



East Renfrewshire Council

Annual report on the 2013/14 audit

Prepared for the members of East Renfrewshire
Council and the Controller of Audit

October 2014



Contents

Key messages	3
Introduction	5
Financial statements	6
Financial position	10
Governance & accountability	15
Best value, use of resources and performance	20
Appendix I – Summary of East Renfrewshire Council local audit reports 2013/14	24
Appendix II – Summary of Audit Scotland national reports 2013/14	25
Appendix III – Significant audit risks	26
Appendix IV – Action plan	29

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Key messages

Financial statements

- Unqualified auditor's report on the 2013/14 financial statements.

Financial position

- A General Fund surplus of £4.4 million in 2013/14
- An accounting deficit of £14 million for the year.
- Usable reserves are relatively strong and have increased by £4 million
- Stable current financial position and actions are being taken to address future financial pressures.

Governance & accountability

- Governance arrangements are operating satisfactorily and appropriate systems of internal control in place during 2013/14 with no weaknesses in key controls
- Planning to increase awareness of its registers of interests

Best Value, use of resources & performance

- Met or exceeded 81% of its performance targets and on track to meet targets in the majority of the remaining areas.
- Well-established framework for monitoring and reporting performance.

Outlook

- Changes to the accounting framework and approval processes that need to be planned for in 2014/15.

Financial Statements

1. We have given an unqualified audit opinion that the financial statements of East Renfrewshire Council for 2013/14 give a true and fair view of the state of the affairs of the council and its group as at 31 March 2014 and of the income and expenditure for the year then ended.
2. We have also given an unqualified audit opinion on the 2013/14 financial statements of East Renfrewshire Council's charities audited under the provisions of The Charities Accounts (Scotland) Regulations 2006 (the 2006 Regulations).

Financial position

3. The council recorded an accounting deficit of £13.6 million on the provision of services. After adjustments according to statutory regulations the surplus on the general fund was £4.4 million and there was a deficit on the HRA of £0.5 million.
4. The council has a relatively high level of usable reserves and low levels of external borrowing which suggests a relatively good financial position which would help with any future funding shortfalls.
5. The general fund increased by £1.4 million during the year to £14.9 million. This includes earmarked commitments of £6.4 million and an unallocated balance of £8.5 million, or 4%. This is in line with the council's policy of holding unallocated reserves of 4% of annual budgeted net revenue expenditure.

6. The council's 2014/15 financial plan requires identified cost savings of £4.3 million. The council aims to deliver these savings through its continued service reform programme.

Governance and accountability

7. In 2013/14 the council had good governance arrangements which included a number of standing committees overseeing key aspects of governance. The council has an effective internal audit function and systems of internal control.
8. The new integrated health and social care partnership will come into force in April 2015. A joint approach is in place and an agreed transition/organisational development plan has been developed.

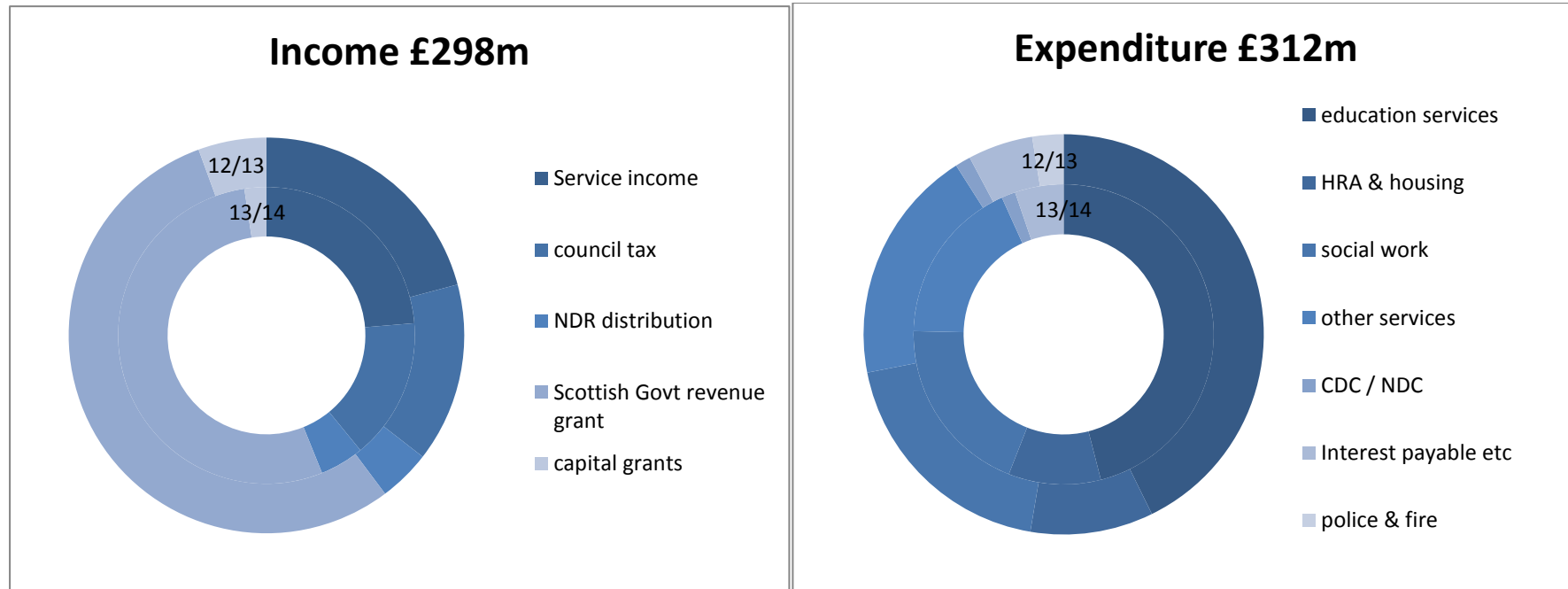
Best Value, use of resources and performance

9. The council continues to have a strong focus on performance management including a well-established framework for monitoring and reporting performance against the council's priorities. Six monthly performance and accountability reviews continue to be completed, with action plans where appropriate.
10. A review of the quality of the public reporting of Statutory Performance Information by Audit Scotland's Performance and Best Value section highlighted that 81% of the council's information fully met the desired criteria with 19% partially meeting the criteria.

Introduction

11. This report is a summary of our findings arising from the 2013/14 audit of East Renfrewshire Council.
12. Our responsibility, as the external auditor of East Renfrewshire Council, is to undertake our audit in accordance with International Standards on Auditing (UK and Ireland) and the principles contained in the Code of Audit Practice issued by Audit Scotland in May 2011.
13. The management of the council is responsible for:
 - preparing financial statements which give a true and fair view
 - implementing appropriate internal control systems
 - putting in place proper arrangements for the conduct of its affairs
 - ensuring that the financial position is soundly based.
14. This report is addressed to the members of East Renfrewshire Council and the Controller of Audit and should form the basis of discussions with the Audit and Scrutiny Committee. This report will be published on our website after it has been considered by the council. The information in this report may be used for the Account's Commission's annual overview report on local authority audits, which is presented to the Local Government and Regeneration Committee of the Scottish Parliament.
15. A number of reports, both local and national, have been issued by Audit Scotland during the course of the year. These reports are shown at Appendices I and II. Appendix III sets out the significant audit risks identified at the planning stage and how we addressed each risk in arriving at our opinion on the financial statements.
16. Appendix IV 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 "Management action/response". We recognise that not all risks can be eliminated or even minimised. What is important is that East Renfrewshire Council understands its risks and has arrangements in place to manage these risks. The council and the Proper Officer should ensure that they are satisfied with proposed management action and have a mechanism in place to assess progress and monitor outcomes.
17. We have included in this report only those matters that have come to our attention as a result of our normal audit procedures; consequently, our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.
18. The cooperation and assistance afforded to the audit team during the course of the audit is gratefully acknowledged.

Financial statements



The financial statements show that income, of £298 million this year, is £6.2 million (2%) less than last year. Revenue grants from the Scottish Government reduced by £9.9 million reflecting the transfer of Police and Fire services, which are no longer funded by grants to local government. Capital grants also reduced by £10 million. These changes were offset by additional income generated by services (£5.5 million) and a gain of £2.8 million on the sale of assets.

Expenditure increased overall by £15 million (5%) to £312 million, mainly as a result of additional expenditure in education services (£16.8 million), housing (£1.5 million) and Social Work (£3.4 million) partially offset by the transfer of police and fire service funding (£7.5 million).

Audit opinion

19. We have given an unqualified opinion that the financial statements for 2013/14 give a true and fair view of the state of the affairs of the council and its group as at 31 March and of the income and expenditure for the year then ended.

Other information published with the financial statements

20. Auditors review and report on other information published with the financial statements, including the explanatory foreword, annual governance statement and the remuneration report. We have nothing to report in respect of these statements.

Legality

21. Through our planned audit work we consider the legality of the council's financial transactions. This includes obtaining written assurances from the Head of Accountancy (the Proper Officer). There are no legality issues arising from our audit which require to be reported.

Registered charities

22. The Charities Accounts (Scotland) Regulations 2006 sets out the accounting and auditing rules for Scottish charities. These required, for the first time in 2013/14, a full audit of all registered charities accounts where members or officers of a

local authority are the sole trustees.

23. We have given an unqualified opinion on the 2013/14 financial statements of the relevant charities.

Group accounts

24. Local authorities are required to prepare group accounts where they have a material interest in other organisations.
25. East Renfrewshire Council has accounted for the financial results of three associates, the Common Good Fund and seventeen sundry trusts in its group accounts for 2013/14. The overall effect of consolidating these balances on the group balance sheet is to increase total reserves and net assets by £7.6 million. The net assets of the group at 31 March 2014 (£235 million) increased by £124 million from last year, due to the transfer of Police and Fire functions on 1 April 2013 and the removal of the associated pension liabilities from the group accounts.

Whole of government accounts

26. The whole of government accounts (WGA) are the consolidated financial statements for all branches of government in the UK. Officers submitted the consolidation pack for audit by the deadline. The 2013/14 certification threshold has increased to £350 million, so no audit return was required for the council.

Report to those charged with governance

27. We presented to the Audit and Scrutiny Committee, on 25 September 2014, our report to those charged with governance (ISA 260). The primary purpose of that report is to communicate the significant findings arising from our audit prior to finalisation of the independent auditor's report.
28. **Common Good:** The council recognised Common Good Fund assets (Cowan Park, Barrhead) with a value of £954,873 for the first time. Our work identified that there are other assets within Cowan Park which are classified as community assets which are not attributable to the Common Good. These include synthetic pitches (£44,956) and an unspecified area of Cowan Park (£40,334). Officers and management confirmed that these do not form part of the Common Good.
29. Assets were identified as Common Good through the legal process adopted as part of the new Barrhead High School project. The council should consider conducting a formal review of its assets to further identify any assets on its register that could be common good assets.

Refer Action Plan Point 1

Outlook

30. Next year (2014/15) there are changes to the accounting framework, including:

- IFRS 10 Consolidated financial statements
- IFRS 11 Joint arrangements
- IFRS 12 Disclosures of interests in other entities
- IAS 28 Investments in associates and joint ventures.

31. These standards affect the group financial statements and include a change to the definition of control. The limited nature of the council's group is unlikely to require any significant reassessment of the group boundary.
32. The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires highways assets to be measured for the first time on a depreciated replacement cost basis in 2016/17 (they are currently included at depreciated historic cost). This will require a revised opening balance sheet as at 1 April 2015 and comparative information in respect of 2015/16. The council should ensure it is planning ahead to allow full compliance with the Code.

Refer Action Plan Point 2

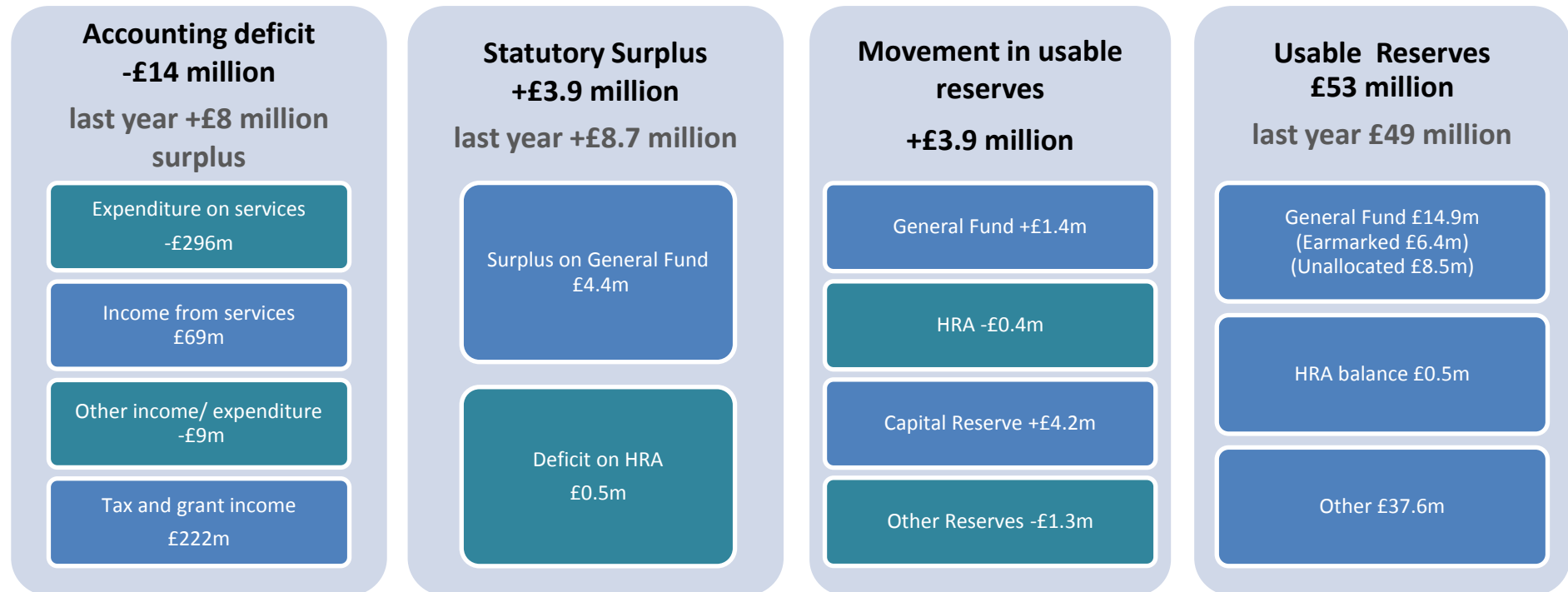
33. Recently, significant developments have been made in case law in relation to holiday pay entitlement. COSLA sought legal advice and intimated that councils should now act to regularise the position on holiday pay. The financial statements contained a contingent liability, however officers have recently provided information to Cabinet suggesting the way forward for the council. We will review the position in 2014/15.

Financial statements

34. The Local Authority Accounts (Scotland) Regulations 2014 set out new requirements for local authorities: to review their system of internal financial control; prepare annual governance statements and define a more detailed process for considering annual accounts. One of the changes requires the unaudited accounts to be considered by the Audit and Scrutiny Committee. This can take place following submission to the auditor and up to 31 August if necessary. In addition, the audited accounts must be considered by the Audit and Scrutiny Committee by 30 September with publication on the council's website by 31 October, each year.

Refer Action Plan Point 3

Financial position



Accounting deficit and statutory surplus

35. The council reported an accounting deficit of £13.6 million on the provision of services. There are three main areas of accounting adjustments that are made to translate the accounting surplus to the statutory position:
- capital charges – depreciation is removed and an internal repayment of debt from services substituted (+ £25.2 million)
 - actuarial pension charges are removed and employer pension contributions substituted (+ £7.4 million)
 - removal of capital grants and capital funded from revenue and gains/ losses on sale of assets (- £12.9 million).
36. Taking the above adjustments into account, the general fund increased by £4.4 million in the year and the housing revenue account balance decreased by £0.5 million.

Budget outturn

37. The 2013/14 budget, approved by the council on 7 February 2013, included a planned contribution to the general fund of £0.5 million. As the council secured higher than expected levels of savings during the year, it achieved an outturn of £3.9 million, most of which was transferred to the capital reserve.

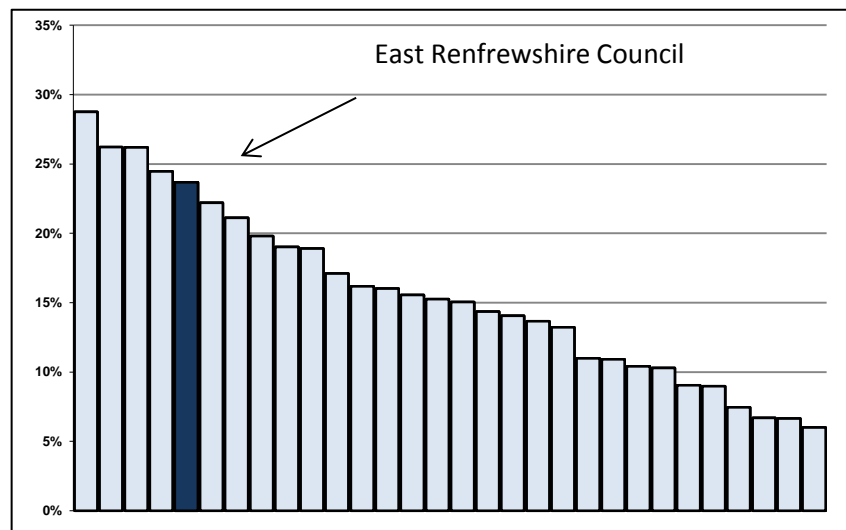
Housing Revenue Account (HRA)

38. The Housing Revenue Account deficit of £0.5 million reflects the council's decision to fund an upgrade of the heating system at a sheltered housing complex. It also reflects the redundancy costs of two employees, the costs of which will be met from savings assumed over the next four years.

Usable reserves

39. Usable reserves are part of a council's strategic financial management and are used for medium and longer term planning. As shown above, the overall level of usable reserves increased during the year.
40. Exhibit 1 shows that the council continues to have a relatively high level of reserves, compared to other councils, as it plans to fund specific projects and anticipated financial pressures.

Exhibit 1: Usable Reserves as a % of net revenue



Source: - Scottish councils' unaudited accounts 2013/14

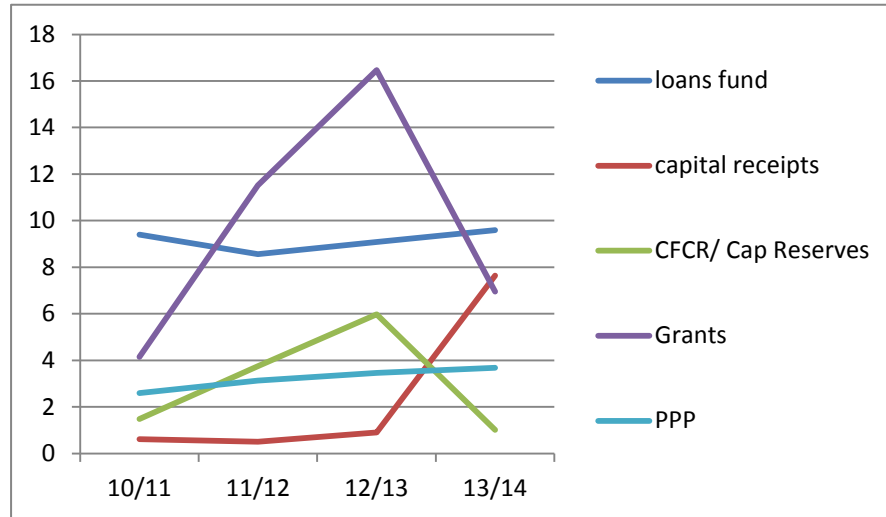
- 41. The general fund balance increased by £1.4 million during the year. The closing balance at 31 March 2014 is made up of earmarked commitments of £6.4 million and an unallocated balance of £8.5 million, or 4% (2012/13: 3.5%). This position is in line with the council's policy which is to maintain uncommitted reserves at a minimum of 4% of annual budgeted net revenue expenditure over the medium term.
- 42. The unallocated general fund reserve has been maintained at a similar level for the last three years (£8.5 – £9.0 million), however total usable reserves have increased by £7.7 million (17%). Most of this increase has been in the capital reserve.

43. We conclude that, subject to any major change in Scottish Government funding, the financial position of the council remains stable and its activities are currently financially sustainable. In the medium term, actions are being taken to address future financial pressures (see paragraphs 51 - 52).

Capital investment and performance 2013/14

- 44. Total capital expenditure was £21.5 million. Investment included £0.5 million on Eastwood Health and Care Centre, £8.1 million on schools and nurseries, £1.4 million on regeneration projects and £1.8 million on roads improvements.
- 45. There was an underspend against the planned level of capital expenditure of £7.9 million (26.7%). The main reason for this slippage included delays due to protracted legal negotiations on Eastwood Health and Care Centre. The progress on some ICT projects has been limited due to work being undertaken on Public Sector Network accreditation.
- 46. The capital programme was funded as shown at Exhibit 2.

Exhibit 2: Sources of finance for capital expenditure



Source: East Renfrewshire Council Annual Accounts 10/11 to 13/14

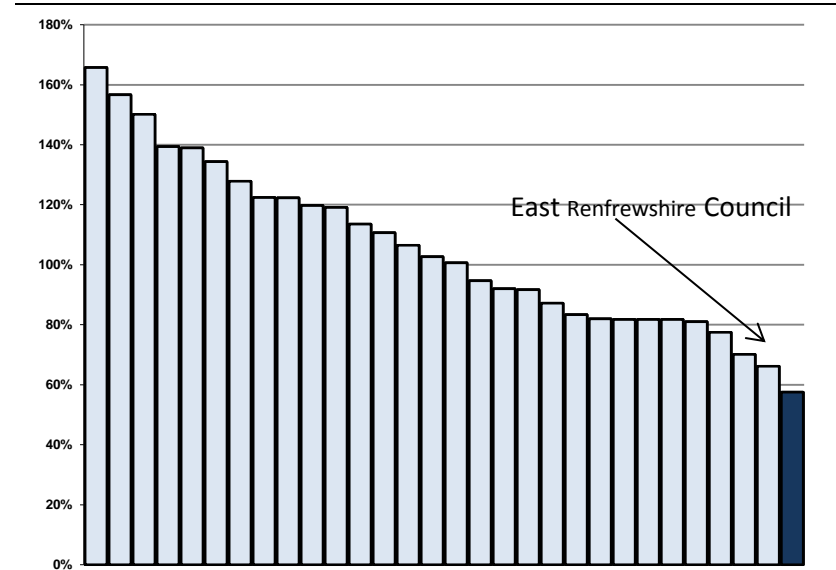
47. As detailed above there has been a significant increase in capital receipts due to the sale of land to Asda in Barrhead. This has been offset by a reduction in government grants and contributions. Last year the council received a high level of grant for Eastwood High School (£11 million).

Treasury Management

- 48. As shown at Exhibit 3, the council's net external debt position continues to be the lowest amongst Scottish mainland councils.
- 49. East Renfrewshire Council has continued to reduce long term debt by £2.9 million to £68.8 million. The council had total

borrowings of £71.8 million at 31 March 2014 (£84.7 million in 2012/13)

Exhibit 3: Net external debt as a proportion of net revenue



Source: Scottish councils' unaudited accounts 2013/14

50. Audit Scotland has, on behalf of the Accounts Commission, recently completed a national review of borrowing and treasury management in councils. The national report is planned for publication in January 2015.

Outlook

51. In February 2014 the council approved a budget of

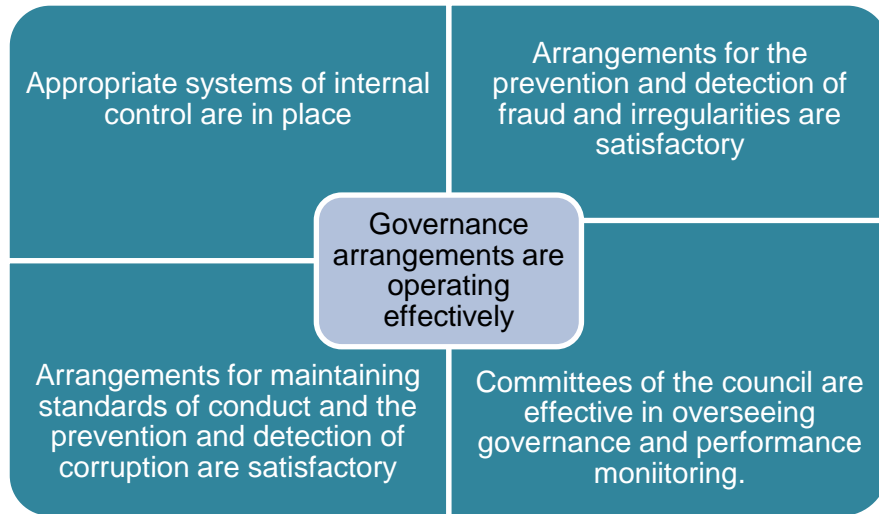
Financial position

£213.6 million for 2014/15. This represents an increase of 0.8% on 2013/14. (£1.7 million). The budget includes an additional provision of £2.1 million to meet the client service demands experienced by the CHCP and includes savings measures of £4.3 million. The savings measures identified include:

- a review of management and administration staffing (£0.4m)
- a reduction in the number of teachers for P1, whilst recognising the legal class size requirement of 25 (£0.3m)
- redesign of care at home (£0.3m)
- budget adjustments to reflect current demands and previously agreed decisions (£0.9m)
- procurement efficiencies (£0.5m).

52. The most recently reported financial position for 2014/15 (as at 21 August 2014) details an operational underspend of £0.2 million, to date. The council will prepare its first forecast outturn at the end of period 7 which will be reported to Cabinet in December.

Governance & accountability



53. Members of the council and the Proper Officer are responsible for establishing arrangements for ensuring the proper conduct of the affairs of East Renfrewshire Council and for monitoring the adequacy and effectiveness of these arrangements.

Corporate governance

54. The corporate governance framework within East Renfrewshire Council is centred on the Council which is supported by the following standing committees.



55. Based on our observations and audit work our overall conclusion is that the governance arrangements within East Renfrewshire Council are operating effectively.

Internal control

56. As part of our audit we reviewed the high level controls across the council's financial systems. Our overall conclusion was that East Renfrewshire Council had appropriate systems of internal control in place during 2013/14 and no significant control weaknesses were identified.

Internal audit

57. Internal audit provides members of the council and the Proper Officer with independent assurance on the overall risk management, internal control and corporate governance processes. We are required by international auditing

Governance & accountability

standards to make an assessment of internal audit to determine the extent to which we can place reliance on its work. To avoid duplication, we place reliance on internal audit work where appropriate

58. Our review of internal audit concluded that the internal audit service operates in accordance with the Public Sector Internal Audit Standards and has sound documentation standards and reporting procedures in place.

Public Services Network

59. For the first time in 2012/13, councils had to apply to connect to the Public Services Network (PSN) to allow the sharing of electronic data with other public bodies, such as the Department of Works and Pensions.
60. Complying with the PSN code of connection has been a major challenge for the council and increased costs have been incurred in 2013/14 totalling £0.2 million. These include investment in stronger internal data network segmentation to provide the necessary separation between PSN and non-PSN systems.
61. PSN compliance has resulted in a number of operational changes for council staff. Staff are no longer able to log-on to the council network from their own computers. The most visible impact of this action is the removal of Outlook Web Access (OWA). This was viewed as an essential business tool

and consequently there have been a number of requests for laptops and mobile phones from staff.

62. ICT resources deployed to meeting the PSN compliance standards have resulted in fourteen projects being delayed by about three months each. Work is ongoing to maintain PSN accreditation and re-accreditation is due by January 2015.

Arrangements for the prevention and detection of fraud

63. The council's arrangements for the prevention and detection of fraud and irregularities were satisfactory, based on our review of key controls, testing of transactions and review of National Fraud Initiative (NFI) arrangements.
64. The NFI uses electronic data analysis techniques to compare information held on individuals by different public sector bodies and different financial systems, to identify data matches that might indicate the existence of fraud or error. Overall, we concluded that the council has satisfactory arrangements in place for investigating and reporting data matches identified by the NFI.

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

65. The arrangements for the prevention and detection of

Governance & accountability

corruption in East Renfrewshire Council are satisfactory and we are not aware of any specific issues that we need to record in this report.

66. The council has a Code of Conduct for both members and officers with specific sections for each group. This Code covers a number of areas including gifts and hospitality, expenses and allowances, use of council resources and tendering. The council also has an Anti-Fraud and Bribery Strategy which includes reference to all relevant policies and procedures aimed at preventing fraud and corruption.
67. The code of conduct for members requires them to complete an annual Declaration of Interest which is held on a central register by the Chief Executive's Department. Our review of the Register of Interests for members noted that returns had not been received from all councillors. Although in each case a prior declaration existed, there was no correspondence to confirm that there had been no change from the prior disclosure.

Refer Action Plan Point 4

68. In our 2012/13 Annual Audit report we noted that although the Register of Interests is being used by some members of staff there would be merit in further reinforcing the need for staff to disclose any possible conflict of interest in the register.
69. Our review highlighted that there were only eight staff

disclosures for 2013/14. We noted that an email was issued to all staff indicating the requirement for any relevant disclosures and the details are included on the staff intranet. Whilst acknowledging that the council has been proactive in trying to raise awareness of the register of interests the eight responses don't appear to capture the potential interests of staff across the organisation.

Refer Action Plan Point 5

70. During our review of expenses we reviewed the travel and subsistence policy but could find no guidance on the council's policy on alcohol. Officers agreed to review and revise the policy during 2014/15.

Correspondence referred to the auditor

71. Part of Audit Scotland's duties as external auditors of East Renfrewshire Council is to consider concerns raised by members of the public about the council. If appropriate, we may investigate them further. During 2013/14 we followed up an issue raised by a member of the public for Community Grants procedures.
72. We concluded that the council had acted appropriately although the initial grant letter conditions could have been clearer. The council had already acknowledged this and grant letters have been changed.

Integration of adult health and social care

73. The Public Bodies (Joint Working) (Scotland) Act received royal assent on 1 April 2014. The Act provides the framework for the integration of health and social care services in Scotland and require to be fully implemented for adult services from April 2015.
74. This will require:
- The establishment of a local integrated partnership and related governance arrangements.
 - Integrated budgets for health and social care.
 - Joint responsibility for strategic and locality planning in the area served.
75. A joint approach to health and social care integration has been established between the chief executive of NHS Greater Glasgow and Clyde and the chief executives of the three councils (East Renfrewshire, Inverclyde and West Dunbartonshire) where CHCPs currently exist. A jointly agreed transition/organisational development plan has been developed and shared with the Scottish Government for assessment and consideration of specific funding.
76. In preparation for integration, the CHCP Committee/Shadow Integration Joint Board will develop its performance scrutiny and governance roles to reflect the emerging obligations of Health and Social Care Partnerships (HSCP). Planning

arrangements will remain unchanged for 2014/15. The CHCP Director has assumed the additional role of Chief Officer designate of the shadow HSCP and will lead the development of a full strategic plan for the HSCPs.

Welfare Reform

77. The council recognises the impact that the changes to the UK welfare system could have on resources and service provision. 2013/14 was a period of significant change with council tax benefits being replaced by the new Council Tax Reduction Scheme and the introduction of the Scottish Welfare Fund. Councils continue to face uncertainties over the roll out of the Universal Credit and there is the potential for even further reforms after the Scottish independence referendum.
78. The council has been effectively monitoring and planning ahead to mitigate against the impact of the reforms. The council has set up a Welfare Reform Planning Group with involvement from key staff. A recent Cabinet paper provided an update on the current position and asked for approval for an allocation of £0.3 million to fund staff involved with welfare reform and £0.04 million for East Renfrewshire Council's Citizens Advice Bureau.
79. At the year end current tenant rent arrears were £0.4 million with £0.02 million (5%) for under-occupancy tenants.

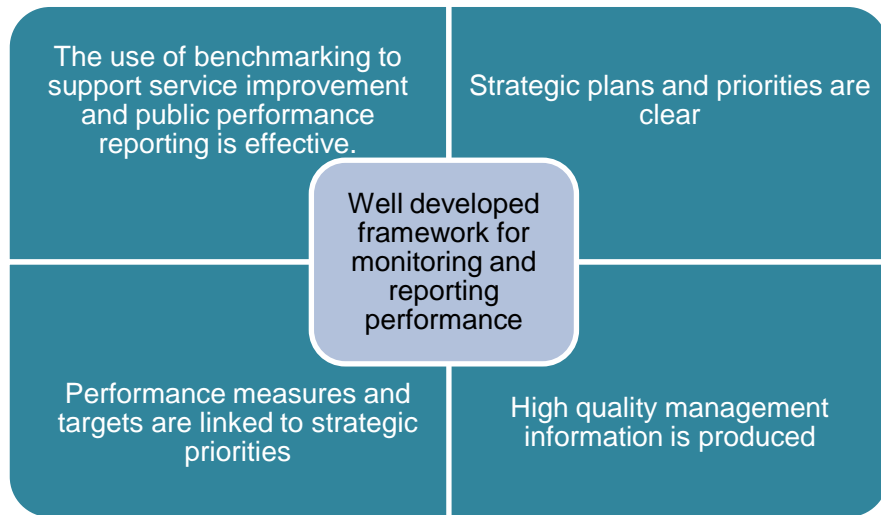
Housing benefit performance audit

80. In June 2014, Audit Scotland published *Benefits Performance Audit Annual Update 2013/14* identifying common areas of benefits risk across Scotland. These include having a sufficient level of experienced staff and being able to undertake effective intervention activity.
81. The council performance for processing of new claims in 2013/14 was 30 days against a target of 29 days. In relation to processing changes the council performance of 9 days exceeds the target of 10 days.
82. East Renfrewshire Council's benefit service has been selected for a follow up risk assessment in 2014/15. Work on this area has already started and should be complete in the near future.

Outlook

83. Councils continue to face major reforms in welfare and health and social care.
84. There are to be major changes in councils' responsibilities for the investigation of fraud. The new Single Fraud Investigation Service (SFIS) is a national fraud investigation service within the Department for Work and Pensions that will take over the responsibility for the investigation of housing benefit frauds. The investigation of the Local Council Tax Reduction Scheme and corporate frauds will remain within councils.

Best value, use of resources and performance



85. Local authorities have a statutory duty to provide best value in those services they provide directly as well as those provided through agreements with Arms Length External Organisations. This requires continuous improvement while maintaining a balance between quality and cost and having regard to value for money, equal opportunities and sustainability. There is also the duty to report performance publicly so that local people and other stakeholders know what quality of service is being delivered and what they can expect in the future.

Arrangements for securing Best Value

86. The council has developed an approach to assessing the effectiveness and efficiency of service delivery. "How good is our service" is based on the European Foundation of Quality Management excellence model, widely used in the public and private sectors.
87. Each year services use this approach to look at how well they are performing and to identify actions and priorities for the year ahead.
88. The council's Public Service Excellence (PSE) programme focuses on improving services and being more efficient. Through PSE the council aims are to:
- ensure the council is fit for purpose in the future;
 - enable widespread customer engagement;
 - deliver efficient back office services and maintain frontline services;
 - enable the council to participate in shared service opportunities with no compromise to existing services and provisions.
89. Since inception, the PSE programme has achieved recurring financial savings of £4.1million and a workforce reduction of 231 FTE (6 % of total workforce).

Use of resources

90. Asset Management Plans have been prepared for each council owned asset and are in the process of being approved by Cabinet. The CIPFA guide to Asset Management and Capital Planning and Audit Scotland's Best Value Toolkit were used in preparing the majority of plans which will be reviewed annually. Each plan includes timescales and SMART targets with strategic objectives linked to the council's corporate objectives.
91. The council has a well developed approach to staff development as supported by a corporate training calendar, e-learning and 'on- the-job' training.
92. The Audit and Scrutiny Committee was provided with a statement on the council's position and response to the Audit Scotland Report – *Management of Early Departures in the Public Sector*. The cost of early retirements and voluntary redundancy to the council is reported annually to the Committee. In 2013/14 the council had 56 exit packages at a cost of £1.9 million.

Performance management

93. The council's Outcome Delivery Plan (ODP) is linked to the Single Outcome Agreement (SOA) and sets out how the outcomes in the SOA will be met. The Corporate Statement identifies the vision for local services and the local area.
94. Six monthly performance and accountability reviews are

carried out, with agreed actions. The council adopts a cyclical approach to performance reporting and publishes information throughout the year. For example, educational attainment information is reported mid-year.

95. Regular reports on performance are provided to the Corporate Management Team and Cabinet, with mid year and year end reports on SOA outcomes and the ODP.
96. We are satisfied that appropriate arrangements were in place within East Renfrewshire Council for 2013/14.
97. Since reporting, some additional 13/14 data is now available. For the majority of these additional indicators, the targets have been met or are on track to meet longer term targets.

Overview of performance targets in 2013/14

98. The 2013/14 annual performance report prepared by the council for its residents concludes that 81% of the strategic indicators were achieved or exceeded.
99. There are no areas where performance is showing a significant deterioration.

Statutory performance indicators

100. The Accounts Commission has a statutory power to define performance information that councils must publish locally and it does this through its annual Statutory Performance

Best value, use of resources and performance

Information Direction. Since 2008 this has focused on councils' responsibility for reporting performance information.

101. The Local Government Benchmarking Framework focuses on three statutory performance indicators (SPIs) namely :

- SPI 1: corporate management of employees, assets and equalities and diversity
- SPI 2: service performance
- SPI 3: reporting of performance information.

102. An evaluation of all Scottish Local Authorities' approaches to public performance reporting (PPR) has been carried out by Audit Scotland's Performance Audit and Best Value section, the results of which were reported to the Accounts Commission in June 2014. Individual assessments were also reported to councils' Chief Executives, Leaders and Chairs of Audit Committees. These highlighted the extent to which their PPR material either fully, partially or did not meet the criteria used in the evaluation. 81% of East Renfrewshire Council's information fully met the criteria and 19% partially met the criteria. A further evaluation of councils' approaches to PPR is due to be carried out by Audit Scotland in spring 2015.

Assurance and improvement plan 2014-17

103. The Assurance and Improvement Plan (AIP) covering the period 2014 to 2017 is the fifth AIP for East Renfrewshire Council prepared by the Local Area Network of scrutiny

partners for the council since the introduction of the shared risk assessment process. This has been published on Audit Scotland's website and was submitted to the Cabinet on 19 June 2014.

- 104.** The AIP concluded that no risk based scrutiny work was required within the council's corporate or service areas. However, the Scottish Housing Regulator (SHR) required progress updates on how the council's Housing Service is performing. This included reducing levels of rent arrears, void rent loss and reducing the use of bed and breakfast accommodation.
- 105.** The service has been reviewing the use of bed and breakfast accommodation and a Housing Services Customer Engagement Strategy. To address the need for smaller social rented properties, the council with assistance from the Government, is seeking to purchase a small amount of one-bedroom properties in the area. The council will commit £0.4 million with another £0.4 million from the government.

Local performance audit reports

Major Capital Investments in Councils – follow up:

- 106.** The report on Major Capital Investment in Councils was published in March 2013. Our follow-up review identified the following areas of good practice:
- The council has moved from a 5 year to an 8 year capital

Best value, use of resources and performance

programme to assist in the delivery of large scale projects.

- The council considers a variety of funding sources for its capital projects and as a result of revenue efficiency savings has increased the council's Capital Reserve.
- The council has a history of joint working with other public bodies on major capital projects and this continues with current projects.

107. We also found areas where there is scope for improvement:

- The council did not produce a formal action plan following its consideration of the report.
- The Good Practice guidance and checklist have not been issued to project managers.
- Additional training has not been provided to elected members, as requested by the Audit and Scrutiny Committee members.
- Post implementation reviews are not conducted on all projects to ensure that the anticipated benefits are being delivered.
- The council did not produce a detailed project spend against milestones for every project, only for major projects.

National performance audit reports

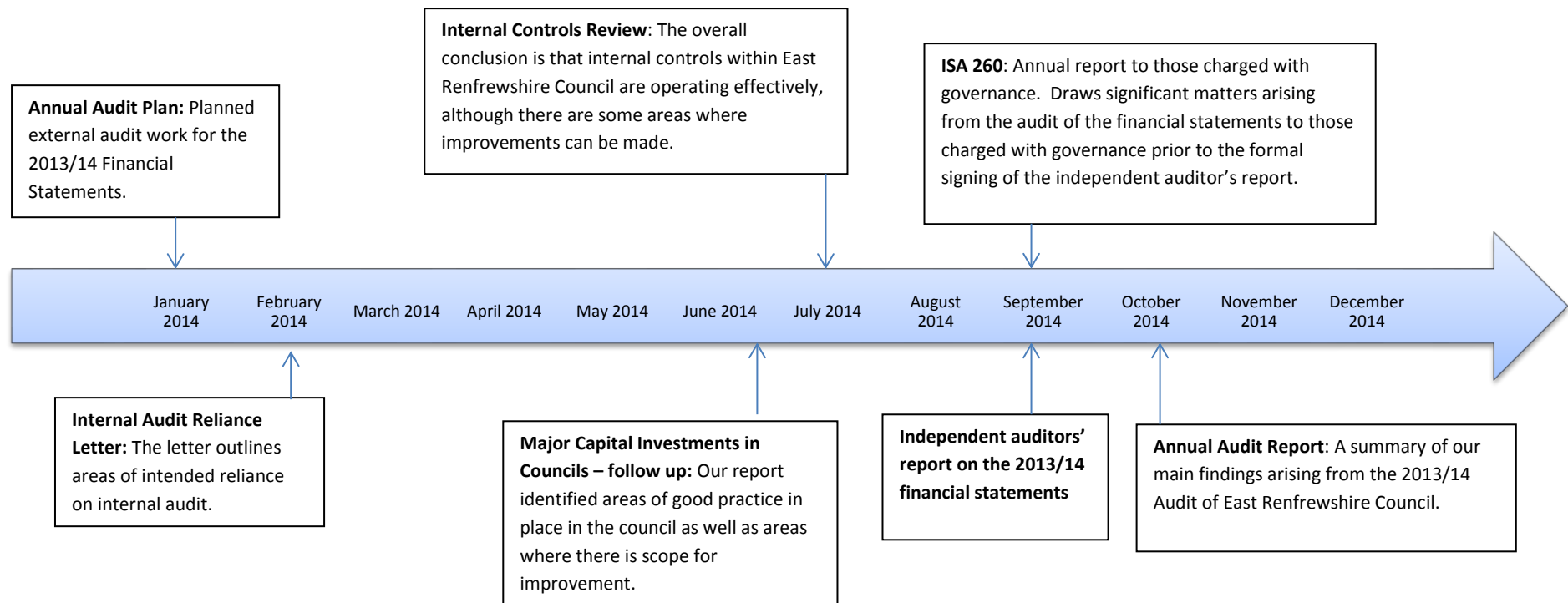
108. The Audit and Scrutiny Committee consider all national reports issued. A response, indicating the council's position in relation

to the recommendations, is prepared by the relevant department and if appropriate presented to the committee by a departmental representative. A summary of national performance audit reports, along with local audit reports, is included in Appendices I and II.

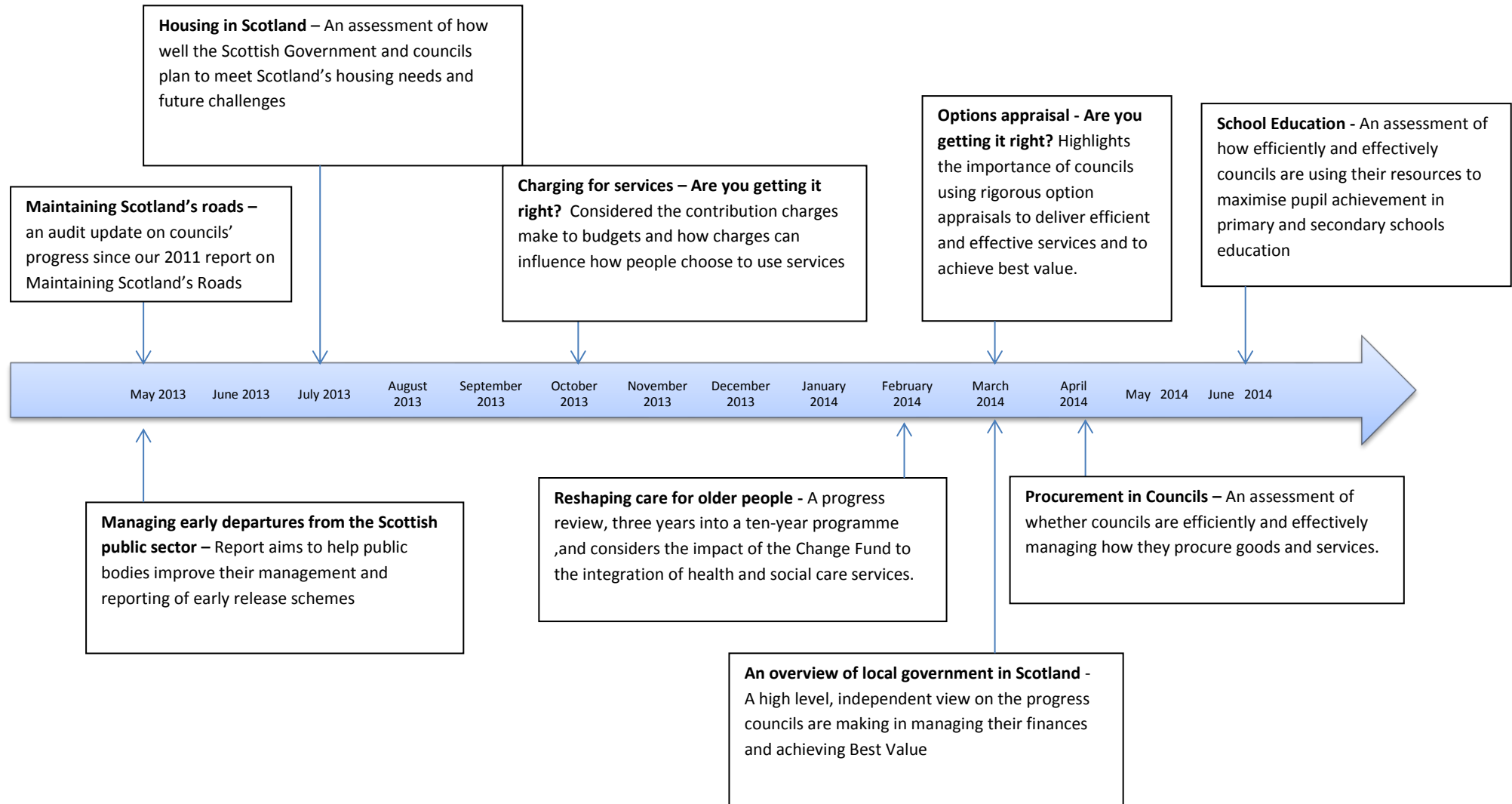
Outlook

109. The council is moving forward with its recent proposal to transfer some current council services to a cultural and leisure trust. The Steering Group meets regularly and it is anticipated the transfer will take place in the financial year 2015/16. Discussions have been held with trade union officials and information for staff is provided on the Intranet.

Appendix I – Summary of East Renfrewshire Council local audit reports 2013/14



Appendix II – Summary of Audit Scotland national reports 2013/14



Appendix III – Significant audit risks

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

Audit Risk	Assurance procedure
<i>Risk of material misstatement</i>	
<p>Council Tax Reduction Scheme</p> <p>The removal of Council Tax Benefit and the introduction of the above will have an effect on the disclosure in the Council Tax Income Account and the year end Subsidy Claim. There may be misstatements or disclosure errors in the financial statements.</p>	<p>We reviewed the disclosure in the Council Tax Income Account and confirmed the classification and disclosure was correct.</p>
<p>Risk of Fraud over revenue recognition</p> <p>There is a risk that income is not correctly recognised and accurately recorded.</p>	<p>As part of our financial statements work we substantively tested revenue streams to confirm that income was complete and accurately recorded. No issues were identified.</p>
<p>Carbon Allowances</p> <p>The council has purchased additional carbon allowances to be utilised in future. These may not be properly disclosed in the financial statements.</p> <p>There is a risk that carbon allowances are not correctly accounted for/disclosed within the financial statements.</p>	<p>The allowance was reviewed as part of our financial statements work and we concluded that it had been disclosed correctly in the financial statements.</p>

Appendix III – Significant audit risks

Audit Risk	Assurance procedure
<p>Common Good</p> <p>Cowan Park has been identified as Common Good and therefore requires separate disclosure in the financial statements.</p> <p>There is a risk that this is not correctly disclosed within the financial statements.</p>	<p>Ongoing discussions were held with finance officers and Audit Scotland's Technical Unit on receipt of the proposed accounting treatment and disclosure.</p> <p>The information in the 2013/14 Annual Accounts was reviewed as part of our financial statements audit and we were satisfied that the identified assets had been properly disclosed.</p>
Wider risk	
<p>Financial Sustainability</p> <p>Scotland's public bodies continue to face increasing demand and cost pressures for their services in the foreseeable future. An indicative 2014/15 budget was agreed in February 2013 which included savings measures quantified over 2 years. A funding shortfall of £10.8 million for the period up to 2014/15 has been identified.</p> <p>The potential for the non achievement of identified savings could have an impact on the financial position of the council.</p>	<p>We reviewed the detailed budget papers presented to Cabinet throughout the year as well as continued discussion with council officers.</p> <p>The savings achieved were reviewed against the savings plans.</p> <p>We reviewed the financial position at the year end including out-turn and the level of reserves.</p> <p>We conclude that, subject to any major change in Scottish Government funding, the financial position of the council remains stable and its activities are currently financially sustainable. In the medium term, actions are being taken to address future financial pressures.</p>

Appendix III – Significant audit risks

Audit Risk	Assurance procedure
<p>Housing Revenue Account</p> <p>Welfare Reform is resulting in major changes to the welfare system across the UK. The council anticipates an increase in Rent Arrears in part attributable to the Single Room Subsidy. The increase in rent arrears may affect the financial position of the Housing Revenue Account.</p>	<p>We received updates from Revenues and Benefit Staff and, as part of the audit process, reviewed the level of rent arrears, rents written off and the provision for irrecoverable debts.</p> <p>We concluded that overall the financial and resource pressures on the HRA have been managed successfully in this first year of welfare reform.</p>
<p>Business Continuity (ICT)</p> <p>Although a Business Continuity Plan (BCP) has been prepared by the ICT department, there has been no recent review of this plan. BCPs should be subject to regular review and testing to ensure that in the event of an incident, key systems can be restored.</p> <p>There is a risk that key systems cannot be restored following an incident, and key data will be lost.</p>	<p>We held discussions with key personnel within the ICT department to ensure that the BCP is subject to regular review and testing. The ICT department is in the process of consolidating the BCP into a wider Corporate and Community Service departmental plan.</p>

Appendix IV – Action plan

Ref/Para	Issue, recommendation and risk	Management action/response	Responsible officer	Target date
1/29	<p>Common Good Assets</p> <p>This year for the first time, the council recognised Common Good Fund assets (Cowan Park, Barrhead) with a value of £954,873. The council reviewed the park plan and identified the appropriate elements as Common Good assets through the legal process adopted as part of the new Barrhead High School project.</p> <p>Recommendation – The council should review the asset register to identify common good assets.</p> <p>Risk – The council may have other assets which are incorrectly classified.</p>	<p>The council will conduct a formal review of assets to further identify any in the asset register which could be common good assets.</p>	Chief Solicitor	31 March 2016

Appendix IV – Action plan

Ref/Para	Issue, recommendation and risk	Management action/response	Responsible officer	Target date
2/32	<p>Highways Assets</p> <p>Highways assets are to be measured for the first time on a depreciated replacement cost basis in 2016/17. This will require a revised opening balance sheet as at 1 April 2015 and comparative information for 2015/16.</p> <p>Recommendation – The council should put arrangements in place for the new accounting requirements for highways assets.</p> <p>Risk – The council may be unable to identify/ include accurate valuation information for comparative purposes in the 2015/16 financial statements.</p>	<p>The council will review the accounting requirements.</p> <p>Information is currently provided for the Whole of Government accounts.</p>	Principal Accountant (Capital)	30 June 2015

Appendix IV – Action plan

Ref/Para	Issue, recommendation and risk	Management action/response	Responsible officer	Target date
3/34	<p>Local Authority Accounts (Scotland) Regulations 2014</p> <p>The unaudited accounts for 2014/15 are to be considered by the Audit and Scrutiny before 31 August and the audited accounts must be considered by 30 September with publication on the council’s website by 31 October, each year.</p> <p>Recommendation – The council should have arrangements in place to comply with the new requirements.</p> <p>Risk – The new statutory deadlines are not achieved due to the timing of Committee meetings and the timetable for preparing and revising the accounts.</p>	The council will revise the timetable for the closure of the accounts	Chief Accountant	31 August 2015

Appendix IV – Action plan

Ref/Para	Issue, recommendation and risk	Management action/response	Responsible officer	Target date
4/67	<p>Elected Members’ Code of Conduct</p> <p>The council Code of Conduct for members requires an annual Declaration of Interest to be completed for inclusion in the central register. However our review noted that in several instances an updated return had not been received this year.</p> <p>Recommendation – The council should strengthen the annual update arrangements.</p> <p>Risk – The interests of elected members may be incomplete.</p>	An updated disclosure will be provided annually.	Democratic Services Manager	30 June 2015

Appendix IV – Action plan

Ref/Para	Issue, recommendation and risk	Management action/response	Responsible officer	Target date
5/69	<p>Staff Register of Interests</p> <p>Only eight staff disclosures were made in the register of interests for 2013/14. The council has been proactive in trying to raise awareness of the register of interests, however the eight responses received don't appear to capture the potential interests of staff across the organisation.</p> <p>Recommendation – The council should further reinforce the register of interests requirements.</p> <p>Risk – Staff interests exist which are not known and may adversely affect decisions/behaviours.</p>	<p>Further reinforcement of the requirements and all staff being made aware of their responsibilities.</p>	Deputy Chief Executive	30 June 2015