

East Renfrewshire Council

2018/19 Annual Audit Report



 AUDIT SCOTLAND

Prepared for the Members of East Renfrewshire Council and the Controller of Audit
26 September 2019

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

2018/19 Annual accounts

- 1** East Renfrewshire Council (the Council) and its group financial statements give a true and fair view of the state of affairs of the Council at 31 March 2019 and of its income and expenditure for the year then ended, 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 relevant regulations and guidance.
- 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 a budget process focussed on the Council's priorities.
- 5** Systems of internal control operated appropriately and effectively in 2018/19 with scope for improvements in some areas as reported to members in June 2019.
- 6** The Council should continue to review its budget monitoring to ensure forecasts of final outturn positions reflect actual spending patterns and demand.

Financial sustainability

- 7** The Council and its group's 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.
- 8** There are long-term financial plans which demonstrate how the Council will address future budget challenges. A savings requirement of £28.142 million (before Council tax increases) has been identified for 2019/20 and 2020/21. Due to savings already made by services, it will be increasingly difficult for the Council to make the required savings in future years.
- 9** The Council has increased the balance on the General Fund by £3.2 million and ended the year with a total General Fund balance of £29.603 million. There are plans to utilise reserves balances in future years to meet funding gaps.

Governance and transparency

- 10** The Council has appropriate governance arrangements in place that support the scrutiny of decisions made by the Council.
- 11** The Council demonstrates a commitment to openness and transparency in the way it conducts its business.

Value for money

- 12** The Council continues to progress the recommendations from the Best Value Assurance Report published in November 2017. Further improvements have been made to asset management, the monitoring and reporting of the Council's transformation projects and the framework for integrated strategic planning.
 - 13** The Council can demonstrate a commitment to equal opportunities and steady progress is being made in meeting the statutory equality duties. Some equality processes require ongoing development to ensure continuous improvement.
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Actions to take forward

- 14** The Accommodation Strategy and development of a Corporate Landlord approach remain outstanding. These will be critical for informing future Council decisions on the planned new build leisure centre and the Eastwood Park master plan.
- 15** The introduction of core financial systems during 2019/20 will impact on our audit work.

Introduction

1. This report summarises the findings arising from the 2018/19 audit of East Renfrewshire Council (the Council) and its group.
2. The scope of the audit was set out in our 2018/19 Annual Audit Plan presented to the 14/03/2019 meeting of the Audit & Scrutiny Committee. This report comprises the findings from:
 - an audit of the annual report and 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](#).

Exhibit 1 Audit dimensions



Source: Code of Audit Practice 2016

3. The main elements of our audit work in 2018/19 have been:
 - an audit of the Council and its group 2018/19 annual report and 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 of the Council's key financial systems
 - audit work covering the Council's arrangements for securing best value relating to Equalities and a follow up of issues raised in 2017/18
 - consideration of the four audit dimensions

Added value through the audit

4. We add value to the East Renfrewshire Council through the audit by:

- meeting with the Chair and Vice Chair of the Audit and Scrutiny Committee and the Council's Scrutiny and Evaluation Officer to share our experiences from other audited bodies on income generation projects.
- early engagement with officers on the Council Dwellings revaluation issue to understand the causes and impact of the matters identified
- identifying and providing insight on significant risks, and making clear and relevant recommendations for improvements that have been accepted by management
- sharing intelligence and good practice through our national reports ([Appendix 4](#)) and good practice guides
- providing clear and focused conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability

5. In so doing, we aim to help East Renfrewshire Council promote improved standards of governance, better management and decision making and more effective use of resources.

Responsibilities and reporting

6. 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.

7. 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.

8. 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.

9. As public sector auditors we give independent opinions on the annual report and accounts. Additionally, we conclude on:

- the effectiveness of the Council's performance management arrangements,
- the suitability and effectiveness of corporate governance arrangements, and financial position
- the arrangements for securing financial sustainability and,
- best value arrangements.

10. In doing this we aim to support improvement and accountability. Further details of the respective responsibilities of management and the auditor can be found in the [Code of Audit Practice 2016](#).

11. This report raises matters from the audit of the annual report and accounts and consideration of the audit dimensions. Weaknesses or risks identified are only those which have come to our 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.

- 12.** 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 the steps being taken to implement them.
- 13.** 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 2018/19 audit fee of £227,130 as set out in our Annual Audit Plan, remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.
- 14.** 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 in due course.
- 15.** We would like to thank all management and staff for their cooperation and assistance during the audit.

Part 1

Audit of 2018/19 annual accounts



Main judgements

East Renfrewshire Council (the Council) and its group financial statements give a true and fair view of the state of affairs of the Council at 31 March 2019 and of its income and expenditure for the year then ended, and were properly prepared

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 relevant regulations and guidance.

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

The annual accounts are the principal means by which the Council and its group account for the stewardship of its resources and performance in the use of those resources.

Audit opinions on the annual accounts

16. The annual accounts for the Council and its group for the year ended 31 March 2019 were approved by East Renfrewshire Council on 26/09/2019. We reported, within the independent auditor's report that the;

- financial statements give a true and fair view of the state of affairs of the Council at 31 March 2019 and of its income and expenditure for the year then ended, 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 relevant regulations and guidance

17. We have nothing to report in respect of misstatements in information other than the financial statements, the adequacy of accounting records, the information and explanations we received, or the achievement of prescribed financial objectives.

Audit opinions on section 106 charities

18. 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.

19. We received the charities' accounts in line with the agreed timetable and after completing our audit we reported in the independent auditor's reports that:

- the financial statements properly present 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 20 June 2019 in line with the agreed audit timetable set out in our 2018/19 Annual Audit Plan.
21. The working papers provided with the unaudited accounts were generally 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 (WGA)

22. In accordance with the WGA guidance, the Council submitted a consolidation pack for the whole of government accounts audit on 4 July 2019 in line with the deadline. This will allow us to complete the required assurance statement and submit to the National Audit Office (NAO) by the 27 September 2019 deadline.

Risk of material misstatement

23. [Appendix 2](#) provides a description of those assessed risks of material misstatement in the annual accounts and any wider audit dimension risks that were identified during the audit planning process. It also summarises the work we have done to gain assurance over the outcome of these risks.
24. We have no issues to report from our work on the risks of material misstatement highlighted in our 2018/19 Annual Audit Plan. In response to the risk relating to estimation and judgement, we have requested additional reporting of the judgements made by the valuer with regard to valuations provided where rent has been used to calculate market value. While we acknowledge that progress has been made during the year, we continue to raise a recommendation relating to the arrangements for disaster recovery and business continuity. An update position is provided in paragraph 84.

Materiality

25. 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.
26. 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.
27. On receipt of the annual accounts we reviewed our planning materiality calculations and concluded that they remained appropriate.

Exhibit 2

Materiality values

Materiality level	Amount
Overall materiality	£3 million
Performance materiality	£1.8 million
Reporting threshold	£30 thousand


Source: Audit Scotland, Annual Audit Plan 2018/19

Significant findings from the audit in accordance with ISA 260

- 28.** International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance, including our view about the qualitative aspects of the body's accounting practices covering accounting policies, accounting estimates and financial statements disclosures.
- 29.** The significant finding is 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..

Exhibit 3

Significant finding from the audit of the financial statements

Issue	Resolution
<p>1. Netherlee School 1937 Endowment Trust</p> <p>The Netherlee School 1937 Endowment Trust is one of the seven section 106 charities administered by the Council. The objects of the Trust are to advance the education of the pupils and former pupils of Netherlee Primary School which includes using trust funds for educational purposes.</p> <p>There was a payment of £10,000 during 2018/19 from the Trust to a pupil to support her in her academic studies</p> <p>It was very difficult to obtain supporting audit evidence to confirm what this money was actually spent on and whether it was in line with the objects of the Trust.</p> <p>In line with the terms of the Trust Deed, the Trustees should ensure that expenditure should further the purposes of the Trust. We recommended in our 2016/17 Annual Audit Report that the Trustees of the Netherlee School Trust should consider the introduction of processes by which the proper use of funding awards could be confirmed. We repeat the need for such processes to be introduced.</p>	<p>The Trustees of the Netherlee School 1937 Endowment should maintain evidence on the actual use of grant awards which supports the proper use of Trust funds.</p> <p> Recommendation 1 (refer appendix 1, action plan)</p>

Subjective aspects of the audit

30. We have no significant findings to report about the subjective aspects (e.g. accounting policies, accounting estimates, and financial statements disclosures) of the 2018/19 accounting practices.

How we evaluate misstatements

31. It is our responsibility to request that all misstatements, other than those below the reporting threshold, are corrected, although the final decision on making the correction lies with those charged with governance considering advice from senior officers and materiality. There were no material adjustments to the unaudited Annual Report and Accounts arising from our audit.

Amendments to the accounts arising from legal and other judgements made after the accounts had been submitted for audit

32. The Council accounts for its share of Strathclyde Pension Fund in accordance with International Accounting Standard 19 Employee Benefits (IAS19) based on valuations of pension fund assets and liabilities by the actuary.
33. At the end of June 2019, the UK government were refused the right to appeal an age discrimination legal ruling (commonly referred to as the McCloud Ruling) relating to the transitional arrangement within firefighters and judges pension schemes. This ruling will impact on other public sector pension schemes, including Local Government Pension Scheme (LGPS), which have seen similar changes in their pension schemes.
34. Following the decision, the Council requested a revised IAS19 report from the actuary in order to quantify the increase in estimated liabilities as a result of the ruling. This revised report estimated the actuarial present value of promised retirement benefits as £134,841 million, an increase of £6.8 million. As this adjustment is fully mitigated by a statutory adjustment, it has no impact on the reported general fund reserve balance.
35. We reviewed the adjustments and were satisfied that the updated net pension liability reflected in the audited financial statements was properly stated.
36. Other than the change in the valuation of the pension fund liability as noted above, there were no material adjustments. We identified the following five misstatements which have been adjusted in the Council's financial statements:
- A reduction in property, plant and equipment of £0.284 million due to the late impairment of an asset
 - A reduction of £0.226 million in property, plant and equipment due to the incorrect classification of two intangible assets
 - An increase in property, plant and equipment of £0.038 million due to an error on the valuation certificate
 - An increase of £0.288 million in common good assets due to valuations not being updated on the fixed asset register
 - A decrease of £0.405 million to reflect the audit adjustments made to the 2018/19 accounts of the East Renfrewshire Leisure Trust.
37. All individual misstatements which exceeded our reporting threshold have been amended in the audited financial statements. There are no unadjusted errors.

Follow up of prior year recommendations

38. Progress in implementing our audit recommendations in the 2017/18 Annual Audit Report has been mixed. We repeat our recommendations made on the accommodation strategy and business continuity. Updated actions have been provided for housing stock valuations, budget underspends and reporting arrangements for the Transformation Programme. These revised responses and timescales have been agreed with management and are set out in [Appendix 1](#).
39. In 2017/18 as part of our recommendation on the valuation of the Council's housing stock, we noted that arrangements between the finance department and the in-house valuer would benefit from more formal procedures. We also note since moving to a 5-year rolling valuation programme in 2017/18, the Council has not yet developed and implemented a formal process for completing an annual impairment review of the Council's property portfolio.
40. To allow Accountancy Services to take ownership of the process, we recommend that the instruction on the valuation from finance to the valuer be further formalised, to include the assets to be revalued, the need for the valuer to conduct an annual impairment review of assets and a requirement for the valuer to set out their approach to the use of indexation factors.



Recommendation 2

The instruction on the valuation from finance be further formalised to include: the assets to be revalued and that valuation be provided in accordance with The CIPFA Property Valuation Guide; the need for the valuer to conduct an annual impairment review of assets; and requirement for the valuer to set out their approach to the use of indexation factors

Integration Joint Board

41. The Council has appropriately included its share of the financial transactions of the Integration Joint Board (the IJB) within its group financial statements. Our work on group disclosures included testing the accuracy and reliability of the IJB figures used in the group consolidation process. We also considered whether the Council's share of the IJB's financial transactions had been properly accounted for. This provided us with the required assurances on the accuracy and completeness of IJB figures included in the accounts. Further detail and commentary are provided in [Part 4 of this report](#).

Other findings

42. Our audit identified several presentational and disclosure issues which were discussed with management. This included the need to include more non-financial performance information in the Management Commentary. Additional disclosures have been included which provide an overview of the Council's performance against the five outcomes set out in the Community Plan. The Council have agreed to further consider their performance reporting within the Management Commentary in 2019/20 to ensure this reflects and enhances the public performance reporting already undertaken.



Recommendation 3

Further develop and enhance the reporting of non-financial performance within the management commentary for 2019/20

43. Capital grants in advance disclosed on the balance sheet, includes £2.698 million received from construction companies who have undertaken building projects within the Council area. The accounting treatment of such income is dependent on an assessment of any conditions which may be applied by the developer. Currently the Council has recognised these monies as being grants received in advance as there is a risk that these contributions may have to be repaid to developers. The Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code) requires that a full analysis of the legal agreements covering developers' contributions should be completed to ascertain the existence of conditions and the proper accounting approach. The Council have agreed to undertake this review early in 2019/20.



Recommendation 4

The Council should undertake a review of all monies received from developers to ensure compliance with the Code and ensure that the accounting treatment reflects any conditions which may apply

Objections

44. 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.

Part 2

Financial management



Main judgements

Financial management is effective with a budget process focussed on the Council's priorities.

Systems of internal control operated appropriately and effectively in 2018/19 with scope for improvements in some areas as reported to members in June 2019.

The Council should continue to review its budget monitoring to ensure forecasts of final outturn positions reflect actual spending patterns and demand.

Good financial management is the result of appropriate financial capacity, sound budgetary processes and whether the control environment and internal controls are designed and operating effectively

Financial performance in 2018/19

45. The Council approved its 2018/19 budget in March 2018. The budget was set at £234 million with a funding gap of £6.397 million. Plans to address this gap included £1.567 million from a Council tax increase of 3%, £3.330 million of savings and a transfer of £1.500 million from reserves.
46. The Council has a track record in delivering services within budget and our Best Value Assurance Report (BVAR) published in November 2017, highlighted the Council's history of significant budget underspends. Since then the Council has reviewed its budget setting process and taken steps to minimise the occurrence of unbudgeted year end surpluses. The Council has reported a year-end £4.126 million underspend against the original budget for 2018/19 and therefore the planned use of reserves during the year has not been required.
47. The last projected 2018/19 outturn reported to members in April 2019 forecast an underspend of £1.654 million. The actual outturn reported to members in August 2019 of £4.126 million represents a 149% movement on the previous forecast outturn position.
48. As with previous years, all service departments' net expenditure has been within the approved budgets. The reasons provided to members by the Council for the 2018/19 underspend are:
 - Payroll costs being lower than planned due to increased staff vacancies, this is against a higher than anticipated pay award;
 - Procurement and utility costs being lower than planned;
 - Income recovery exceeded expectations;

- As a result of departmental underspends, there has been a reduced utilisation of centrally held contingency being used to fund redundancy costs; and
- Capital financing savings due to slippage within the capital programme and lower than expected interest rates.

49. The reasons for the budget underspend remain largely similar to the reasons of previous years. In addition, due to the funding pressures anticipated going forward, particularly in 2020/21, the Council had requested that departments implement identified savings at the earliest opportunity to allow for an increase in reserves to mitigate the future savings requirements.

50. In 2017/18, the Council reviewed contingency budgets and undertook to reallocate these budgets within departments. The 2018/19 budget is the first full year of these budget reallocations and while an underspend has been reported at the year end, this is an underspend of 2% of budget compared with 4% in 2017/18.



Recommendation 5

The Council should continue to review its budget to ensure budgets and forecasts reflect actual spending patterns and demand.

Housing revenue account

51. The Council is required by legislation to maintain a separate housing revenue account and to ensure that rents are set to a level which will at least cover the costs of its social housing provision. The Council approved a rent increase of 3.9% for 2018/19.

52. Income and expenditure reported in the Housing Revenue Account were in line with budget with a small underspend on £0.089 million being recorded. This has had the impact of increasing the housing reserve to £1.7 million.

Reserves

53. 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 £49.9 million in 2017/18 to £43.7 million in 2018/19. The reason for the reduction was the planned use of £8.5 million from the Capital Reserve to fund expenditure. Within the overall level of usable reserves, the General Fund balance has increased by £3.2 million during the year to £29.6 million at 31 March 2019.

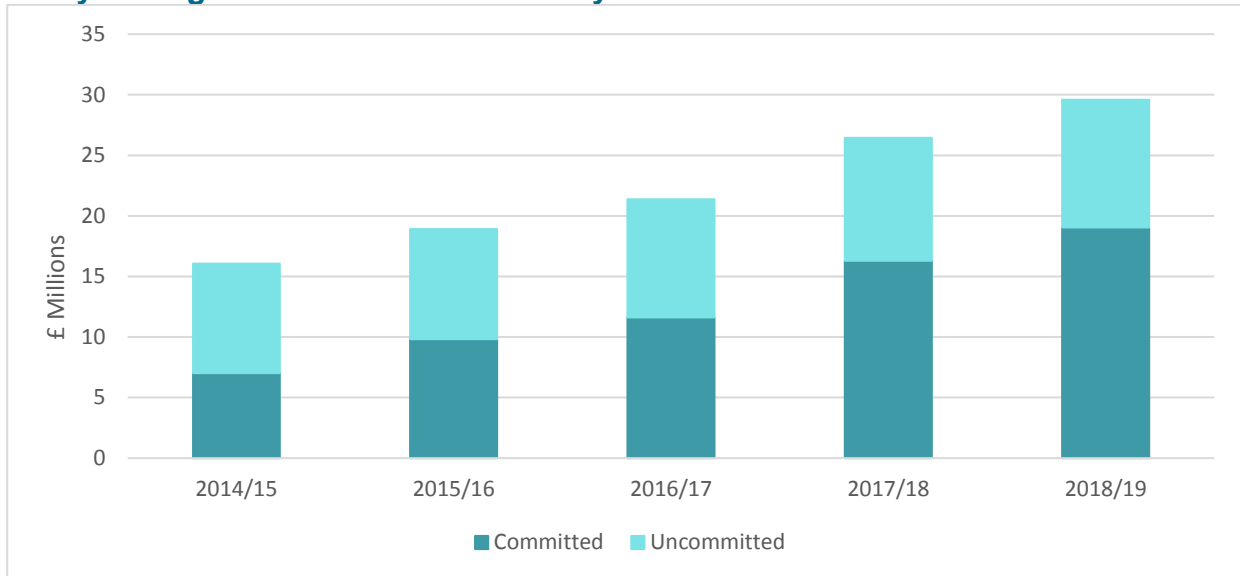
54. The General Fund is the largest reserve and is a contingency fund to meet unexpected expenditure and a working balance to help cushion the impact of uneven cash flows. The General Fund balance is split between committed reserves of £19.049 million set aside for specific purposes and uncommitted reserves of £10.554 million

55. The Council reviews the level of its reserves when setting the budget each year. The Council's approved reserves strategy specifies that uncommitted reserves should be 4% of net revenue. The level of uncommitted General Fund reserves as at 31 March 2019 was £10.554 million and this represents 4.4% of net revenue.

56. [Exhibit 4](#) provides an analysis of the general fund reserves over the last five years split between committed and uncommitted reserves. This shows an ongoing increase in the levels of reserves. This is due partly to the ongoing

underspends reported by the Council and to the establishment of new funds. While the level of non-committed general fund reserves has remained relatively stable, the level of committed balances has increased by £12 million over the past 5 years.

Exhibit 4 Analysis of general fund over last five years



Source: East Renfrewshire Council Annual Accounts

- 57.** Within the committed reserves of £19.049 million, the largest fund is the Modernisation Fund. The current balance on this fund is £7.660 million. The purpose of the fund is to enable upfront investment required to support the Council's transformation programme. As part of the budget papers approved in February 2019, the Council estimated £1 million of expenditure to be financed from the Modernisation Fund each year for the next 3 years. Expenditure from the fund will be on business cases approved by Corporate Management Team (CMT).
- 58.** Further analysis on the other funds included in the committed reserves is detailed in Exhibit 5.

Exhibit 5

Analysis of committed general fund reserves

Fund	Description	Net Movement In 2018/19	Closing Balance
Equalisation Fund	To mitigate any future revenue impact of PPP/PFI contracts	£0.241m	£2.799 m
Modernisation Fund	To facilitate the Council's transformation programme	£0.368m	£7.660 m
Unspent Grants	Grants received which the Council has not spent due to timing	£0.901m	£2.003m
Whitelee Windfarm	Contributions and projects at Whitelee Windfarm	(£0.088m)	£0.692m
Commuted Sums	Amounts received from developers' contributions under planning act	£0.199m	£2.493m
Devolved school management	Allows Head teachers to carry forward a set % of school budget	£0.931m	£3.202m
Feasibility fund	To allow for early preparation and investigations for capital projects	£0.200m	£0.200m
TOTAL			£19.049m

Source: East Renfrewshire Council Annual Accounts

Efficiency savings

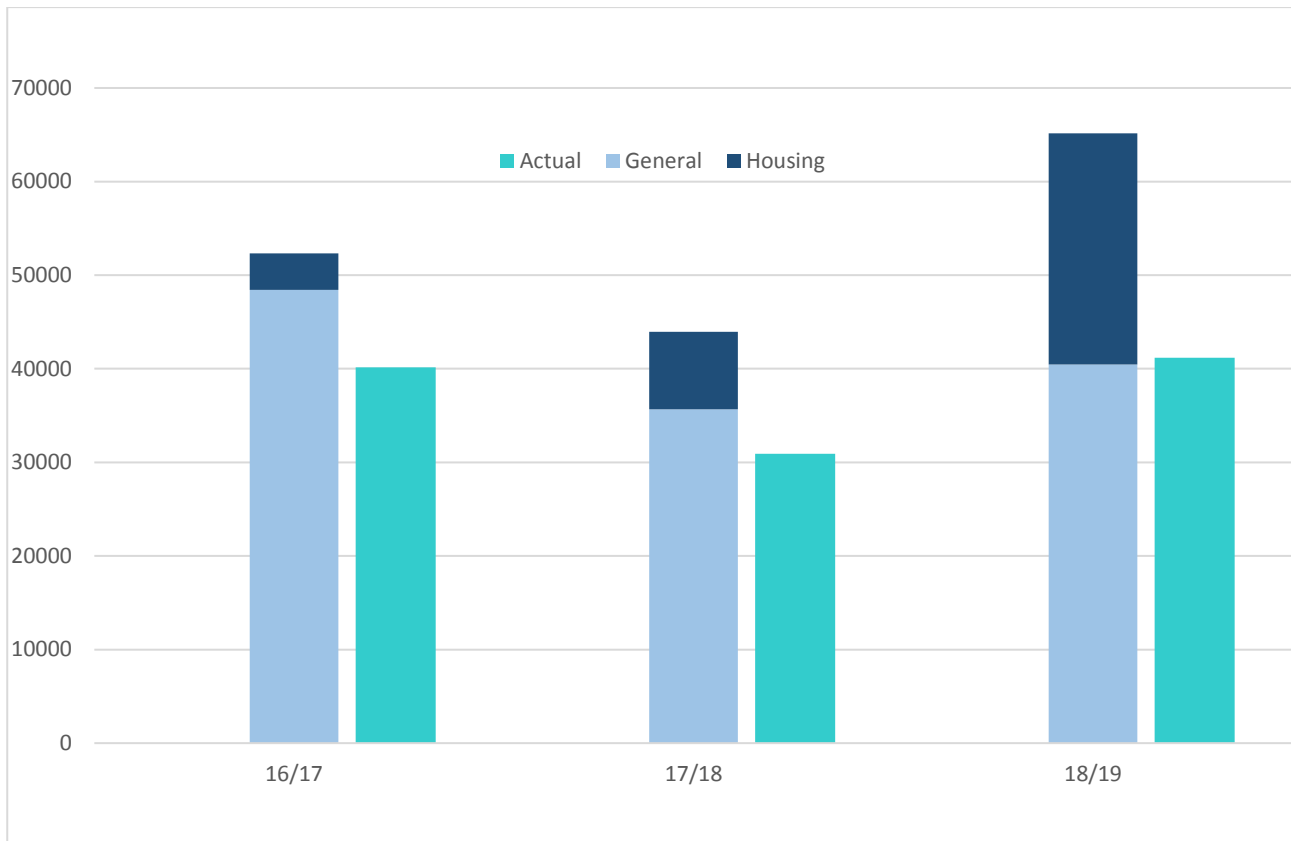
59. With reducing funding from government and increasing demand for Council services, efficiency savings are an important means of bridging the gap between funding received and spending commitments.
60. The Council achieved its planned budgeted savings of £3.330 million in 2018/19. The Council is required to make an unaudited annual return to the Scottish Government in respect of recurring efficiency savings. The unaudited annual efficiency statement was presented to the Cabinet on 15/08/19 and records efficiency savings of £3.375 million.

Capital programme 2018/19

61. Total capital expenditure in 2018/19 was £41.187 million of which £32.559 million was related to general services and £8.628 million to the housing revenue account.
62. The final 2018/19 capital monitoring report to Cabinet in March 2019 reported an approved a total capital programme of £43.368 million (£34.287 million for general fund and £9.081 million for housing). This represents a reduction of £21.788 million (33%) against the original capital programme approved by members in March 2018 due to the reprofiling and delays in capital projects.
63. Actual capital spend was £2.181 million (5%) below the revised budget. The Council has a history of slippage/under-spending in its capital programme as outlined in [Exhibit 6](#).

Exhibit 6

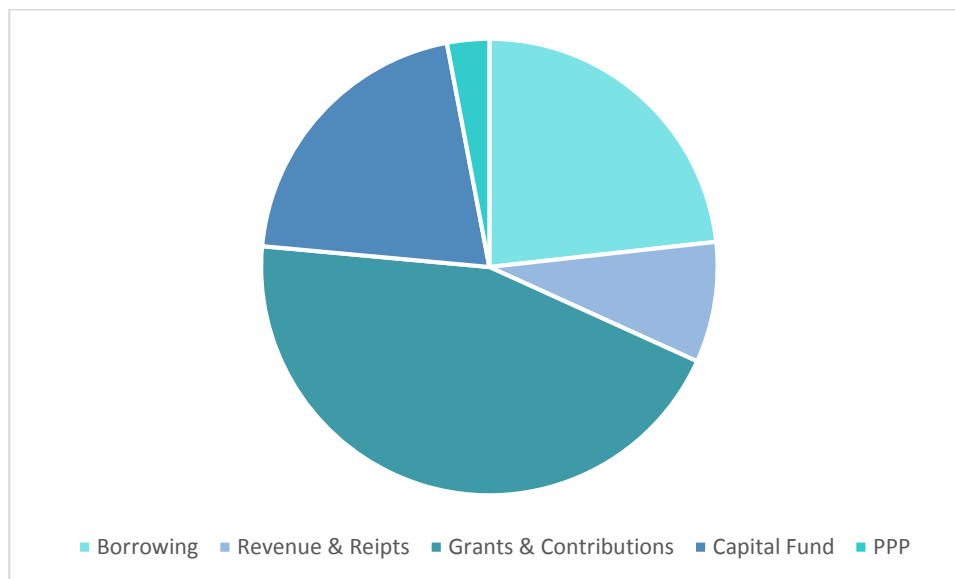
Capital slippage compared to budget (general fund and HRA)



Source: East Renfrewshire Annual Accounts

- 64.** Within the General Fund, the main areas of capital slippage include delays in a nursery refurbishment, which did however open in August 2019 as planned, the 1140 hours early years expansion which is a major capital programme and a delay in the office accommodation strategy.
- 65.** The Council's plan for building new housing stock is split into two phases. Phase two was originally planned to start in November 2018 and is now scheduled to begin in Autumn 2019 because of delays in building the supporting roads network which is being completed as part of the City Deal. This has not impacted on the scope of the programmes.
- 66.** The Council's 2018/19 Investment Programme expenditure was funded as noted in Exhibit 7.

Exhibit 7 Sources of Funding



Capital Funding in 2018/19 Source: East Renfrewshire Council Annual Accounts

67. One of the capital projects completed in 2018/19 was the Greenlaw Business Centre. This was included as an operational asset on the balance sheet at 31 March 2019 and was revalued by the valuer at 31 March 2019. The Centre cost £5 million to construct and was valued at £0.7 million for the building and £0.3 million for the land. The valuer has appropriately adopted the use of a market rent valuation basis. As this property was built by the Council as a business incubator to support small businesses and start-ups, a void risk element has been incorporated into the valuation. The application of a risk yield introduces an element of volatility to the valuation and occupancy levels should be kept under review by the valuer to ensure the current risk yield remains appropriate.



Recommendation 6

The actual occupancy levels of the Greenlaw Business Centre should be kept under review and appropriately reflected in future valuations.

Borrowing in 2018/19

68. As shown in Exhibit 8, the Council's outstanding loans at 31st March 2019 were £180.431million, of which £90.48 million (50%) relates to the Council's PFI and PPP commitments.
69. The future revenue commitment to the Council over the term of the PFI and PPP contracts was £191 million (£204 million 2017/18) and represents a significant future pressure on budgets with current PFI/PPP contracts due to end between 2026 and 2042. The Council maintains an equalisation fund which is to mitigate future affordability gaps with PFI/PPP expenditure, the balance of which is kept under review. The balance on the fund at 31 March 2019 was £2.799 million.
70. Total external debt, which includes the Council's long-term liabilities, was within the authorised limit and operational boundary set by the treasury management strategy. With regard to current guidance and good practice, we conclude that

the Council continues to have a prudent approach to borrowing and continues to consider the affordability of future borrowing.

Exhibit 8

Overall indebtedness over past 3 years



Source: East Renfrewshire Council Annual Accounts

Budgetary process

71. The *Local Government in Scotland: Financial overview 2017/18* (November 2018) highlighted the need for Councils to set realistic and accurate budgets and forecasts.
72. Financial forecasting is an embedded part of the Council's budget setting process and it continues to develop the use of scenario planning to improve the accuracy of its longer-term financial forecasts.
73. Revenue and capital monitoring reports provide an overall picture of the Council's budget position at service level. The monitoring reports provide comprehensive explanations for significant variances against budget. However as noted previously, considerable differences remain between the projected outturn position reported to members towards the year-end and the final outturn position.

Systems of internal control

74. 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.
75. The findings from our review were included in our management report presented to the Audit and Scrutiny Committee on 20/06/2019. We concluded that the key controls were operating effectively. No significant internal control weaknesses were identified which could affect the Council's ability to record, process, summarise and report financial and other relevant data which could result in a material misstatement in the financial statements.

Internal audit

76. We reviewed the Council's internal audit arrangements in accordance International Standard on Auditing (UK) 610 (Using the Work of Internal

Auditors) to determine the extent we could use their work. We have used the work of internal audit in accordance with the areas reported in our annual audit plan, specifically aspects of the Council tax system, creditor payments and payroll.

Standards of conduct for prevention and detection of fraud and error

77. 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.
78. 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 at this time.

National Fraud Initiative

79. 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.

80. NFI activity to 30 June 2019 is summarised below:

NFI activity



3294

Matches



1111

Recommended for investigation



2582

Completed/closed investigations

Source: NFI secure website: www.nfi.gov.uk

81. At 30 June 2019, the Council had reviewed 1,592 of the 2,288 creditors matches and 990 of the 1,006 Council tax single persons discount matches. It is in the process of recovering £32,858 due to Council tax single person discount fraud and £33,316 relating to fraud and claimant error in Housing Benefits and Council Tax Reductions.

82. It is clear that the Council is engaged with the NFI exercise and proactively investigates matches. Priority is given to high risk matches after which the aim is to follow up all matches identified. Performance targets are set and progress in the follow up of matches is regularly reported to senior management and reported annually to the Audit and Scrutiny Committee.

ICT controls

83. As part of our audit work in 2018/19, we have reviewed the ICT control environment within the Council. This work included a review of access controls, and feeder system reconciliations.
84. We had identified in both 2016/17, 2017/18 and in our 2018/19 Annual Audit Plan that the Council's arrangements for disaster recovery and business continuity were potential areas of risk.

85. Following a change in responsibility for Business Continuity during 2018/19, the Council are now working to align Business Continuity Plans to the IT Disaster Recovery plan. This work is being progressed through the CRMT (Crisis Resilience Management Team)
86. A report is due to go to the Corporate Management Team (CMT) later in 2019 which will provide an update on the status of all Business Impact Assessments (BIAs) and Restoration plans. Dedicated ICT resource continues to be in place for the continuing IT Disaster Recovery work with plans and additional resources identified
87. Until the full implementation of these revised arrangements there is a risk that the Council will suffer a loss of data and disruption to services in the event of a major system failure or disaster.



Recommendation 7

East Renfrewshire Council should ensure that the business continuity arrangements are current and that disaster recovery arrangements are current and tested

Part 3

Financial sustainability



Main judgements

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.

There are long-term financial plans which demonstrate how it will address future budget challenges. An updated savings requirement of £28.142 million (before Council tax increases) has been identified for 2019/20 and 2020/21. Due to savings already made by services, it will be increasingly difficult to make the required savings in future years.

The Council has increased the balance on the General Fund by £3.2 million and ended the year with a total General Fund balance of £29.603 million. There are plans to utilise reserves balances in future years to meet funding gaps.

Financial sustainability focuses on the medium and long term to consider whether a body is planning effectively to continue to deliver its services or the way in which they should be delivered.

Financial planning

88. 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 and which reflect the impact of future pressures on the Council. The Accounts Commission recommends that Councils should plan for a range of scenarios, so they are prepared for different future levels of funding and income.
89. As part of the annual budget setting meeting, the Council present their long-term financial plan, covering the period 2019 to 2025. This provides detail on the range of funding scenarios which the Council is planning for, and also provides some useful commentary and narrative for the economic and demographic that the Council is planning for over the period.
90. The Council operates a 3-year budget cycle. The current cycle covers the period 2018/19 to 2020/21. This therefore means that 2019/20 is the 2nd year of the programme. While approving the 2019/20 budget, members provisionally approved the 2020/21 budget.

Funding position and savings plans

91. The Council is facing several challenges in maintaining a sustainable financial position over the medium to long term. These include rising demand for services, increasing cost of services and reductions in funding from central government.
92. The Council's 2019/20 budget estimates forecast a total funding gap of £28.142 million for 2019/20 and 2020/21. A Council tax increase of 3% per annum has been approved, leaving a savings requirement of £24.754 million

which is split £11.824 million and £12.930 million respectively for each year. The Council plans to bridge these gaps mostly by efficiency savings and the use of reserves as illustrated in [Exhibit 9](#).

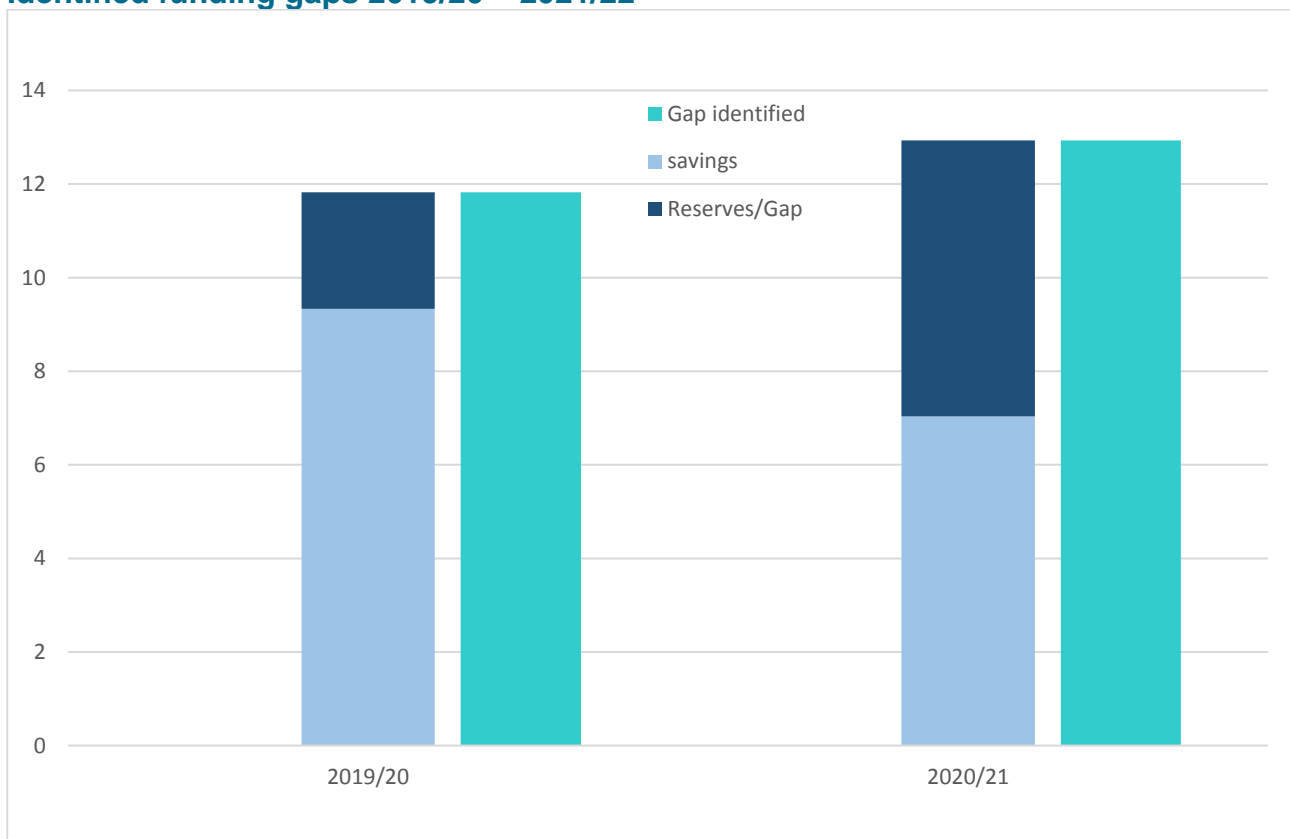
- 93. Of the £24.754 million savings requirement, the Council has, to date, approved savings of £16.368 million of which £6.4 million is dependent upon the successful delivery of the Council’s Modern Ambitious Programme (MAP). After the additional use of reserves approved in 2019/20 of £2.492 million, a funding gap of £5.894 million remains for 2020/21. The Council is currently working on plans to address this gap.
- 94. The Council has a strong history of delivering target savings plans. Over the last five years the Council has delivered approved savings of over £29 million. However, having delivered these savings, securing further savings is likely to be difficult while maintaining the same level of service provision. Increasingly alternative service redesign will be required to address identified funding gaps, and this may include taking some difficult decisions around service provision.



Recommendation 8

The Council has identified that it needs to make savings of £24.754 million for the period 2019/20 to 2020/21. £16.368 million of future savings have been identified along with the use of reserves approved by members. A funding gap of £5.894 million remains for 2020/21.

**Exhibit 9
Identified funding gaps 2019/20 – 2021/22**



Source: East Renfrewshire Council Revenue Estimates 2019/20

Changing landscape for public financial management and medium to long term financial planning

95. Scottish public finances are fundamentally changing, with significant tax-raising powers, new powers over borrowing and reserves, and responsibility for some social security benefits. This provides the Scottish Parliament with more policy choices but also means that the Scottish budget is subject to greater uncertainty and complexity.
96. A new Scottish budget process has been introduced, which is based on a year-round continuous cycle of budget setting, scrutiny and evaluation. As part of the new budget process, the Scottish Government published an initial five-year Medium-Term Financial Strategy (MTFS) in May 2018. The five-year outlook for the Scottish budget, set out in the MTFS, provides useful context for bodies' financial planning.
97. The Council has referred to the MTFS in its Financial Strategy and will reflect assumed changes to the future levels of Scottish Government funding settlements in its future financial plans.

EU Withdrawal

98. There remains significant uncertainty surrounding the terms of the UK's withdrawal from the European Union (EU). EU withdrawal will inevitably have implications for devolved government in Scotland and for audited bodies. 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 potential changes to migration are likely to affect the availability of the people and skills needed to deliver services.
 - Funding – the extent to which potential changes to existing EU funding programmes are likely to affect the finances of public bodies and the activity that such funding supports.
 - Regulation – the extent to which potential changes to EU regulations are likely to affect the activities of some public bodies.
99. The risks associated with leaving the European Union is one of the top risks included on the Council's corporate risk register. Progress against the planned mitigating actions is periodically reviewed by the Audit and Risk Committee and is a standing item on every meeting of the Corporate Management Team.
100. In line with good practice, the Audit and Scrutiny Committee has considered the Audit Scotland report "Withdrawal from the European Union - Key audit risks for the Public Sector" and has assessed the current level of the Council's preparedness against the key areas of people, finance and rules and regulations. In addition, the Council's Treasury Management Strategy for 2019/20 noted the possible impact of Brexit on future treasury management policies.
101. The Council is strengthening its preparedness for the outcome of Brexit and have recently appointed a Brexit Coordinator and established a Brexit Working Group to coordinate and monitor progress on the various aspects of Brexit including internal preparedness and liaison with external bodies.

Asset management

102. With continued pressures on budgets and expenditure, asset management is a critical tool in ensuring the Council achieves best value across its capital estate. We considered the Council's approach to planning and managing its portfolio of assets as part of the Best Value audit in 2017. The Council's progress to date in improving asset management has been mixed and there

remain a number of actions to take forward. This is further detailed at Part 5 (para 126).

Business transformation

- 103.** Audit Scotland's [*Local government in Scotland – challenges and performance 2019*](#) (April 2019) highlighted the importance of developing alternative forms of service delivery to meet the challenges of tightened budgets and to transform public services in Scotland.
- 104.** The Council's Modern Ambitious Programme (MAP) is a mixture of development projects and reviews of existing services. The Council's focus over the preceding year has been the development of its core systems programme for replacing the Council's systems for finance and procurement and for payroll and human resources along with establishing a Council wide digital programme.
- 105.** We considered the Council's governance framework for its improvement and change programmes as part of the Best Value audit. Since then the Council has made steady progress in improving the monitoring and reporting of its MAP projects. This is further detailed at Part 5 (para 123).

Workforce planning

- 106.** The Council has made good progress in workforce planning and has in place a Workforce Plan and Strategy covering 2018-2021. This includes details of workforce priorities, the likely future shape and characteristics of the Council and required workforce. A workforce planning working group meets regularly to review the overall strategy and actions for the Workforce Plan and progress against the priorities in the plan is formally reported to the Corporate Management Team.
- 107.** The Council has identified a future reduction in the workforce of potentially 265 employees and a separate increase of approximately 200 new early years workers. The Council is in a period of considerable change and we raised in our 2018/19 management report an action in relation to the ongoing capacity of staff within their current roles. We have received management assurances that the impact of current and extra demand on resources on staff capacity and services is being regularly monitored. This is an area that we will follow up in our 2019/20 audit.

Part 4

Governance and transparency



Main Judgements

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

The Council demonstrates a commitment to openness and transparency in the way it conducts its business.

Good governance and transparency is the result of effective scrutiny and control arrangements, leadership and decision making and transparent reporting of financial and performance information.

Governance arrangements

- 108.** The Council's arrangements for governance formed part of our Best Value audit of the Council. We concluded that the Council had sound governance arrangements in place with scope to improve member scrutiny.
- 109.** In response to the Best Value Assurance Report the Council has implemented a number of changes in procedures which are strengthening member scrutiny. These include changing the format of Cabinet meetings to strengthen the scrutiny and challenge of Council officers by members, training events for elected Members and the Head of Accountancy now acts as advisor to the Audit and Scrutiny Committee and attends all meetings.
- 110.** In our 2018/19 Management Report we highlighted that some of the discussion between members of the Audit and Scrutiny Committee could be adversarial along party political lines rather than being focused on the remit and function of the Committee. We have received assurances from management that actions are in place to address this issue. This includes the appointment of a Scrutiny and Evaluation Officer (SEO) whose remit includes supporting members of the Audit and Scrutiny Committee in their scrutiny role. Early work carried out by the SEO included the development of a Guide to Scrutiny and Review for elected Members.

Openness and transparency

- 111.** There is an increasing focus on how public money is used and what is achieved through the use of that money. In that regard, openness and transparency supports understanding and scrutiny. Public expectations of openness and transparency are increasing as citizens want to better understand how public money is used to support their participation in local service design and delivery.
- 112.** The Council demonstrates a commitment to openness and transparency in conducting its business. For example, members of the public can attend meetings of the full Council and committees and video recordings of the full Council meetings are available on the Council's website. Additionally, comprehensive minutes of these committee meetings and supporting papers are readily available on the Council's website.

Transparent reporting of financial performance in the Management Commentary

113. The financial performance reported in the 2018/19 management commentary clearly explains the Council's financial performance in year. The figures provide details of outturn against budget for the general fund and figures are reconciled to those in the annual accounts. The position reported in the narrative is reconciled to the movement in the General Fund contained in the financial statements.

Integration of health and social care

114. 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.

115. The East Renfrewshire Integration Joint Board (the IJB) returned a surplus of £0.528 million in 2018/19, giving the IJB total reserves of £5.337 million as at 31 March 2019. The IJB's medium term financial plan details a funding gap of £3.1 million for 2019/20 and savings plans have been introduced to meet this funding gap. These do not currently include any planned use of IJB reserves. Funding gaps have also been identified for future years and there will be considerable ongoing financial pressures over the medium term. We have concluded that the IJB has appropriate and effective financial planning arrangements in place.

116. The Care Inspectorate carried out an inspection of the Care at Home Service in February 2019. The Care Inspectorate concluded that the care at home service was delivering poor outcomes to service users. The service has been given nine requirements and one recommendation to meet and was graded as:

- unsatisfactory for care and support
- unsatisfactory for management and leadership
- weak for staffing

The report did highlight that service users spoke very highly of the support workers and their care and compassion.

117. A detailed report on the findings of the Care Inspectorate report has been put to the IJB Board along with a detailed action plan to address the findings.

118. It is noted that the inspection report has not yet been formally submitted to Council members. The care at home service plays a vital role in delivering the Council's target outcomes and the Council retains the statutory responsibility for the provision of social work services. Therefore, in the interests of good practice and openness and transparency, the report should be put to Council members to allow them to discuss, amongst other things, the impact of the findings and adequacy of the planned improvement actions.



Recommendation 9

The Care Inspectorate Report on the Care at Home Service of February 2019 should be formally reported to Council members.

Shared Risk Assessment

119. The local area network, comprising representatives of all the scrutiny bodies who engage with the Council, met during the year to carry out a shared risk assessment. The shared risk assessment process draws on a range of evidence with the aim of determining any scrutiny risks in the Council and the IJB. There were no additional risk areas where specific scrutiny was required, over and above that which is nationally directed or part of ongoing work programmes by the scrutiny bodies. Expected scrutiny activity across all Councils in Scotland informs the National Scrutiny Plan, which for 2019/20, is due to be available from the Audit Scotland website from October 2019.

Part 5

Value for money



Main judgements

The Council continues to progress the recommendations from the Best Value Assurance Report published in November 2017. Further improvements have been made to asset management, the monitoring and reporting of the Council's transformation projects and the framework for integrated strategic planning.

The Accommodation Strategy and development of a Corporate Landlord approach remain outstanding. These will be critical for informing future Council decisions on the planned new build leisure centre and the Eastwood Park master plan.

The Council can demonstrate a commitment to equal opportunities and steady progress is being made in meeting the statutory equality duties. Some equality processes require ongoing development to ensure continuous improvement.

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

Best value

120. 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. Our best value work this year focussed on the follow-up of progress made by the Council in response to our Best Value Assurance Report (BVAR) published in November 2017 and compliance with the Council's statutory equalities duties. This section of our Annual Audit Report also includes audit findings from our review of the Council's performance against agreed targets.

121. The Council's Best Value improvement action plan was approved by the Council in December 2017 and progress reports were presented to Cabinet in April 2018 and 2019. Overall, the Council has continued to take positive steps against the agreed actions. We have revisited those actions which were ongoing at the end of 2017/18 to assess the progress made over the last year and noted our main findings under the following main areas below.

Integrated Strategic Planning

122. We reported in our 2017/18 Annual Audit Report that the Council had been proactive in improving its arrangements for ensuring a fully integrated approach to managing its resources. The Council has continued to make progress within this area. The Council approved in October 2018 an outline of their key medium to long term strategies and the strategic relationships between these key Council documents. The Council have further developed their strategic planning framework with the aim of demonstrating how the key priorities of the Council relate to long terms strategies and plans and also ensure that budgets are clearly linked to these plans.

Reporting arrangements for the Business Transformation Programme

123. As part of the 2017/18 annual audit report, we reported that the arrangements for monitoring the Council's transformation and service redesign projects did 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.

124. During 2018/19 the Council has made considerable progress in

- Developing a new reporting framework on MAP to the CMT
- Implementing a new reporting dashboard to improve consistency in the level of reporting across Council departments
- Reporting to Members of the implementation of the transformation programme

125. The Council recognises that further improvements are required to:

- Investigate the potential use to the corporate dashboard for capital reporting
- Improve reporting of the progress with agreed savings plans to demonstrate a clear and transparent link to savings targets
- Align approved savings plans with MAP projects to ensure consistency and facilitate better tracking of savings delivery



Recommendation 10

Enhance the MAP reporting framework to align the Council's transformation programme and its associated projects with approved savings plans to track savings achieved at both the programme and project level.

Asset Management

Accommodation Strategy and Corporate Landlord

126. We noted in 2017/18 that progress was still required in the area of asset management and that there was a need to approve and action the Council's Accommodation Strategy.

127. Progress in asset management has been made throughout 2018/19, with updated asset management plans for all asset classes having now been approved by members. A draft Accommodation Strategy was put to Council in October 2018.

128. The approval and implementation of a final Accommodation Strategy will be key to the development of the Council's corporate landlord approach to ensure a consistent and central approach to property management. This should now be progressed as a priority in order to inform future Council decisions, in particular the planned new build Leisure Centre and the future of the Council offices located in Eastwood Park.

129. We repeat our recommendation from 2017/18 on the need to implement an Accommodation Strategy and progress the development of the planned

Corporate Landlord approach to asset management. In order to secure the full range of benefits and savings from the property portfolio, the links between property AMP, the Accommodation Strategy and the Corporate Landlord will be required to be developed.



Recommendation 11

Approve a finalised Accommodation Strategy to inform future decisions, in particular the planned new build Leisure Centre, the Eastwood park master plan and the development of the Council's corporate landlord approach to asset management.

Equal Opportunities

130. The Equality Act 2010 requires the Council in carrying out its functions to eliminate unlawful discrimination, advance equality of opportunity and foster good relations between people. We considered as part of our 2018/19 audit, the Council's progress to date in meeting these statutory duties.

Commitment to Equal Opportunities

131. It is important that senior officers and elected members actively promote equalities, incorporating it in organisational values and effective training and awareness. Equality and fairness are key themes within the Council's Community Plan 'Fairer East Ren', which is focused on tackling inequalities and closing the gap between communities in East Renfrewshire. This is also reflected in the Council Plan - Vision for the Future, and Outcome Delivery Plan 2018-22 which is the Council's action plan for delivering the Community Plan. These key strategic documents outline a focus on early years and vulnerable young people, elderly people and those with long term conditions, and also on socio-economic disadvantage, with a particular focus on areas of deprivation.

132. The Council is making good progress in considering how the new 'Fairer Scotland' duty can be integrated into key plans including the Community Plan which has a strong focus on tackling socio-economic disadvantage.

133. The Council's Leadership and Management development programme includes an e-learning course on equality and diversity. The staff Continued Professional Development (CPD) programme also includes modules on equality and diversity but this is not a mandatory requirement. Equality training has to date not featured as an explicit element within the elected members training and induction programme. While elected members can access the staff CPD programme only one elected member has undertaken an on-line equality module on equality. The Council recognises that more needs to be done in this area.



Recommendation 12

Training on equalities should be a mandatory requirement for employees and elected members should be provided with training on equality, including the Public Sector Equality Duty to ensure they can carry out their role effectively.

134. The Council has published an Equality and Human Rights Plan 2017-21 and has recently published a two-yearly Equality Outcomes Progress Update report for 2017-19. These are statutory requirements of the Council as per the Public Sector Equality Duty.

Embedding Equal Opportunities in service delivery

135. In formulating new policy, reviewing services and making budget decisions the Council screens for equality impacts and conducts full Equality Impact Assessments (EIA) where equality impacts are considered relevant. Detailed Equality Impact Assessments were completed in respect of the Council's Community Plan and Outcome Delivery Plan which included information on all areas of protected characteristics.

136. While it is clear that the Council completes EIAs there is scope for strengthening the central review of how equalities considerations are built into Council decisions. In particular there is no central oversight or quality assurance of Equality Impact Assessments which should be central in ensuring that equality has been considered appropriately in relation to Council decisions on new/revised policies and programmes. There is a lack of transparency in what evidence has been considered in screening for equalities in Council decisions and in carrying out EIA's. In line with the Public Sector Equality Duty, all EIAs for new policies or programmes should be published on the Council website. At the time of our review, the Council's website had a small number of EIA's published with the majority of these being published more than two years ago.



Recommendation 13

Equality Impact Assessments should be held centrally, and quality checks carried out. The results of Equality Impact Assessments should be made public as required.

137. The Council has introduced a wide range of initiatives designed to meet the needs of different groups in the design and delivery of its services, including engaging with third sector organisations. It is committed to understanding better the individual needs of customers through improving digital capacity and the scope for data analysis. In particular a new digital programme is being implemented that will allow analysis of customer needs and design of more responsive services.

Promoting Equal Opportunities in the community

138. The Council has introduced a variety of initiatives for such engagement including:

- operating a Citizens Panel of 1200 local people
- working with Voluntary Action East Renfrewshire in holding Fairer Scotland Conversations
- supporting the development of an East Renfrewshire Additional Needs Partnership
- facilitating as part of its Community Empowerment Act activities;
 - Communities Together and ongoing engagement with third sector partners to inform the Fairer East Ren delivery plans, with a focus on reducing inequality
 - Engagement events with specific, priority geographical communities to inform locality plans
 - Community events to implement Participatory Budgeting
- holding the annual Bridge to Change community equality conference

- working with the East Renfrewshire Faith Forum, including an event in partnership with the Syrian Community
- supporting the youth forum in gauging the views of young people through a dedicated Young Persons Service and Communities team

139. The Council can demonstrate a commitment to equal opportunities and steady progress is being made in meeting its statutory equality duties. Officers are aware that there are some processes which require ongoing development to ensure continuous improvement.

Following the public pound

140. 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.

141. The Council's financial regulations contain a specific section on following the public pound. These require Heads of Service to apply the recommendations of the Accounts Commission's Following the Public Pound 2006 Report in relation to funding arrangements with Arm's Length and External Organisations (ALEOs). The financial regulations emphasise that formal contracts must be put in place at the outset of a new funding agreement, ensuring management arrangements over funding are defined and termination arrangements are incorporated.

142. The Council uses an ALEO, the East Renfrewshire Culture and Leisure Trust (ERCLT) for the provision of its arts, libraries, sports and community facilities.

143. A well-established framework is in place for reporting and monitoring the performance of ERCLT to the Council. This includes:

- The ERCL annual Business Plan is approved by the Council.
- ERCL's performance against the targets in the Outcome Delivery Plan is monitored by the Council and the Community Planning Partnership on a 6-monthly basis.
- A Year End Performance Report.
- Four members of the Council sit on the Board of ERCL and are responsible for reviewing the Trust's performance against its business plan.
- A Year End Performance report on ERCLT is reported to the Cabinet and Council.

144. During 2017/18 the Council provided the ERCLT with additional funding to help address the Trust's budget overspend. The Leisure Trust operated within budget for 2018/19. 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 beyond 2019/20.

145. The action plan agreed after the independent finance and business review of the Leisure Trust in 2017/18, is progressing and is overseen by the Director of Education, the Council's Chief Finance Officer and the Leisure Trust's Board and its Chief Executive. 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 and performance.

Performance management

- 146.** The Council has a well established performance management framework which provides a sound base for improvement.
- 147.** The Council's arrangements for measuring and reporting its performance are well established. A variety of performance reports show performance against the partnership outcomes in the Community Plan, the Council's contribution through the Outcome Delivery Plan (ODP) and include Citizens' Panel results and LGBF data. The reporting arrangements include:
- Every six months, each department's director and the HSCP report their department's performance to the Council's Chief Executive.
 - The CMT collectively reviews overall Council performance and a report is prepared for the Cabinet.
 - The Cabinet receives six-monthly progress reports on the ODP and the Community Planning Partnership (CPP).
 - The Council's partners review performance on CPP progress at their six-monthly Performance and Accountability Review (PAR).
 - Annually, performance is reported to East Renfrewshire Council and the CPP board.

Overview of performance targets

- 148.** 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.
- 149.** The Council's style of reporting against LGBF indicators is clear. Indicators are grouped under the Council's strategic outcomes and graphs showing trends against the Scottish and family group averages are included. Reports highlight what is planned to improve performance and, for each group of indicators, describe the Council's strategic policy intention.
- 150.** The Council and Cabinet receive regular performance reports throughout the year, including both a Strategic Mid-year and Year End Council Performance Report. The Annual Performance report is based on the performance indicators in the Council's Outcome Delivery Plan 2018-2021 and demonstrates the Council's contribution to the partnership outcomes in the Community Plan.
- 151.** The Annual Performance Report for 2018-19 shows that the Council is performing well against most of the indicators in the Outcome Delivery Plan. Of a total of 21 indicators, 13 are on target, 7 have still to achieve target (performance levels within management's accepted thresholds) and one indicator has been classified as red as being below target. The results of the Autumn 2018 Citizen's Panel survey showed that 72% of respondents were satisfied with Council. This is in line with the level of satisfaction reported in previous years where levels have fluctuated between 72% and 79%.

Statutory performance indicators (SPIs)

- 152.** 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.
- 153.** For 2018/19 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](#).

154. We reviewed the Council's arrangements for recording and publishing performance data and we have no issues of concern to report. Reports on the Council's performance, as well as the Community Planning Partnership are easily accessible on the Council's website including information on how it responds to complaints, information on consultations with service users and communities and detailed reporting against the statutory indicators in the Local Government Benchmarking Framework.

Eastwood Leisure Centre

155. A major capital project for the Council will be the building of a new Eastwood Leisure Centre. In December 2017, the Council reported on the extent of repairs needed to the current Eastwood Leisure Centre and in June 2018, a public consultation on the future of leisure provision within the Eastwood area was launched. The outcome of this was public support for a new leisure centre to be built and in October 2018, a report with supporting consultant's report was presented to members. Originally, Eastwood park had not been highlighted in the consultant's report as the preferred site for the location of the new leisure centre due to over-crowding in the Eastwood Park area.

156. At the Council meeting on 26 June 2019, the Council approved Eastwood Park as the preferred site for the new Eastwood Leisure Centre. It is noted that this decision was made by members in the absence of any reported costs of locating the new centre in the Park. This is despite the report highlighting that the Eastwood Park option is likely to be more expensive than providing the same facility on an alternative clear site.

157. We will undertake a review of the option appraisal process underpinning the decisions on the location of the new Leisure Centre as part of our 2019/20 audit.

Core Systems

158. A key part of the Council's transformation programme is the replacement of core financial systems. The first stage of this replacement went live on 3rd September 2019. This was a replacement of the finance ledger. This is due to be followed by a new payroll/HR system later in 2019/20.

159. The replacement of these key financial systems will impact on our audit work in 2019/20. Additional work will be required to review the transfer of balances onto the new systems. We will seek to gain assurance on the work which the Council has undertaken on the balances and also on the work of Internal Audit. Discussions have taken place on the Council's plans for access to legacy systems and data. We will review the data solution approved by the project management board in July to ensure this is appropriate and in line with the Data Retention Policy.

National performance audit reports

160. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2018/19, Audit Scotland published a number of reports which may be of interest to the Council. These are outlined in [Appendix 4](#).

161. The Council follows good practice by reporting national performance reports to the Audit and Scrutiny Committee for review and an assessment of the

Council's current approaches against any recommended actions or highlighted good practices.

Appendix 1

Action plan 2018/19



No.	Issue/risk	Recommendation	Agreed management action/timing
1	<p>Netherlee School 1937 Endowment Trust</p> <p>We had previously recommended in our 2016/17 Annual Audit Report that the Trustees of the Netherlee School 1937 Endowment Trust should consider the introduction of processes by which the proper of grant awards could be confirmed. This recommendation has not been implemented by the Trustees</p> <p>Risk:</p> <p>The Trust incurs expenditure contrary to the terms of the Trust Deeds</p>	<p>The Trustees of Netherlee School 1937 Endowment Trust should maintain evidence on the actual use of grant awards which supports the proper use of Trust funds.</p> <p>Exhibit 3</p>	<p>The Head of Accountancy will again write to the school trustees, recommending that evidence of the actual use of grant awards should be maintained in order to support the expenditure included in the Trust's accounts.</p> <p>Head of Accountancy (Chief Financial Officer)</p> <p>31 October 2019</p>
2	<p>Annual Instruction to the Valuer</p> <p>We recommended in 2017/18 that the Council formalise the relationship with the valuer. This has been partially implemented and we would recommend a formal instruction to be issued by Accountancy Services each year which clearly directs the valuer on the valuations to be undertaken. This instruction should include a formal impairment review to be undertaken and also instruct the valuer to consider the need for indexation to be applied to assets not subject to review under the 5 year rolling programmes</p> <p>Risk:</p> <p>Finance do not have ownership of the valuation exercise and changes to accounts have to be made due to late information</p>	<p>The Council should develop a formal process to include: the assets to be revalued and that valuation be provided in accordance with The CIPFA Property Valuation Guide; the need for the valuer to conduct an annual impairment review of assets; and requirement for the valuer to set out their approach to the use of indexation factors.</p> <p>Paragraph 39-40</p>	<p>Accountancy staff will issue a formal instruction to the valuer each year in advance of year end, setting out the assets to be valued, the requirement for valuations to be carried out in accordance with the CIPFA Property Valuation Guide, the need for an annual impairment review of assets and the requirement for the valuer's approach to indexation to be set out.</p> <p>Head of Accountancy (Chief Financial Officer)</p> <p>28 February 2020</p>
3	<p>Management Commentary</p> <p>There was no non-financial performance information</p>	<p>The Council should further consider and develop the non-financial reporting of</p>	<p>Following the provision of new good practice guidance to the Council during the</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
	<p>contained within the draft accounts submitted to audit. The performance information was presented in a link to another document. However, the management commentary under statute is required to present a fair and balanced view of the business in the year. This was amended by the Council with further detail on performance against outcomes being provided.</p> <p>Risk:</p> <p>The management commentary in the annual report and accounts does not present a fair and balanced view of performance</p>	<p>performance within the management commentary for 2019/20.</p> <p>Paragraph 42</p>	<p>summer 2019 the non-financial information in the management commentary section was reviewed and updated. The Council views hyperlinks to reports as streamlined and relevant method of reporting on performance.</p> <p>The performance information for the 19/20 management commentary will be reviewed.</p> <p>Head of Communities, Revenues & Change</p> <p>August 2020</p>
4	<p>Grants and Contributions in advance</p> <p>Due to the housebuilding and other development within the Council area, the Council have received a number of contributions in line with planning law. The accounting treatment of such contributions is dependent on an assessment of any conditions which may be applied by the developer. The code requires that a full analysis should be undertaken on these monies and the Council have agreed to undertake this review early in 2019/20.</p> <p>Risk:</p> <p>The Council does not correctly account for contributions received from developers.</p>	<p>The Council should undertake a review of all monies received from developers in 2019/20 to ensure compliance with the Code and ensure that the accounting treatment reflects any conditions which may apply.</p> <p>Paragraph 43</p>	<p>Accountancy staff will annually review all monies received from developers to ensure compliance with the Code and that appropriate accounting treatment is applied.</p> <p>Head of Accountancy (Chief Financial Officer)</p> <p>31 March 2020</p>
5	<p>Budget Underspends</p> <p>The Council has a history of underspend against budget as reported in 2016/17 and 2017/18. Given the current and future pressures which service budgets are under, there is a need for the budget to reflect the actual pattern of spending and for forecasts to be reviewed to ensure they reflect demand.</p> <p>Risk:</p>	<p>The Council should continue to review its budget to ensure budgets and forecasts reflect actual spending and demand patterns.</p> <p>Paragraph 47-50</p>	<p>In setting its annual budget the Council will continue to consider current year trends and specific areas where underspends have historically occurred, so as to further align budgets to realistic demand/need to spend.</p> <p>Head of Accountancy (Chief Financial Officer)</p> <p>28 February 2020</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
	<p>There is a risk that the Council may not be able to deliver the targeted savings in 2019/20.</p>		
6	<p>Greenlaw Business Centre</p> <p>The Greenlaw Business Centre first became operational in 2018/19. The valuation of the centre at 31 March 2019 reflects a risk yield for rental income which is based on estimates of future occupancy levels and voids which reflect the future use of the building as an “incubator” for small businesses and start-ups.</p> <p>Risk:</p> <p>The actual levels of occupancy are not kept under review and reflected in updated valuations.</p>	<p>The actual occupancy levels of the Greenlaw Business Centre should be kept under review and appropriately reflected in future valuations.</p> <p>Paragraph 67</p>	<p>Occupancy levels will be monitored monthly and will be reflected in future valuations.</p> <p>Head of Environment (Strategic Services)</p> <p>April 2020</p>
7	<p>Business Continuity/Disaster Recovery</p> <p>We have previously reported on the need for the Council to ensure disaster recovery and business continuity plans are up to date, realistic and are tested. Progress has been made on this and a report on progress is due in mid-September on the status of the plans.</p> <p>Risk:</p> <p>Until the plans are fully implemented and tested, that the Council suffers a loss of data and disruption to service.</p>	<p>The Council should ensure that the business continuity arrangements are current and that disaster recovery arrangements are current and tested</p> <p>Paragraph 84-87</p>	<p>Work to review the arrangements is ongoing. This was reported to CRMT in this month.</p> <p>Dedicated resource is in place, with additional resource being appointed, to accelerate the update to the ICT disaster recovery plan.</p> <p>Head of Digital and Community Safety</p> <p>March 2020</p>
8	<p>Financial Pressures</p> <p>The Council has identified that it needs to make savings of £24.754 million for the period 2019/20 -2020/21 part of its plans to maintain financial balance. £16.368 million have been identified and approved by members. Over the last five years the Council has delivered approved savings of over £29 million.</p> <p>Risk – Given the previous level of savings already made by the Council, there is a risk that</p>	<p>That the Council continues to progress plans to address the funding gaps identified and continues to develop the reporting for savings both internally and to members.</p> <p>Paragraph 91-94</p>	<p>The Council will continue to adopt a long-term approach to planning for expected future funding gaps and will further develop mechanisms for reporting savings progress to CMT and elected members.</p> <p>Head of Accountancy (Chief Financial Officer)</p> <p>28 February 2020</p>



No. Issue/risk

Recommendation

Agreed management action/timing

current and additional savings targets are not achievable.

9. Care at Home Service

The Care Inspectorate's report on the Care at Home Service graded aspects of the service as either unsatisfactory or weak. While this report has been reported to members of the IJB, it has not been submitted to Council members.

Risk:

All members of the Council cannot formally discuss report on the Care at Home Service and the potential impact on the delivery of the Council's strategic objectives and the adequacy of the planned improvement actions.

The Care Inspectorate Report of February 2019 on the review of the Care at Home service should be formally reported to Council members

[Paragraph 118](#)

In line with established delegations, all inspection reports go the relevant committee i.e. cabinet, IJB Committee, or Education Committee. The inspection of the in house Care at Home Service was discussed at the IJB, and the Clinical and Care Governance committee of the IJB. In addition, all IJB papers are circulated to all Councillors. Any Councillor who wished to discuss the issue at Council has the opportunity to submit a question or to raise a motion. The inspection report was also circulated to members of the Council's Audit and Scrutiny Committee in June 2019 and referenced in the Annual Review of HSCP Performance considered by Council in September 2019.

In addition, the CSWO submits a report to the IJB and then to Council every year in line with guidance. Her report is now in the public domain and clearly highlights the issues with the service. The Council will discuss the report in October 2019.

Consideration will be given to including the approved IJB minutes on Council agendas to increase transparency and allow elected members a further opportunity to raise questions.

Chief Officer, IJB
January 2020

10 Transformation Programme

Enhance the MAP reporting framework to align the Council's transformation

MAP project reporting and savings progress monitoring



No.	Issue/risk	Recommendation	Agreed management action/timing
	<p>During 2018/19 the Council have made good progress in developing a new reporting framework for the Transformation Programme. Corporate monitoring of the progress of projects and reporting to members has improved.</p> <p>However, the reporting of the financial links to savings targets and progress against agreed savings plans require further development.</p> <p>Risk:</p> <p>It is not possible to monitor progress against the target savings and benefits to be delivered by the MAP projects</p>	<p>programme and its associated projects with approved savings plans to track savings achieved at both the programme and project level.</p> <p>Paragraph 123-125</p>	<p>are two separate but linked processes.</p> <p>As part of the continuous development of our reporting, we will seek to improve and standardise the reporting and monitoring of planned savings as part of MAP Board meetings.</p> <p>Head of Communities, Revenues & Change</p> <p>September 2020</p>
11.	<p>Accommodation Strategy</p> <p>A draft Accommodation Strategy was reported to the Council in October 2018. Work on the development of a final Accommodation Strategy is still ongoing.</p> <p>Risk:</p> <p>Future decisions on the future of the Council's estate are made in the absence of an overarching accommodation strategy.</p>	<p>Approve a finalised Accommodation Strategy to inform future decisions, in particular the planned new build Leisure Centre, the Eastwood park master plan and the development of the Council's corporate landlord approach to asset management.</p> <p>Paragraph 126-129</p>	<p>An Accommodation Strategy will be prepared for Cabinet consideration by June 2020.</p> <p>Director of Environment</p> <p>June 2020</p>
12	<p>Equal Opportunities Training</p> <p>Training for employees on equalities is not a mandatory part of the Council's Continuous Professional Development programme and equality training has not featured as an explicit element of the members training and induction programme.</p> <p>Risk:</p> <p>Equality issues are not effectively mainstreamed and adequately considered as part of the Council's strategic planning and decision making.</p>	<p>Training on equalities should be a mandatory requirement for employees and elected members should be provided with training on equality, including the Public Sector Equality Duty to ensure they can carry out their role effectively.</p> <p>Paragraph 133</p>	<p>Equality training will be reviewed with a view to improving the scope of and access to equality training for staff and elected members. This will be done on a phased basis, including looking at induction coverage as an early priority, once a current restructure is completed in early 2020.</p> <p>Head of Communities, Revenue & Change</p> <p>Phase 1 by December 2020</p>



No. Issue/risk**Recommendation****Agreed management action/timing**

13

Equality Impact Assessments

There is no central oversight or quality assurance of Equality Impact Assessments and not all Equality Impact Assessments are published on the Council's website.

Risk:

That not all equality considerations are built into Council decisions and that the Council does not comply with the requirements of the Public Sector Equality Duties regarding the publication of EIAs.

Equality Impact Assessments should be held centrally and quality checks carried out.

[Paragraph 136](#)

The equalities function is currently part of a wider restructure proposal with the aim of strengthening integration and building capacity in this area. We will review the EqlA process when the new structure is implemented in 2020 and seek to build capacity in this area across the Council.

Head of Communities,
Revenue & Change

December 2020

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
Risks of material misstatement in the financial statements		
<p>1 Risk of management override of controls</p> <p>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 to change the position disclosed in the financial statements.</p>	<ul style="list-style-type: none"> Detailed testing of journal entries. Review of accounting estimates. Focused testing of accruals and prepayments. Evaluation of significant transactions that are outside the normal course of business. 	<p>Testing on journal entries undertaken at interim and final accounts period</p> <p>Review of accounting estimates undertaken and additional note added for fixed asset valuations</p> <p>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.</p> <p>We tested a sample of accruals and prepayments and evaluated significant transactions that were outside the normal course of business.</p> <p>Our testing did not identify any evidence of management manipulating accounting records or overriding controls.</p>
<p>2 Risk of fraud over income</p> <p>East Renfrewshire Council receives a significant amount of income from several sources including income from fee and charges funding. The extent and complexity of income means that, in accordance with ISA240, there is an inherent risk of fraud. Particular areas of concern include Council tax, non-domestic rates and income from sundry debtors.</p>	<ul style="list-style-type: none"> Analytical procedures on income streams. Detailed testing of revenue transactions focusing on the areas of greatest risk. 	<p>We carried out an analytical review of income streams to confirm completeness and identify any unusual transactions or variations in income.</p> <p>We substantively tested a sample of income transactions to confirm occurrence and accuracy of amounts in the financial statements.</p> <p>We evaluated the Council's accounting policies for income and tested a sample of journal entries.</p> <p>The Council has appropriate arrangements in place to</p>

Audit risk	Assurance procedure	Results and conclusions
<p>3 Risk of fraud over expenditure</p> <p>Most public-sector bodies are net expenditure bodies and therefore the risk of fraud is more likely to occur in expenditure, due to the variety and extent of expenditure in delivering services. Specific fraud risks relevant to public sector audit include welfare benefits, grants and other claims made by individuals and organisations.</p>	<ul style="list-style-type: none"> Analytical procedures on expenditure streams. Detailed testing of expenditure transactions focusing on the areas of greatest risk. Walk-through of controls identified within key financial systems 	<p>minimise the risk of fraud over income.</p> <p>We carried out an analytical review of expenditure streams to confirm completeness and identify any unusual transactions or variations in expenditure.</p> <p>We substantively tested a sample of expenditure transactions to confirm occurrence and accuracy of amounts in the financial statements.</p> <p>We evaluated the Council's accounting policies for expenditure.</p> <p>We tested a sample of journal entries.</p> <p>The Council has appropriate arrangements in place to minimise the risk of fraud over expenditure.</p>
<p>4 Estimation and judgements</p> <p>There is a significant degree of subjectivity in the measurement and valuation of a number of balances in the financial statements in particular the valuation of non-current assets and pension fund assets and liabilities. This subjectivity represents an increased risk of misstatement in the financial statements.</p>	<ul style="list-style-type: none"> Completion of 'review of the work of an expert' for the in- house valuer. Focused substantive testing of key areas of non current assets Assess the reasonableness of the valuation of land and buildings Completion of 'review of the work of an expert' for the professional actuary, and review of appropriate of actuarial assumptions. Review of the pension actuary and the assumptions made in calculating the estimated pension liability. 	<p>We completed a 'review of the work of an expert' for the professional valuer.</p> <p>We completed a 'review of the work of an expert' for the professional actuary and reviewed the appropriateness of actuarial assumptions.</p> <p>We assessed the actuarial assumptions made in calculating the liability</p> <p>We completed detailed testing on non-current asset and assessed the reasonableness of the valuation of assets</p> <p>We tested a sample of accruals and provisions in the 2018/19 annual accounts.</p> <p>Estimates and judgements disclosed in the financial statements are reasonable and evidence based.</p>
<p>Risks identified from the auditor's wider responsibility under the Code of Audit Practice</p>		
<p>5 Financial sustainability</p> <p>The Council faces significant financial challenges, including</p> <ul style="list-style-type: none"> A £32.759 million funding gap for the period 2018/19 to 	<ul style="list-style-type: none"> Review the 2019/20 budgets and consider the reasonableness of budget assumptions Assess the adequacy of the Council's longer term financial management 	<p>We have undertaken a review of the budget and the savings plans</p> <p>Review of Financial strategy undertaken</p> <p>Review of budget reports presented to members. As noted</p>

Audit risk	Assurance procedure	Results and conclusions
<p>2020/21. Savings plans have been approved and a gap of £5.894 million in 2020/21 remains</p> <ul style="list-style-type: none"> - rising demands for services - reductions in local government funding <p>In addition, there is a number of uncertainties that may have a financial impact on the Council (e.g. EU withdrawal, ending of public sector pay settlement, new financial powers for the Scottish Government).</p> <p>The Council must have robust longer term financial plans that address the financial challenges it faces. There is a risk that the Council does not deliver its strategic objectives.</p>	<p>arrangements and plans reported to members.</p> <ul style="list-style-type: none"> • Monitor the Council's financial position through budget monitoring reports presented to members and consider the delivery of in year savings programmes and the robustness of future savings plans and targets 	<p>in para. 91-94 above, the Council has identified funding gap of £24.754 million for 2019/20-2021</p> <p>Action point 8 refers</p>
<p>6 New core financial systems</p> <p>A key focus of the Council's transformation programme is the introduction of new Core Systems. These core systems represent those systems which are integral to the Council's business, namely Finance, Procurement, Human Resources and Payroll.</p> <p>The commissioning and implementation of these new systems are expected to be completed by March 2020, with the first of the systems, the finance ledger, scheduled to go live at the end of June 2019. We will carry out a review of the main controls within the new financial systems as part of our 2019/20 audit.</p> <p>There is a risk that the tight timescale and the extra demand on resources could place further pressures on staff capacity around the timing of the preparation and audit of the financial statements</p>	<ul style="list-style-type: none"> • Regular meetings with management. • Review of Core Systems programme schedules • Continued review of reports to members on progress with core systems 	<p>We have had meetings with core systems team during the year</p> <p>Review of Core System schedules</p> <p>Continued review of members reporting. This has been done through the MAP update report.</p>
<p>7 Disaster recovery and business continuity planning</p> <p>Work continues on the development of new disaster recovery plan and business continuity plans. This work has</p>	<ul style="list-style-type: none"> • Review of disaster recovery testing and development of Disaster Recovery Plan undertaken. 	<p>As noted in paragraphs 84-86 above, there has been ongoing progress made. An update on progress and the status of plans is due to be provided to the CMT later in 2019</p>

Audit risk	Assurance procedure	Results and conclusions
<p>been ongoing now for some time and it is anticipated that both plans will be in place by the end of March 2019.</p> <p>There is a risk that until the full implementation of the disaster recovery plans the Council suffers a loss of data and disruption to services</p>	<ul style="list-style-type: none">• Review of Business Continuity and resilience planning arrangements	<p>Action point 7 refers</p>

Appendix 3

Summary of national performance reports 2018/19

		 2018/19 Reports	
Local government in Scotland: Challenges and performance 2018		Apr	
Councils' use of arm's-length organisations		May	 Scottish Fire and Rescue Service: an update
Scotland's colleges 2018		Jun	
		Jul	 The National Fraud Initiative in Scotland 2016/17
Forth Replacement Crossing		Aug	 Major project and procurement lessons
Children and young people's mental health		Sept	 Superfast broadband for Scotland: further progress update
NHS in Scotland 2018		Oct	
Health and social care integration: update on progress		Nov	 Local government in Scotland: Financial overview 2017/18
		Dec	
		Jan	
		Feb	
		Mar	 Local government in Scotland: Challenges and performance 2019

Local government relevant reports

[Local government in Scotland: Challenges and performance 2018](#) – April 2018

[Councils' use of arm's-length organisations](#) – May 2018

[Health and social care integration: update on progress](#) – November 2018

[Local government in Scotland: Financial overview 2017/18](#) – November 2018

[Local government in Scotland: Challenges and performance 2019](#) – March 2019

East Renfrewshire Council

2018/19 Annual Audit Report

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