

# East Dunbartonshire Council

2020/21 Annual Audit Report



Prepared for the Members of East Dunbartonshire Council and the Controller of Audit  
11 November 2021

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# Contents

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Key messages	3
Introduction	5
1. Audit of 2020/21 annual accounts	8
2. Financial management	14
3. Financial sustainability	19
4. Governance and transparency	22
5. Best Value	28
Appendix 1	32
Appendix 2	35
Appendix 3	39

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# Key messages

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## Best Value

- 1 The [Best Value Assurance Report](#) (BVAR) on East Dunbartonshire Council was published in September 2021. It concludes that the council has demonstrated a good pace of improvement since the last Best Value Audit in 2017.
- 2 The council demonstrates strong and improving services, effective leadership, a clear vision and a focus on continuous improvement. The council has good self awareness and is open about where it needs to improve. The Accounts Commission highlighted the council's housing services as an area for urgent improvement.
- 3 The BVAR was considered by the Council on 4 November 2021, together with an action plan in response to the improvement recommendations. Next year's Annual Audit Report will include an update on the progress made by the council in response to the BVAR.

## 2020/21 annual accounts

- 4 The annual accounts of East Dunbartonshire Council give a true and fair view of its financial position for the year ended 31 March 2021. Our audit opinions on the annual accounts of the council, its group and the two section 106 charities administered by the council are unmodified.
- 5 Covid-19 led to delays in the auditing timetable for 2020/21 annual accounts. Submission of the audited annual accounts is in line with revised government timescales.

## Financial management

- 6 Financial management is effective with a budget setting process focused on the council's priorities.
- 7 Overall, the council delivered services within budget in 2020/21, an underspend of £14.350 million is reported on services, of which £5.251 million relates to East Dunbartonshire Integration Joint Board.
- 8 Systems of internal control operated effectively in 2020/21. There were a small number of areas where controls could be strengthened.

## Financial sustainability

- 9** Achievement of the 2021/22 budget is challenging. The projected financial gap of £7.4 million will be funded from reserves and the application of financial flexibilities. The council plans to update the transformation programme to support strategic planning and recovery over the medium-term.
- 10** While the longer-term is more uncertain the council is well prepared to face future financial challenges.
- 11** The latest medium-term financial plan sets out the budget to 2026/27. The impact of Covid-19 needs to be reflected in the council's longer-term plans.

## Governance and transparency

- 12** The council has effective governance arrangements in place that support good governance and accountability. Changes to the arrangements in response to the Covid-19 outbreak in March 2020 are set out in the Annual Governance Statement in the accounts.
- 13** Service committee meetings resumed in November 2020 in a virtual format.
- 14** The council has appropriate arrangements in place to prevent fraud and corruption.
- 15** The council conducts its business in an open and transparent manner.

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# Introduction

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1. This report summarises the findings arising from the 2020/21 audit of East Dunbartonshire Council (the council) and its group.
2. The scope of the audit was set out in our 2020/21 Annual Audit Plan which was presented to management on 15 March 2021. The Annual Audit Plan was considered by members, on 18 March 2021, under interim governance arrangements put in place as a result of Covid-19.
3. This report comprises the findings from:
  - an audit of the annual accounts of the council and its group including the statement of accounts of the two section 106 charities administered by the council and the issue of independent auditor's reports setting out our opinions
  - a review of the council's key financial systems
  - consideration of the four audit dimensions that frame the wider scope of public audit set out in the [Code of Audit Practice 2016](#) namely, financial management, financial sustainability, governance and transparency and value for money.
4. In September 2021, the East Dunbartonshire Council Best Value Assurance Report (BVAR) was published. We summarise the findings of the BVAR in this report but do not duplicate its findings.
5. The global coronavirus pandemic has had a considerable impact on East Dunbartonshire Council during 2020/21. This has had implications on the services it delivers, sickness absence, and the planned progress of some projects and activities. Risks related to the pandemic were included in our Annual Audit Plan, and we have adapted our planned work to address any new emerging risks. The audit of the accounts was carried out remotely.

## Adding value through the audit

6. We add value to the council through the audit by:
  - identifying and providing insight on significant risks, and making clear and relevant recommendations
  - sharing intelligence and good practice through our national reports ([Appendix 3](#)) and good practice guides

- providing clear and focused conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability.

## Responsibilities and reporting

**7.** 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.

**8.** 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.

**9.** 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.

**10.** As public sector auditors we give independent opinions on the annual 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.

**11.** Further details of the respective responsibilities of management and the auditor can be found in the [Code of Audit Practice 2016](#). and supplementary guidance.

**12.** This report raises matters from our audit. 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.

**13.** 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.

## Auditor independence

**14.** Auditors appointed by the Accounts Commission or Auditor General must comply with the Code of Audit Practice and relevant supporting guidance. When auditing the financial statements auditors must comply with professional standards issued by the Financial Reporting Council and those of the

professional accountancy bodies. 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 therefore the 2020/21 audit fee of £262,700 as set out in our Annual Audit Plan remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

## Extension of auditor appointment

**15.** Auditors appointed under statute by the Accounts Commission are engaged for a five-year period. The current audit engagement was due to end after the conclusion of the 2020/21 audit. Normally at the end of each five-year period a new auditor is appointed, either Audit Scotland or a private sector accountancy firm.

**16.** In October 2020 the Accounts Commission approved the extension of current audit appointments for a year to include the 2021/22 audit year. This decision reflects the need for stability and continuity given the longer-term impact of Covid-19 on audited bodies and the difficulty of running the necessary audit procurement exercise during the pandemic. Similar extensions are effective for the council's associated bodies, for example, Mugdock Country Park Joint Management Committee.

**17.** This report is addressed to both the council and the Controller of Audit and will be published on Audit Scotland's website [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk) in due course. We would like to thank the management and staff who have been involved in our work for their cooperation and assistance during the audit.

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# 1. Audit of 2020/21 annual accounts

The principal means of accounting for the stewardship of resources and performance

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## Main judgements

The annual accounts of East Dunbartonshire Council give a true and fair view of its financial position for the year ended 31 March 2021. Our audit opinions on the annual accounts of the council, its group and the two section 106 charities administered by the council are unmodified.

Covid-19 led to delays in the auditing timetable for 2020/21 annual accounts. Submission of the audited annual accounts is in line with revised government timescales.

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## Our audit opinions on the annual accounts are unmodified

**18.** The accounts for the council and its group for the year ended 31 March 2021 were approved at a meeting of the Council on 11 November 2021. As reported in the independent auditor's report:

- the financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework
- 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.

## The annual accounts were signed off in line with the revised timescales permitted to reflect Covid-19

**19.** As a result of the continuing impact of Covid-19 the submission deadlines for Local Government audited annual accounts and annual audit reports have been set at 30 November 2021.

**20.** We received the unaudited annual accounts on 25 June 2021 in line with the original timetable set out in our 2020/21 Annual Audit Plan. The working papers provided with the unaudited accounts were of a good standard and finance staff provided good support to the audit team during the audit. As a consequence of the Covid-19 pandemic and alternative working arrangements



there were some delays in the provision of supporting documentation. However, this did not significantly impact on the ability to meet the revised audit timetable.

**21.** Covid-19 and remote working also had an impact on the time taken to complete audit work. Remote working meant that audit tasks took longer than usual as the audit team were unable to access staff, records and systems as readily as when physical access was available. Although later than first planned, the annual accounts were signed off in line with the Scottish Government's revised deadline permitted to reflect the impact of Covid-19.

### **Our audit opinions on Section 106 charities are unmodified**

**22.** 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 Dunbartonshire Council are sole trustees, irrespective of the size of the charity.

**23.** The council has made good progress in reducing the number of charitable trusts where it is the sole trustee in recent years from seven in 2015/16 to two in 2020/21. 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 charities' 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.

**24.** Our audit opinions on the two Section 106 charities are unmodified.

### **There were no objections raised to the annual accounts**

**25.** The Local Authority Accounts (Scotland) Regulations 2014 require local government bodies 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 2020/21 accounts.

### **Overall materiality is £4.4 million**

**26.** We apply the concept of materiality in both planning and performing the audit and in evaluating the effect of identified misstatement on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report. We identify a benchmark on which to base overall materiality, such as gross expenditure, and apply what we judge to be the most appropriate percentage level for calculating materiality values.

**27.** The determination of materiality is based on professional judgement and is informed by our understanding of the entity and what users are likely to be most concerned about in the annual accounts. In assessing performance materiality,

we have considered factors such as our findings from previous audits, any changes in business processes and the entity's control environment including fraud risks.

**28.** Our initial assessment of materiality for the annual accounts was carried out during the planning phase of the audit. This was reviewed and revised on receipt of the unaudited annual accounts and is summarised in [Exhibit 1](#). However, these changes were not significantly different from our planned levels and did not impact on our audit approach.

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## Exhibit 1 Materiality values

Materiality level	Amount
Overall materiality	£4.422 million
Performance materiality	£2.211 million
Reporting threshold	£44 thousand

Source: Audit Scotland

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## Appendix 2 identifies the main risks of material misstatement and our audit work performed to address these

**29.** [Appendix 2](#) provides our assessment of the risks of material misstatement in the annual accounts and any wider audit dimension risks. These risks influence our overall audit strategy, the allocation of staff resources to the audit and indicate how the efforts of the team were directed. The appendix identifies the work we undertook to address these risks and our conclusions from this work.

**30.** We have no issues to report from our work on the risks of material misstatement highlighted in our 2020/21 Annual Audit Plan.

## Significant findings from the audit of the annual accounts are reported in Exhibit 2

**31.** 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. We have no significant findings to report around the qualitative aspects covering accounting policies, accounting estimates and financial statements disclosures.

**32.** The significant findings are summarised in [Exhibit 2](#). Where a finding has resulted in a recommendation to management, a cross reference to the action plan in [Appendix 1](#) has been included.

## Exhibit 2

### Significant findings from the audit of the annual accounts

Issue	Resolution
<p><b>1. Accounting treatment of Covid-19 funding</b></p> <p>The Scottish Government provided Covid-19 support funding to all councils in Scotland in 2020/21 through a number of different grant funding streams.</p> <p>The Local Authority (Scotland) Accounts Advisory Committee (LASAAC) issued guidance on the expected accounting treatment and disclosure requirements for each grant.</p> <p>The main consideration for councils was to assess whether they were acting as the principal, i.e. the council is acting on its own behalf) or as an agent of the Scottish Government in the disbursement of the grants to third parties.</p> <p>Our review of the council's accounting treatment against the LASAAC guidance noted the following errors:</p> <ul style="list-style-type: none"> <li>• Free School Meals Income (£0.229 million) which was accounted for as agency but should have been treated as principal.</li> <li>• Winter Hardship £100 Payments and Administration (Balance) (£0.091 million) and Covid-19 Spring Hardship Payment (£0.306 million) - to comply with the guidance, the funding should be appropriately broken down to apply proper treatment for each element (i.e. payments and administration costs). However, these two funding streams were originally combined and all treated as principle and agency respectively.</li> </ul> <p>Two smaller funding streams, Death Registration (£0.012 million) and Environmental Health Officers (£0.019 million) were accounted for as agency but should have been treated as principal.</p>	<p>For noting only. Management have made appropriate adjustments to the annual accounts. This resulted in Covid-19 principal funding increasing by £0.260 million and agency funding decreasing by £0.260 million.</p>

Issue	Resolution
<p><b>2. Covid-19 agency year-end balance</b></p> <p>The LASAAC guidance states that where a Council is acting as an agent, it should not recognise the gross transactions as income or expenditure in the Comprehensive Income and Expenditure Statement. The net balance should be included and accounted for as a debtor or creditor. The council has included total agency funding within both the accounts receivable and accounts payable balances within the Balance Sheet. As a result, both of these balances were overstated by £20.861 million.</p>	<p>For noting only. Management have made appropriate adjustments to the annual accounts.</p>
<p><b>3. Bad debt provision and collectability of debt</b></p> <p>The council has a number of bad debt provisions (BDPs) for various categories of debtors including Council Tax, Non-Domestic Rates, Housing Rents and Sundry Debtors.</p> <p>The level of provision applied is dependent on the council's consideration of the collectability and age profile of its debt. The impact of Covid-19 has further impacted on the level of provisions required and from our review of BDPs for 2020/21 we noted that:</p> <ul style="list-style-type: none"> <li>• Council Tax BDP has increased by £1.590 million (10.5%)</li> <li>• Non- Domestic Rates BDP has increased by £0.296 million (14.3%)</li> <li>• Housing Rents BDP has increased by £0.680 million (26.9%)</li> </ul> <p>Sundry Debtors BDP has increased by £0.679 million (51.4%)</p>	<p>We are satisfied with the level of BDPs included in the council's 2020/21 annual accounts. However, given the increases in provisions applied in 2020/21, the council should consider whether it should continue to pursue those debts with an older age profile which are already fully provided for and, where it feels that they are not collectable, they should be considered for write off.</p> <p><b>Recommendation 1</b></p> <p>(refer <a href="#">Appendix 1</a>, action plan)</p>

Source: Audit Scotland

## Identified misstatements in the accounts were adjusted in the accounts, these were less than our performance materiality and we did not need to revise our audit approach

**33.** There were a number of adjustments to the unaudited financial statements arising from our audit which were above our reporting threshold. All adjusted errors related to classification errors within the notes to the accounts and as such there was no net impact of these adjustments on the deficit of the

provision of services or net assets. We have concluded that the misstatements identified arose from issues that have been isolated and identified in their entirety and do not indicate further systemic error. There were no unadjusted errors in the annual accounts which exceeded our reporting threshold.

### **Annual review of land and property valuations**

**34.** East Dunbartonshire Council, like the majority of Scottish councils, carries out a rolling revaluation programme, which ensures that all categories of Land and Property assets are revalued at least every 5 years. The Chief Finance Officer has provided assurances on the values disclosed in the 2020/21 annual accounts for those categories of assets not revalued this year. We are satisfied with the assurances provided by the Chief Finance Officer for the 2020/21 annual accounts Land and Property assets valuations.

**35.** For those categories of Land and Property assets not revalued each year as part of the rolling 5 year revaluation programme, the Chief Finance Officer has agreed to document an annual review to provide assurance on the value of these assets. It will document how the council has concluded that in the absence of a recent revaluation the asset values in the annual accounts are fairly stated.

### **Progress was made on prior year audit recommendations**

**36.** The council has made good progress in implementing our prior year audit recommendations. For actions not yet implemented, revised responses and timescales have been agreed with management, and are set out in [Appendix 1](#).

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## 2. Financial management

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

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### Main judgements

Financial management is effective with a budget setting process focused on the council's priorities.

Overall, the council delivered services within budget in 2020/21, an underspend of £14.350 million is reported on services, of which £5.251 million relates to East Dunbartonshire Integration Joint Board.

Systems of internal control operated effectively in 2020/21. There were a small number of areas where controls could be strengthened.

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### Financial management is effective

**37.** The BVAR concludes that the council has a well established budget setting process that supports elected members to develop and scrutinise savings plans and understand the impact of proposed service changes. The annual budget setting process is informed by a public consultation exercise and is focused on the council's priorities.

**38.** In February 2020 the Council approved its 'Prioritising Our Services, Prioritising Our Resources: General Fund Revenue Budget 2020/21' report. The budget was based on a 3.95 per cent increase in council tax and included efficiency savings of £6.771 million. The council planned to meet a funding gap of £1.8 million in 2020/21 from general revenue reserves. The 2020/21 budget was subsequently revised to include estimated Covid-19 costs and totalled £285.147 million.

### The council underspent against its 2020/21 budget as a result of additional late Covid-19 funding

**39.** The impact on public finances of the Covid-19 pandemic has been unprecedented, which has necessitated both the Scottish and UK governments providing substantial additional funding for public services as well as support for individuals, businesses and the economy. It is likely that further financial measures will be needed and that the effects will be felt well into the future.

**40.** The council received additional Covid-19 funding of £24.420 million in 2020/21. £17.131 million has been spent on Covid-19 costs to date. The

remaining £7.290 million is held in the reserves to provide funding for Covid-19 recovery in 2021/22.

**41.** The council underspent against its budget in 2020/21. A surplus of £14.350 million is reported against the general fund budgeted net expenditure of £285.147 million. £5.251 million of this surplus relates to and is held by East Dunbartonshire Integration Joint Board (IJB), and £7.290 million of the surplus relates to unspent Covid-19 funding. The other main areas of underspend are described in [Exhibit 3](#). The planned use of reserves was not required.

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### Exhibit 3

#### Summary of significant underspends against budget

Area	£m	Reason for variance
<b>Underspends</b>		
Debt Charges	£2.521m (20%)	Debt charges were lower than planned due to reduced borrowing as the capital programme was delayed due to Covid-19.
Education	£2.761m (3%)	£1.8 million of the Education underspend relates to employee costs with the balance representing unspent Covid-19 funding received in year but will be carried forward to 2021/22.

Source: East Dunbartonshire Council 2020/21 Annual Accounts and 2020/21 Financial Outturn Report (June 2021)

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### Planned efficiency savings were not fully achieved but the shortfall was met by budget underspends

**42.** The total efficiency savings included in the council's 2020/21 revenue budget were £6.771 million, actual savings achieved were £5.634 million (83% of the total planned savings). This is an increase from 2019/20 when 73% of the total planned savings were achieved.

**43.** The council did not achieve the anticipated savings in its 2020/21 transformation programme due to the impact of Covid-19.

## The council's reserves have increased due to unspent late Covid-19 funding and service underspends

### Exhibit 4

The council's usable reserves

Reserve	31 March 2020 (£ million)	31 March 2021 (£ million)
General fund non-earmarked	17.8	18.0
General fund earmarked	5.7	17.0
Housing revenue account	6.5	8.9
Vehicle repair and renewal fund	0.6	0.6
Capital fund	6.0	6.3
Central energy efficiency fund	0.2	0.2
<b>Total usable reserves</b>	<b>36.7</b>	<b>51.0</b>

Source: East Dunbartonshire Council Annual Accounts

**44.** At 31 March 2021, non-earmarked or uncommitted reserves were £18.0 million. The council identified £5.3 million of this as a contingency reserve to meet unforeseen costs. This represented around 2 per cent of the £285.5 million net cost of services. Uncommitted general fund balances of 2 per cent are the level considered prudent by the council's Chief Finance Officer and set out in the council's reserve strategy.

### The housing revenue account balance reported a deficit of £2.281 million. After statutory adjustments the HRA balance increased by £2.459 million

**45.** The council is required by legislation to maintain a separate HRA and to ensure that rents are set to a level which will at least cover the costs of its social housing provision. The income requirement for the HRA in 2020/21 was set at £15.061 million and was to be funded from council house rents. This resulted in a rent increase of 2.9%, and increased the average weekly rent based on a 48 week period from £82.15 to £84.53.

**46.** In 2020/21, the council recorded a deficit on HRA services of £2.281 million which was mainly due to a shortfall in rental income received as a result of the Covid-19 pandemic. However, after applying statutory accounting adjustments there was an increase of £2.459 million on the HRA balance, resulting in a closing balance of £8.942 million at the year end. These statutory adjustments are required to remove depreciation and impairment charges and to include loans fund costs,



capital expenditure funded by the HRA and capital grants and contributions.

**47.** The council's current tenant rent arrears in 2020/21 were £1.107 million. This is an increase of 16% from the level recorded in 2019/20 (£0.954 million). As a consequence, the HRA bad debt provision was increased to £1.645 million in 2020/21 from £1.304 million in 2019/20. This represents a deteriorating position.

**48.** The council's rents team officers have been working remotely since March 2020. No face-to-face meetings with tenants or home/office appointments were being held due to the pandemic and communication with tenants has been ongoing via telephone, text message, email and letters. Officers did not actively pursue rent arrears up until mid-Summer 2020 in line with the council's position of 'no debt collection' in place at that time. Officers provided advice and support to tenants where their financial circumstances had changed due to Covid-19. A number of the rents team officers were also redeployed to assist with supporting vulnerable people across the Housing service. A Hardship Fund Policy and budget was being tabled during February 2021 at committee and came into effect in April 2021 to assist with mitigating some rent arrears.

**49.** The Coronavirus (Scotland) Act 2020 introduced temporary legislation that protects tenants from eviction. No legal action or notice of proceedings for rent arrears has been undertaken since the start of the pandemic in line with the above legislation. Arrears actions and letters to tenants were reintroduced late Summer 2020.

**50.** Tenants have reported changes in financial circumstances that has led to increased Universal Credit claims which is reflected, in a significant increase in Housing verification requests from the DWP. Officers continue to work closely with the Citizens Advice Bureau to assist tenants with income maximisation and claims for any benefit entitlement.

**51.** During October 2020, tenants were issued with a questionnaire asking them to advise how the pandemic has affected them financially and what, if any, support was available to them. A 9.5% return rate was obtained from the survey and from that, 28.6% of tenants advised their income had been affected as a direct result of the pandemic. An updated Rent and Arrears Policy was approved by the Place, Neighbourhood and Corporate Assets Committee in November 2020.

### **The council's long-term capital plans set out an ambitious capital investment programme but Covid-19 has impacted on its progress**

**52.** The council's capital investment plan is a core part of its overarching Prioritising our Services, Prioritising our Resources programme. It is a rolling ten-year capital plan that is aligned with the council's Capital Investment Plan and Treasury Management Strategy. The anticipated capital funding available for each of the next ten years is set out along with the expected sources of this funding and any related borrowing costs and the profile of borrowing repayments.

**53.** Covid-19 has had a significant impact on the 2020/21 general services capital plan. In 2020/21 capital spending was £29.8 million compared with an initial budget of £38.1 million, which was subsequently revised downwards. The main areas of slippage relate to the early years centres (£7.2 million) and roads and footway works (£3.7 million). These projects will be rescheduled to 2021/22. Housing capital expenditure totalled £10.8 million against a budget of £24.4 million. The main areas of slippage include £3 million on the former Lairdland Primary School site and £3.4 million for off-the-shelf and open-market purchase.

**54.** The council's General Services Capital Investment Plan 2021–2031 was approved in February 2021. The £373 million programme of work shows that £176 million (47 per cent) of spending is projected to be incurred in the next two financial years. The council's Housing Capital Plan covers a five-year period and includes planned expenditure of £134 million, of which £86 million relates to new build housing.

### **Financial systems of internal control operated effectively**

**55.** 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.

**56.** Our findings were included in our 2020/21 management report that was presented to the Audit and Risk Management Committee in October 2021. Our report identified several control weaknesses, which we do not consider to be significant in terms of their impact on the council's ability to report financial and other relevant data in the financial statements. We did however identify some areas where additional audit testing was required to gain the necessary assurance for the financial statements audit. Our testing focused on journals, the validity of Council Tax and Non-Domestic Rates reliefs & discounts and year end reconciliations for the council's feeder systems into the general ledger. No issues were identified from this additional testing.

**57.** The annual governance statement in the council's 2020/21 annual accounts refers to the fact that, on the basis of work completed by Internal Audit in 2020/21, the council's internal control procedures were generally found to operate as intended with reasonable assurance being provided on the integrity of these controls.

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## 3. Financial sustainability

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

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### Main judgements

Achievement of the 2021/22 budget is challenging. The projected financial gap of £7.4 million will be funded from reserves and the application of financial flexibilities. The council plans to update the transformation programme to support strategic planning and recovery over the medium term.

While the longer-term is more uncertain the council is well prepared to face future financial challenges.

The latest medium-term financial plan sets out the budget to 2026/27. The impact of Covid-19 needs to be reflected in the council's longer-term plans.

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### The BVAR covered the council's financial position beyond 2020/21

58. The BVAR highlighted that

- although the council's longer-term financial position is more uncertain because of Covid-19, the council is well prepared to face future financial challenges
- the council should consider developing a long-term financial plan after the medium-term financial plan has been updated to reflect the impact of Covid-19
- the approved 2021/22 budget made provision for anticipated Covid-19 costs. The projected financial gap of £7.4 million will be funded from reserves and the application of financial flexibilities
- the council's uncommitted general fund balance has increased and this is due to rescheduling loans fund repayments and Covid-19 funding
- future financial plans are challenging with a cumulative funding gap of £22 million projected by the end of 2023/24

- the council's long-term capital plan sets out an ambitious capital investment programme, but there is a risk that Covid-19 restrictions may delay projects
- the council's transformation programme needs to be updated to reflect the council's Covid-19 recovery priorities. The council plans to update its transformation programme to support strategic planning and recovery over the medium term. However, the 2021/22 budget recognised that, given current circumstances, strategic transformation cannot effectively bridge the financial gap at that time and until new priorities are consulted upon and agreed. For this reason, the 2021/22 budget did not include a transformation programme update
- the council has good working relationships with the Health and Social Care Partnership, but the Integration Joint Board faces significant financial risks unless it transforms the way services are delivered.

### **The council is projecting an overspend in 2021/22 but this is likely to change during the year as a result of the council's Covid-19 response**

**59.** The General Fund Revenue Monitoring Report to Period 3 of 2021/22 was presented to the Policy and Resources Committee meeting in August 2021. The report highlighted a potential consolidated overspend (including the IJB) in 2020/21 of £3.264 million. Excluding the IJB overspend, this reduces the projected overspend to £2.373 million. However, with expenditure carried forward from previous years still to be applied and additional Covid-19 funding redeterminations not included, this position is likely to change as the year progresses and the council responds to Covid-19.

**60.** The report also notes that, whilst Covid-19 continues to represent a material risk for the council, other issues present a risk to the financial position including, the ongoing impact of EU withdrawal with some shortages and delays in supply chains and associated implications for cost increases, e.g. food and fuel. Furthermore, and of material significance, is the potential impact on the council's pay costs resulting from ongoing negotiations at a national level.

### **The council's medium-term financial plan has been extended to cover five years to 2026/27**

**61.** An updated financial plan that extends the timeline from 3 to 5 years up to financial year 2026/27 was presented to the Council on 4 November 2021. This includes scenario planning and highlights the fragility of council finances to underlying assumptions.

### **The council is supporting the leisure trust through its Covid-19 challenges to ensure the sustainability of its services**

**62.** Local authorities have a statutory responsibility to comply with the Accounts Commission and COSLA Code of Guidance on funding external bodies and following the public pound.

**63.** East Dunbartonshire Leisure and Culture Trust Ltd. (EDLCT) is a registered charity set up by the council to deliver leisure and cultural services to the citizens of East Dunbartonshire. The council pays a management fee to EDLCT for the delivery of these services, with this being £5.033 million in 2020/21. The financial results of EDLCT are consolidated on a subsidiary basis within the group statements in council's annual accounts.

**64.** As a result of the closure of facilities caused by Covid-19, EDLCT has experienced a significant drop in its income and reported a loss of £4.7 million for 2020/21. The council has provided letters of comfort to EDLCT to ensure its sustainability during the course of the year

**65.** The council provided additional funding in 2020/21 to EDLCT for vaccination costs (£0.3 million) and loss of income (£0.7 million). This was in addition to the £0.5 million that was passed to EDLCT as part of the budget-setting process for 2020/21.

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# 4. Governance and transparency

The effectiveness of scrutiny and oversight and transparent reporting of information

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## Main Judgements

The council has effective governance arrangements in place that support good governance and accountability. Changes to the arrangements in response to the Covid-19 outbreak in March 2020 are set out in the Annual Governance Statement in the accounts.

Service committee meetings resumed in November 2020 in a virtual format.

The council has appropriate arrangements in place to prevent fraud and corruption.

The council conducts its business in an open and transparent manner.

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## Overall governance and accountability arrangements were effective

**66.** Elected members and management of the council are responsible for establishing arrangements to ensure that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and for monitoring the adequacy and effectiveness of these arrangements. The governance and accountability arrangements we consider include:

- council and committee structure
- overall arrangements and standards of conduct including those for the prevention and detection of fraud, error, bribery and corruption. This includes action in response to the National Fraud Initiative
- openness of council and committees
- reporting of performance and whether this is fair, balanced and understandable.

**67.** Aspects of the council's governance and accountability arrangements are reported in the BVAR, including risk management and the digital strategy. We have not repeated our findings in this report.

**68.** No significant risks were identified from our review of the governance and accountability arrangements in the council.

### **The governance arrangements were changed in March 2020, to respond to the challenges from the Covid-19 pandemic**

**69.** The impact of Covid-19 from March 2020 has been set out in the Annual Governance Statement in the council's annual accounts. Changes were made to the governance arrangements to allow the council to respond to the unprecedented nature and scale of the threat to its communities and staff.

**70.** All non-essential committee business was deferred. Powers were delegated to the Chief Executive (and Depute Chief Executives in his absence) from 18 March 2020. The Chief Executive provided updates to elected members at weekly briefings for political group leaders. Officers also provided fortnightly service update technical notes for elected members; and the CMT continued to liaise with political group leaders and the joint administration leadership team.

**71.** Council meetings were reintroduced in August 2020 in a virtual format as Special Council meetings which replaced service committee meetings which had been suspended. Service committee meetings resumed in November 2020 in a virtual format. A paper detailing revised governance arrangements was presented to the Council meeting in June 2021 which highlighted, if the current volatility in relation to Covid-19 continues, then it is likely that a blended model of virtual, in-person and hybrid meetings will be put forward for consideration.

### **Financial and performance reporting in the management commentary was of a good standard**

**72.** Management commentaries included in the annual accounts should provide information on a body, its main objectives and the principal risks faced. It should provide a fair, balanced and understandable analysis of a body's performance as well as helping stakeholders understand the financial statements. We have concluded that the Management Commentary that accompanies the council's 2020/21 financial statements explains the council's financial performance in year, and includes:

- the outturn against budget position for the year, although more detail could be provided on the reasons for significant variances
- the outturn reported has been reconciled to the movement in the General Fund contained in the financial statements.

**73.** As part of the annual accounts audit, we requested a number of additional disclosures be added to the management commentary in relation to Covid-19 funding received in year, in year spend and unspent funding carried forward to future years. These changes have now been included within the audited accounts.

**74.** More details on the council's public performance reporting arrangements and the impact of Covid-19 on these arrangements have been provided in the Annual Governance Statement in the council's 2020/21 annual accounts. We have therefore concluded that the Management Commentary in the 2020/21 annual accounts meets the minimum reporting requirements of Local Government Finance Circular 10/2020.

### **The council conducts its business in an open and transparent manner**

**75.** There continues to be an increasing focus on demonstrating the best use of public money. Openness and transparency in how a body operates and makes decisions and is key to supporting understanding and scrutiny. Transparency means that the public has access to understandable, relevant and timely information about how the body is taking decisions and using resources.

**76.** There is evidence from several sources which demonstrate the council's commitment to transparency. We have concluded that the council conducts its business in an open and transparent manner, evidence of this includes:

- Public could attend meetings of the full Council and other committees prior to Covid-19. Since March 2020, virtual meetings of the full Council have been streamed live online using YouTube
- Minutes of committee meetings and supporting papers are readily available on the council's website
- Elected members, council staff and stakeholders are kept up to date on how the risks of the pandemic are being mitigated and managed by the council through frequent technical notes, employee newsletters and Depute Chief Executive updates (including Covid-19 service updates) posted on the council's website
- The website includes a wide range of information including the annual accounts, register of members' interests, current consultations and surveys, and how to make a complaint
- The council publishes an annual public performance report which provides an overview of performance across all council services. This is available on the council's website.

### **Internal audit operates in accordance with Public Sector Internal Audit Standards**

**77.** Auditing standards require internal and external auditors to work closely together to make best use of available audit resources. We seek to rely on the work of internal audit wherever possible and as part of our planning process we carried out an assessment of the internal audit function at the council.



**78.** The internal audit function has sound documentation standards and reporting procedures in place and complies with the Public Sector Internal Audit Standards (PSIAS). We also reviewed the council's internal audit arrangements in accordance with International Standard on Auditing (UK) 610 (Using the Work of Internal Auditors) to determine the extent we could rely on specific areas of work of internal audit to reduce our audit work on key financial systems. As a result of delays in completion of internal work due to Covid-19, we were unable to place reliance on the work done by internal audit in relation to the treasury management system access rights.

**79.** The 2020/21 Internal Audit Annual Report was presented to the Council meeting held in June 2021. The report highlights that as at the end of March 2021 a total of 27 (75%) of 36 planned outputs were completed. In addition, the report refers to internal audit's 2020/21 follow up report also presented to the Council meeting in June 2021. Internal audit highlighted that 51 risks remain outstanding and, although this is an increase on the previously reported figure of 23, the number of high outstanding risks has decreased from 7 to 3. Internal audit has concluded that most high risk issues are being closed off on a timely basis, despite the impact of the pandemic, with the exception of issues around contractual arrangements and contract management which are in progress. The internal audit team continue to follow up all outstanding actions with executive officers and senior management to ensure that residual issues are addressed.

### **An investigation relating to allegations within social work services at the council has been concluded**

**80.** An investigation relating to allegations on the treatment of staff within social work services at the council has been concluded. The findings will be shared with appropriate stakeholders during November 2021.

### **Standards of conduct and arrangements for the prevention and detection of fraud and error were appropriate**

**81.** The council has arrangements in place designed to maintain standards of conduct including codes of conduct for members and officers. There are also established procedures for preventing and detecting bribery and corruption including a Corporate Fraud & Corruption Policy and an Anti-Bribery Policy.

**82.** Since 2017/18 senior officers have been required to complete an annual form providing any relevant details for inclusion in a separate register of interests. The council's Chief Solicitor and Monitoring Officer is responsible for preparing and maintaining this register of interests.

**83.** Instances of fraud and corruption can be particularly prevalent in the procurement function. Controls to manage the risk of fraud in procurement include the: SFI's, Code of Conduct, Scheme of Delegation, Internal Audit, controls around segregation of duties regarding the contract management process, a gifts and hospitality policy, gifts and hospitality registers for elected members and senior officers and non-collusion declarations within procurement request forms.

**84.** The council was planning to use the “Red Flags - Procurement” publication for auditors to produce a procurement improvement action plan. However, this has been delayed as a result of Covid-19. The Procurement Team has had a range of urgent tasks working with providers of transport, care homes, home care, children’s residential care, food vouchers for children and establishing governance processes around each of these areas. The action plan is a work in progress.

**85.** The 2019/20 Fraud Performance Outcomes report was presented to the Audit and Risk Management Committee in December 2020. The report highlighted that the Corporate Fraud Team’s achievements in 2019/20 including:

- Business Rates discount of £318,596 (up from £9,312 in 2018/19). This increase was due to the council taking part in a pilot national initiative to detect rate payers who had evaded Business Rates liability by claiming Small Business Bonus in error or fraudulently. £211,166 of this figure is in respect of fraud/error established in other councils as a consequence of an investigated business also having premises in the other areas. The business had recently opened in East Dunbartonshire and so the local impact was minimal. The remaining £107,430 liability evaded in East Dunbartonshire related to six cases. The largest of these was £44,000 relating to a local business where an annual fraud or error of £4,000 had been occurring for ten years
- Council Tax discounts, evasion, exemptions and reductions with a value of £177,785 (up from £100,902 in 2018/19)
- Preventative work with Housing Services resulted in 47 offers of tenancies being withdrawn (up from 42 in 2018/19)
- 12 Education registration applications refused/withdrawn (up from 8 in 2018/19)
- 15 Licences refused/revoked/surrendered or application withdrawn (up from 6 in 2018/19)
- 100% of cases submitted to Crown Office and Procurator Fiscal Service accepted for consideration of criminal proceedings.

**86.** In addition, the report also provided an Interim Fraud Performance Outcomes report for 2020/21 (as at 30 September 2020) which highlighted that, ***“In the first six months of 2020/2021, the Corporate Fraud Team continued to provide a counter fraud service to the council. In support of the Covid-19 response, two team members assisted in the delivery of Scottish Welfare Fund applications. During the period, the main fraud focus of the team was dedicated to the investigation of Coronavirus Business Support Grant applications. £270,300 of grants applications were identified as either made in error or fraudulent out of a total of £10.3 million of payments (an error/fraud rate of approximately 3%). These instances were identified prior to payment, thus safeguarding the public purse.”***

**87.** 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 other specific issues we require to bring to your attention.

### **Arrangements in place for investigating and reporting data matches identified by the National Fraud Initiative are satisfactory**

**88.** The National Fraud Initiative (NFI) is a counter-fraud exercise across the UK public sector which aims to prevent and detect fraud. Audit Scotland coordinate NFI in Scotland. Computerised techniques are used 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.

**89.** The council has processes in place to ensure cases are reviewed timeously. The current NFI review highlighted 245 errors, with overpayments of £272,899 identified as at 17 September 2021.

**90.** We have concluded that the council has satisfactory arrangements in place for investigating and reporting data matches identified by the NFI.

### **Good practice point**

**91.** In August 2020, Audit Scotland published a [\*Covid-19 Audit and Risk Committees guide\*](#) which was intended to help audit committee members and other non-executives with the type of questions to ask about the risks arising from Covid-19 and the mitigating action taken by bodies. This was discussed by the Audit and Risk Management Committee on 10 December 2020 and it was agreed that members would consider the contents of the Audit Scotland Covid-19 Guide and the suggested questions therein. Officers prepared a consolidated response to the guide which was presented to the meeting of Council held on 17 December 2020. We view the completion of the checklist within the guide as good practice and demonstrates the council's commitment to improving governance and scrutiny.

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# 5. Best Value

Using resources effectively and continually improving services.

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## Main judgements

The Best Value Assurance Report (BVAR) on East Dunbartonshire Council was published in September 2021. It concludes that the council has demonstrated a good pace of improvement since the last Best Value Audit in 2017.

The council demonstrates strong and improving services, effective leadership, a clear vision and a focus on continuous improvement. The council has good self awareness and is open about where it needs to improve. The Accounts Commission highlighted the council's housing services as an area for urgent improvement.

The BVAR was considered by the Council on 4 November 2021, together with an action plan in response to the improvement recommendations. Next year's Annual Audit Report will include an update on the progress made by the council in response to the BVAR.

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## The Best Value Assurance Report concludes that the council has demonstrated a good pace of improvement since the last Best Value Audit in 2017

**92.** Best Value is concerned with using resources effectively and continually improving services. Best Value is assessed over the audit appointment as part of the annual audit work. In addition, a Best Value Assurance Report (BVAR) for each council is considered by the Accounts Commission at least once in this period. The [BVAR for East Dunbartonshire Council](#) was published by the Accounts Commission in September 2021. Key messages from the BVAR are noted at [Exhibit 5](#).

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### Exhibit 5

#### Key messages from the September 2021 BVAR

##### Key messages

1. The council has demonstrated a good pace of improvement since the last Best Value report in 2017. Service performance is strong and has improved in most services, prior to the Covid-19 pandemic. The council's priorities are clearly reflected in its financial plans and its Business and Improvement Plans (BIPs). It is well placed to meet the challenges of the future.

2. The people of East Dunbartonshire are more satisfied with council services than in other areas of Scotland, but the council is not complacent. It has delivered a range of improvement projects. Corporate projects, such as its review of assets and facilities services, are targeted at realising efficiencies and financial savings in the council. Others such as the Snack and Play programme, which helps children in poverty, are targeted at reducing inequalities in its communities.
3. The council and its partners have a clear vision for East Dunbartonshire, through the Local Outcomes Improvement Plan (LOIP) and Place Plans. Partners work well together and are focussed on the needs of their communities. This has been crucial in delivering services to those most in need during the Covid-19 pandemic.
4. The Leaders of the Council and Chief Executive provide effective leadership in delivering the council's priorities from the LOIP. Officers and elected members work well together in the interests of residents. Elected members effectively scrutinise council decisions and performance.
5. The council is aware of where it needs to improve. Since the last Best Value report its performance management has improved. A comprehensive performance management framework is now in place for reporting progress against local outcome measures. Reviewing performance information triggers improvement actions, which are reflected in Business and Improvement Plans (BIPs). Progress is then reported through the council's How Good Is Our Service (HGIOS) progress reports.
6. The council consults widely and can demonstrate how communities are actively involved in decision-making. Covid-19 has presented an opportunity to reassess priorities and further strengthen community engagement.
7. Financial management is effective, with budgets focused on the council's priorities. The council has consistently delivered services within budget. The financial impact of Covid-19 has been significant and will be enduring, but the council is well placed to meet the future challenges.
8. The council's medium-term financial model forecasts a funding gap of £22 million by the end of 2023/24. The plan now needs to be updated to consider the implications of Covid-19. Covid-19 restrictions have caused delays in the delivery of the capital programme.
9. The council takes a good practice approach to workforce planning. Workforce plans are in place which include demographic profiles and contain action plans to secure future workforce needs.
10. The council has good working relationships with the Health and Social Care Partnership, but the Integration Joint Board faces significant financial risk unless it transforms the way services are delivered in the longer term.
11. The council reacted well to the immediate challenges arising from the pandemic since March 2020. Governance arrangements were adapted quickly. Staff were supported and redeployed, and the council's progress with its digital strategy enabled it to adapt how services are delivered. The recovery from the pandemic is being built into the governance arrangements. The committee cycle has restarted, and this will aid scrutiny of the recovery phase. The ongoing risks from Covid-19 need to be managed through the corporate risk register.

12. The council recognises that its pace of improvement needs to be maintained as services adapt to the Covid-19 recovery phase. It is too early to see the full impact of the pandemic on service performance. The BIPs for 2021–2024 take the first steps to reflecting on how services will be delivered as the area recovers from the pandemic.

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Source: [Audit Scotland BVAR September 2021](#)

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**93.** The BVAR was considered by the Council on 4 November 2021, together with an action plan in response to the improvement recommendations. We will continue to monitor the council's progress against the improvement actions and next year's Annual Audit Report will include an update on the progress made by the council in response to the BVAR.

### **The council is meeting statutory performance indicators (SPIs) expectations on reporting its performance to the public**

**94.** The Accounts Commission has a statutory responsibility to define the performance information that councils must publish. In turn, councils have their own responsibility, under their Best Value duty, to report performance to the public. 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.

**95.** The Accounts Commission issued a revised 2018 Statutory Performance Information Direction in December 2018 which requires a council to report:

- its performance in improving local public services provided by the council (on its own and with its partners and communities), and progress against agreed desired outcomes
- its own assessment and independent audit assessments of how it is performing against its duty of Best Value, and how it plans to improve these assessments and how it (with its partners where appropriate) has engaged with and responded to its diverse communities.

**96.** The BVAR demonstrates that the council is meeting these expectations and concludes that:

- the council publishes an annual public performance report on its website which provides a good overview of council performance and how it contributes to the Community Planning Partnership's (CPP) Local Outcomes Improvement Plan (LOIP)
- the performance and governance section of the council's website provides lots of information on its performance, but the format could be improved to make it easier to understand and it needs to be kept up to date
- the council uses self-assessment effectively, to identify strengths and weaknesses and where improvement is required

- the BVAR and the council's improvement actions in response to the report are due to be reported to the Council in November 2021.

### **The council has withdrawn from the East Dunbartonshire, Inverclyde and West Dunbartonshire Councils' Shared Service Joint Committee (SSJC)**

**97.** In November 2016 the East Dunbartonshire, Inverclyde and West Dunbartonshire Councils' Shared Service Joint Committee (SSJC) was established. This provided a governance framework for the potential sharing of services. At the Council meeting on 23 September 2021, elected members approved a report which recommended that the council formally withdraws from the SSJC.

**98.** The report presented to the Council meeting in September 2021 highlighted that, following the establishment of the SSJC, officers engaged in a prolonged period of negotiations with a view to developing plans for a roads shared service across each of the three constituent authorities. Unfortunately, a common position on the operating model could not be reached. In addition, the limited benefits of the proposed model were not sufficient to justify the potential upheaval and disruption to both the council's established service and its workforce, and for these reasons the council did not pursue participation in this shared service. West Dunbartonshire and Inverclyde Councils were operating from a different baseline position and so went on to establish a roads shared service independently of East Dunbartonshire Council.

**99.** The report to Council also notes that in the intervening period, West Dunbartonshire and Inverclyde Councils developed additional workstreams which did not suit the current structures and operating models of the council and the proposals did not align with the council's service priorities. Following discussions between the three constituent Chief Executives, officers proposed that East Dunbartonshire Council formally withdraw from the SSJC to allow West Dunbartonshire and Inverclyde Councils to develop the SSJC and its Standing Orders in a way which suits their operating models and strategic plans.

### **National performance audit reports**

**100.** Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2020/21, Audit Scotland published a number of reports were issued which may be of interest to the body. These are outlined in [Appendix 3](#). National reports are reviewed by officers and taken for elected members' consideration where appropriate.

# Appendix 1

## Action plan 2020/21

### 2020/21 recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p><b>1. Bad debt provisions and collectability of debt</b></p> <p>The council has a number of bad debt provisions (BDPs) for various categories of debtors including Council Tax, Non-Domestic Rates, Housing Rents and Sundry Debtors.</p> <p>The level of provision applied is dependent on the council's consideration of the collectability and age profile of its debt. The impact of Covid-19 has further impacted the level of provisions required with significant increases being applied in 2020/21.</p> <p>Risk – The gross debtors balance is overstated as some debts will not be collectable. However, these have been fully provided for as part of each BDP.</p>	<p>Officers should review all debts with an older age profile, which are already fully provided for and where it is considered they are not collectable, they should be considered for write off.</p> <p><a href="#">Exhibit 2</a></p>	<p>With established controls in place the council recognises the importance of reviewing the potential for bad debts and providing for these where appropriate. The impact of Covid-19 has reinforced the need to continue to apply, and enhance these processes, as the recommendation suggests. Such enhancements, including the frequency of these reviews, are being implemented to ensure appropriate control and management oversight.</p> <p>Chief Finance Officer December 2021</p>

A number of audit recommendations were reported in the BVAR. These have not been duplicated here. The council's improvement plan in response to the BVAR will be monitored and an update reported in the 2021/22 annual audit report.

### Follow-up of prior year recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p><b>PY1. Efficiency savings</b></p>	<p>The council should review all savings proposals for</p>	<p>Complete</p>



Issue/risk	Recommendation	Agreed management action/timing
<p>The council's efficiency savings proposals for 2020/21 were identified before the Covid-19 pandemic occurred in March 2020.</p> <p>Risk – The assumptions made by the council don't take into account the financial impact of Covid-19.</p>	<p>2020/21 in light of the Covid-19 pandemic to assess the potential impact on the council's ability to achieve its efficiency savings target in 2020/21.</p>	<p>Part 2 of this report highlights that actual efficiency savings achieved in 2020/21 were £5.634 million against total planned efficiency savings of £6.771 million (83% of the total planned savings). A surplus of £14.350 million is reported against budgeted general fund services net expenditure.</p>
<p><b>PY2. Medium term financial plan</b></p> <p>The council's medium term financial plan was developed before the Covid-19 pandemic occurred in March 2020.</p> <p>Risk – The assumptions made in the council's financial plan are out of date and don't take into account the financial impact of Covid-19.</p>	<p>The council should review its medium term financial plan following the Covid-19 pandemic to reflect its impact on the council's finances going forward, including scenario planning of key financial assumptions.</p>	<p>Complete</p> <p>An updated financial plan that extends the timeline from 3 to 5 years was presented to the Council meeting on 4 November 2021.</p>
<p><b>PY3. Fairness and equality</b></p> <p>The council's most recent equality outcomes report was published in April 2017. However, no subsequent progress report has been considered by the council or published and the deadline for this was April 2019.</p> <p>Risk – The council cannot demonstrate that it is meeting its duties under the Equalities Act 2010.</p>	<p>The council should review its equality outcomes reporting timescales to comply with the Public Sector Equality Duty to ensure the council continues to meet its duties under the Equalities Act 2010.</p>	<p>Complete</p> <p>The Equalities Mainstreaming and Outcome Report was presented to the Council meeting on the 23 September 2021. This included consideration of the period 2017-21 and approval of the equality outcomes for 2021-25.</p>
<p><b>PY4. Use of LGBF data</b></p> <p>Although the council's review of LGBF data includes a comparison of its performance with the Scottish average, it does not include a comparison of performance</p>	<p>The council should compare its performance against its LGBF family groups in order to help drive continuous improvement within the council.</p>	<p>In Progress</p> <p>The Corporate Performance Improvement Action Plan presented to the Council meeting in June 2021 includes an action to increase the use of benchmarking</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>against its LGBF family groups.</p> <p>Risk – The council cannot demonstrate continuous improvement in relation to its LGBF family groups.</p>		<p>data, including the use of family groupings.</p> <p>Executive Officer – Customer and Business Support Officer</p> <p>April 2022</p>

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# Appendix 2

## Significant audit risks identified during planning

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

Audit risk	Assurance procedure	Results and conclusions
<p><b>1. Risk of material misstatement due to fraud caused by the management override of controls</b></p> <p>International Auditing Standards require that audits are planned to consider the risk of material misstatement in the financial statements caused by fraud, which is presumed to be a significant risk in any audit. This includes the risk of fraud due to the management override of controls.</p>	<p>Detailed testing of journal entries.</p> <p>Review of accounting estimates.</p> <p>Focused testing of accruals and prepayments.</p> <p>Identification and evaluation of significant transactions that are outside the normal course of business.</p> <p>Review of the Annual Governance Statement and the assurances obtained by the Section 95 officer in support of the statement.</p>	<p>We undertook detailed testing of journal entries, accruals and prepayments. We also reviewed accounting estimates and transactions for appropriateness. We reviewed the Annual Governance Statement and the assurances in support of the statement.</p> <p><b>Conclusion:</b> We did not identify any instances of management override of controls.</p>
<p><b>2. Risk of material misstatement caused by fraud in revenue recognition</b></p> <p>As set out in ISA (UK)240, there is a presumed risk of fraud in the recognition of income. There is a risk that income may be misstated resulting in a material misstatement in the financial statements.</p> <p>East Dunbartonshire Council receives a significant amount of income from several sources including fees and charges. The extent and complexity of income means</p>	<p>Detailed testing of revenue transactions focusing on the areas of greatest risk.</p> <p>Testing the operation of key controls over council tax, NDR and housing rent income.</p>	<p>We sample tested income and transactions to confirm that these were in the normal course of business.</p> <p>We obtained satisfactory explanations for any significant increases or decreases in income.</p> <p>Our sample cut-off testing confirmed that transactions were processed in the correct accounting year.</p> <p><b>Conclusion:</b> The council has effective arrangements in place to minimise the risk of fraud over income.</p>

Audit risk	Assurance procedure	Results and conclusions
<p>that there is an inherent risk of fraud.</p> <p><b>3. Risk of material misstatement caused by fraud in expenditure</b></p> <p>As most public-sector bodies are net expenditure bodies, the risk of fraud is more likely to occur in expenditure. There is a risk that expenditure may be misstated resulting in a material misstatement in the financial statements.</p> <p>East Dunbartonshire Council incurs significant costs such as welfare costs, social care payments and grant payments where there is an inherent risk of fraud.</p>	<p>Detailed substantive testing of expenditure including grant payments and housing benefit transactions.</p> <p>Detailed work on procurement arrangements including declaration of gifts and hospitality.</p> <p>Audit work on the National Fraud Initiative matches.</p>	<p>No significant issues were identified from our testing of expenditure and housing benefit transactions disclosed in the 2019/20 financial statements.</p> <p>No significant issues were identified from our work on procurement arrangements.</p> <p>We concluded that the council is proactive in following up NFI matches.</p> <p><b>Conclusion:</b> The council has effective arrangements in place to minimise the risk of fraud over expenditure.</p>
<p><b>4. Covid-19 funding and financial flexibilities</b></p> <p>Councils are receiving additional funding to cover Covid-19 costs. The council is responsible for approving and distributing various grants relating to the Covid-19 disruption from this funding.</p> <p>In addition, councils have been given the option to apply some financial flexibility options to mitigate some of the impact of Covid-19.</p> <p>As yet, no clear guidance has been issued as to how all of these items should be presented in the council's annual accounts.</p> <p>Due to the volume and complexity of the various schemes there is an increased risk of fraudulent claims and payments. In</p>	<p>Review Scottish Government and CIPFA/LASAAC guidance.</p> <p>Review of the controls in place for the payment of grants, with emphasis on the business support grant payments.</p> <p>Review of accounting treatment and disclosures in 2020/21 annual accounts to ensure this is consistent with relevant guidance.</p> <p>Review of any internal audit work on grant payments.</p>	<p>We reviewed all relevant Covid-19 related guidance to ensure the council complied with all requirements, including the accounting treatment and disclosures in the council's 2020/21 annual accounts. We identified a number of Covid-19 funding streams which were incorrectly treated in the unaudited accounts which have been amended in the audited accounts.</p> <p>We reviewed the controls over grant payments in relation to Covid-19 and the work of internal audit in this area. We did not identify any issues in relation to these controls.</p> <p><b>Conclusion:</b> The council has effective arrangements in place to minimise the risk of fraudulent claims and payments in relation to Covid-</p>

Audit risk	Assurance procedure	Results and conclusions
<p>addition, there is a risk that the funding streams are not properly accounted for and disclosed in the 2020/21 annual accounts.</p>		<p>19 and has correctly accounted for Covid-19 funding streams in the 2020/21 annual accounts.</p>
<p><b>5. Estimation and judgements</b></p> <p>There is a significant degree of subjectivity in the measurement and valuation of some material balance sheet assets/liabilities.</p> <ul style="list-style-type: none"> <li>• Valuations on non-current assets rely on expert valuations and management assumptions</li> <li>• The value of the council's pension liability is an estimate based on information provided by management and actuarial assumptions</li> <li>• The council's provision for doubtful debts is based on management assessment of the recoverability of debts</li> <li>• Property valuations may not be able to take place if valuers are unable to physically visit assets as a result of Covid-19 non-essential travel restrictions.</li> </ul> <p>There is a risk that valuations of assets/liabilities are materially misstated.</p>	<p>Review of the work of the valuer and actuary.</p> <p>Focused substantive testing of classification and valuation of assets.</p> <p>Review appropriateness of actuarial assumptions.</p> <p>Confirm pension valuations in actuarial report are correctly reflected within the 2020/21 accounts.</p> <p>Review the provision for doubtful debts to assess whether it is reasonable and complete based on the perceived risk that the debt will not be recovered, and in line with historic experience</p> <p>Review actual experience of significant estimates made in the prior year.</p>	<p>We reviewed the work of the valuer and carried out focused substantive testing of the classification and valuation of assets. We did not identify any errors.</p> <p>We reviewed the work of the actuary and assessed the appropriateness of the actuarial assumptions. We did not identify any errors.</p> <p>We confirmed that pension valuations provided by the actuary are correctly reflected in the 2020/21 annual accounts.</p> <p>No significant issues were identified from our work on the provision for doubtful debts or other provisions.</p> <p><b>Conclusion:</b> No material misstatements were identified in relation to valuations of assets and liabilities.</p>

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

Audit risk	Assurance procedure	Results and conclusions
<p><b>6. Financial sustainability</b></p> <p>The Covid-19 disruption has had a fundamental impact on what and how services are delivered by the council and</p>	<p>Consider the 2021/22 revenue budget and required savings target.</p> <p>Review the financial monitoring during the year,</p>	<p>Part 3 of this report highlights a potential consolidated overspend (including the IJB) in 2020/21 of £3.264 million. Excluding the IJB overspend, this reduces the projected</p>

Audit risk	Assurance procedure	Results and conclusions
<p>its partners. Inevitably, there will be additional cost burdens to the council on top of the immediate response to the Covid-19 crisis and council priorities may need to change. Furthermore, the council's medium-term financial plan was developed before the Covid-19 pandemic began, therefore there is a risk that assumptions made do not consider the financial impact of Covid-19.</p> <p>As the council reinstates services, this is likely to require expenditure beyond that in the budget and financial plans will need to be revised accordingly.</p>	<p>including the use of reserves and delivery of planning saving.</p> <p>Review of the longer-term financial impact of the Covid-19 pandemic.</p>	<p>overspend to £2.373 million. However, with expenditure carried forward from previous years still to be applied and additional funding redeterminations not included, this position is likely to change as the year progresses and the council responds to Covid-19.</p> <p>The medium term financial plan needs to be revised to reflect the impact of Covid-19 on the council's transformation and efficiency plans.</p> <p><b>Conclusion:</b> The council's budget setting and financial management arrangements are effective but the financial position is challenging for the council. This is reflected in the narrative of this report.</p>
<p><b>7. Capital slippage</b></p> <p>The council is currently reporting that the capital programme is unlikely to progress as planned and within previously projected timescales, due to limited opportunity for major capital projects to progress during the lockdown. It has also been reported that there are anticipated increased costs to bring major capital projects into existence due to additional requirements to ensure on site safety and social distancing throughout the build process.</p> <p>There is a risk that slippage in this years' capital programme will impact on the council's ability to meet its 10-year long-term capital plan.</p>	<p>On-going monitoring of capital budget plans and reports.</p>	<p>The BVAR and part 2 of this report highlights that Covid-19 has had a significant impact on the 2020/21 capital plans and projects will be rescheduled to 2021/22.</p> <p><b>Conclusion:</b> The council's long-term capital plan sets out an ambitious capital investment programme, but Covid-19 restrictions could delay the projects' completion. This is reflected in the narrative of this report.</p>

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# Appendix 3

## Summary of national performance reports 2020/21

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### April

[Affordable housing](#)

### June

[Highlands and Islands Enterprise: Management of Cairngorm mountain and funicular railway](#)

[Local government in Scotland Overview 2020](#)

### July

[The National Fraud Initiative in Scotland 2018/19](#)

### January

[Digital progress in local government](#)

[Local government in Scotland: Financial overview 2019/20](#)

### February

[NHS in Scotland 2020](#)

### March

[Improving outcomes for young people through school education](#)

### May 2021

[Local Government in Scotland Overview 2021](#)

# East Dunbartonshire Council

## 2020/21 Annual Audit Report

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