (SHQS) has substantially increased due to the phased works approach undertaken by the council. The areas where performance indicators show a decline are the cost of refuse collection and disposal, length of time to re-let council houses and sickness absence.
131. The council introduced the policy, *Supporting attendance at work* in August 2013 which is designed to reduce the financial and service delivery impact of absenteeism. The policy includes details of early intervention and support arrangements, responsibilities of employees and managers and also the introduction of a process of formal meetings and consequential actions.

### National performance reporting

132. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland reports of direct interest in 2012/13 are outlined in the exhibit below.

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#### Exhibit 10: A selection of National performance reports 2012/13

- |                                                                                                                                                                                                                                                                                               |                                                                                                                                                                                                                                                  |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"><li>• Responding to challenge and change - An overview of local government in Scotland 2013</li><li>• Improving community planning in Scotland</li><li>• Major capital investment in councils</li><li>• The National Fraud Initiative in Scotland</li></ul> | <ul style="list-style-type: none"><li>• Protecting consumers</li><li>• Using cost information to improve performance - are you getting it right?</li><li>• Health inequalities in Scotland</li><li>• Reducing reoffending in Scotland.</li></ul> |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

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

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133. For each national report, officers prepare a summary of results and further explain the relative position at Renfrewshire Council compared to the key messages, noting any further action required. The summary and full reports are taken to the appropriate policy board or the Audit, Scrutiny and Petitions Board or Leadership Board. For example on *Improving community planning in Scotland* the summary reported a key message was that community planning partnerships (CPP) needed to improve their governance arrangements. Officers advised members that the Renfrewshire CPP had since reviewed board structures to ensure they met Scottish Government guidance.



## Assurance and improvement plan update 2013-16

134. The local area network (LAN) of scrutiny partners for the council, conducted a shared risk assessment in November 2012 and in early 2013 representatives of the LAN met with the chief executive and other CMT officers to discuss issues arising from the review. The Renfrewshire Council 2013-2016 Assurance and Improvement Plan fed into the national scrutiny plan, which was published in April 2013. This was published on Audit Scotland's website and was submitted to the Leadership Board in June 2013 for information and consideration by members.
135. The AIP identified one area - governance - requiring further consideration by the LAN and an update is provided at paragraph 79.
136. We are still to conclude our local follow-up work on Audit Scotland's report, *Scotland's Public Finances: addressing the challenges*.

## Outlook

137. In response to a request from the Cabinet Secretary for Finance, Employment and Sustainable Growth the Accounts Commission has led development work, with scrutiny partners, on how audit and inspection can support the delivery of better outcomes by Community Planning Partnerships. A number of councils will receive a CPP audit in 2013/14 including Falkirk, Moray, West Lothian, Orkney and Glasgow City.

# Appendix A: audit reports

## External audit reports and audit opinions issued for 2012/13

Title of report or opinion	Date of issue	Date presented to Audit, Scrutiny and Petitions Board
Annual Audit Plan	22 February 2013	15 April 2013
Assurance and Improvement Plan	21 March 2013	24 June 2013 (to Leadership Board)
Report on financial statements to those charged with governance	18 September 2013	23 September 2013
Audit opinion on the 2012/13 financial statements	30 September 2013	25 September 2013
Audit opinion on the 2012/13 Whole of Government accounts consolidation pack	31 October 2013	N/A
Report to Members on the 2012/13 audit	31 October 2013	2 December 2013 (expected)

# Appendix B: action plan

## Key Risk Areas and Planned Management Action

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
1	72	<p><b>Rent arrears</b></p> <p>There are initial signs that council rent arrears are increasing due to welfare reform.</p> <p><b><i>Risk: the rent arrears position may increase to the extent that it affects the future sustainability of the HRA.</i></b></p>	<p>The council operates robust procedures to monitor closely and effectively manage the ongoing arrears position. In addition, the Council will, through the wide ranging actions under the welfare reform programme, continue to mitigate this key risk area through a wide range of mitigating measures including welfare support arrangements provided to tenants, effective use of Discretionary Housing Support and Council Tenants Assistance fund.</p>	<p>Director of Housing and Development Services and Director of Finance and Corporate Services</p>	Ongoing
2	80	<p><b>Controls</b></p> <p>Control improvements required are in two areas:</p> <p>There is a backlog in processing source documentation for scanning within the HR</p>	<p>Management action had been put in place to direct resources to fully address the existing scanning backlog and ensure arrangements are established to</p>	<p>Head of Procurement and Business Support</p>	December 2013

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
		<p>business support section</p> <p><b><i>Risk: The scanning delay means HR and payroll cannot retrieve information efficiently.</i></b></p> <p>Internal audit continue to find that 20% of invoices had not been suitably authorised.</p> <p><b><i>Risk: Incorrect or fraudulent payments are made.</i></b></p>	<p>ensure the scanning position in the future remains appropriately current.</p> <p>The major process of fully implementing the electronic authorised signatory database is completed and procedures have been established to ensure regular reviews are carried out of authorisation limits and that adjustments for starters and leavers are timeously actioned.</p>	Head of Corporate Finance	November 2013
3	104	<p><b>Registers of interest</b></p> <p>There is no register of interest for senior officers.</p> <p><b><i>Risk: the council may not be able to identify significant conflicts of interest with senior officers or be able to disclose related party transactions as required by the Code of Practice on Local Authority Accounting.</i></b></p>	<p>The council has now completed the process of re-establishing appropriate register of interest arrangements for senior officers and arrangements to maintain this and review it on an appropriately regular basis.</p>	Head of Legal and Democratic Services	Completed