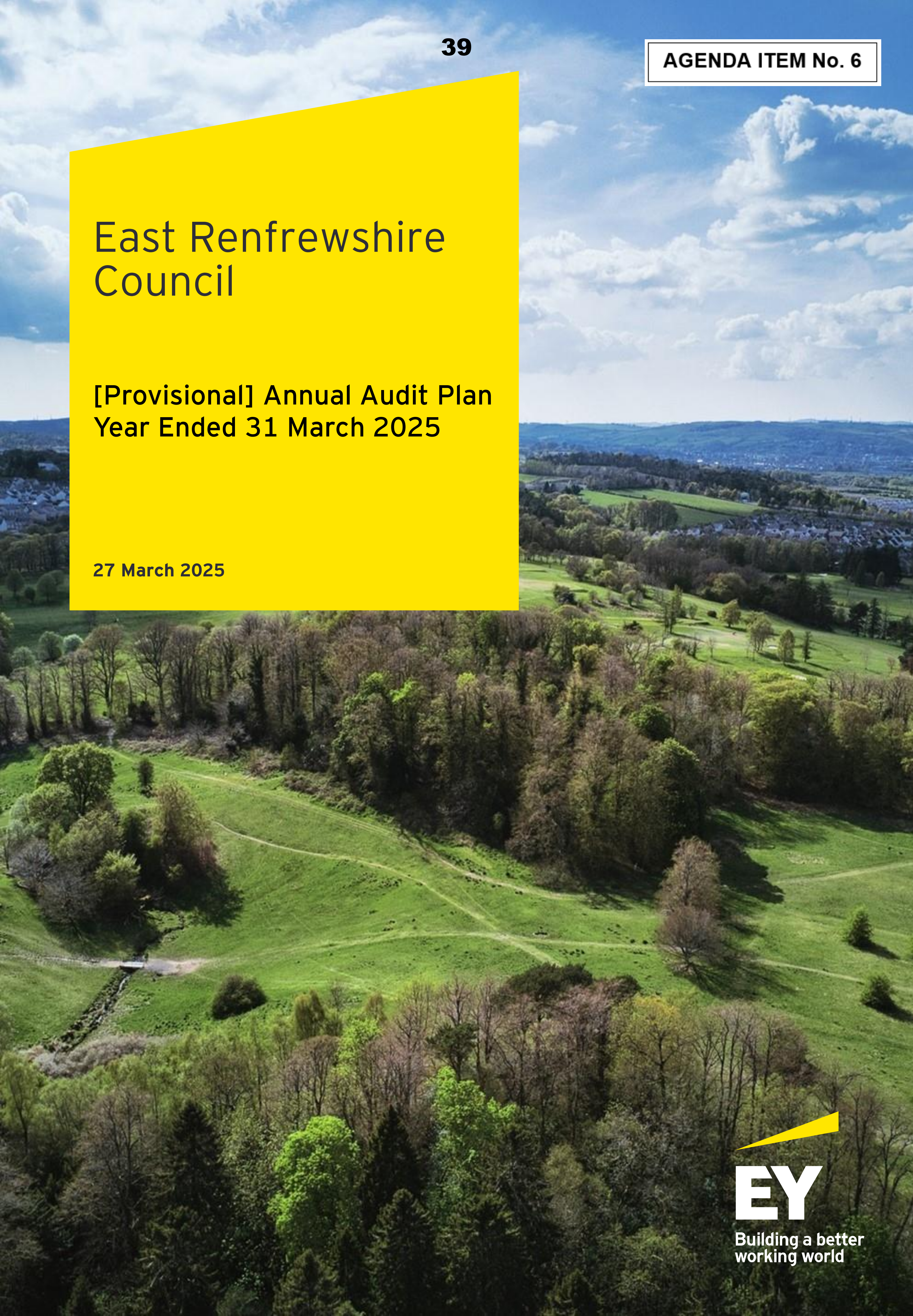
AGENDA ITEM No. 6

East Renfrewshire Council

[Provisional] Annual Audit Plan Year Ended 31 March 2025

27 March 2025



Building a better working world

This plan

This plan has been prepared in accordance with Terms of Appointment Letter, through which Audit Scotland and the Accounts Commission have appointed us as external auditor to East Renfrewshire Council for financial years 2022/23 to 2026/27.

This report is for the benefit of the Council and is made available to Audit Scotland and the Accounts Commission (together "the Recipients"). This report has not been designed to be of benefit to anyone except the Recipients. In preparing this report we have not taken into account the interests, needs or circumstances of anyone apart from the Recipients, even though we may have been aware that others might read this report.

Any party other than the Recipients that obtains access to this report or a copy (under the Freedom of Information Act 2000, the Freedom of Information (Scotland) Act 2002, through a Recipient's Publication Scheme or otherwise) and chooses to rely on this report (or any part of it) does so at its own risk. To the fullest extent permitted by law, Ernst & Young LLP does not assume any responsibility and will not accept any liability in respect of this report to any party other than the Recipients.

Accessibility

Our report will be available on Audit Scotland's website and we have therefore taken steps to comply with the Public Sector Bodies Accessibility Regulations 2018.

Contents

1. Executive summary

Purpose of our plan

The Accounts Commission for Scotland appointed EY as the external auditor of East Renfrewshire Council ("the Council") for the five year period to 2026/27.

This [provisional] Annual Audit Plan, prepared for the benefit of senior management and the Audit and Scrutiny Committee, sets out our proposed audit approach for the audit of the financial year ended 31 March 2025. In preparing this plan, we have continued to develop our understanding of the Council through:

- Regular discussions with management,
- Review of key documentation, including Council and committee reports; and
- Our understanding of the environment in which the Council is currently operating.

Our audit quality ambition is to consistently deliver high-quality audits that serve the public interest. A key objective of our audit reporting is to add value by supporting the improvement of the use of public money. We aim to achieve this through sharing our insights from our audit work, including observations around where the Council employs best practice and where processes can be improved. As we note in Appendix F, we will follow up each recommendation throughout our appointment to ensure implementation, including any Best Value findings.

We use data insights where possible to form our audit recommendations to support the Council in improving its practices around financial management and control, and in aspects of the wider scope dimensions of audit. These are highlighted throughout our reporting together with our judgements and conclusions regarding arrangements.

After consideration by the Council's Audit and Scrutiny Committee, the finalised plan will be provided to Audit Scotland and published on their website.

Scope and Responsibilities

We undertake our audit in accordance with the Code of Audit Practice (the Code), issued by Audit Scotland in June 2021; International Standards on Auditing (UK); relevant legislation; and other guidance issued by Audit Scotland. The Code sets out the responsibilities of both the Council and the auditor, more details of which are provided in Appendix A.

Independence

We confirm that we have undertaken client and engagement acceptance procedures, including our assessment of our continuing independence to act as your external auditor. Further information is available in Appendix B.

Our key contacts:

Rob Jones, Engagement Partner
rjones9@uk.ey.com

Grace Scanlin, Senior Manager
grace.scanlin@uk.ey.com

Laura Prior, Assistant Manager
laura.prior@uk.ey.com

Financial Statements audit

We are responsible for conducting an audit of the Council's financial statements. We provide an opinion as to:

- whether they give a true and fair view, in accordance with applicable law and the 2024/25 Code of Accounting Practice, of the income and expenditure of the Council for the year ended 31 March 2025 and;
- have been properly prepared in accordance with IFRSs, as interpreted and adapted by the 2024/25 Code; and
- whether they have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

We also review and report on the consistency of other information prepared and published along with the financial statements.

We are required to plan our audit to determine with reasonable confidence whether the financial statements are free from material misstatement. The assessment of what is material is a matter of professional judgement over both the amount and the nature of the misstatement. Our key considerations and materiality values are set out in Exhibit 1.

In 2024/25 we will respond to an updated International Auditing Standard, ISA (UK) 600 (Revised). We have therefore tailored our audit scope to respond to identified risks that impact group conclusions, and this will influence the extent of procedures undertaken. We note on page 22 that IFRS 16 Leases has been adopted in the 2024/25 CIPFA Code of Practice on Local Authority Accounting and the Council will implement from 1 April 2024.

Exhibit 1: Materiality Assessment in 2024/25

Planning Materiality	Performance Materiality	Reporting Threshold
Overall materiality for the financial statements based on the Council's gross expenditure less IJB contributions	We have provisionally assessed performance materiality at 75% of overall materiality for the financial statements.	Level of error that we will report to the Audit and Scrutiny Committee. This is set at 5% of planning materiality.
£7.6 million	£5.7 million	£0.38 million

We note that the above materiality is based on the Council's single entity gross expenditure. Given that the Council makes up 99% of the Group's gross expenditure we deem it appropriate to apply this level to both Council and Group statements.

Wider Scope and Best Value

As public sector auditors, our responsibilities extend beyond the audit of the financial statements. The Code of Audit Practice (2021) requires auditors to consider the arrangements put in place by the Council to meet their Best Value obligations as part of our proportionate and risk-based wider-scope audit work. This requires consideration of:

- The Council's arrangements to secure sound financial management;
- The regard shown to financial sustainability;
- clarity of plans to implement the vision, strategy and priorities of the Council, and the effectiveness of governance arrangements for delivery; and
- The use of resources to improve outcomes.

Best Value considerations are integrated within our wider scope annual audit work. The Accounts Commission considered the Council's arrangements within a Controller of Audit report, which was published in February 2024. The report endorsed the Council's approach to transformation and managing its finances, and there were no separate recommendations as a result of the findings.

We will continue to report on how the Council demonstrates that it has Best Value arrangements in place to secure continuous improvement throughout our remaining appointment. We note on page 25 that in 2024/25 we will consider the Council's arrangements for fairness and equality, alongside the thematic work that has been prescribed by the Accounts Commission on transformation.

Exhibit 2: Summary of significant risks identified for the audit in 2024/25

Three significant risks impacting the audit of the financial statements have been identified in Section 3:

1. **Risk of fraud in revenue and expenditure (fraud risk)**	Under ISA (UK) 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. We have rebutted the risk of improper recognition of income in respect of core grant funding from the Scottish Government, as well as in respect of council tax income, non-domestic rate income and interest income. With regards to expenditure, we have rebutted the risk of improper recognition of payroll, depreciation, and financing and investment expenditure.
2. **Misstatement due to fraud or error (fraud risk)**	As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud due to the ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively.
3. **Valuation of property, plant and equipment**	The fair value of property, plant and equipment (PPE) represent significant balances in the Council's financial statements. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet. In 2023/24, we identified one adjustments with an impact of £24.3 million relating to property, plant and equipment.

Exhibit 3: Summary of inherent risks identified for the audit in 2024/25

Three inherent risks impacting the audit of the financial statements have been identified in Section 3:

1. **Valuation of Pension Assets and Liabilities**	The Council's net pension asset, measured as the sum of the long term payments due to members as they retire against the Council's share of the Strathclyde Pension Fund investments, is a material balance in the Council's financial statements, albeit netted off to nil between assets and liabilities. Accounting for this scheme involves significant estimation and judgement, including financial and demographic assumptions. The Council engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates. Following the publication of the triennial valuation of Strathclyde Pension Fund in 2024, we anticipate that the scheme will remain in a surplus position for 24/25. CIPFA provided guidance in 23/24 (Bulletin 15) on recognising a net defined benefit asset in accordance with IFRC 14 when the pension fund reports a surplus.
2. **Valuation of PFI/PPP Liabilities**	The value of PFI/PPP liabilities represent significant balances in the Council's financial statements with the Council holding 5 contracts, with a value of £68.1 million in 2023/24. Accounting for these contracts includes a number of complexities, including ensuring the financial models reflect any contract amendments and inflationary uplifts. It is noted that one scheme is due to come to an end in July 2026 and therefore consideration must be given to any potential accounting implications of this.
3. **Implementation of IFRS 16**	CIPFA have confirmed that there will be no further delay of the introduction of the leases standard IFRS 16 and therefore IFRS 16 Leases is applicable in Local Government for period beginning 1 April 2024. The Council will therefore transition to IFRS 16 from 1 April 2024. As a result, assets being used by the authority under operating leases are likely to be capitalised along with an associated lease liability. Successful transition will depend on the Council having captured additional information about leases, both new and existing, especially regarding future minimum lease payments. We anticipate this to be material to our responsibilities, and we will review the completeness of this assessment for both the Council and the Group as part of our 2024/25 work.

Exhibit 4: Summary of areas of audit focus in relation to the Best Value and Wider Scope audit

Two areas of audit focus have been identified that impact Best Value and wider scope audit in Section 4:

Financial Sustainability: Development of sustainable and achievable medium term financial plans	In 2023/24, we identified financial sustainability as an area of significant risk, and made a recommendation that the Council should develop a Medium Term Financial Strategy to support the delivery of strategic objectives. In February 2025, the Council approved its first full Medium Term Financial Strategy, covering the period to 2030. The Council's updated assumptions identify a cumulative budget gap of £12.8 million by 2029/30, after assumptions for Council Tax and recurring savings proposals.

Best Value Thematic Review: Transformation	The Accounts Commission has asked us to consider how the Council is responding to the current transformation challenges: 1. To what extent does the council have clear plans for transformation that link to its priorities and support long-term financial sustainability? 2. To what extent do the council's programme management arrangements facilitate effective oversight of its transformation plans? 3. To what extent are communities and partners involved in the development and delivery of the council's plans for transformation? 4. To what extent has the council considered the impact of its transformation activity, including on vulnerable or protected groups?

2. Sector developments

Introduction

In accordance with the principles of the Code, our audit work considers key developments in the sector. We obtain an understanding of the strategic environment in which the Council operates to inform our audit approach.

Local Government Finances 2024/25

In January 2025, the Accounts Commission published its annual report on Local Government finances in Scotland (Financial Bulletin 2023/24). The report notes that despite councils receiving more funding and income in cash terms, due to high inflation, total revenue funding from all sources fell by 3.3% in real terms compared to 2022/23.

Councils are reliant on Scottish Government funding, which makes up over 60% of income. However, a large proportion of this funding is typically either formally ringfenced or provided on the expectation that it will be spent on specific services and national policy objectives. While ring fenced funding supports the delivery of key Scottish Government policies, it removes local discretion and flexibility over how these funds can be used by councils to meet their own objectives.

Audit Scotland calculated ringfenced money to represent 21% of total revenue funding in 2023/24. This represents a reduction as compared to 22/23 following a commitment in the Verity House Agreement to reduce the level of ring-fenced funding (unless there is a clear and mutual rationale for the funding being established in such a way), with several previously ring-fenced or directed items being baselined into the general revenue grant.

Scottish Government core revenue funding increased by 4.2% in cash terms but noted a 1.8% reduction in real terms between 2022/2023 and 2023/24.

Income from customer and client receipts reduced significantly during the Covid-19 pandemic and has not returned to previous levels, with a 12% decrease noted in comparison to 2019/20. This income covers a broad range of services, including waste and parking, however income generation and the Councils' limited ability to increase income is often cited as a risk to financial sustainability.

Looking ahead, the Accounts Commission notes that Councils are increasingly reliant on identifying savings, which becomes progressively difficult year-on-year, resulting in an increase in unplanned use of reserves to manage budget pressures (12 out of 29 councils in 2023/24).

Scottish budget

Local government is the second largest area of Scottish Government spending. In December 2024, the Scottish Government published the Scottish Budget. The budget addressed plans only for 2025 to 2026, in contrast to the commitment in the Verity House Agreement, to provide multi-year spending plans.

The budget included announcements that the Scottish government will:

- Increase Local Government funding by over £1 billion from 2024/25 to 2025/26, including a £289 million increase on the General Revenue Grant;
- Not implement a council tax freeze or cap for 2025/26, having provided funding of £147 million in the prior year to fund the announced Council Tax freeze, which was described as equivalent to a 5% increase. As a result, Councils across Scotland are in the process of implementing council tax increases, ranging from 6% to 15.6%.

Integration Joint Boards' Finances

In March 2025, Audit Scotland published the Integration Joint Board Financial Bulletin 2023/24, which described the sector's finances as precarious. The majority of IJBs reported a deficit on the cost of providing services requiring unplanned use of reserves and additional contributions from partner bodies.

Total reserves held by IJBs reduced by 40% in 2023/24. Nine IJBs, including East Renfrewshire IJB, now do not hold any contingency reserves, reducing their financial flexibility and increasing the risk to their financial sustainability.

The report highlights that NHS boards and councils face significant financial challenges themselves and IJBs cannot therefore continue to rely on their partners being able to find additional money to support them during the year.

Controller of Audit Report on Best Value

The Accounts Commission requires the Controller of Audit to report on each council at least once over the five-year audit appointment on the council's performance on its Best Value duty. This enables the Accounts Commission to make findings for improvement where appropriate.

In February 2025, the Controller of Audit reported on the East Renfrewshire Council's progress against Best Value, noting that the Council excels in many areas whilst also providing findings to enable further improvement. The report noted that the Council demonstrates a commitment to continuous improvement and consistently makes good progress in putting the recommendations identified through Best Value reports into action. The Controller of Audit also identified a number of findings, including the requirement for the council to continue to develop a realistic and costed medium-term financial plan that supports the delivery of strategic objectives while recognising the significant future uncertainty.

We note in Section 4 that progress will continue to be monitored through the programme of annual external audit work, including Best Value thematic work.

3. Financial statements: Our approach and assessment of significant risks

Introduction

The publication of the annual financial statements allow the Council to demonstrate accountability for, and its performance in the use of its resources. They are prepared in accordance with proper accounting practice, which is represented by the 2024/25 Code of Practice on Local Authority Accounting in the United Kingdom ("the Code").

Our responsibilities

We are responsible for conducting an audit of the Council's financial statements. We provide an opinion as to:

- whether they give a true and fair view in accordance with applicable law and the 2024/25 Code of the risks and of the Council as risks and 31 March 2025 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with IFRSs, as interpreted and adapted by the 2024/25 Code; and
- whether they have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

We also review and report on the consistency of the other information prepared and published by the Council along with its financial statements.

Other Statutory Information

The management commentary and narrative reporting within the financial statements continues to be an area of increased scrutiny as a result of rising stakeholder expectations. This includes climate related and emissions reporting, where we expect additional guidance from Audit Scotland for 2024/25 onwards.

Audit approach

We will continue to follow a substantive approach to the audit as we have concluded this is the most efficient way to obtain the level of audit assurance required to conclude that the financial statements are not materially misstated.

During our planning procedures, we determine which accounts, disclosures and relevant assertions could contain risks of material misstatement. Our audit involves:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud, error or design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control.

Audit Approach continued

- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting. Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtaining sufficient appropriate audit evidence to express an opinion on the financial statements.
- Reading other information contained in the financial statements to form assessment, including that the annual report is fair, balanced and understandable.
- Ensuring that reporting to the Audit and Scrutiny Committee appropriately addresses matters communicated by us and whether it is materially consistent with our understanding and the financial statements.
- We rigorously maintain auditor independence (refer to Appendix B).

Materiality

For planning purposes, materiality for 2024/25 has been set at £7.6 million (2023/24: £7.7 million). This represents 2% of the Council's gross expenditure on provision of services less IJB grant income and expenditure (Exhibit 3). Materiality will be reassessed throughout the audit process and will be communicated to the Audit and Scrutiny Committee within our annual audit results report.

Our 2024/25 assessment concluded that gross operating expenditure remains the most appropriate basis for determining planning materiality for the Council.

Our evaluation requires professional judgement and so takes into account qualitative as well as quantitative considerations.

Specific materialities

We consider all accounts and disclosures within the financial statements individually to ensure an appropriate materiality is used. In determining their materiality, we consider both the qualitative and quantitative factors that could drive materiality for the users of the financial statements. Accordingly, we determine it is appropriate to use lower levels of materiality for some areas of the financial statements, including:

- **Remuneration report** - given the sensitivity around the disclosure of senior staff remuneration we apply a lower materiality threshold to our audit consideration around the remuneration report and related disclosures.
- **Related party transactions** – which are considered material when they are material to either party in the transaction. We do not apply a specific materiality but consider each transaction individually.

We have provided supplemental information about audit materiality in Appendix F.

Exhibit 3: Our assessment of materiality in 2024/25

Element	Explanation	Value
Planning materiality	The amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements. This represents 2% of the Council's Gross Expenditure less IJB contributions. In 2023/24 this was set at £7.7 million.	£7.6 million
Performance materiality	Materiality at an individual account balance, which is set to reduce the risk that the aggregate of uncorrected and undetected misstatements exceeds Planning Materiality to an acceptably low level. We have provisionally set this at 75% of planning materiality, in line with the materiality presented in our 2023/24 audit results report (£5.8 million) but we will continue to update our assessment throughout the audit.	£5.7 million
Reporting level	The amount below which misstatements whether individually or accumulated with other misstatements, would not have a material effect on the financial statements. This is set at 5% of planning materiality.	£0.38 million

Group Audit

The Council prepares its annual report and financial statements on a group basis.

ISA (UK) 600 (revised September 2022) special considerations – Audits of group financial statements (including the work of component auditors) becomes effective for the first time in 2024/25. The revised auditing standard introduces a number of changes to the approach for auditing groups.

The Group consists of the following organisations

- Common Good and Charitable Trusts
- Strathclyde Partnership for Transport
- Strathclyde Concessionary Travel Scheme
- Renfrewshire Valuation Joint Board
- East Renfrewshire Culture & Leisure Trust
- East Renfrewshire Integration Board

We have considered the arrangements in respect of each of the Council's group undertakings at the planning stage and will review throughout the audit.

The only significant component by size is the Council, which accounts for 99% of consolidated gross expenditure.

The East Renfrewshire Integration Joint Board (IJB) is identified as a joint venture and consolidated in accordance with the requirements of the Code. We have been appointed as auditor to East Renfrewshire Integration Joint Board and will report separately on our audit of that entity.

There have been no specific risks identified that may indicate a component in full is significant by risk, as the IJB does not affect the transactions as such, only the nominal funding agreement in and out of the IJB.

As part our risk assessment required under the newly introduced auditing standard, ISA600, we have also considered whether there are any indicators that a component is significant due to size or risk on an account level. As a result, we will perform extended procedures over specific material asset balances identified through our risk assessment.

East Renfrewshire Council Charitable Trusts

In February 2024, Audit Scotland published a briefing in relation to Charitable Trusts across local government. Within this briefing, they advised that steps are taken to wind up and merge charitable trusts or appoint an external trustee to remove the audit requirement. In the prior year, management actioned this recommendation and appointed South Ayrshire Council as an independent examiner. As a result, the charitable trusts are outside the scope of our audit, and we do not provide an opinion on these bodies.

Our response to significant risks

Introduction

Auditing standards require us to make communications to those charged with governance throughout the audit. At East Renfrewshire Council, we have agreed that these communications will be to the Audit and Scrutiny Committee. The financial statements and our annual audit report will also be reported to the Council.

One of the key purposes of our annual audit plan is to communicate our assessment of the risk of material misstatement in the financial statements.

We are required to plan our audit to determine with reasonable confidence whether the financial statements are free from material misstatement. The assessment of what is material is a matter of professional judgement over both the amount and the nature of the misstatement.

We set out in the following sections the significant risks (including fraud risks denoted by *) that we have identified for the current year audit, along with the rationale and expected audit approach. In 2024/25 we have identified three significant risks:

- Risk of fraud in revenue and expenditure recognition, including through management override of control*
- Misstatement due to fraud or error*
- Valuation of property, plant and equipment.

The risks identified may change to reflect any significant findings or subsequent issues we identify during the audit. We will provide an update to the Audit and Scrutiny Committee if our assessment changes significantly during the audit process.

Under the Code of Audit Practice, we are required to report on key audit matters as part of our annual reporting. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified.

These matters will include those which had the greatest effect on:

- the overall audit strategy;
- the allocation of resources in the audit; and
- directing the efforts of the engagement team.

1. Risk of fraud in revenue and expenditure recognition*

Financial statement impact

The relevant 2023/24 account balance in the audited financial statements was:

- Other expenditure: £164.7 million
- Other income: £62.0 million
- Other grants and capital grants: £49.4 million
- Related creditor balances: £49.9 million
- Related debtor balances: £4.5 million
- Capital grant receipts in advance: £10.5 million

What is the risk?

Under ISA 240 there is a presumed risk that income may be misstated due to improper recognition of income. In the public sector, this requirement is modified by Practice Note 10, issued by the Financial Reporting Council, which means we also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

We consider there to be a specific risk around income and expenditure recognition through:

- Incorrect income and expenditure cut-off recognition to alter the Council's financial position around the financial year end.
- Incorrect recognition applied to grants income with performance conditions.
- Incorrect allocation of expenditure between capital and revenue.

In line with auditing standards, we rebut the risk around income and expenditure where appropriate depending on the nature of the account.

Accordingly, we have rebutted the risk of improper recognition of income in respect of core grant funding from the Scottish Government, as well as in the respect of council tax income, non-domestic rate income and interest income. With regards to expenditure, we have rebutted the risk of improper recognition of payroll, depreciation and financing and investment expenditure.

What work will we perform?

We will take a fully substantive approach to the testing the related accounts. We will:

- Inquire of management and those charged with governance about risks of fraud and the controls to address those risks.
- Review and challenge management on any accounting estimates for evidence of bias.
- Review and test additional income and expenditure cut-off at the period end date.
- Test an extended sample of grant income to ensure it satisfies recognition criteria tests.
- Conduct additional substantive testing of related income and expenditure transactions where we have identified a significant risk.
- Assess and challenge manual adjustments/ journal entries by management around the year end for evidence of management bias and evaluation of business rationale and supporting evidence.
- Develop a testing strategy to test material revenue and expenditure streams, including testing revenue and capital expenditure to ensure it has been correctly classified.

2. Misstatement due to fraud or error*

What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

What work will we perform?

We will:

- Inquire of management about risks of fraud and the controls to address those risks;
- Understand the oversight given by those charged with governance of management's processes over fraud;
- Consider the effectiveness of management's controls designed to address the risk of fraud; and
- Consider the basis of any transfers between reserves.

We will perform mandatory procedures regardless of specifically identified fraud risks, including:

- Substantively testing income and expenditure transactions as appropriate and material;
- Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements. This includes setting criteria for journals that we test including those that can be subject to management manipulation or impact council performance;
- Assess accounting estimates for evidence of management bias; and
- Evaluate the business rationale for significant unusual transactions.

We will use our data analytics capabilities to assist with our work.

3. Valuation of Property, Plant and Equipment

Financial statement impact

The relevant 2023/24 account balance in the audited financial statements was:

- Property, Plant and Equipment: £956.8 million.
- Relating to land and buildings, including council dwellings: £847.6 million
- Relating to infrastructure assets: £81 million
- Additions totalled: £46.4 million

What is the risk?

The fair value of property, plant and equipment (PPE) represent significant balances in the Council's financial statements. Management is required to make material judgemental inputs and apply estimation techniques to calculate year-end balances recorded in the balance sheet.

Previously the Council's internal valuers revalued all assets on an annual basis. Following the 2023/24, we held a full debrief with the accountancy and valuation teams and they shared their assessment on plans for a rolling programme of valuations, focused on risk and materiality. This is in line with the approach taken by other Scottish Councils. Despite not revaluing all assets in the year, the Council will continue to give consideration to all asset classes in the year, allowing them to evaluate the impact of any significant movements in the year on the remainder of the asset base. In 2023/24, we identified one adjustment with an impact of £24.3 million in the valuation.

Infrastructure assets

The statutory override in place for infrastructure assets was scheduled to end at 31 March 2024 however the Scottish Government has now consulted on extending the override to 31 March 2025. The extension continues to carry an expectation that Councils will continue to address information deficits to ensure however, timely adoption of future Code requirements once a more permanent solution is delivered.

Nil net book value assets

As part of our existence testing in the prior year, we selected a sample of assets that had been depreciated to a nil net book value (total value in 2023/24: £25.9 million). We identified that the majority of the sample could not be verified to confirm the existence of the asset. Testing highlighted that the asset life allocated to key components such as kitchens within the depreciation policy appeared to be lower than the actual lives. Management committed to review the record keeping underpinning the Fixed Asset Register to ensure it is sufficient to identify the status and location of individual assets. In addition to this, a review was to be performed to ensure that asset lives are appropriate for each class of asset.

3. Valuation of Property, Plant and Equipment continued

What work will we perform?

We will:

- Review and appraise the work performed by the Council's valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- Sample test key asset information used by the valuers in performing their valuation (e.g. floor plans to support price per square metre);
- Involve EY internal specialists to challenge the work performed by the Council's valuers, focusing on more material assets which have been subject to audit differences in the past;
- Assess any changes to useful economic lives against the most recent valuer assessments;
- Test accounting entries have been correctly processed in the financial statements;
- Sample test transfers from assets under construction and confirm for a sample that remain within assets under construction that development is still in progress;
- Consider assets that have not been subject to valuation, including assessing whether there are any indicators of impairment;
- Gain an understanding of the level and nature of capital spend in year and perform testing on fixed asset additions ensuring an appropriate split between revenue and capital expenditure; and
- Review operating expenditure for evidence of capital additions omissions.

For infrastructure assets we will:

- test a sample of infrastructure assets to determine their existence as at 31 March 2025;
- review the depreciation policy for infrastructure assets and ensure it remains appropriate and in line with CIPFA guidance; and
- Assess whether infrastructure additions for 2024/25 have been recorded in sufficient detail to enable verification of the underlying physical asset.

For nil net book value assets we will:

- Consider the appropriateness of the depreciation policy applied to assets

Inherent risks

We have identified other areas of the audit that have not been classified as significant risks but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters that we will include in our annual audit report:

Valuation of Pension Assets and Liabilities

The Council's net pension asset, measured as the sum of the long term payments due to members as they retire against the Council's share of the Strathclyde Pension Fund investments, is a material balance in the Council financial statements. At 31 March 2024 the net asset totalled £178.6 million which was limited to nil in line with the accounting requirements of IFRIC 14. An unfunded liability of £16.9 million was also recorded on the Council's balance sheet and a material Group pension asset is considered in full.

Accounting for this scheme involves significant estimation and judgement, including financial and demographic assumptions. The Council engages an actuary to undertake the calculations on their behalf.

ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

Following the publication of the most recent triennial valuation of the Strathclyde Pension Fund, we anticipate that the scheme will remain in a surplus position. CIPFA has recently provided guidance (Bulletin 15) on recognising a net defined benefit asset in accordance with IFRC 14 when the pension fund reports a surplus. Where an asset ceiling is applied, the bulletin highlights relevant requirements in the accounting code which require disclosure of:

- an explanation as to why the pension surplus reported under IAS 19 is not fully realisable and what 'realisable' means in this context; and
- the basis used to determine the amount of the economic benefit available.

Work we will perform:

- Liaise with the auditor of Strathclyde Pension Fund to obtain assurances over the information supplied to the actuary and confirm joint assurances in respect of employer and employee contributions.
- Engage our actuarial specialists to assess the work of the actuary (Hymans Robertson).
- Assessing the work of PWC, appointed to consider actuarial assumptions used at the year end for all local government sector bodies.
- Review and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.
- Require an updated IAS19 report in July to ensure that there have been no material movement in the value of pension fund assets between the initial IAS19 report, and the signing of the financial statements.
- Consider the valuation and disclosure of unfunded liabilities, for which there are no plan assets to meet the pension liabilities.
- As part of our audit procedures, we will request that the Council obtain an asset ceiling report from its actuaries. Our actuarial specialists will review the asset ceiling report to satisfy themselves that it is materially correct.

Inherent risks continued

Valuation of PFI/PPP Liabilities The value of PFI/PPP liabilities represents significant balances in the Council's financial statements with the Council holding 5 different contracts. Accounting for these contracts includes a number of complexities ensuring the financial models reflect any contract amendments and inflationary uplifts. At 31 March 2024 the PFI/PPP liability balance per the financial statements was £68.1 million. *(2023: £73.5 million)*. Due to the complexity of accounting for PFI/PPP contracts and the high value of the transactions, there is a risk that the Council's financial statements do not show the correct accounting entries, reflect the correct accounting model and that related commitments are not correctly disclosed. One of the Council's PFI contracts, in relation to the Mearns Primary School and an extension to St Ninians Secondary School, will terminate in August 2026.	Work we will perform: We will: - Review the contractual agreements for each PFI/PPP asset and confirm any contract amendments have been appropriately reflected within the liability valuation; - Ensure that accounting models have been appropriately and accurately updated to reflect inflationary uplifts and actual unitary charge payments; - Test accounting entries have been correctly processed in the financial statements; - Review financial statement disclosures to ensure commitments are appropriately disclosed.
Implementation of IFRS 16 IFRS 16 Leases has been adopted in the 2024/25 CIPFA Code of Practice on Local Authority Accounting which sets out the financial reporting framework for the Council's 2024/25 accounts. IFRS 16 eliminates the operating / finance lease distinction for leases and imposes a single model geared towards the recognition of all but low-value or short term leases. These will now be recognised on the Balance Sheet as a 'right of use' asset and lease liability reflecting the obligation to make lease payments. The Council intends to adopt IFRS 16 from 1 April 2024, and have engaged with specialists to support the recognition.	We have discussed audit requirements with management. There are no significant changes to the accounting requirements where the entity is acting as a lessor but disclosure requirements around risk exposure are required. As part of our work we will consider the Council and Group's approach to capturing additional information about leases, both new and existing, especially regarding future minimum lease payments and cost information. We will also consider the implications of implementation from a group perspective and challenge the completeness of evidence that the Council obtain.

Use of specialists

When auditing key judgements, such as the valuation of property, plant and equipment or defined benefit pension scheme assets and liabilities, we are often required to rely on the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Council's business and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable.
- Assess the reasonableness of the assumptions and methods used.
- Consider the appropriateness of the timing of when the specialist carried out the work.
- Assess whether the substance of the specialist's findings are properly reflected in the financial statements.

Going Concern

Audit requirements

In accordance with the CIPFA Code of Practice on Local Government Accounting, the Council prepares its financial statements on a going concern basis unless informed by the Scottish Government of the intention for dissolution without transfer of services or function to another entity.

International Auditing Standard 570 Going Concern, as applied by Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom, requires auditors to undertake sufficient and appropriate audit procedures to consider whether there is a material uncertainty on going concern that requires reporting by management within the financial statements, and within the auditor's report.

Under ISA (UK) 570, we are required to undertake challenge of management's assessment of going concern, including testing of the adequacy of the supporting evidence we obtained. In light of substantial financial pressures facing the Council, including the cost of living crisis, inflationary pressures, and other demand pressures, we place increased focus on management's assertion regarding the going concern basis of preparation in the financial statements, and particularly the need to report on the impact of financial pressures on the Council and its financial sustainability.

Our work on going concern requires us to:

- challenge management's identification of events or conditions impacting going concern, more specific requirements to test management's resulting assessment of going concern, an evaluation of the supporting evidence obtained which includes consideration of the risk of management bias;
- challenge management's assessment of going concern, thoroughly test the adequacy of the supporting evidence we obtain and evaluate the risk of management bias. Our challenge will be made based on our knowledge of the Council obtained throughout our audit;
- Consider and challenge management expectations in relation to the ability to respond to future budget gaps, and/or the maintenance of general reserves;
- conduct a stand back requirement to consider all of the evidence obtained, whether corroborative or contradictory, when we draw our conclusions on going concern; and
- necessary consideration regarding the appropriateness of financial statement disclosures around going concern.

4. Best Value and Wider Scope Audit

Introduction

In June 2021, Audit Scotland and the Accounts Commission published a revised Code of Audit Practice. This establishes the expectations for public sector auditors in Scotland for the term of the current appointment.

Risk assessment and approach

The Code sets out the four dimensions that comprise the wider scope audit for public sector in Scotland:

- Financial management;
- Financial sustainability;
- Vision, Leadership and Governance; and
- The use of resources to improve outcomes.

The Code of Audit Practice requires that, in addition to financial statement significant risks, auditors are required to identify significant risks within the wider scope dimensions as part of our planning risk assessment. We consider these risks, identified as "areas of wider scope audit focus", to be areas where we expect to direct most of our audit effort, based on:

- our risk assessment at the planning stage, including consideration of Audit Scotland's Code of Audit Practice Supplementary Guidance (February 2022);
- Our knowledge of the Council from prior year audits, including Best Value work; and
- the identification of any national areas of risk within Audit Scotland's annual planning guidance.

Any changes in this assessment will be communicated to the Audit and Scrutiny Committee. Our wider scope audit work, including follow up of prior year findings, and the judgements and conclusions reached in these areas, contribute to the overall assessment of and assurance over the achievement of Best Value.

Best Value

Under the Code, the Accounts Commission require auditors to assess and report on the Council's performance in meeting its Best Value and community planning duties.

While our risk assessment will be used to determine the requirement for any additional audit work covering the seven Best Value characteristics, there is an expectation that equalities will be advanced through the audit process, and that we will therefore carry out work on the Fairness and Equality characteristic at least once during the audit appointment. We will conduct this work as part of our 2024/25 audit.

In addition, on an annual basis, we are required to prepare a separate report on thematic topics prescribed by the Accounts Commission. For 2024/25, the Accounts Commission has directed auditors to report on transformation.

Financial Sustainability

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

At 31 March 2024, the Council's total General Fund reserves were £42 million, including the unearmarked General Reserve of £7.3 million. This represents around 2.3% of annual budgeted net revenue expenditure.

The Council considered the updated Medium Term Financial Plan in February 2025. The Plan notes the demographic pressures facing East Renfrewshire Council as a result of the population growth particularly of older people aged 65+ (where this age group is expected to represent a quarter of the Council's total population by 2043), alongside funding pressures impacting the whole sector.

The Council identified a funding gap of £7.066 million, in 2025/26 but was able to set a balanced budget by drawing upon:

- The use of usable reserve balances, including the financial flexibilities reserve (£0.39 million);
- Recurring savings (including charges for services) of £1.24 million; and
- An 8% increase in council tax for 2025/26.

As a result of achieving a balanced budget in this financial year, the Medium Term Financial Plan identifies a remaining cumulative budget gap of £12.8 million over the five year period of the plan.

The Plan recognises that the Council has made significant recurring savings, totalling £34.2 million over the last six years. As a result, there are limited remaining opportunities to close future budget gaps through efficiencies alone.

The Council considered its updated Reserves Policy as part of the medium-term financial plan, which made no change to the target level of unearmarked reserves (4%) but recognised that this level cannot always be met. Unless there are exceptional circumstances, the Council would not expect the reserve to fall below a level of around 2%. In our 2023/24 annual audit report, we noted the Council's continued application the one-off financial flexibilities reserve of (£7.3 million at 31 March 2024) which was created to help the council transition and manage future budget reductions.

As we have noted in previous years, the Council continued to set a one-year budget in February 2025, reflecting that the Scottish Government is not yet in a position to set longer term outline settlements.

Indicative three-year financial plans have been set as part of the annual operational planning in the Outcome Delivery Plan, which includes commentary on expectations about capital spend.

The Council recognises that there remain areas of risk within the financial forecasting, particularly changes to Scottish Government core funding. The adverse scenario that the Council has modelled assumes flat cash for the remaining term of the plan.

The Council has reflected the significant and ongoing financial challenges that the East Renfrewshire Integration Joint Board face, including prescribing costs and the direct and indirect costs of the increase in employers national insurance contributions.

Our response

We have identified a wider scope area of audit focus in Exhibit 4 in respect of financial sustainability. Our assessment of the Council's financial sustainability arrangements, will focus on:

- A review of the Council's updated assumptions within the Medium Term Financial Plan, with a focus on the implications for reserves balances (Appendix F);
- The delivery of savings in line with plans within the budget.

Exhibit 4: Financial sustainability area of focus

Development of sustainable and achievable medium term financial plans	In 2023/24, we identified financial sustainability as an area of significant risk, and made a recommendation that the Council should develop a Medium Term Financial Strategy to support the delivery of strategic objectives. In February 2025, the Council approved its first full Medium Term Financial Strategy, covering the period to 2030. The Council's updated assumptions identify a cumulative budget gap of £12.8 million by 2029/30, after assumptions for Council Tax and recurring savings proposals.

Financial Management

Financial management means having sound budgetary processes. Audited bodies require the ability to understand the financial environment and whether internal controls are operating effectively. Auditors consider whether the body has effective arrangements to secure sound financial management. This includes the strength of the financial management culture, accountability and arrangements to prevent and detect fraud, error and other irregularities, bribery and corruption.

Our 2023/24 Annual Audit Report did not identify any significant internal control weaknesses which could affect the Council's ability to record, process, summarise and report financial and other relevant data to result in a material misstatement in the financial statements. However, the Council drew attention to two areas of non-compliance with the ongoing investigation into the IJB funds account with the help of internal audit and breaches of the employee code of conduct.

We concluded that budget monitoring arrangements were effective throughout the financial year but that, as in previous years, the annual outturn was significantly better than the forecast throughout the year (refer to our recommendation in Appendix F). The most recent estimated outturn (January 2025) highlights a further operational underspend in 2024/25, estimated at £2.1 million which represents 0.63% of the overall revenue budget.

The Council's Head of Accountancy (Section 95 officer) retired in September 2024. We noted within our Annual Audit Report that the council had placed itself in a strong position by ensuring that the there was a replacement in place and that a period of transition could occur.

The process followed by the council allowed for the newly appointed Chief Financial Officer to develop budget planning and engage engage directly with the cross-party budget strategy group.

Our response

We have not identified any significant risks in relation to financial management. Our assessment of the Council's arrangements, will focus on:

- The assessment of arrangements to ensure systems of internal control are operating effectively, including follow up of previous internal audit findings;
- Budget monitoring arrangements, including plans to improve the accuracy of forecasting; and
- Consideration of the disclosures made within the management commentary in the financial statements.

Vision, Leadership and Governance

The effectiveness of scrutiny and governance arrangements, leadership and decision making, and transparent reporting of financial and performance information.

In December 2024, the Council launched "A Place to Grow", the refreshed long term strategic vision for East Renfrewshire. It has drawn upon significant stakeholder engagement and work with partners to refine and refresh the vision for the next 10 to 15 years and has replaced the 5 previous strategic outcomes to three clear priority themes:

- Children and Young People flourish
- Communities and Places thrive; and
- We all live well.

Following its approval, the Council has undertaken an exercise to review each underpinning strategy with the aim of aligning these with the priority themes.

We concluded that governance arrangements worked well throughout 2023/24 and that the Annual Governance Statement was in line with our understanding of the Council. However, two exceptions were raised within the Certificates of Assurances, including breaches of the employee codes within the Environment Directorate.

In previous years, the Audit and Scrutiny Committee has noted concerns about the capacity of the Council's Internal Audit Team. The Chief Internal Auditor's most recent progress update highlighted that, following the successful recruitment of staff in 2023/24, the full audit plan will be completed in 2024/25.

CIPFA updated its guidance on good practice for local authority audit committees in 2021/22. While our own review concluded that the Audit and Scrutiny Committee generally meets the requirements within the guidance, we noted that there has been no formal self-assessment arrangements against the CIPFA guidance which may identify improvements. This assessment is due to be performed by the Council's Audit & Scrutiny Committee in 2024/25. The Committee has also undertaken work to identify training opportunities for members, including treasury management training, to support scrutiny arrangements.

Our response

Our assessment of the Council's arrangements in 2024/25 will focus on:

- Consideration of the disclosures within the Governance Statement, including any findings from the annual review of the effectiveness of the system of internal control;
- Review of the coverage of internal audit arrangements during 2024/25, including any significant findings identified and the work done to address issues identified; and
- Consideration of the Audit and Scrutiny Committee's self-assessment arrangements.

Use of Resources

The Council's approach to demonstrating economy, efficiency, and effectiveness through the use of resources and reporting outcomes.

A comprehensive Performance Framework is in place to report on performance against the Council's Strategic Outcomes. The annually-refreshed Outcome Delivery Plan provides a direct link to the priorities within the Community Plan.

The Council considers a strategic performance report on the Community Planning Partnership's Strategic Outcomes and the Council's Outcome Delivery Plan. This includes an assessment of performance against targets, along with trend information and a description from the service including, where necessary, reasons for slippage against targets. The Council's performance in 2023/24 was in line or exceeded national averages for 64% of outcomes.

We note that the Council has set aside specific earmarked reserves to support the delivery of key strategic priorities, including the Digital Transformation Strategy and Get to Zero Strategy. These priorities will continue to be significantly impacted by funding pressures.

In 2024/25 we will conduct additional work to respond to our responsibility to embed consideration of equalities throughout the audit process. Under the Best Value Guidance, the Council should demonstrate:

- That equality and equity considerations lie at the heart of strategic planning and service delivery.
- A commitment to tackling discrimination, advancing equality of opportunity and promoting good relations both within its organisation and the wider community.
- That equality, diversity and human rights are embedded in its vision and strategic direction and throughout all of its work, including partnership arrangements; and
- A culture that encourages equal opportunities and is working towards the elimination of discrimination.

Our response

No significant risks have been identified at this stage in relation to the Use of Resource. Our assessment of the Council's arrangements in 2024/25 will focus on:

- Performance outcomes reported in the 2024/25 Annual Performance Report;
- Arrangements for equality and fairness;
- Progress towards the Council's Get to Zero ambitions; and
- The effectiveness of performance scrutiny arrangements.

We will also review the Council's arrangements for considering national reports, including evaluating the findings and implementing recommendations, such as Local Government overview reports from the Accounts Commission.

Best Value

The Accounts Commission requires the Controller of Audit (COA) to report to the Accounts Commission on each council at least once over the five-year audit appointment on the council's performance on its Best Value duty. This enables the Accounts Commission to make findings for improvement where appropriate.

The Controller of Audit reported on the Council's progress against Best Value in February 2025, noting that the Council excels in many areas whilst also providing findings to enable further improvement.

Under the revised Code of Audit Practice, Best Value assurance reporting is fully integrated with local audit arrangements.

Over the course of our five-year appointment, we will consider each of the Best Value themes (including leadership, partnerships, working with communities, sustainability and fairness and equality) as part of our annual work. In addition, on an annual basis, the Accounts Commission will identify areas of risk where it requires thematic audit work to be carried out in councils. As we outline in Exhibit 5, below, in 2024/25, the thematic work will consider transformation.

Our response

Our assessment of the Council's arrangements in 2024/25 will focus on:

- Follow up of the Controller of Audit's findings with regards to Best Value.
- Reporting our findings against the Accounts Commission's thematic audit requirements.
- Follow up of prior year recommendations; and
- Use of our wider scope audit findings to continue to inform our Best Value risk assessment.

Exhibit 5: Best Value Area of Audit Focus

Transformation	The Accounts Commission has asked us to consider how the Council is responding to the current transformation challenges: 1. To what extent does the council have clear plans for transformation that link to its priorities and support long-term financial sustainability? 2. To what extent do the council's programme management arrangements facilitate effective oversight of its transformation plans? 3. To what extent are communities and partners involved in the development and delivery of the council's plans for transformation? 4. To what extent has the council considered the impact of its transformation activity, including on vulnerable or protected groups?

Appendices

A Code of audit practice: Responsibilities

B Independence report

C Required communications with the Audit and Scrutiny Committee

D Timeline of communications and deliverables

E Audit fees

F Prior year audit recommendations

G Additional audit information

A Code of audit practice: Responsibilities

Audited Body Responsibilities

Audited bodies have the primary responsibility for ensuring the proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety and regularity that enable them to successfully deliver their objectives. The features of proper financial stewardship include the following:

Corporate governance

Each body, through its chief executive or accountable officer, is responsible for establishing arrangements to ensure the proper conduct of its affairs including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements. Audited bodies should involve those charged with governance (including audit committees or equivalent) in monitoring these arrangements.

Financial statements and related reports

Audited bodies must prepare annual accounts comprising financial statements and other related reports. They have responsibility for:

- preparing financial statements which give a true and fair view of their financial position and their expenditure and income, in accordance with the applicable financial reporting framework and relevant legislation;
- maintaining accounting records and working papers that have been prepared to an acceptable professional standard and that support their accounts and related reports disclosures;
- ensuring the regularity of transactions, by putting in place systems of internal control to ensure that they are in accordance with the appropriate authority
- preparing and publishing, along with their financial statements, related reports such as an annual governance statement, management commentary (or equivalent) and a remuneration report in accordance with prescribed requirements
- ensuring that the management commentary (or equivalent) is fair, balanced and understandable.

It is the responsibility of management of an audited body, with the oversight of those charged with governance, to communicate relevant information to users about the entity and its financial performance, including providing adequate disclosures in accordance with the applicable financial reporting framework. The relevant information should be communicated clearly and concisely.

Audited bodies are responsible for developing and implementing effective systems of internal control as well as financial, operational and compliance controls. These systems should support the achievement of their objectives and safeguard and secure value for money from the public funds at their disposal. They are also responsible for establishing effective and appropriate internal audit and risk-management functions.

Standards of conduct for prevention and detection of fraud and error

Audited bodies are responsible for establishing arrangements for the prevention and detection of fraud, error and irregularities, bribery and corruption and to ensure that their affairs are managed in accordance with proper standards of conduct by putting proper arrangements in place.

A Code of audit practice: Responsibilities continued

Maintaining a sound financial position

Audited bodies are responsible for putting in place proper arrangements to ensure that their financial position is soundly based having regard to:

- such financial monitoring and reporting arrangements as may be specified;
- compliance with any statutory financial requirements and achievement of financial targets;
- balances and reserves, including strategies about levels and their future use;
- how they plan to deal with uncertainty in the medium and longer term; and
- the impact of planned future policies and foreseeable developments on their financial position.

Responsibilities for Best Value, community planning and performance

Local government bodies have a duty to make arrangements to secure Best Value. Best Value is defined as continuous improvement in the performance of the body's functions. In securing Best Value, the local government body is required to maintain an appropriate balance among:

- the quality of its performance of its functions
- the cost to the body of that performance
- the cost to persons of any service provided by it for them on a wholly or partly rechargeable basis.

In maintaining that balance, the local government body shall have regard to:

- efficiency
- effectiveness
- economy
- the need to meet the equal opportunity requirements.

The local government body shall discharge its duties under this section in a way which contributes to the achievement of sustainable development.

In measuring the improvement of the performance of a local government body's functions for the purposes of this section, regard shall be had to the extent to which the outcomes of that performance have improved.

The Scottish Government's Statutory Guidance on Best Value (2020) requires bodies to demonstrate that they are delivering Best Value in respect of seven themes:

1. Vision and leadership
2. Governance and accountability
3. Effective use of resources
4. Partnerships and collaborative working
5. Working with communities
6. Sustainability
7. Fairness and equality.

The Community Empowerment (Scotland) Act 2015 is designed to help empower community bodies through the ownership or control of land and buildings, and by strengthening their voices in decisions about public services.

Specified audited bodies are required to prepare and publish performance information in accordance with Directions issued by the Accounts Commission.

A Code of audit practice: Responsibilities continued

Internal audit

Public sector bodies are required to establish an internal audit function as a support to management in maintaining effective systems of control and performance. With the exception of less complex public bodies the internal audit programme of work is expected to comply with the Public Sector Internal Audit Standards and, other than local government, requirements set out in the Scottish Public Finance Manual.

Internal audit and external audit have differing roles and responsibilities. External auditors may seek to rely on the work of internal audit as appropriate.

Appointed Auditors' Responsibilities

Appointed auditors' statutory duties for local government bodies are contained

within Part VII of the Local Government (Scotland) Act 1973, as amended.

These are to:

- audit the accounts and place a certificate (i.e. an independent auditor's report) on the accounts stating that the audit has been conducted in accordance with Part VII of the Act
- satisfy themselves, by examination of the accounts and otherwise, that:
  - the accounts have been prepared in accordance with all applicable statutory requirements
  - proper accounting practices have been observed in the preparation of the accounts
- the body has made proper arrangements for securing Best Value and is complying with its community planning duties
- hear any objection to the financial statements lodged by an interested person.

Appointed auditors should also be familiar with the statutory reporting responsibilities in section 102 of the Local Government (Scotland) Act 1973, including those relating to the audit of the accounts of a local government body.

B Independence Report

Introduction

The FRC Ethical Standard and ISA (UK) 260 'Communication of audit matters with those charged with governance', requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, (as revised for periods beginning after December 2024) requires that we communicate both at the planning stage and at the conclusion of the audit. The aim is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

During the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We ensure that the total amount of fees that EY charged to you for the provision of services during the period, analysed in appropriate categories, are disclosed.

Required Communications

Planning Stage

- The principal threats, if any, to objectivity and independence identified by EY including consideration of all relationships between you, your directors and us;
- The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review;
- The overall assessment of threats and safeguards;
- Information about the general policies and process within EY to maintain objectivity and independence.

Final Stage

To allow you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide:

- a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed;
- Details of non-audit/additional services provided, and the fees charged in relation thereto;
- Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us;
- Details of all breaches of the IESBA Code of Ethics, the FRC Ethical Standard and professional standards, and of any safeguards applied and actions taken by EY to address any threats to independence;
- Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy; and
- An opportunity to discuss auditor independence issues.

We confirm that we have undertaken client and engagement continuance procedures, including our assessment of our continuing independence to act as your external auditor.

C Required communications

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Terms of engagement	Confirmation by the Audit and Scrutiny Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	Audit Scotland Terms of Appointment letter – audit to be undertaken in accordance with the Code of Audit Practice
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	This audit planning report
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.	This audit planning report
Significant findings from the audit	▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process ▶ Findings and issues regarding the opening balance on initial audits	Audit results report – September 2025

C Required communications

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: ▸ Whether the events or conditions constitute a material uncertainty; ▸ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements; and, ▸ The adequacy of related disclosures in the financial statements.	Audit results report - September 2025
Misstatements	▸ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation; ▸ The effect of uncorrected misstatements related to prior periods; ▸ A request that any uncorrected misstatement be corrected; ▸ Corrected misstatements that are significant; and, ▸ Material misstatements corrected by management.	Audit results report - September 2025
Fraud	▸ Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity; ▸ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist; and, ▸ A discussion of any other matters related to fraud.	Audit results report - September 2025
Internal controls	Significant deficiencies in internal controls identified during the audit.	Audit results report - September 2025

C Required communications

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Related parties	▸ Significant matters arising during the audit in connection with the entity's related parties including, when applicable: ▸ Non-disclosure by management; ▸ Inappropriate authorisation and approval of transactions; ▸ Disagreement over disclosures; ▸ Non-compliance with laws and regulations; and, ▸ Difficulty in identifying the party that ultimately controls the entity.	Audit results report - September 2025
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: ▸ The principal threats ▸ Safeguards adopted and their effectiveness ▸ An overall assessment of threats and safeguards; and, ▸ Information about the general policies and process within the firm to maintain objectivity and independence.	This audit planning report and audit results report (September 2025)
External confirmations	▸ Management's refusal for us to request confirmations. ▸ Inability to obtain relevant and reliable audit evidence from other procedures.	Audit results report - September 2025
Representations	Written representations we are requesting from management and/or those charged with governance.	Audit results report - September 2025

C Required communications

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Consideration of laws and regulations	▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off. ▶ Enquiry of the Audit and Scrutiny Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit and Scrutiny Committee may be aware of.	Audit results report - September 2025
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise.	Audit results report - September 2025
Auditors report	Any circumstances identified that affect the form and content of our auditor's report.	Audit results report - September 2025
Best Value and Wider Scope judgements and conclusions	Our reporting will include a clear narrative that explains what we found and the auditor's judgement in respect of the effectiveness and appropriateness of the arrangements that audited bodies have in place regarding the wider-scope audit.	Audit results report - September 2025
Key audit matters	The requirement for auditors to communicate key audit matters, which apply to listed companies and entities which have adopted the UK Corporate Governance Code in the private sector, applies to annual audit reports prepared under the Code.	Audit results report - September 2025

D Timeline of communication and deliverables

2025

Month	Audit activity	Deliverable	Timing
January	Risk assessment for Financial Statements and wider scope audit dimensions		
February	Risk assessment for Financial Statements and wider scope audit dimensions	Submission of quarterly fraud return	
March	Walkthrough of key systems and processes	Annual Audit Plan	27 March 2025
April	Best Value Thematic fieldwork		
May	Best Value Thematic fieldwork	Submission of quarterly fraud return	
June	Update meeting with Finance Team	Best Value Thematic Report	
July	Year end audit fieldwork		
August	Year end audit fieldwork		
September	Audit completion procedures	Annual Audit Report	30 September 2025

E Audit Fees

2024/25 Fees

The Council's audit fee is determined in line with Audit Scotland's fee setting arrangements. Audit Scotland will notify auditors about the expected fees each year following submission of Audit Scotland's budget to the Scottish Commission for Public Audit, normally in December. The remuneration rate used to calculate fees is increased annually based on Audit Scotland's scale uplift.

	2024/25	2023/24
Component of fee:		
Auditor remuneration – expected fee	**£241,700**	**£231,960**
Additional audit procedures (note 1)	**TBD**	£43,528
Audit Scotland fixed charges:		
Performance audit and best value	£58,310	£60,900
Pooled costs	£6,070	£8,450
Sectoral price cap	(£12,590)	(£13,320)
Total fee	£TBD	**£331,518**

The expected fee, set by Audit Scotland, is based on a risk assessment of publicly available information from the 2021 tender exercise. It assumes that the Council has well-functioning controls, an effective internal audit service, and an average risk profile for its sector across a range of areas for consideration, including financial, operational and governance risks.

Throughout the course of their work, auditors may identify new, developing or otherwise enhanced areas of risk that are required to be addressed to deliver an audit to the quality standards expected, and in line with the requirements of the Code of Practice.

We will agree a timetable and expectations for the audit with management. Should additional audit requirements arise, we will raise these with management through the course of the audit and agree variations as appropriate and report the final position to the Audit and Scrutiny Committee within our Annual Audit Report.

Note 1

During the year-end audit for 2023/24, areas of additional work were required to complete the audit, including additional work on pension asset ceiling calculations and asset valuation work. These were communicated as part of our annual audit report in September 2024.

We have shared an initial assessment with management of areas of additional work in 2024/25 and will share an estimate in advance of our yearend audit work. The areas of anticipated work at this stage include recurring work on material matters reported last year, and work required to support the implementation of IFRS 16 and ISA 600. We will agree a final fee with management and report this as part of our annual audit reporting.

F Prior year audit recommendations

As part of our annual audit procedures we will follow up the specific recommendations made within our 2023/24 Annual Audit Report. The six recommendations from prior year are outlined below, along with the response from management.

2023/24 Recommendations			
No.	**Findings and / or risk**	**Recommendation / grading**	**Management response / Implementation timeframe**
1.	**Valuation Programme** As part of our initial procedures we noted that the value of one secondary schools had fallen significantly since 2022/23 with no rationale provided within the supporting working papers. This was subsequently identified as a material adjustment and was subsequently amended within the financial statements.	Management should ensure there is a sufficient level of internal review and challenge on the valuation documentation provided. *Grade 2*	**Response:** Senior Management will strengthen existing arrangements. **Responsible officer:** Director of Environment and Head of Finance **Implementation date:** April 2025
2.	**Evidence of consideration of all condition surveys** During testing, we noted that in some cases the rationale for obsolescence rates was unclear, leading to increased queries with internal valuers.	Management should give sufficient consideration to condition reports for fixed assets to ensure that alongside the age and obsolescence adjustment, any additional adjustments for the current condition of the asset is considered and appropriately applied. *Grade 2*	**Response:** Management will consider and record the impact of all available intelligence relating to Fixed Assets before finalising valuations. **Responsible officer:** Director of Environment **Implementation date:** April 2025

F Prior year audit recommendations continued

2023/24 Recommendations			
No.	**Findings and / or risk**	**Recommendation / grading**	**Management response / Implementation timeframe**
3.	**Nil book value assets** As part of out existence testing on assets, we selected a sample of assets that have been depreciated to a nil net book value. We identified that the majority of the sample could not be verified to confirm the existence of the asset. Testing highlighted that the asset life allocated to key components such as kitchens within the depreciation policy appears to be lower than actual lives.	Management should review the record keeping underpinning the Fixed Asset Register to ensure it is sufficient to identify the status and location of individual assets. In addition, a review should be undertaken of the depreciation policy to ensure that asset lives are appropriate for each class of asset. *Grade 2*	**Response:** Work on the Fixed Asset Register is already underway and a review of asset lives was already planned. **Responsible officer:** Director of Environment and Head of Finance **Implementation date:** March 2025
4.	**Infrastructure Assets** The extension of the Statutory Override continues to carry an expectation that Councils will continue to address information deficits to ensure timely adoption of future Code requirements once a more permanent solution is delivered.	Management should ensure that they are sufficiently prepared for the expiry of infrastructure asset statutory override, with the expectation that information deficits are addressed to ensure adequate accounting records for the measurement of infrastructure assets and time adoption of the Code requirements. *Grade 2*	**Response:** Records maintained since the introduction of the legislation. Council has no information on historic movements. **Responsible officer:** Director of Environment and Head of Finance **Implementation date:** March 2025

F Prior year audit recommendations continued

2023/24 Recommendations			
No.	**Findings and / or risk**	**Recommendation / grading**	**Management response / Implementation timeframe**
5.	**Implementation of IFRS 16** Management must implement robust systems to ensure all relevant data points, which could prompt a remeasurement or modification of the accounting entries, are captured in a timely manner. An accounting paper should be prepared to set out the extent of any changes.	As this is required to be implemented by financial year 2024/25, the Council should ensure that each class of lease is assessed to comply with the standard. *Grade 2*	**Response:** Work is already underway. **Responsible officer:** Head of Finance **Implementation date:** March 2025
6.	**Annual Governance Statement** Under the Delivering Good Governance Framework, there is an expectation that the annual governance statement should be approved at a meeting of the committee with a remit including audit or governance.	The Annual Governance Statements should be considered as a separate item by the Audit and Scrutiny Committee at its June meeting. *Grade 3*	**Response:** The Annual Governance Statement is routinely considered at the June meeting as part of the Draft Annual Accounts but will also be presented as a separate item in future. **Responsible officer:** Chief Executive **Implementation date:** June 2025

F Prior year audit recommendations continued

Outstanding 2022/23 Recommendations			
No.	**Recommendation / grading**	**Management response / Implementation timeframe**	**Management update (September 2024)**
1	Management should review its valuation arrangements to ensure that clear instructions are issued to valuation experts, including the detailed audit information requirements.	Accountancy management will issue revised instructions to valuation staff, more clearly setting out audit requirements, so that appropriate information is available at the start of future audit.	**Partially complete:** Management issued instructions to valuation experts outlining the information required as part of our audit and highlighting the importance of adhering to the principles of the CIPFA Code of Accounting Practice. However, significant delays were still noted in obtaining this information. We note that there continues to be insufficient challenge of these valuations by management.
4	The Council needs to develop a realistic and costed medium term financial plan that supports the delivery of strategic objectives.	The Council's current medium term financial plan will be updated to ensure that it reflets appropriate costs and delivery timescales for strategic objectives for 2024/25 and beyond.	**Ongoing:** The Council has committed to preparing three year budgets as soon as reliable information on key funding assumptions is available
6	The Council should review budget monitoring processes to increase the accuracy of forecasts throughout the year.	Recent outturn variance trends will be reviewed with a view to improving forecasting accuracy.	**Ongoing:** The Council's outturn continued to reflect a significant operational underspend which exceeded the level reported to elected members throughout the year.

F Prior year audit recommendations continued

Outstanding 2022/23 Recommendations			
No.	Recommendation / grading	Management response / Implementation timeframe	Management update (September 2024)
7	The Council should have a workforce plan for the Finance Team which includes any training requirements and succession planning arrangements.	The Accountancy Workforce Plan is contained within its Service Plan is updated annually. The most recent restructure of the service, in December 2022, sought to broaden key staff's experience and knowledge and thereby reduce risk of single points of failure. Staff development comprises both on-the-job experience, shadowing and training.	**Partially complete:** Management have evidence that they are able to fill vacancies within the finance team as they arise. However, it is noted that there remains significant key person dependency within the team.
9	The Audit and Scrutiny Committee should review its arrangements against updated good practice guidance.	The Audit and Scrutiny Committee is scheduled to carry out its next self assessment during 2024/25 and will ensure that this takes cognisance of the latest good practice guidance.	**Not yet due:** The Audit & Scrutiny Committee are scheduled to carry out its self-assessment during 2024/25 and therefore no progress has yet been made.

F Prior year audit recommendations continued

Outstanding 2022/23 Best Value Recommendations			
No.	**Findings and / or risk**	**Recommendation / grading**	**Management response / Implementation timeframe**
1	The Council should work to quantify the cost gap in relation to delivering net zero targets for 2045.	**Response:** The Council will continue to work towards the full costing of its recently agreed GTZ action plan in order to influence national funding discussions.	**Ongoing:** While the Council has set aside £0.2million to prepare assessments, this will remain an area of risk.
2	The Council needs to further develop a realistic and costed medium term financial plan that supports the delivery of strategic objectives.	**Response:** The Council will use the detailed 3-year financial planning options and budget engagement feedback completed in 2023 to develop future years' planning on the basis of Scottish Government funding announcements to come.	**Ongoing:** Refer to recommendation 4.

G Additional audit information

Introduction

In addition to the key areas of audit focus outlined within the plan, we have to perform other procedures as required by auditing, ethical and independence standards and other regulations. We outline the procedures below that we will undertake during the course of our audit.

Our responsibilities under auditing standards

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the going concern basis of accounting.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Read other information contained in the financial statements, the Audit and Scrutiny Committee reporting appropriately addresses matters communicated by us to the Committee and reporting whether it is materially inconsistent with our understanding and the financial statements; and
- Maintaining auditor independence.

Purpose and evaluation of materiality

- For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.
- Materiality determines the locations at which we conduct audit procedures and the level of work performed on individual account balances and financial statement disclosures.
- The amount we consider material at the end of the audit may differ from our initial determination. At this stage it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

G Additional audit information continued

Audit Quality Framework / Annual Audit Quality Report

- Audit Scotland are responsible for applying the Audit Quality Framework across all audits. This covers the quality of audit work undertaken by Audit Scotland staff and appointed firms. The team responsible are independent of audit delivery and provide assurance on audit quality to the Auditor General and the Accounts Commission.
- We support reporting on audit quality by proving additional information including the results of internal quality reviews undertaken on our public sector audits. The most recent audit quality report can be found at: https://audit.scot/publications/quality-of-public-audit-in-scotland-annual-report-202324
- EY has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained. Details can be found in our annual Transparency Report: https://www.ey.com/en_uk/about-us/transparency-report

This report

This report has been prepared in accordance with Terms of Appointment Letter from Audit Scotland through which the Auditor General has appointed us as external auditor of East Renfrewshire Council for financial years 2022/23 to 2026/27.

This report is for the benefit of the Council and is made available to the Accounts Commission and Audit Scotland (together the Recipients). This report has not been designed to be of benefit to anyone except the Recipients. In preparing this report we have not taken into account the interests, needs or circumstances of anyone apart from the Recipients, even though we may have been aware that others might read this report.

Any party other than the Recipients that obtains access to this report or a copy (under the Freedom of Information Act 2000, the Freedom of Information (Scotland) Act 2002, through a Recipient's Publication Scheme or otherwise) and chooses to rely on this report (or any part of it) does so at its own risk. To the fullest extent permitted by law, Ernst & Young LLP does not assume any responsibility and will not accept any liability in respect of this report to any party other than the Recipients.

Complaints

If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with Stephen Reid who is our partner responsible for services under appointment by Audit Scotland, telephone 0131 777 2839, email sreid2@uk.ey.com. If you prefer an alternative route, please contact Anna Anthony, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you.

Should you remain dissatisfied with any aspect of our service, or with how your complaint has been handled, you can refer the matter to Audit Scotland, 4th Floor, 102 West Port, Edinburgh, EH3 9DN. Alternatively you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

EY | Building a better working world

EY exists to build a better working world, helping to create long-term value for clients, people and society and build trust in the capital markets.

Enabled by data and technology, diverse EY teams in over 150 countries provide trust through assurance and help clients grow, transform and operate.

Working across assurance, consulting, law, strategy, tax and transactions, EY teams ask better questions to find new answers for the complex issues facing our world today.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via ey.com/privacy. EY member firms do not practice law where prohibited by local laws. For more information about our organization, please visit ey.com.

Ernst & Young LLP
The UK firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC300001 and is a member firm of Ernst & Young Global Limited.

Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

UKC-030109 (UK) 08/23. Artwork by Creative UK.
ED NONE

In line with EY's commitment to minimise its impact on the environment, this document has been printed on paper with a high recycled content.

ey.com/uk