

# East Renfrewshire Council

2017/18 Annual Audit Report



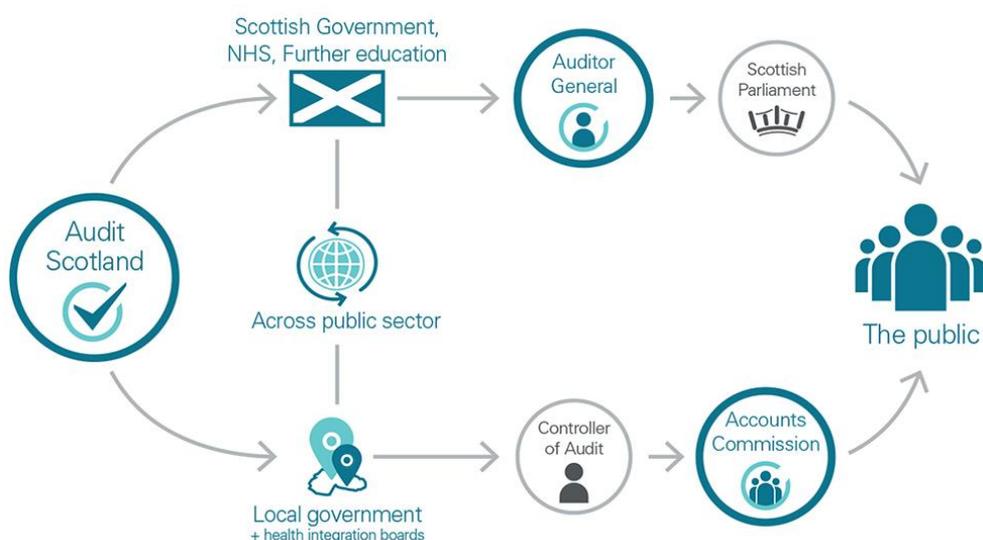
 AUDIT SCOTLAND

Prepared for the Members of East Renfrewshire Council and the Controller of Audit  
27 September 2018

## Who we are

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

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



## About us

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

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

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

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# Key messages

## 2017/18 annual accounts

- 1 In our opinion, East Renfrewshire Council and its group financial statements give a true and fair view and were properly prepared;
- 2 The audited part of the remuneration report, management commentary and annual governance statement are all consistent with the financial statements and prepared in accordance with proper accounting practices.
- 3 The statement of accounts of the seven section 106 charities administered by the Council are free from material misstatement.

## Financial management

- 4 Financial management is effective with scope for improvements in ensuring the accuracy of initial revenue budgets.
- 5 Our testing of the design and operation of the financial controls over significant risk points confirmed that controls relating to financial systems and procedures are designed appropriately and operating effectively.

## Financial sustainability

- 6 The Council and its group financial position is sustainable in the foreseeable future although rising demand, increasing costs of services and reductions to central funding will continue to place a strain on the Council's capacity to deliver services at the current levels.
- 7 The council has developed and approved its savings plans for the next three years to support its financial position.

## Governance and transparency

- 8 The Council has appropriate governance arrangements in place that support the scrutiny of decisions made by the council.
- 9 The Council is open and transparent in many of the aspects in which it conducts its business and the public can attend meetings of the Council and its standing committees.

## Best value

- 10 The Best Value Assurance Report was published in November 2017 and our follow up work indicates that the council have acknowledged the findings of the Best Value audit and have been proactive in identifying actions which will address the recommendations made. The Best value review and the council's response have had a notable impact in supporting continuous improvement at the council.
- 11 There are a number of significant ongoing transformation projects which will be critical to supporting the council in delivering its ambitious programme of change and improvement and achieving its overall aims and objectives.

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# Introduction

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1. This report summarises the findings arising from the 2017/18 audit of East Renfrewshire Council and its group (the Council).
2. The scope of the audit was set out in our Annual Audit Plan presented to the 08/03/2018 meeting of the Audit and Scrutiny Committee. This report comprises the findings from:
  - an audit of the annual accounts
  - consideration of the four audit dimensions that frame the wider scope of public audit set out in the [Code of Audit Practice 2016](#) as illustrated in [Exhibit 1](#).

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## Exhibit 1 Audit dimensions



Source: *Code of Audit Practice 2016*

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3. The main elements of our audit work in 2017/18 have been:
  - an audit of the Council and its group 2017/18 annual accounts and the statement of accounts of the seven section 106 charities administered by the Council including the issue of independent auditor's reports setting out our opinions
  - a review the Council's key financial systems
  - follow up audit work covering the Council's arrangements for securing Best Value as reported in the Best Value Assurance Report issued in November 2017
  - consideration of the four audit dimensions
  - Housing Benefit Performance Audit

4. The Council has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual accounts that are in accordance with proper accounting practices.
5. The Council is also responsible for compliance with legislation, and putting arrangements in place for governance, propriety and regularity that enable it to successfully deliver its objectives.
6. Our responsibilities as independent auditor appointed by the Accounts Commission are established by the Local Government in Scotland Act 1973, the [Code of Audit Practice \(2016\)](#) and supplementary guidance, and International Standards on Auditing in the UK.
7. As public sector auditors we give independent opinions on the annual accounts. We also review and provide conclusions on the effectiveness of the Council's performance management arrangements, suitability and effectiveness of corporate governance arrangements, and financial position and arrangements for securing financial sustainability. We also report on the Council's best value arrangements and in doing this we aim to support improvement and accountability.
8. Further details of the respective responsibilities of management and the auditor can be found in the [Code of Audit Practice 2016](#).
9. This report raises matters from the audit of the annual accounts and consideration of the audit dimensions. Weaknesses or risks identified are only those which have come to their attention during our normal audit work and may not be all that exist. Communicating these does not absolve management from its responsibility to address the issues we raise and to maintain adequate systems of control.
10. Our annual audit report contains an agreed action plan at [Appendix 1](#) setting out specific recommendations, responsible officers and dates for implementation. It also includes outstanding actions from last year and progress against these.
11. We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services and the 2017/18 audit fee of £221,960 as set out in our Annual Audit Plan, remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

### **Adding value through the audit**

12. Our aim is to add value to East Renfrewshire Council by providing insight into, and offering foresight on, financial sustainability, risk and performance by identifying areas of improvement and recommending and encouraging good practice. In so doing, we aim to help the council promote improved standards of governance, better management and decision making and more effective use of resources.
13. This report is addressed to both the Council and the Controller of Audit and will be published on Audit Scotland's website [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk).
14. We would like to thank all management and staff who have been involved in our work for their co-operation and assistance during the audit.

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# Part 1

## Audit of 2017/18 annual accounts

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### Main judgements

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**In our opinion, East Renfrewshire Council and its group financial statements give a true and fair view and were properly prepared;**

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**The audited part of the remuneration report, management commentary and annual governance statement are all consistent with the financial statements and prepared in accordance with proper accounting practices.**

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**The statements of accounts of the seven section 106 charities administered by the Council are free from material misstatement.**

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### Audit opinions on the annual accounts

- 15.** The annual accounts for the Council and its group for the year ended 31 March 2018 were approved by the Council on 21/06/ 2018. We reported, within our independent auditor's report that, in our opinion:
- the financial statements give a true and fair view and were properly prepared
  - the audited part of the remuneration report, management commentary and the annual governance statement were all consistent with the financial statements and properly prepared in accordance with the guidance
- 16.** We have nothing to report in respect of misstatements in the other information in the financial statements, the adequacy of accounting records, the information and explanations we received, or the achievement of prescribed financial objectives.

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

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### Audit opinions on section 106 charities

- 17.** Due to the interaction of section 106 of the Local Government in Scotland Act 1973 with the charities legislation, a separate independent auditor's report is required for the statement of accounts of each registered charity where members of East Renfrewshire Council are sole trustees, irrespective of the size of the charity.
- 18.** Although the Council has not progressed a reduction in the number of trusts, the Council are continuing to promote local awareness of the funds available to local residents and all but two of the trusts made grant awards in 2017/18.
- 19.** We received the charities' accounts in line with the agreed timetable and after completing our audit we reported in our independent auditor's reports that, in our opinion:
- the financial statements give a true and fair view of the section 106 charity's financial position and are properly prepared in accordance with charities legislation

- the trustees' annual report is consistent with the financial statements and prepared in accordance with proper accounting practices.

## Submission of the Council and its group annual accounts for audit

20. We received the unaudited annual accounts on 21/06/2017 in line with the audit timetable set out in our 2017/18 Annual Audit Plan.
21. The working papers provided with the unaudited accounts were of a good standard and finance staff provided good support to the audit team during the audit. This helped ensure that the audit of the annual accounts process ran smoothly.

## Whole of Government Accounts

22. The Council submitted a consolidation pack for the whole of government accounts audit on 26 June 2018 in line with the deadline. This will not be subject to audit as the levels of both expenditure and the value of gross assets less Property, plant & equipment, heritage assets, intangibles, investments property and assets held for sale fall below the audit thresholds.

## Risk of material misstatement

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

## Materiality

24. Misstatements are material if they could reasonably be expected to influence the economic decisions of users taken based on the financial statements. The assessment of what is material is a matter of professional judgement and involves considering both the amount and nature of the misstatement. It is affected by our perception of the financial information needs of users of the financial statements.
25. Our initial assessment of materiality for the annual accounts was carried out during the planning phase of the audit and is summarised in [Exhibit 2](#). With regards to the annual accounts, we assess the materiality of uncorrected misstatements both individually and collectively.
26. On receipt of the annual accounts we reviewed our planning materiality calculations and concluded that they remained appropriate.

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## Exhibit 2

### Materiality values

Materiality level	Amount
Overall materiality	£3.071 million
Performance materiality	£1.536 million
Reporting threshold	£30 thousand

Source: Audit Scotland, Annual Audit Plan 2017/18

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## How we evaluate misstatements

- 27.** It is our responsibility to request that all errors above the reporting threshold are corrected although the final decision on this lies with those charged with governance considering advice from senior officers and materiality. Management propose to adjust the financial statements for the following items highlighted from the audit. The net effect of these changes is to increase net worth recorded in the balance sheet by £30.982 million.
- Council Housing Stock Valuation: an increase to the net value of the council's housing stock of £19.328 million to reflect the valuation set by the Valuer (refer Finding 1 Exhibit 3)
  - Net pension liability: a decrease of £8.891 million to the net pension liability to reflect a more up to date estimate by the Actuary of the value of pension fund assets at 31 March 2018 (refer Finding 2 Exhibit 3). There was also a change to the Group Accounts to reflect the revised net pensions liability relating to the East Renfrewshire Leisure Trust and other smaller scale combining entities such as the Renfrewshire Joint Valuation Board.
  - Valuation of Eastwood Office Accommodation: an increase of £2.585 million to the valuation of Land and Buildings at 31 March 2018 to include the up to date valuation of the Eastwood Offices which had been omitted from the unaudited accounts (refer Finding 3 Exhibit 2)
  - Reallocation of asset values: to ensure the accuracy of the asset classifications, £0.148 million was reallocated from buildings to plant and equipment.
- 28.** The audit also highlighted the need to enhance some disclosures in the Annual Governance Statement to ensure the statement fully reflected the findings of the Internal Audit reports issued during the year.
- 29.** All individual misstatements which exceed our reporting threshold have been amended in the audited financial statements. There are no unadjusted errors which we wish to bring to your attention.

## Significant findings from the audit in accordance with ISA 260

- 30.** International Standard on Auditing 260 (UK) requires us to communicate significant findings from the audit to those charged with governance. These are summarised in [Exhibit 3](#). Where a finding has resulted in a recommendation to management, a cross reference to the Action Plan in [Appendix 1](#) has been included.
- 31.** The findings include our views about significant qualitative aspects of the Council's accounting practices including:

- |   |   |
|---|---|
| • Accounting policies   | • Accounting estimates and judgements   |
| • Significant financial statements disclosures                | • Timing of transactions and the period in which they are recorded              |
| • The impact on the financial statements of any uncertainties | • The effect of any unusual transactions on the financial statements            |
| • Misstatements in the annual accounts                        | • Disagreement over any accounting treatment or financial statements disclosure |

## Exhibit 3

### Significant findings from the audit of the financial statements

Finding	Resolution
<p><b>1. Housing Stock Valuation</b></p> <p>In 2017/18 the council introduced for the first time a rolling 5-year valuation programme. The council had previously valued all assets every year.</p> <p>Although the housing stock was to be included in Year 2 (2018/19) of the valuation programme, the Valuer had revalued the stock at 31 March 2018. This valuation had not been reflected in the unaudited financial statements.</p> <p>The value of the council's housing stock was £19.328 million higher than the value included in the unaudited accounts.</p> <p>The Valuer was not required to provide a formal valuation certificate in support of the value of the council's assets at 31 March 2018. This is contrary to the requirements of the Code of Practice on Local Authority Accounting (the Code) .</p>	<p>The accounts have been adjusted to reflect the correct valuation of council houses at 31 March 2018.</p> <p>The council has decided to value housing stock on an annual basis and this will be outwith the remaining asset valuation programme.</p> <p>In line with the Code, going forward there will be formal agreements with the Valuer on those assets to be valued as part of the rolling programme and the Valuer will provide a formal valuation certificate to support the asset values included in the financial statements.</p> <p>Action plan (Appendix 1, point 1)</p>
<p><b>2. Net Pension Liability</b></p> <p>The council accounts for its share of Strathclyde Pension Fund in accordance with International Accounting Standard 19 Employee Benefits (IAS19). This relies on valuations of pension fund assets and liabilities by the actuary. The timing of actuarial reports means that actuaries produce their IAS 19 reports using estimated data for the final part of the year. Asset returns estimated by the actuary for the final part of 2017/18 were significantly lower than actual returns. This resulted in pension fund assets reported in the council's balance sheet being understated by £8.891 million.</p> <p>The council's share of pension asset value has increased by £8.891 million. This has resulted in the net pension liability in the balance sheet decreasing from £91.345 million to £82.454 million, with a matching increase in unusable reserves. Similar adjustments have been made for group entities who are admitted bodies in the Strathclyde Pension Fund. These adjustments have no impact on the General Fund reserve balance</p> <p>This is an issue which affected pension funds, councils and other public bodies across Scotland.</p>	<p>The accounts have been adjusted to reflect the council's share of the pension fund assets based on the latest valuation at 31 March 2018. This has the impact of reducing the pension fund liability and increasing the pension reserve by £8.891 million. As local government accounting regulations require the general fund to be charged with amounts payable to the pension fund or directly to pensioners during the year rather than amounts calculated according to IAS19, this adjustment does not impact the outturn for the year or the general fund balance.</p>
<p><b>3. Valuation of Eastwood Office</b></p> <p>The council introduced a rolling 5-year valuation programme in 2017/18. For the first year of this programme the assets to be revalued were schools, health centres and large office accommodation. The unaudited accounts did not include a valuation for the Eastwood Council office as required by the valuation programme. The valuation of this office had increased by £2.585 million at 31 March 2018.</p>	<p>The updated valuation has been amended in the updated financial statements.</p>

## Good practice in financial reporting

32. The annual report and accounts reflect good practice as set out in Audit Scotland on '[Improving the quality of local authority accounts – expenditure and funding analysis](#)'.

## Follow up of prior year recommendations

33. We have followed up actions previously reported and assessed progress with implementation, these are reported in [Appendix 1](#) and identified by the prefix b/f (brought forward).
34. In total, seven agreed actions were raised in 2016/17. Of these:
- 3 have been fully implemented
  - 4 have only partly been actioned
35. Overall the Council has made reasonable progress in implementing these actions. For those actions not yet implemented, revised responses and timescales have been agreed with management as set out in Appendix 1.

## Integration Joint Board

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

## Other findings

38. Our audit identified several presentational and disclosure issues which were discussed with management. These were adjusted and reflected in the audited annual accounts.

## Objections

39. The Local Authority Accounts (Scotland) Regulations 2014 require a local authority to publish a public notice on its website that includes details of the period for inspecting and objecting to the accounts. This must remain on the website throughout the inspection period. The Council complied with the regulations. There were no objections to the accounts.

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# Part 2

## Financial management

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### Main judgements

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**Financial management is effective with scope for improvements in ensuring the accuracy of initial revenue budgets.**

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**Our testing of the design and operation of the financial controls over significant risk points confirmed that controls relating to financial systems and procedures are designed appropriately and operating effectively.**

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### Financial performance in 2017/18

- 40.** In February 2017 the Council approved a budget of £227.968 million for 2017/18. While the Council has a good track record in delivering services within budget, it has a history of returning significant unplanned underspends against the revenue budget.
- 41.** The financial statements record an underspend of £7.363 million in the general fund against the original approved budget which originally provided for a transfer of £2.8 million from the general fund.
- 42.** All service departments within the council have reported an underspend during 2017/18. The main reasons reported to members on the reasons are similar to those reported in 2016/17 namely:
- The management of vacancies across the council
  - Reduced borrowing costs
  - Early achievement of savings
  - Over recovery of income collected principally from council tax and education
- 43.** The council has carried out a specific review of the reasons behind the continuing budget underspends and have reviewed contingency budgets and moved centralised budgets into departments to better reflect spend. In addition, we note that reporting to members has improved during 2017/18, with the projected budget outturn reported to members in April 2018 being more in line with the final outturn reported in June 2018. We will keep under review the council's progress in minimising the levels of unplanned budget underspends.

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

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### Housing revenue account

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

45. The Housing Revenue Account returned a budget underspend in 2017/18 of £0.385 million (2.8% of expenditure). This surplus has been used to increase the Housing revenue account reserve, which at 31 March 2018 was £1.629 million.

## Efficiency savings

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

47. The Council achieved its planned savings of £7.035 million in 2017/18 primarily through service redesign, a reduction in IJB funding and an increase in fees and charges. The council has identified a savings requirement of £28.581 million for the 3 year period 2018/19-2020/21

48. The Council is required to make an unaudited annual return to the Scottish Government in respect of recurring efficiency savings. The annual efficiency statement was presented to the Cabinet on 16/08/18 and records efficiency savings of £4.605 million.

49. There will be continuing financial pressures on the council from increasing demands on services and possible reducing levels of funding.

## Capital programme 2017/18

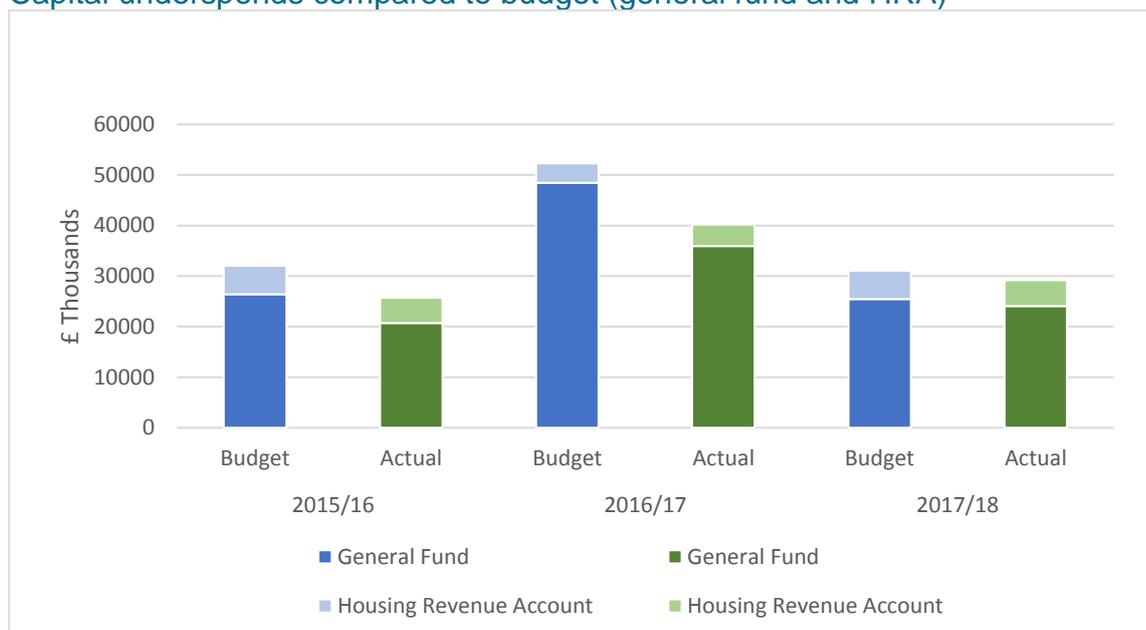
50. As reported in the financial statements, total capital expenditure in 2017/18 was £53.207 million, of which £48.088 million related to general services and £5.119 million to housing services. Approximately 50% of the capital spend on general fund services was in respect of the Council's PPP programme and the new build Barrhead High school which opened in August 2017.

51. The 2017/18 capital programme approved by members in February 2017 totalled £43.965 million (£35.684 million for the general fund and £8.281 million for housing). The capital programme is updated and reprofiled throughout the year and regular budget monitoring reports are presented to the Cabinet. The final 2017/18 capital monitoring report to Cabinet in March 2018 approved a total capital programme of £31.067 million (£25.473 million for general fund and £5.594 million for housing). This is approximately £12.898 million or 29% less than the original capital plan approved in February 2017.

52. Actual capital spend in 2017/18 was £29.167 million. This was £1.9 million or 6% below the final budgeted value of £ 31.067 million. The Council has a history of underspends against the capital budget as outlined in [Exhibit 4](#).

## Exhibit 4

### Capital underspends compared to budget (general fund and HRA)



Source: Audited Financial Statements

**53.** The most significant areas of underspends in capital in 2017/18 were:

- City Deal projects due to ongoing negotiations with Scottish Water and Transport Scotland
- various IT projects due to delays in the timing of pilot projects, testing of systems and ongoing service redesign

**54.** In both 2016/17 and 2017/18 the council has funded a significant proportion of capital expenditure from the capital reserve. This was a planned use of the capital reserve which reduced the need for borrowing.

### Borrowing in 2017/18

**55.** The Council's outstanding loans at 31st March 2018 were £177.357 million, an increase of £37.074 million from 2017/18. The main reason for this increase is the liability for the new Barrhead High School that opened in August 2017. This school is part of the Scotland's Schools for the future programme non-profit distribution model. [Exhibit 5](#). highlights the movement on debt in the year.

**56.** The council continues to have one of the lowest levels of debt across other local authorities. However, as reported in the November 2017 BVAR, the level of PFI and PPP debt is proportionally higher compared to other councils.

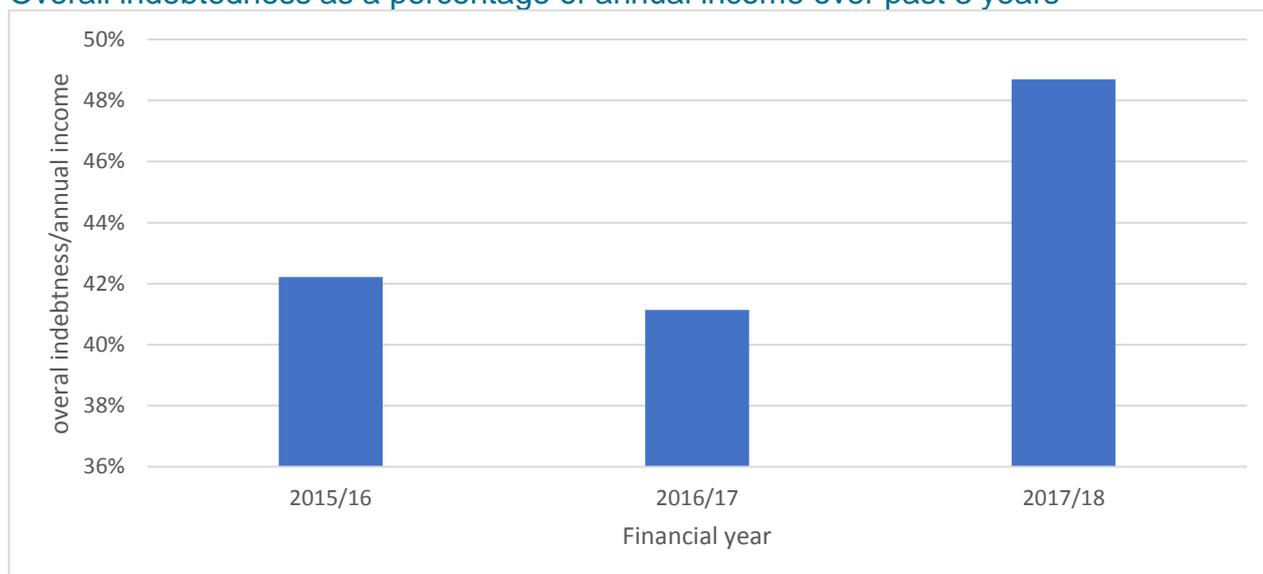
**57.** The future revenue commitment to the council over the term of the PFI and PPP contracts was £169 million (£132 million 2016/17) and represents a significant future pressure on budgets. The current PFI/PPP contracts are due to end between 2026 and 2042. The council maintains an equalisation fund which is held for future affordability gaps with PFI/PPP expenditure. The balance on the fund at 31 March 2018 was £2.558 million. This reserve is kept under continuing review.

**58.** Total external debt (which includes the Council's long-term liabilities) was within the authorised limit and operational boundary of £207.270 million set by the treasury management strategy. The council assess the current borrowing position as prudent and the Council will continue to consider the affordability of future borrowing.

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## Exhibit 5

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



Source: East Renfrewshire Council Audited Financial Statements

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## Budgetary process

59. The [Local Government in Scotland: Financial overview 2016/17](#) (November 2017) highlighted that the need for budgets and forecasts to reflect actual spending becomes increasingly important to those Councils with decreasing (or low levels) of usable reserves to rely on. It is considered good practice that a Council's budget and savings plans are aligned to agreed strategic priorities. The BVAR made a recommendation that the council should adopt a more strategic and coordinated approach to planning and managing corporate resources and transformation programmes, to encompass financial strategies and plans, workforce plans and asset management. We have considered the council's progress in these areas as part of our follow up of the BVAR. [Exhibit 9](#)
60. Financial forecasting is now an embedded part of the budget setting process within the council. The council has a three-year financial plan which is approved annually as part of the budget setting and which reports on various funding scenarios.
61. Scrutiny of financial performance is delegated to the Cabinet which receives regular revenue and capital monitoring reports. From our review of these reports and attendance at Cabinet meetings, we concluded that they allow both members and officers to carry out scrutiny of the Council's finances. Following the publication of the BVAR in November 2017, we have noted an improvement in the scrutiny by members of the reported budget underspends.

## Systems of internal control

62. As part of our audit we identify and inspect the key internal controls in those accounting systems which we regard as significant to produce the financial statements. Our objective is to gain assurance that the Council has systems of recording and processing transactions which provide a sound basis for the preparation of the financial statements.
63. Our findings were included in our management letter/report that was presented to the Audit and Scrutiny Committee on 21/06/2018. We concluded that the controls tested were operating effectively, with some scope for strengthening processes in a number of areas. Overall no significant internal control weaknesses were identified during the audit which could affect the Council's ability to record, process, summarise and report financial and other relevant data to result in a material misstatement in the financial statements.

## ICT controls

64. We identified in both our 2016/17 and 2017/18 Annual Audit Plans that the Council's arrangements for disaster recovery and business continuity were potential areas of risk.
65. The council's ICT Disaster recovery plan is now out of date following the implementation of a new data centre in 2017/18. The council has completed a disaster recovery exercise and a revised recovery plan is currently being developed.
66. The council is currently completing a review of its business continuity plans. A list of critical applications is being developed. However, these need further testing to ensure that these plans are realistic and achievable. Currently a number of the target recovery times recorded in the business continuity plans may be difficult to meet.
67. There is a risk that until the full implementation of the revised disaster recovery plan and the revised business continuity plans that the council suffers a loss of data and potential disruption to services.

Action plan ([Appendix 1, point b/f 5](#))

68. We also highlighted in our 2017/18 Annual Audit Plan that the delay in appointing an Information Security Officer had impacted on the issue of an updated Information Security Policy. It is noted that while an Information Security Officer was appointed in May 2018, a revised Information Security Policy has yet to be implemented.
69. There is a risk that if the council's information security policy is not kept current then it will not keep pace with any potential, new or emerging threats.

Action plan ([Appendix 1, point b/f 6](#))

## Financial capacity

70. The Section 95 officer is the officer with responsibility for finance, and is a member of the corporate management team with direct access to the chief executive and Council members. We concluded that the Section 95 officer has appropriate status within the Council.
71. We reported in the BVAR that due to significant change and transformation programme that there were pressures on the capacity of staff. This continued to be the case during 2017/18 with consultants being engaged by the council to provide short-term assistance in the development of a number of programmes. The commissioning and implementation of the council's new core corporate systems (Finance, Procurement, Human Resources and Payroll) will be very resource intensive and is likely to place considerable pressures on staff capacity.
72. It is important that members receive adequate training on how the Council works and how it is financed if they are to exercise their scrutiny responsibilities effectively. The council has provided additional training to members on scrutiny and a joint session was provided to members by Internal Audit and External Audit on the role of audit.

## Good practice

73. In October 2017 the council launched a public consultation on its proposals for making budget savings of £26 million. The outcome of this consultation has been taken into account in the budget papers which were approved by members, with evidence of originally planned areas of savings being withdrawn to reflect the findings of the consultation exercise.

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# Part 3

## Financial sustainability

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### Main judgements

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**The Council and its group financial position is sustainable in the foreseeable future although rising demand, increasing costs of services and reductions to central funding will continue to place a strain on the Council's capacity to deliver services at the current levels.**

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**The council has developed and approved its savings plans for the next three years to support its financial position.**

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### Financial planning

74. It is important that long-term financial strategies (typically covering five to ten years) are in place which link spending to the Council's strategies. Although members only approve the budget for a single year, this should be supported by indicative future spending plans (covering three years at least) that forecast the impact of relevant pressures on the Council
75. The council has produced a 5-year Financial Plan covering 2017-2022. This was approved by council at the budget setting meeting and is updated annually. This provides additional context to the various economic and demographic challenges that the council may face over the period of its financial plan.
76. The Accounts Commission recommended that when future Scottish Government funding is not known, councils should plan for a range of scenarios, so they are prepared for different levels of funding and income. The council has applied this approach and included a range of different funding level scenarios in its financial plan.

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

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### Funding position and savings plans

77. The Council approved its 2018/19 budget and indicative 2019/20 and 2020/21 budgets in March 2018. The total savings requirement for the period 2018-21 is £28.581 million. Of the £28.581 million, savings plans have been approved for £20.260 million and the council is proposing council tax increases and use of reserves to fund the gap. There remains £1.917 million in the 2020/2021 budget for which savings plans have yet to be agreed.
78. The budget for 2018/19 was set at £234.455 million with a savings requirement of £6.397 million. Plans to deliver these savings include £1.567 million from council tax increase; £0.448 million transfer from reserves; and £4.382 million from savings. There is a planned £1.052 million transfer from reserves for key investments in services in 2018/19.
79. The Council is facing several challenges in maintaining a sustainable financial position in future. These include rising demands for services, increasing cost of services and reductions in local government funding.
80. Looking at the Council's financial projections for 2019/20 and 2020/21, it is forecasting the need for savings of £12.127 million and £10.057 million respectively. The Council plans to deliver these savings mostly by council tax

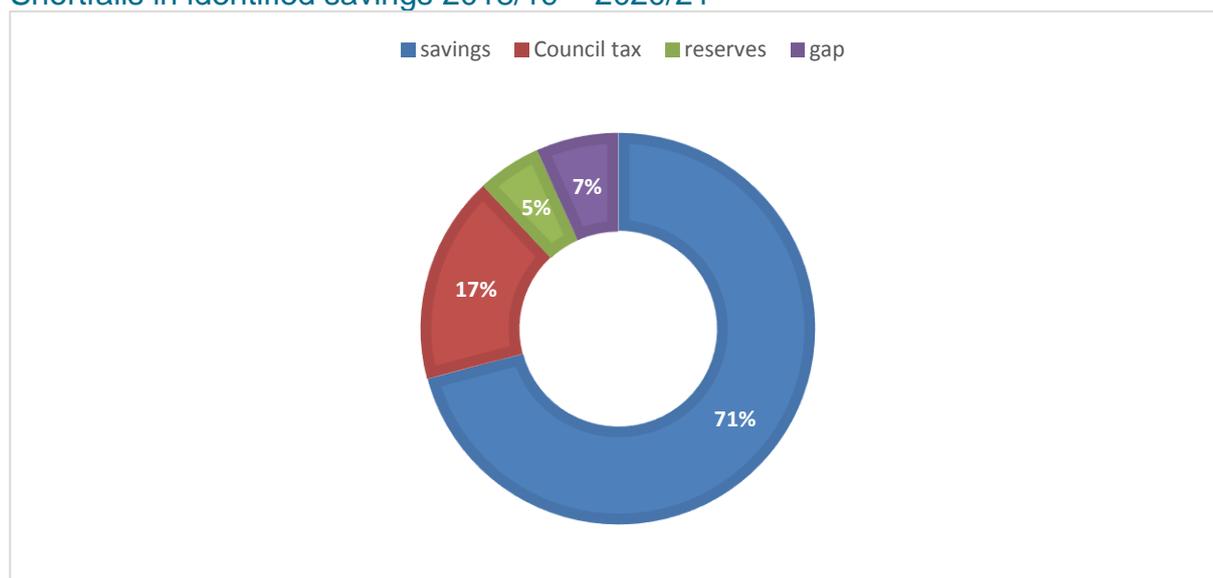
increases, planned transfers from reserves and efficiency programmes. The council has already identified plans for securing most of the required savings over the three years to 2020/21. The level of unidentified savings is £1.917 million in 2020/21. [Exhibit 6](#).

81. Of £20.260 million of savings identified, £9.6 million are identified as being from the council transformation programme, MAP and other efficiencies. As mentioned earlier in this report, the council engaged in a public consultation exercise in October and November to on the planned savings. Following this exercise, savings of £7.7 million were reduced or deferred.

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## Exhibit 6

### Shortfalls in identified savings 2018/19 – 2020/21



Source: East Renfrewshire Council Revenue Estimates 2018/19

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## New Financial Powers

82. The provisions of the 2012 and 2016 Scotland Acts and the accompanying Fiscal Framework agreement are leading to fundamental changes to the Scottish public finances. New tax raising, borrowing and social security powers will mean that the Scottish budget will be subject to greater volatility, uncertainty and complexity. Proposals have been made for changes to the Scottish Budget process, with these likely to be introduced for the 2019/20 budget. The Scottish Government has published a Five Year Financial Strategy.
83. Further changes will follow, including increasing expectations that public bodies report on their contribution towards the national outcomes in their published plans and performance reports.
84. Overall, we concluded that the Council is facing a challenging situation in the short term. Rising costs, ending of the public sector pay cap combined with potential decreases in funding and dependency on efficiency savings will make it difficult to achieve financial balance.
85. The medium to longer term financial position is difficult to predict given the uncertainty around EU withdrawal and New Financial Powers and future funding settlements. The Council needs to consider and plan for these events using all the information it has at its disposal and reflect this as part of scenario planning included in future financial plans.

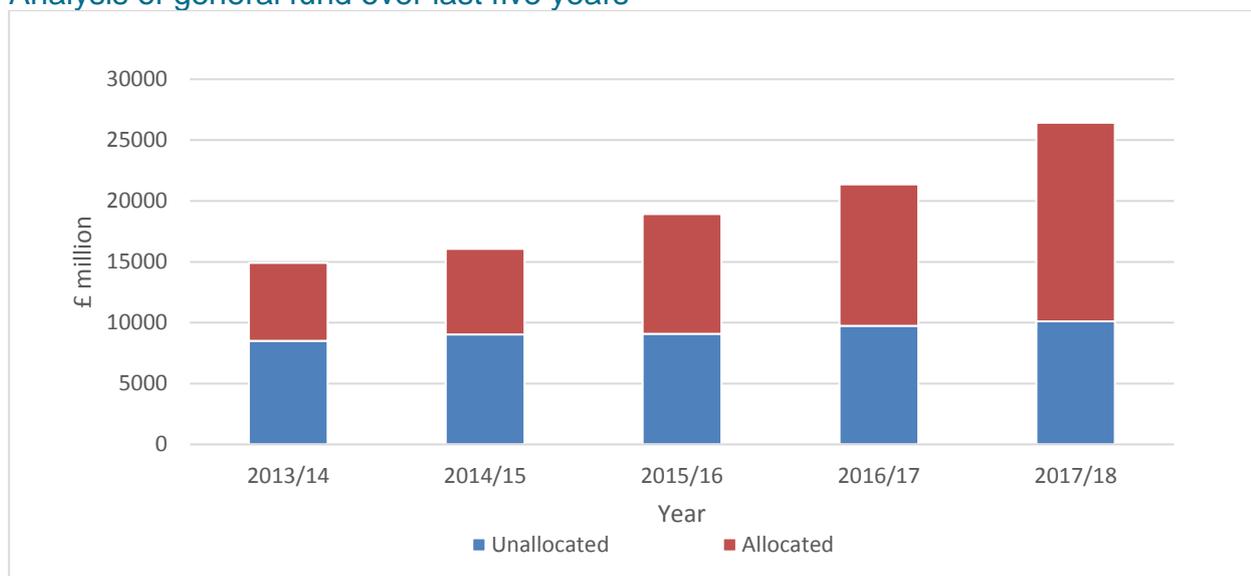
## Reserves

86. One of the key measures of the financial health of a local authority is the level of reserves held. The level of usable reserves held by the Council decreased from £53.609 million in 2016/17 to £49.857 million in 2017/18 as illustrated in [Exhibit 7](#).
87. The general fund is the largest reserve. This reserve is used to fund the delivery of services. It provides a contingency fund to meet unexpected expenditure and a working balance to help cushion the impact of uneven cash flows.
88. The Council reviews the level of its uncommitted reserves when setting the budget each year. Council policy is to aim for the Unallocated Reserves to be 4% of net budgeted Revenue Expenditure. The level of uncommitted general fund reserves as at 31 March 2018 was £10.133 million which at 4.3% is currently above the planned level. As reported by the council, this is largely due to £0.681 million of 2018/19 grant received in 2017/18.
89. The budgets approved for 2018/19 to 2020/21 plans to use £1.5 million in each of the years to reduce the requirement to make further savings. This will see the council reduce the level of uncommitted reserves to around 2% of net budgeted revenue expenditure.
90. [Exhibit 7](#) provides an analysis of the general fund balance over the last five years split between committed and uncommitted reserves.

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## Exhibit 7

### Analysis of general fund over last five years



Source: Audited Financial Statements

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91. The council has been able to increase the level of its general fund reserves over time. The fall in reserves in 2017/18 was due a planned use of the capital reserve. The council had built up the capital reserve in recent years and made planned draw downs in order to reduce the requirement to borrow in 2016/17 and 2017/18.

## Asset management

92. The Council is required to manage its assets in an effective way to ensure the delivery of quality public services. The council's arrangements for ensuring best value in its use of assets was considered as part of the Best Value audit in

2017. We have considered the progress made by the council in strengthening its asset management since the publication of the BVAR in November 2017. Part 5 (para 142)

## Business transformation

93. Audit Scotland's [\*Local government in Scotland – challenges and performance 2018\*](#) (April 2018) highlighted that local authorities have not made enough progress in developing alternative forms of service delivery to meet the challenges of tightened budgets and to transform public services in Scotland.
94. We considered the council's business transformation plans as part of the Best Value audit and our findings from our review of the progress made to date are noted at Part 5 (para. 144)

## Workforce planning

95. Audit Scotland's [\*Local government in Scotland – challenges and performance 2018\*](#) (April 2018) report highlighted the need to plan and manage reductions to Council workforces. Failing to do this can affect the skills mix and ability of the organisation to deliver, manage and scrutinise services effectively.
96. The report advises councils to have effective systems in place for managing their workforce and monitoring staffing levels, and that information should be aligned to other long-term plans such as financial plans. The council's arrangements for workforce planning were reviewed as part of the Best Value audit and a summary of progress made since the publication of the BVAR is noted at Part 5 (para 139).

## Ending of public sector pay cap

97. The Council's 2018/19 budget contains full provision for pay increases in line with the Scottish Government public sector pay statement.
98. The pay claims made by employee representations present a challenge to the Council's financial resources and the Council continue to work with COSLA to agree a pay settlement and to establish the impact on the Council's budget.

## EU withdrawal

99. There remains significant uncertainty about the detailed implications of EU withdrawal (i.e. Brexit). It is critical that public sector bodies are working to understand, assess and prepare for the impact on their business in three broad areas:
- Workforce - the extent to which changes to migration and trade policies are likely to affect the availability of skilled and unskilled labour.
  - Funding – the extent to which potential changes to funding flows are likely to affect the finances of the organisation and the activity that such funding supports.
  - Regulation – the extent to which potential changes to regulation across a broad range of areas overseen at an EU level are likely to affect the activities of the organisation.
100. The Council is aware of the potential risks and have reflected on these areas within the corporate risk register. The outline Financial Plan presented to the Council in February 2018 recognises the potential economic impact of EU withdrawal. The Financial Plan highlights that the local impact of the loss of European funds to the council will be on average £100,000 per year.

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# Part 4

## Governance and transparency

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### Main Judgements

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**The Council has appropriate governance arrangements in place that support the scrutiny of decisions made by the council.**

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**The Council is open and transparent in many of the aspects in which it conducts its business and the public can attend meetings of the Council and its standing committees.**

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### Governance arrangements

- 101.** The Council's arrangements for governance and transparency formed part of our Best Value review undertaken in East Renfrewshire Council in 2016/17. This report concluded that overall the council has sound governance arrangements in place, but it did make a recommendation in relation of the level of member scrutiny particularly at Cabinet meetings.
- 102.** In response to the BVAR, the council has changed the format of Cabinet meetings and the way in which reports are presented to members. We regularly attend Cabinet meetings and note that these changes are having a positive effect on member discussion and scrutiny. Part 5 (para 136 refers).

### Transparency

- 103.** Transparency means that the general public have access to understandable, relevant and timely information about how the Council is taking decisions and how it is using resources such as money, people and assets.
- 104.** The Council webcasts its main Council meetings and members of the public can attend meetings of the full Council, cabinet and other committees. Minutes of these committee meetings and supporting papers are readily available on the Council's website.
- 105.** The Council's website allows the public to access a wide range of information including the register of members' interests, current consultations and surveys and how to make a complaint. The annual accounts are available on its website along with other financial and performance information.
- 106.** Overall, we concluded that the Council displays many of the features of openness and transparency.

### Internal audit

- 107.** The Council's internal audit function is carried out by an in house internal audit team. Each year we consider whether we can rely on internal audit work to avoid duplication of effort. When we plan to place reliance on internal audit work we carry out an assessment of the internal audit function to ensure that it is sufficient in terms of documentations standards, reporting procedures and quality, and is performed in accordance with Public Sector Internal Audit Standards (PSIAS)

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

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**108.** We reviewed the Council's internal audit arrangements in accordance with International Standard on Auditing (UK) 610 (Using the Work of Internal Auditors) to determine the extent we could rely on the work of internal audit. The outcome of this review was reported to the Audit and Scrutiny Committee on 19/04/18. Overall, we concluded that we would place reliance for our financial statements responsibilities on aspects of internal audit work in the following areas: creditors, cash income and banking, Care First finance systems and Treasury Management.

**109.** A formal external quality assessment of internal audit's compliance with the PSIAS was completed in 2017/18. The outcome of this was reported to the Audit and Scrutiny Committee on 21/06/18. The overall conclusion by the external assessor was that the Internal Audit service complies with the main requirements of PSIAS.

## **Management commentary, annual governance statement and remuneration report**

**110.** The Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 requires councils to prepare and publish, along with their financial statements, an annual governance statement, management commentary (or equivalent) and a remuneration report that are consistent with the disclosures made in the financial statements. The management commentary should be fair, balanced and understandable and clearly address the longer-term financial sustainability of the body.

**111.** Based on our knowledge and work performed, we concluded that the management commentary is consistent with the financial statements.

**112.** Based on our knowledge and work performed, we concluded that the remuneration report is consistent with the financial statements. However, our review of the approval process for exit packages disclosed in the remuneration report found that in one case, where the cost of the approved package was higher than the lowest cost option, there was a lack of documentation to support the reasoning behind the decision. We would recommend that the council maintain a formal record of the reasoning behind the approval of those packages which exceed the lowest cost option. This would increase the transparency of the decisions approved and the maintenance of an audit trail.

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

## **National Fraud Initiative**

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

**114.** NFI activity is summarised in [Exhibit 8](#)

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## Exhibit 8

### NFI activity



3294

Matches



531

Recommended for  
investigation



1266

Completed/closed  
investigations

Source: NFI secure website: [www.nfi.gov.uk](http://www.nfi.gov.uk)

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- 115.** The council completed a review of 506 of its recommended actions, representing 95% of the matches reviewed. From this review, 3 benefit frauds were identified, and recovery action is underway for £33,000. A report summarising the NFI activity was presented to the Audit and Scrutiny Committee on 09/11/17.
- 116.** From work carried out, we concluded that the Council are engaged with the NFI exercise. Investigation of recommended matches is good and appropriate action has been taken in cases where fraud is alleged.

### Standards of conduct for prevention and detection of fraud and error

- 117.** The Council has a range of established procedures for preventing and detecting fraud and irregularity including a whistleblowing policy, anti-fraud strategy and codes of conduct for members and officers. We assessed these to ensure that they were appropriate, readily available to staff and are regularly reviewed to ensure they remain relevant and current.
- 118.** We concluded that the Council has appropriate arrangements in place for the prevention and detection of bribery and corruption. We are not aware of any specific issues we require to bring to your attention.

### Cyber security

- 119.** Cyber Essentials is a scheme sponsored by the National Cyber Security Centre that aims to guard against the most common cyber threats and demonstrate commitment to cyber security. The Scottish Government issued a [Public Sector Action Plan on Cyber Resilience](#) in November 2017 which requires all public sector bodies to carry out a review to ensure their cyber security arrangements are appropriate.
- 120.** The council have submitted their baseline questionnaire to the Scottish Government on 30 July 2018. This shows overall compliance with one area in relation to training requiring further development. It is important that progress continues to ensure full compliance and Cyber Essentials plus accreditation by the target date of October 2018. We will continue to monitor progress in this area.

### General Data Protection Regulation

- 121.** The new General Data Protection Regulation (GDPR) came into force on 25 May 2018. This replaced the UK Data Protection Act 1998. As a Regulation, all EU member states must implement it in the same way. GDPR sets out further requirements than the DPA and has introduced new and significantly changed data protection concepts.
- 122.** GDPR introduces a wide range of new rights for individuals in respect of their personal data. These include the right to be forgotten, the right to object to certain processing activities and to decisions taken by automated processes.

Failure to comply with new GDPR data handling arrangements could result in the Council incurring significant fines and reputational loss.

- 123.** We concluded that the Council are making good progress in updating its information governance procedures and planning for and implementing GDPR requirements.

## **Integration of health and social care**

- 124.** The Scottish Government's 2020 vision places greater emphasis on enabling people to stay in their homes, or another homely setting, where possible, sharing their lives with their family and friends and doing the things that give life meaning and value. The integration of health and social care is a mechanism to achieve this.
- 125.** The East Renfrewshire Integration Joint Board (IJB) is provided in partnership with NHS Greater Glasgow and Clyde and became fully operational on 15 October 2015. Governance arrangements are well established with both financial and performance against the strategic plan being monitored by the IJB Performance and Audit committee.
- 126.** The IJB returned a net underspend of £0.449 million against budget in 2017/18. After adding this to reserves, it held total reserves of £4.809 million at 31 March 2018. The movements on the IJB reserves during the year included a planned draw down of £0.177 million to further develop its transformation plan: Fit for the Future. The council has set savings targets of £7.270 million for the period 2018/19 to next 3 years. The IJB is still developing the Fit for the Future programme and is currently undertaking a consultation exercise on the Commissioning Strategy which details a number of challenging savings.

## **Local scrutiny plan**

- 127.** The 2018/19 Local Scrutiny Plan (LSP) prepared by the Local Area Network (LAN) of scrutiny partners for the Council was presented to the Audit and Scrutiny Committee on 17/05/18. The LAN did not identify any additional scrutiny risks in the year which would require specific scrutiny work during 2018/19. The Council will be subject to a range of nationally driven scrutiny activity as set out in the LSP.

## **Community Empowerment**

- 128.** The Community Empowerment Act 2015 gave local communities new powers to take control of and manage community assets.
- 129.** The Act requires the Community Planning Partnership (CPP) to publish a Local Outcomes Improvement Plan (LOIP). The Council approved their LOIP, on 28/09/17. This is a 10-year strategic plan setting out high-level outcomes. In addition, 2 Locality Plans have been approved for the Auchenback and ADD2Barrhead area. With further locality plans being prepared currently.
- 130.** The Council approved in June 2017 to apportion £0.6 million of the Roads revenue budget to a participatory budgeting exercise "East Ren Decides". The Council's online platform Citizen Space was used to host the exercise and the council received over 1,200 responses from residents with the schemes being approved by members in December 2017.

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# Part 5

## Best Value

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### Main judgements

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**The Best Value Assurance Report was published in November 2017 and our follow up work indicates that the council have acknowledged the findings of the Best Value audit and have been proactive in identifying actions which will address the recommendations made. The Best value review and the council's response have had a notable impact in supporting continuous improvement at the council.**

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**There are a number of significant ongoing transformation projects which will be critical to supporting the council in delivering its ambitious programme of change and improvement and achieving its overall aims and objectives.**

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**131.** To review how effectively the Council demonstrates Best Value (BV) in its delivery of services, we consider our audit findings across all the audit dimensions referred to in paragraph 3. Best value is assessed over the five-year audit appointment, as part of the annual audit work. This year's best value audit work involved following up the progress made by the Council in response to the Best Value Assurance Report (BVAR) published in November 2017. This section of our Annual Audit Report also includes audit findings relating to the audit dimension of Value for Money including reviewing performing against performance targets.

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

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### Best value - follow up of Best Value Assurance Report November 2017

**132.** In its key messages the BVAR recognised that the council has a clear vision and strategic direction which is well supported by councillors, officers and the council's partners. It has a well-established approach to partnership working and a strong financial position, with high levels of reserves and low levels of borrowing. It performs well with Children's services and education continuing to improve from an already high level. Performance in other council services was more varied, partly reflecting the council's range of policy priorities.

**133.** The BVAR also highlighted a number of areas for improvement including the need for councillors to have a more transparent and active role in scrutiny and challenge of decisions. A better view of council wide progress in delivering the council's change programme was required along with a fully integrated approach to financial and service planning. There was a need to consider different models of service delivery as part of business transformation.

**134.** The council's Best Value improvement action plan was approved by the Council in December 2017 and a progress report was presented to Cabinet in April 2018.

**135.** In addition to our general review of the council's response to the BVAR, our follow up of progress to date has focused on the areas of transparency and scrutiny, the council's modern ambitious transformation programme, budget underspends and integrated strategic planning. We will review developments in Community Planning and Partnership working and Options Appraisals as part of future audits.

## Exhibit 9

### Summary of progress to date in response to the Best Value Assurance Report

BVAR recommendation	Progress to date
<p><b>Transparency and Scrutiny :</b> Councillors should take a more transparent and active role in scrutiny. They should have greater oversight of the transformation of the council.</p>	<p>The council has implemented a number of changes in procedures which are strengthening transparency and scrutiny including revising the format of Cabinet meetings and member training events.</p> <p>See paragraph 136</p>
<p><b>Budget Underspends :</b> The council should identify why its revenue budget is consistently underspent and introduce more realistic budgeting policies</p>	<p>The findings of a specific review , by officers, of the reasons for budget underspends was reported to Council in December 2017</p> <p>Positive steps have been taken to improve the accuracy of budgets. The impact of these changes to the budget setting process should be seen in the 2018/19 budget outturns.</p> <p>There was a £7.3 million underspend against the 2017/18 revenue budget.</p> <p>See paragraph 137</p>
<p><b>Integrated Strategic Planning :</b> The council should adopt a more strategic and coordinated approach to planning and managing corporate resources and transformation programmes, to encompass financial strategies and plans, workforce plans, asset management.</p>	<p>The Workforce Plan 2018-2021 was approved by Cabinet in June 2018</p> <p>A commitment has been made to review and improve the approach to Service Planning and a number of services are currently in the first tranche of a new approach to Business Planning .</p> <p>A new approach to monitoring the council's Modern Ambitious Programme of business transformation and service redesigns is under development.</p> <p>The council's draft Accommodation Strategy was considered by the Corporate Management Team in December 2017, with an update in June 2018. It was acknowledged that priorities were early Years projects and a public consultation on the future of the Eastwood Park Leisure Centre, Theatre and Carmichael Hall, which would inform the onward accommodation strategy. The Accommodation Strategy now needs to be finalised and progressed.</p> <p>See paragraph 138-147</p>

### Transparency and Scrutiny

**136.** Since the publication of the BVAR the council has taken a number of steps to support councillors in their scrutiny role. A programme of training events has been held for councillors covering topics such as effective scrutiny skills, the role of audit and the importance of the financial statements in demonstrating stewardship and performance in the use of council resources. The council's Section 95 Officer, the Head of Accountancy now attends and provides support to the meetings of the Audit and Scrutiny Committee and the format of Cabinet meetings have been revised so that agenda items are now presented by council officers as opposed to Convenors of Committees. This has improved discussion and scrutiny.

## Budget Underspends

**137.** One of the findings of the Best Value audit was that the council consistently returned underspends against its revenue budget, resulting in high levels of unplanned year end balances. The council has now reviewed its budget setting process to improve the accuracy of its initial budgets. Due to the timing of these changes in approach, the benefits are unlikely to be seen until the budget outturn for 2018/19. Details on the financial performance of the council in 2017/18 and the reasons for the considerable revenue budget underspend of £7.3 million are included in the Financial management section of our Annual Audit Report at paragraph 40.

## Integrated Strategic Planning

**138.** The council has been proactive in improving its arrangements for ensuring a fully integrated approach to managing its resources in the following areas:

### Workforce Planning

**139.** At the time of the Best Value audit the council was in the process of improving its workforce planning arrangements. The council had in place a Workforce plan and strategy covering 2014-2018 and had started planning for the production of its Workforce Plan for 2018-2021.

**140.** The council has identified a net savings requirement of £22.177 million over the three years to 2021 and a likely reduction of 265 full time equivalent posts. After an increase of approximately 200 new early years workers there will be around 100 fewer posts in the council by 2021.

**141.** Since the publication of the BVAR, the council has taken forward its workforce planning with the Workforce Plan for 2018-2021 being approved by Cabinet in June 2018. The plan details the workforce priorities, the future shape and characteristics of the council and required workforce. An action plan has been agreed with each critical activity being assigned a target completion date and responsible officer. An annual report on progress against the workforce plan is to be brought to the Corporate Management Team.

### Asset Management

**142.** Councils require to manage assets in an effective way to ensure the delivery of quality public services. Since the publication of the BVAR in November 2017, the council's Capital Asset Management Group has continued to meet to oversee progress against the capital programme and the development of asset management plans. These plans are currently at varying stages of completion, with only 2 of the 5 plans having been approved by Cabinet (Open Spaces and Fleet) to date. Asset management is a key part of integrated planning and priority should be given to finalising the outstanding plan. We will continue to keep progress in the approval of these plans under review.

**143.** As noted in the BVAR, a new approach to managing the use of council buildings and accommodation was agreed by the Corporate Management Team in January 2017. Since then, the council has commissioned external consultants to help inform the development of an accommodation strategy and to support the council's planned Corporate Landlord approach to managing its office estate. A draft strategy was considered by the Corporate Management Team in December 2017. The council's priority areas were identified as to progress the Early Years projects and to carry out a public consultation on the future of the Eastwood Park Leisure Centre, Theatre and Library. The report on the results of the consultation was considered at Council in September 2018. Given the potential for additional savings from the better use of council's buildings and the need for more efficient and fit for purpose office accommodation, it is important that an accommodation strategy is now formally approved and actioned.

## Business Transformation and Modern Ambitious Programme

- 144.** The BVAR reported that the arrangements for monitoring the service redesign projects included in the council's Modern Ambitious Programme (MAP) did not allow for council wide visibility of all change activity or an overarching view of progress. There was a need to improve the governance and transparency of the council's transformation projects.
- 145.** The council has taken the positive step of agreeing to introduce a new project management framework which will encompass all areas of change and redesign across the council. The new framework should allow the efficient monitoring of projects against target timescales, support the allocation of resources and track the delivery of savings achieved. It should also generate reports for the Corporate Management Team and members which will provide a greater oversight of the transformation of the council and support them better in their scrutiny role. The new arrangements are still at the development stage and given the current scale of change across the council, it's important that progress continues to ensure their successful roll out across the council.

### Action plan (Appendix 1, point 4)

- 146.** The main focus of the council's change programme over the last year has been the introduction of new Core Systems and Digital Transformation programmes. The core systems represent those systems which are integral to the council's business, namely Finance, Procurement, Human Resources and Payroll. The contracts for these systems are nearing termination (Finance and Procurement System March 2019 (extended to March 2020) and HR and Payroll March 2020).
- 147.** The commissioning and implementation of new core corporate systems within a relatively tight timescale will be a challenging and a very resource intensive programme for the council. It is likely to place further pressures on staff capacity. The council has recognised the risks associated with taking forward such a major project and monitors it as part of its Strategic Risk Register. A Core Systems Programme Board has been put in place to oversee this programme of work. This is chaired by the council's Chief Executive and includes representatives from across the council. The Board is closely monitoring progress in this major change programme against key milestones, risks and a detailed programme plan. We will continue to keep the delivery of the council's new core systems under review as part of our 2018/19 audit.
- 148.** Since the publication of the BVAR in November 2017 it is clear that the council has responded positively to its findings and have been proactive in identifying actions which will address the recommendations made. There are a number of significant projects which are ongoing and which will be critical to supporting the council in delivering its ambitious programme of change and improvement and achieving its overall aims and objectives. We will continue to review progress as part of our future audits.

## Following the public pound

- 149.** Local authorities have a statutory responsibility to comply with the Accounts Commission / COSLA Code of Guidance on funding external bodies and following the public pound.
- 150.** The council uses an Arm's Length External Organisation (ALEO), the East Renfrewshire Culture and Leisure Trust (ERCLT) for the provision of its leisure services.
- 151.** The ERCLT is a charitable trust that was established in July 2015. The business planning process is outlined in the Services Agreement between ERCLT and the council and ERCLT is required to present an annual business plan to the council at least three months before the start of the financial year. Four members of the council sit on the Board of the Leisure Trust and are

responsible for reviewing the Leisure Trust's business plans and monitoring performance.

152. During 2017/18, the ERCLT applied to the council for additional funding of up to £0.277 million. Actual funding granted by the council in 2017/18 was £0.225 million. The reason for this was an overspend by ERCLT in 2017/18. This additional support was approved by the Cabinet on 15 March 2018.
153. The audited 2017/18 financial statements for ERCLT are reporting a negative net worth of £0.556 million. A going concern note has been added to the Council's group accounts and the council provided a letter of comfort to the Leisure Trust to confirm their continued financial support in 2018/19 to allow the continued provisions and development of culture and leisure services.
154. The council has approved additional funding of £0.239 million to the Leisure Trust for 2018/19 and has set savings targets of £0.330 million over the two years 2019/20-2020/21.
155. Given the key role played by the Leisure Trust in delivering the council's strategic objectives, it is important that the council continues to closely monitor its ongoing financial position.

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

## Performance management

156. The Council's performance management arrangements were considered in our BVAR. We identified that the Council has an established performance management framework that managers and councillors clearly understand.
157. Self-evaluation and performance management arrangements are well established as are the council's arrangements for reporting on performance internally. The council has a well-developed approach to reporting its performance to the public.

## Overview of performance targets

158. The Council participates in the [Local Government Benchmarking Framework](#) (LGBF). The framework aims to bring together a wide range of information about how all Scottish Councils perform in delivering better services to local communities, including the cost of services and how satisfied citizens are with them.
159. The most recent [National Benchmarking Overview Report 2016/17](#) by the Improvement Service was published in February 2018 and covered the 2016/17 reporting period. This report was presented to the Cabinet on 05/04/18.
160. The LGBF allows Councils to compare themselves to the Scottish average. It also groups Councils with similar profiles into family groups based on factors such as population density and levels of deprivation. This allows similar Councils to compare and benchmark performance
161. The BVAR concluded that the council had improved performance in the majority of LGBF indicators. From the 2016/17 LGBF report, the time taken to pay suppliers is highlighted as a low performing indicator. This has been an ongoing area of improvement for the council and an action plan is in place to secure improvements. An update on this plan was provided to the Audit and Scrutiny Committee 08/03/18.
162. The Council recognises that it should improve service delivery in several key areas such as library visits and leisure centre attendances. As reported to the

Council, the council exceeded or at least met 71% of the indicators included in its Outcome Delivery plan. Performance in those areas not meeting target are being reviewed to understand reasons and action plans have been developed.

- 163.** The Best Value audit concluded that the council continues to perform well. However, specific reference was made to the Local Government Benchmarking Framework indicator on the proportion of people aged over 65 with intensive needs who receive care at home. The council's performance in this indicator is relatively poor – in the fourth quartile for 2016/17 (23.16% compared to the Scottish Average of 35.27%). This indicator measures the extent to which the council is maintaining people with intensive needs in the community and gives an indication of how it is progressing with the policy goal of shifting the balance of care.
- 164.** The East Renfrewshire Health and Social Care Partnership's Strategic Plan for 2018-2021 recognises that there are increasing numbers of older people moving into care homes, this includes self-funders seeking a move to local authority funded care. A specific review has been completed to identify the reasons behind the increasing care home numbers and the recommended actions included further staff training and a review of processes. A new strategic planning process is being developed together with appropriate performance targets.
- 165.** The Strategic Plan highlights the need for the council going forward to continue to work together with older people to maintain their independence at home, including a focus on self directed support and alternatives to residential care. We will keep the planned developments in this area under review as part of the Shared Risk Assessment approach with the Care Inspectorate.
- 166.** The cabinet receives regular service performance reports throughout the year and an annual service performance report. Education performance is monitored by the Education Committee and HSCP performance is considered by the IJB Performance and Audit committee. However, all performance reports are considered by full Council.
- 167.** Strategic performance reports providing performance of both the council and the Community Planning Partnership are provided to members on a mid-year and annual basis. These reports monitor progress against the Council's key priorities as set out in the Outcome Delivery Plan (ODP).

## **Statutory performance indicators (SPIs)**

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

**169.** For 2017/18 two SPIs were prescribed:

SPI 1: covering a range of information relating to areas of performance such as improving local public services, improving local outcomes, engaging with communities and achieving best value.

SPI 2: relates to the reporting of performance information as required by the Local Government Benchmarking Framework.

**170.** We reviewed the Council's arrangements for collecting, recording and publishing data in 2017/18. Information is publicly available on the Council website, with the main published SPI report providing a graphical presentation of performance data.

## Housing benefits performance work

**171.** A housing benefits performance audit was carried out by Audit Scotland in July 2018. The aim of this review was to assess the council's performance in a number of key areas such as business planning and reporting, the speed and accuracy of processing benefit claims and the levels and recovery of benefit overpayments. A draft report is currently being reviewed by council management. The final audit report will be presented to a future meeting of the council's Audit and Scrutiny Committee.

## National performance audit reports

**172.** Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2017/18, Audit Scotland published a number of reports which are of direct interest to the Council. These are outlined in [Appendix 3](#).

**173.** All National performance audit reports are reported to the Audit and Scrutiny Committee. The reports provided to members supply details of the national report and relate this to East Renfrewshire council actions and plans. This provides committee members a useful context to assess the council's performance.

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# Appendix 1

## Action plan 2017/18

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### 2017/18 recommendations for improvement

No.	Issue/risk	Recommendation	Agreed management action/timing
1	<p><b>Housing Stock Valuation</b></p> <p>In 2017/18 the council introduced for the first time a rolling 5-year valuation programme. The council had previously valued all assets every year.</p> <p>Despite the housing stock being included in Year 2 (2018/19) of the valuation programme, the Valuer had revalued the stock at 31 March 2018. This valuation had not been reflected in the unaudited financial statements. The unaudited accounts have been revised to increase the housing stock by £ 19.328 million.</p> <p><b>Risk</b></p> <p>The valuation of the council's assets in the financial statements are not true and fair and cannot be supported by formal valuations by the Valuer.</p>	<p>In line with the Code, there should be formal agreements with the Valuer on those assets to be revalued every year as part of the rolling programme. The Valuer should provide formal valuation certificates to support the asset values included in the financial statements.</p> <p><a href="#">Exhibit 3 point 1</a></p>	<p>Formal agreement will be obtained from the valuer on those assets to be included in the rolling valuation programme for each year. This will include annual valuation of housing stock. The valuer will also provide a formal valuation certificate to support the asset values included in the accounts.</p> <p>Head of Accountancy</p> <p>May 2019</p>
2	<p><b>Exit Packages</b></p> <p>All exit packages tested as part of our audit work were found to be supported by an approved business cases. However, there was a lack of documentation to support the reasoning behind one decision where the cost of one approved package was higher than the lowest cost option.</p> <p><b>Risk</b></p> <p>There is a loss of audit trail and transparency over the factors taken into account as part of the approval of exit packages.</p>	<p>The council should maintain a formal record of all the factors taken into account in approving the business cases for exit packages.</p> <p>Paragraph 112</p>	<p>HR and Accountancy have established procedures for assessing the relative impact of exit package options. These will be documented, and relevant factors noted on appropriate business cases in future.</p> <p>Head of Accountancy/Head of Human Resources</p> <p>March 2019</p>

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No.	Issue/risk	Recommendation	Agreed management action/timing
3	<p><b>Asset management: Office Accommodation Strategy</b></p> <p>Since the BVAR was published in November 2017 the council has commissioned external consultants to help inform the development of an accommodation strategy and to support the council's planned Corporate Landlord approach to managing its office estate. A draft strategy is now in place, however this has yet to be formally approved.</p> <p><b>Risk</b></p> <p>The council's accommodation is not cost efficient or fit for purpose and cannot support the council in its business transformation and service redesigns.</p>	<p>Given the potential for additional savings from the better use of council's buildings and the need for more efficient office accommodation, the council's draft accommodation strategy should now be formally approved and actioned.</p> <p>Paragraph 143</p>	<p>Our office accommodation strategy is part of our overall Capital Asset Management strategy. Our immediate priorities are 1) our Early Years programme and 2) reviewing provision for leisure. Our office accommodation strategy will follow thereafter and we will be using our newly developed approach to programme management to manage the complex interdependencies and develop an appropriate timeline. There are no 3-year savings contingent on this area. The formal work on our accommodation strategy will begin next year.</p> <p>Responsible officer: Director of Environment</p> <p>2019/20</p>
4	<p><b>Reporting arrangements from Transformation Programme</b></p> <p>The council are currently developing a new project management framework covering all areas of change and service redesign across the council. This new framework is necessary to improve reporting to members on the transformation activity and savings and to support them better in their scrutiny role.</p> <p><b>Risk</b></p> <p>The arrangements for monitoring the council's transformation and service redesign projects do not provide senior management or members with a council wide visibility of all change activity or an overarching view of progress against targeted savings or benefits.</p>	<p>The new framework should allow the efficient monitoring of projects against target timescales, support the allocation of resources and track the savings achieved. Given the current scale of change across the council, it's important that progress continues to ensure the successful roll out of the new framework across the council</p> <p>Paragraph 145</p>	<p>The Council is progressing well with development of its new project management framework. The first phase will be complete shortly with prototypes in place for several projects. The approach will then roll out further to our most important project areas by April 2019, with a further phase thereafter to embed this approach.</p> <p>Responsible officer: Head of Business Change &amp; Revenues</p> <p>April 2019</p>
5	<p><b>East Renfrewshire Culture and Leisure Trust</b></p> <p>The council provided its subsidiary, the East Renfrewshire Leisure Trust with additional funding during 2017/18 to address budget overspends within the Trust. The audited 2017/18 accounts of the Leisure</p>	<p>Given the key role played by the Leisure Trust in the delivery of cultural and leisure services and the delivery of the council's strategic objectives, the council should continue to closely monitor its ongoing financial position.</p>	<p>In addition to existing monitoring arrangements and in line with the recommendations of Audit Scotland's recent review of ALEOs, the Head of Accountancy now sits as an observer on the board of ERCLT. Further, a joint action plan has been agreed with</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
	<p>Trust report a closing negative net worth position and the council provided a letter of comfort to confirm their continued financial support to the Trust in 2018/19. The council is also to provide additional funding in 2018/19.</p> <p><b>Risk</b></p> <p>The financial position of the Leisure Trust adversely impacts the continued provision and development of cultural and leisure services.</p>	Paragraph 155	<p>ERCLT to progress the recommendations of an independent review of ERCLT's financial position and elected members have been given training on scrutiny skills.</p> <p>Head of Accountancy</p> <p>Ongoing</p>
Follow up of prior year recommendations			
b/f	<p><b>2. Budget Underspends &amp; reporting</b></p> <p>The council has a history of underspend against budget. Given the budget pressures that services are under, there is a need for budgets to be revised/re-based to reflect actual patterns of expenditure to ensure spending is accurately forecast and effectively monitored during the year. Additionally, information on high year end underspends is not communicated to members timeously to allow for corrective or different actions to be taken.</p> <p><b>Risk</b></p> <p>There is a risk that the budgets are not accurate and that budget reports to members do not allow time for corrective action to be made.</p>	<p>East Renfrewshire council should review the budget setting to ensure that the budgets reflect actual demand. The council should also ensure that the budget reports provided to members are accurate and timeous to ensure that members can fulfil their role of scrutinising of the budget and can take corrective or additional action regarding these budgets.</p> <p>Update</p> <p>Work on identifying the budget underspends started during 2017/18. Further refinement has taken place as part of the budget setting process in 2018/19. We will continue to review the levels of underspend during 2018/19.</p> <p>There has been improvements made in the timing of reporting of underspends to members with the expected outturn reported to members in April, being largely the actual outturn as reported in June 2018</p> <p>Paragraph 41, 137</p>	<p>Both the quantum and oversight of historic budget underspends were reviewed prior to setting the budget for 2018/19. In addition, all significant underspends are being challenged during the year, with resources being reallocated where they can be used more effectively.</p> <p>Head of Accountancy</p> <p>Ongoing</p>
b/f	<p><b>3. Financial Pressures</b></p> <p>The council are currently preparing savings plans to address the £26.3 million savings requirement for the 3 year period 2018/19-2020/21.</p>	<p>East Renfrewshire council should ensure that medium term financial plans are prepared and available to members to allow the impact of decisions made to be fully understood.</p>	<p>Longer term financial planning has been extended to a 6 year period (to encompass two 3 year budget cycles), with a number of scenarios modelled to allow for future uncertainties. Close</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
	<p>The last three year budget cycle reported savings of £20.7 million. At time of approving 2017/18 budgets, detailed indicative budgets for future years were not available for members to help inform decisions.</p>	<p>Update The 2018/19 budget approved in March 2018 provided indicative savings of £20.260 million identified for the 2018-21 3 year budget period.</p>	<p>monitoring of 2018/19 budgets and future years' savings plans continues via CMT and the Budget Strategy Group and this has been further strengthened by improved monitoring arrangements for the Council's transformation programmes.</p>
	<p><b>Risk</b>  There is a risk that the Council is unable to deliver the same level of savings that it has achieved in recent years without significant impact on service provision and that indicative budgets are not available to members to help inform their difficult budget decisions.</p>	<p>Given the previous level of savings which have already been made, a risk exists that the current plans are not achievable  Paragraph 77</p>	<p>Head of Accountancy Ongoing</p>
b/f	<p><b>5. Disaster Recovery/business continuity arrangements</b> The data centre became operational in August 2017 with phase 1 now being completed. Plans are now underway to move to phase 2 which is the all the individual systems and applications that the council has in operation, The council is continuing its review of business continuity plans</p> <p><b>Risk</b> There is a risk that until the full implementation of the improved disaster recovery processes, the council suffers a loss of data and potential disruption to services</p>	<p>East Renfrewshire council should ensure that the business continuity arrangements are current and that disaster recovery arrangements are tested</p> <p>Update Testing has now taken place on the new data centre and the disaster recovery plan is currently being prepared. Business continuity plans are currently being reviewed to ensure that they are realistic and achievable and should be updated following the production of the disaster recovery plan.</p> <p>Paragraph 67</p>	<p>New temporary role of Business Continuity Officer now in post to drive Disaster Recovery Plan update to completion by 31/03/19</p> <p>This officer will also meet all services to validate and agree Business Continuity IT dependencies.</p> <p>Responsible Officer: Head of ICT and Digital Enablement March 2019</p>
b/f	<p><b>6. Information Security Policy</b> The current version of the council's information security policy has not been updated since October 2014. A revised version has been prepared and this has been subject to review by external consultants. Due to the recruitment of an Information Security Officer, this has not yet been issued to staff.</p> <p><b>Risk</b> There is a risk that council processes and procedures will not keep pace with any potential, new or emerging threats while there is an</p>	<p>East Renfrewshire council should ensure that the revised policy is issued promptly and ensures that practices within the council reflect the latest guidance</p> <p>Update A new Information security officer was appointed by the council in May 2018, However, to date there has been no updated security policy issued.</p> <p>Paragraph 69</p>	<p>Information Security Officer plans to have reviewed and refreshed the Information Security Policies .</p> <p>Responsible Officer: Information Security Officer</p> <p>December 2018</p>



No. Issue/risk



Recommendation



Agreed management  
action/timing

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out of date security policy .

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# Appendix 2

## Significant audit risks identified during planning

The table below sets out the audit risks we identified during our planning of the audit and how we addressed each risk in arriving at our conclusion. The risks are categorised between those where there is a risk of material misstatement in the annual accounts and those relating our wider responsibility under the [Code of Audit Practice 2016](#).

Audit risk	Assurance procedure	Results and conclusions
<b>Risks of material misstatement in the financial statements</b>		
<b>1 Risk of management override of controls</b>  ISA 240 requires that audit work is planned to consider the risk of fraud, which is presumed to be a significant risk in any audit. This includes consideration of the risk of management override of controls in order to change the position disclosed in the financial statements.	<b>Detailed testing of journal entries.</b>  <b>Review of accounting estimates. Focused testing of accruals and prepayments.</b>  Evaluation of any significant transactions that are outside the normal course of business.	Testing undertaken on a sample of journal entries.  We reviewed accounting estimates.  We tested a sample of transactions taken from both pre and post year end to confirm expenditure and income had been accounted for in the correct financial year.  We tested a sample of accruals and prepayments. We did not identify any instances of management manipulating accounting records or overriding controls.
<b>2 Risk of fraud over income</b>  East Renfrewshire Council receives a significant amount of income in addition to Scottish Government funding. The extent and complexity of income means that, in accordance with ISA240, there is an inherent risk of fraud.	<b>Analytical procedures on income streams.</b>  Detailed testing of revenue transactions focusing on the areas of greatest risk	We carried out a variance analysis of income streams to confirm completeness and identify any unusual transactions or variations in income.  We substantively tested a sample of income transactions to confirm occurrence and accuracy of amounts in the financial statements.  We tested a sample of journal entries.  We are satisfied that the council has arrangements in place to minimise the risk of fraud over income.
<b>3 Risk of fraud over expenditure</b>  The risk of fraud over income presumed by ISA 240 is expanded to include fraud over	<b>Analytical procedures on expenditure streams.</b> <b>Detailed testing of expenditure transactions focusing on the areas of greatest risk.</b>	Variance analysis of expenditure streams reviewed to confirm completeness and identify any unusual transactions or variations in income.

Audit risk	Assurance procedure	Results and conclusions
<p>expenditure in the public sector by the Code of Audit Practice.</p> <p>The risk of fraud over expenditure is also relevant due to the variety and extent of expenditure made by the council in delivering services.</p>	<p>Walk-through of controls identified within key financial systems.</p>	<p>Substantive testing completed on a sample of expenditure transactions to confirm occurrence and accuracy of amounts in the financial statements.</p> <p>Testing undertaken on a sample of journal entries.</p> <p>We are satisfied that the council has arrangements in place to minimise the risk of fraud over expenditure.</p>
<p><b>4 Estimation and judgements</b></p> <p>There is a significant degree of subjectivity in the measurement and valuation of the material account areas of non-current assets, pension liabilities and provisions. This subjectivity represents an increased risk of misstatement in the financial statements.</p>	<p>Completion of 'review of the work of an expert' for the professional actuary, and review of appropriate of actuarial assumptions.</p> <p>Focused substantive testing of key areas of non-current assets and of provisions.</p> <p>Sample check accruals and provisions in the 2017/18 financial statements</p>	<p>Completed a 'review of the work of an expert' for the valuer.</p> <p>Completed a 'review of the work of an expert' for the professional actuary, and a review of the appropriateness of actuarial assumptions.</p> <p>Focused substantive testing on key areas of non-current assets</p> <p>Testing undertaken on a sample of accruals included in the 2017/18 annual accounts.</p> <p><b>We are satisfied with the adequacy of the council's estimations and judgements</b></p>
<p><b>5 Invoice Processing</b></p> <p>A number of significant control weaknesses were reported within invoice processing procedures in 2016/17. In addition, Internal Audit has issued a report in October 2017 on creditors which makes a substantial number of recommendations to strengthen controls. There are reputational risks to the council in addition to risks that financial loss may occur and that the financial statements may be mis-stated.</p>	<p>Completion of review of key controls</p> <p>Focused review of duplicate payments controls and supplier bank details changes.</p> <p>Increased substantive testing of expenditure testing.</p>	<p>Key controls testing was completed</p> <p>Focused testing on duplicate payments and supplier bank details changes completed. One case of poor supporting documentation and one recommendation on improving procedures on recording instances of duplicate payments have been made and when money has been received was reported in the Management report that was presented to the Audit and scrutiny committee on 21/06/18</p> <p><b>Increased testing undertaken on expenditure. No issues to report.</b></p>
<p><b>6 Early Closure of Accounts</b></p> <p>The council is currently progressing a timetable to submit the unaudited 2017/18 financial statements to the Audit &amp; Scrutiny Committee in June 2018. This will mean the accounts preparation timetable being brought forward by approximately three weeks.</p>	<p>We will work with the council on ensuring that the new revised timetables and our audit coverage are suitably aligned.</p> <p>Focussed sample check on accruals and areas of estimation in the 2017/18 annual accounts.</p>	<p>Focused and increased testing undertaken on accruals and estimates.</p> <p>No issues to report</p>

Audit risk	Assurance procedure	Results and conclusions
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While earlier closure is to be welcomed, there is an increased risk of error due to, for example, the likely greater use of estimation.

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

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<p><b>7 Financial sustainability</b> The council is currently forecasting a funding gap of £26 million over the years 2018/19 to 2020/21. A public consultation on proposals to close this gap was undertaken in October 2017. The last three year budget cycle reported savings of £20.7 million</p> <p>There is a risk that the council is unable to deliver these significant savings over the medium term without adversely affecting the level and quality of service provision.</p>	<p>Consideration of the council's longer term financial management arrangements.</p> <p>Monitor the council's financial position both through its revenue budget monitoring reports and longer term financial plans presented to committee.</p>	<p>A budget underspend reported for 2017/18. Agreed savings agreed for 2018-21 of £20.260 million.</p> <p><a href="#">Appendix 1 (b/f 3 refers)</a></p>
<p><b>8 Business Continuity/Disaster recovery</b> The council's new data centre arrangements are now in place, however this means that the current ICT Disaster recovery plan is now substantially out of date and requires to be updated. The council has recognised this and a disaster recovery exercise is planned by the end of March 2018. The outcome of this exercise will be used to inform the Disaster Recovery Plan. The council has recently completed a review of its business continuity plans however these plans still require refining and will need further consideration following the completion of the ICT Disaster Recovery Plan.</p> <p>There is a risk that until the full implementation of the improved disaster recovery processes, the council may suffer a loss of data and potential disruption to services</p>	<p>Review of disaster recovery testing and development of Disaster Recovery Plan undertaken.</p> <p>Review of Business Continuity and resilience planning arrangements</p>	<p>Review undertaken of disaster recovery testing and business continuity plans.</p> <p>No updated disaster recovery plan yet issued and further work underway on the business continuity plan</p> <p><a href="#">Appendix 1 (action point b/f 5 refers)</a></p>
<p><b>9 Information Security Officer and policy</b> The council has experienced difficulties in recruiting an Information Security Officer and</p>	<p>Review of progress made in filling the current vacant post. Review of the progress made in updating the council's information security policies</p>	<p>Information security officer now in post however, the new security policy has yet to be issued.</p> <p><a href="#">Appendix 1 (action point b/f 6 refers)</a></p>

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Audit risk	Assurance procedure	Results and conclusions
<p>the implementation of an updated information security policy has been delayed . The current policy has not been updated since October 2014. There is a risk that if the council's information security policy is not kept current then it will not keep pace with any potential, new or emerging threats.</p>	<p>ICT</p>	
<p><b>10 Cyber Security and GDPR</b>  In the past year, public sector organisations in Scotland were subject to an increasing number of cyber-attacks. Successful cyber-attacks can result in significant disruptions to operations, loss of data and reputational damage. In addition, the new General Data Protection Regulation (GDPR) becomes effective from 25 May 2018 and is more extensive in scope than the current requirements of the Data Protection Act. The council is currently in the process of preparing for the implementation of the GDPR Non compliance with the new regulations could result in financial penalties and reputational damage.</p>	<p>A consideration of East Renfrewshire Council's arrangements in relation to cyber-security.</p> <p>Monitor and assess preparedness for complying with the requirements of the new General Data Protection Regulation.</p>	<p>The council has submitted in pre-assessment questionnaire to Scottish Government and action required on training before October deadline. We will continue to monitor progress</p> <p>Review undertaken of GDPR plans and preparedness. No issues to report and we will continue to monitor</p>

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# Appendix 3

## Summary of national performance reports 2017/18

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	Apr
	May
Common Agricultural Policy Futures programme: further update 	<b>Jun</b>  Scotland's colleges 2017
	Jul  NHS workforce planning
Self-directed support: 2017 progress report 	<b>Aug</b>
Equal pay in Scottish councils 	<b>Sept</b>
Transport Scotland's ferry services 	<b>Oct</b>  NHS in Scotland 2017
Local government in Scotland: Financial overview 2016/17 	<b>Nov</b>
	Dec
	Jan
Early learning and childcare 	<b>Feb</b>
Managing the implementation of the Scotland Acts 	<b>Mar</b>

### Local government relevant reports

[\*Principles for a digital future\*](#) – May 2017

[\*Self-directed support: 2017 progress report\*](#) – August 2017

[\*Equal pay in Scottish councils\*](#) – September 2017

[\*Local government in Scotland: Financial overview 2016/17\*](#) – November 2017

# East Renfrewshire Council

## 2017/18 Annual Audit Report

### 2017/18 Annual Audit Report

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