



East Renfrewshire Council

2015/16 Annual Audit Plan
to Members and the
Controller of Audit

AGENDA ITEM No 4

March 2016

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The Accounts Commission is a statutory body which appoints external auditors to Scottish local government bodies (www.audit-scotland.gov.uk/about/ac/). Audit Scotland is a statutory body which provides audit services to the Accounts Commission and the Auditor General (www.audit-scotland.gov.uk/about/).

The Accounts Commission has appointed Brian Howarth as the external auditor of East Renfrewshire Council for the period 2011/12 to 2015/16.

This report has been prepared for the use of East Renfrewshire Council and no responsibility to any member or officer in their individual capacity or any third party is accepted.

The information in this report may be used for the Accounts Commission's annual overview report on local authority audits published on its website and presented to the Local Government and Regeneration Committee of the Scottish Parliament.

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Summary

Introduction

1. Our audit is focused on the identification and assessment of the risks of material misstatement in East Renfrewshire Council's (the Council) financial statements.
2. This report summarises the key challenges and risks facing the Council and sets out the audit work that we propose to undertake in 2015/16. Our plan reflects:
 - the risks and priorities facing the Council
 - current national risks that are relevant to local circumstances
 - the impact of changing international auditing and accounting standards
 - our responsibilities under the Code of Audit Practice as approved by the Auditor General for Scotland and Accounts Commission
 - issues brought forward from previous audit reports.
3. The Charities Accounts (Scotland) Regulations 2006 specifies the accounting and auditing rules for Scottish registered charities. Irrespective of the size of the charity, as a consequence of the interaction of section 106 of the Local Government (Scotland) Act 1973 with the regulations, a full audit is required of all registered charities where the local authority is the sole trustee. The Council has seven trusts with charitable status and total assets of £136k.

Therefore, we will perform the audit of the Council's charitable trusts in parallel with the audit of the Council's financial statements.

Summary of planned audit activity

4. Our planned work in 2015/16 includes:
 - an audit of the financial statements and provision of an opinion on whether:
 - they give a true and fair view of the state of affairs of the Council and its group as at 31 March 2016 and its income and expenditure for the year then ended
 - the accounts have been properly prepared in accordance with the Local Government (Scotland) Act 1973 and the 2015/16 Code of Practice on Local Authority Accounting in the United Kingdom (the Code)
 - an audit of the financial statements and provision of an opinion for the charitable trusts where the local authority is the sole trustee
 - reporting the findings of the shared risk assessment process in the Local Scrutiny Plan. This will summarise identified scrutiny risks and/or any changes to the Local Area Network's (LAN's) assessment since last year
 - a review and assessment of the Council's governance and performance arrangements in a number of key areas including:
 - internal controls,
 - review of the adequacy of internal audit

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- review of the Council’s governance statement and the management of Arm’s Length External Organisations (ALEOs)
 - provision of an opinion on a number of grant claims and returns, including Whole of Government Accounts (if applicable)
 - reporting of National Fraud Initiative arrangements and results and,
 - collection of relevant financial and performance information to inform Audit Scotland’s national reports.

Responsibilities

5. The audit of the financial statements does not relieve management or the Audit and Scrutiny Committee, as the body charged with governance, of their responsibilities.

Responsibility of the appointed auditor

6. Our responsibilities, as independent auditor, are established by the Local Government (Scotland) Act 1973 and the Code of Audit Practice, and guided by the auditing profession's ethical guidance.
7. Auditors in the public sector give an independent opinion on the financial statements. We also review and report on the arrangements set in place by the audited body to ensure the proper conduct of its financial affairs and to manage its performance and use of resources. In doing this, we aim to support improvement and accountability.

Responsibility of the Head of Accountancy

8. It is the responsibility of the Head of Accountancy, as the appointed "proper officer", to prepare the financial statements in accordance with relevant legislation and the Code of Practice on Local Authority Accounting in the United Kingdom (the Code). This means:
 - maintaining proper accounting records

- preparing financial statements which give a true and fair view of the state of affairs of the Council and its group as at 31 March 2016 and its expenditure and income for the year then ended.

Format of the accounts

9. The financial statements should be prepared in accordance with the Code, which constitutes proper accounting practice.
10. the Council prepares a Whole of Government Accounts consolidation pack annually for the Scottish Government. To enable summarisation, common accounting principles and standard formats should be used.

Audit Approach

Our approach

11. Our audit approach is based on an understanding of the characteristics, responsibilities, principal activities, risks and governance arrangements of the Council and its group. We also consider the key audit risks and challenges in the local government sector generally. This approach includes:
 - understanding the business of the Council and its group and the risk exposure which could impact on the financial statements
 - assessing the key systems of internal control, and considering how risks in these systems could impact on the financial statements
 - identifying major transaction streams, balances and areas of estimation and understanding how the Council will include these in the financial statements
 - assessing and addressing the risk of material misstatement in the financial statements
 - determining the nature, timing and extent of the audit procedures necessary to provide us with sufficient audit evidence as to whether the financial statements give a true and fair view.
12. We have also considered and documented the sources of assurance which will make best use of our resources and allow us to focus audit testing on higher risk areas during the audit of the financial statements. The main areas of assurance for the audit come from planned management action and reliance on systems of internal control. Planned management action being relied on for 2015/16 includes:
 - comprehensive closedown procedures for the council and group financial statements accompanied by a timetable issued to all relevant staff
 - clear responsibilities for preparation of financial statements and the provision of supporting working papers
 - delivery of unaudited financial statements to agreed timescales with a comprehensive working papers package
 - completion of the internal audit programme for 2015/16.
13. Auditing standards require internal and external auditors to work closely together to make best use of available audit resources. Internal audit services are provided by the Internal Audit section of the Council. We seek to rely on the work of internal audit wherever possible and as part of our planning process we carry out an early assessment of the internal audit function to determine whether it has sound documentation standards and reporting procedures in place and complies with the main requirements of the Public Sector Internal Audit Standards (PSIAS).

14. Overall we concluded that the Council's internal audit service operates in accordance with PSIAS and has sound documentation standards and reporting procedures in place.
15. We plan to place formal reliance on aspects of the work of internal audit in the following areas to support our audit opinion on the financial statements:
 - Creditor Payments
 - Debtors Control
 - Council Tax reduction/Liability
16. In respect of our wider governance and performance audit work we also plan to review the findings and consider other areas of internal audit work including:
 - LG Benchmarking Framework
 - Non Domestic Rates
 - Income Maximisation

Materiality

17. Materiality can be defined as the maximum amount by which auditors believe the financial statements could be misstated and still not be expected to affect the decisions of users of financial statements. A misstatement or omission, which would not normally be regarded as material by amount, may be important for other reasons for example, the failure to achieve a statutory requirement or, an item contrary to law. In the event of such an item arising, its materiality has to be viewed in a narrower context; such matters would normally fall to be covered in an explanatory paragraph in the independent auditor's report.
18. We consider materiality and its relationship with audit risk when planning the nature, timing and extent of our audit and conducting our audit programme. Specifically with regard to the financial statements, we assess the materiality of uncorrected misstatements both individually and collectively.
19. Based on our knowledge and understanding of the Council we have set our planning materiality at £3m (1% of gross expenditure).
20. We set a lower level, known as performance materiality, when defining our audit procedures. This is to ensure that uncorrected and undetected audit differences do not exceed our planning materiality. This level depends on professional judgement and is informed by a number of factors including:
 - extent of estimation and judgement within the financial statements
 - nature and extent of prior year misstatements
 - extent of audit testing coverage.
21. For 2015/16 performance materiality has been set at £740k. We will report, to those charged with governance, all misstatements identified which are greater than £30k.

Reporting arrangements

22. The Local Authority Accounts (Scotland) Regulations 2014 require that the unaudited annual accounts are submitted to the appointed

external auditor no later than 30 June each year. The authority (or a committee whose remit includes audit or governance) is required to consider the unaudited annual accounts at a meeting by 31 August.

- 23. Local authorities must publish the unaudited accounts for the authority and charitable trusts on their websites and give public notice of the inspection period.
- 24. The 2014 regulations require the local authority (or a committee whose remit includes audit or governance) to meet by 30 September to consider whether to approve the audited annual accounts for signature. Immediately after approval, the annual accounts require to be signed and dated by specified members and officers and then provided to the auditor. The Controller of Audit requires audit completion and issue of an independent auditor's report (opinion) by 30 September each year.
- 25. The authority is required to publish on its website its signed audited annual accounts and the audit certificate by 31 October. The local authority is also required to publish a copy of the accounts of its subsidiaries. The annual audit report is required to be published on the website by 31 December.
- 26. A proposed timetable for the audit of the 2015/16 financial statements is included at Exhibit 1 below. Discussions are still ongoing on the timing of committee dates to ensure compliance with the 2014 regulations.

Exhibit 1: Financial statements audit timetable

Key stage	Date
Financial Statements	
Testing and review of internal control systems and transactions	February - April 2016
Meetings with officers to clarify expectations of working papers and financial system reports	March 2016
Consideration of unaudited financial statements by those charged with governance (Audit & Scrutiny Committee)	18 August 2016
Latest submission date of unaudited council financial statements with complete working papers package	30 June 2016
Progress meetings with lead officers on emerging issues	Weekly during final accounts
Latest date for final clearance meeting with Head of Accountancy	8 Sept 2016
Agreement of audited unsigned financial statements for Audit & Scrutiny Committee and issue of Annual Audit Report (includes the ISA 260 report to those charged with governance)	15 Sept 2016
Audit & Scrutiny Committee date	29 September 2016

Key stage	Date
Full Council meeting to approve audited accounts	29 September 2016
Independent auditor's report signed	30 September 2016
Whole of Government Accounts (WGA)	
Latest date for submission of unaudited WGA accounts to external audit	29 July 2016
Latest date for signing WGA return	30 September 2016

27. Matters arising from our audit will be reported on a timely basis and will include agreed action plans. Draft management reports will be issued to the responsible head of service and relevant officers to confirm factual accuracy. A copy of all final, agreed reports will be sent to the Chief Executive, Head of Accountancy, head of service, internal audit and Audit Scotland's Performance Audit and Best Value Group.
28. We will provide an independent auditor's report to the Council and the Accounts Commission that the audit of the financial statements has been completed in accordance with applicable statutory requirements. The combined ISA 260 and Annual Audit Report will be issued by 30 September.
29. All annual audit reports produced are published on Audit Scotland's website: www.audit-scotland.gov.uk.

30. Planned outputs for 2015/16 are summarised at [Appendix 1](#).

Quality control

31. International Standard on Quality Control (UK and Ireland) 1 (ISQC1) requires that a system of quality control is established as part of financial audit procedures. This is to provide reasonable assurance that those professional standards and regulatory and legal requirements are being complied with and that the independent auditor's report or opinion is appropriate in the circumstances. The foundation of our quality framework is our Audit Guide, which incorporates the application of professional auditing, quality and ethical standards and the Code of Audit Practice issued by Audit Scotland and approved by the Accounts Commission. To ensure that we achieve the required quality standards, Audit Scotland conducts peer reviews and internal quality reviews and has been subject to a programme of external reviews by the Institute of Chartered Accountants of Scotland.
32. As part of our commitment to quality and continuous improvement, Audit Scotland will periodically seek your views on the quality of our service provision. We do, however, welcome feedback at any time and this may be directed to the engagement lead, Brian Howarth, Assistant Director.

Independence and objectivity

33. Auditors appointed by the Accounts Commission must comply with the Code of Audit Practice. When auditing the financial statements,

auditors must also comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies. These standards impose stringent rules to ensure the independence and objectivity of auditors. Audit Scotland has in place robust arrangements to ensure compliance with these standards including an annual “fit and proper” declaration for all members of staff. The arrangements are overseen by the Assistant Auditor General, who serves as Audit Scotland’s Ethics Partner.

34. Auditing and ethical standards require the appointed auditor to communicate any relationships that may affect the independence and objectivity of audit staff. In significant cases we would change the audit team, however where there are potential issues that are not fundamental to the delivery of the audit, we advise the senior finance officer of the circumstances and of the steps we have taken to manage this.

Audit issues and risks

Audit issues and risks

35. Based on our discussions with staff, attendance at committee meetings and a review of supporting information we have identified the following main risk areas for the Council. We have categorised these risks into financial risks and wider dimension risks. The financial statements issues and risks, which require specific audit testing, are summarised below and further detail is contained in [Appendix 2](#).

Financial statement issues and risks

36. **Risk 1 - Income** - Auditing standards (ISA 240 *The auditor's responsibility to consider fraud in an audit of financial statements*) requires auditors to presume a risk of fraud where income streams are significant. East Renfrewshire Council receives a material amount of income from sources other than the Scottish Government including fees and charges for services, council tax and investment income. The extent of income means there is an inherent risk that income could be materially misstated.
37. **Risk 2 - Management Override of Controls** - ISA 240 also requires auditors to consider, on all audits, management's ability to manipulate accounting records and prepare fraudulent or biased financial statements by overriding controls that otherwise appear to be operating effectively. We will design and perform audit procedures to address these risks within the Council.
38. **Risk 3 – Consolidation of Integrated Joint Board (IJB) and Leisure Trust – Group Accounts** – This is the first year of existence of the IJB and the Leisure Trust. As such, there is a risk that these bodies do not prepare their accounts timeously, that adequate processes and systems have not been put in place to enable submission of the financial statements on time and that consolidation adjustments are not correct.
39. **Risk 4 – Care Finance system** – Last year we reported issues with scheduled payments for the care of individuals with learning disabilities and undertook a wider review of care payment streams, which were otherwise satisfactory. As part of this work we noted the introduction of the Care Finance system. It is a module within the overall Care First social work database. Care Finance is used to process payments to care providers. The system is being implemented in phases across the various social care activities during 2015/16 and beyond. With any new system introduced there are risks associated with it and we plan to review the extent of implementation and establish the existence and operation of key controls within the new system.
40. **Risk 5 – Valuations** - The financial statements of the Council include valuations for non current assets (property, plant and equipment) and pensions which are determined by professional judgement and include significant assumptions and estimates. There is a risk that any subjective judgement/error in the valuation

assumptions would have a significant impact on the financial statements.

41. **Risk 6 - Common Good** – We reported that Common Good Fund assets were recognised by the Council for the first time in 2013/14. They were identified through the legal process adopted as part of the new Barrhead High School project. The Council agreed to carry out a formal review by March 2016, to further identify any assets which could be categorised as common good assets. We will review the actions taken by the Council in this area.

Wider dimension issues and risks

42. **Risk 7 - Financial Position and Funding Gap** – In 2014/15 we reported that the Council identified a shortfall of £22 million covering the period 2015/16 to 2017/18 and subsequently identified savings of £17.5 million covering the same period leaving a shortfall of £4.5 million.
43. As a result of the 2016/17 Scottish Government Settlement, the budget shortfall has increased from £22 million to £24 million and the Council now has to achieve additional savings of £7 million over the remaining two years (2016/17 and 2017/18). The biggest challenge being the attainment of £7 million recurrent savings in 2017/18.
44. We will report on the Council's progress in managing the funding gap as part of the annual audit

45. **Risk 8 – Creditors departmental changes** – Recent organisational changes have led to the move of the creditors section from Accountancy Services (Chief Executive's office) to Business Change & Revenues (Corporate and Community). In 2015/16, there have been slippages in time taken to make creditor payments to suppliers due to the introduction of a new electronic system, sickness absence and maternity leave. There is a reputational risk to the Council that suppliers will withdraw from contracts if they are not paid in timely manner.

National performance audit studies

46. Audit Scotland's Performance Audit and Best Value Group undertake a programme of studies on behalf of the Auditor General and Accounts Commission. In line with Audit Scotland's strategy to support improvement through the audit process, we will carry out work to collect relevant financial and performance information to inform Audit Scotland's national reports. The details of our 2015/16 work are outlined below.

Scotland's Public Sector Workforce

47. In November 2013 the Accounts Commission and Auditor General published a report on [Scotland's Public Sector Workforce](#). The report highlighted a number of key messages on workforce changes across Scotland in the public sector and made a number of recommendations to the Scottish Government, central government bodies, the NHS, COSLA and local authorities.

48. **Audit Work** - For 2015/16 we will carry out local follow up work, based on the recommendations in the 2013 report. The aim in collecting the follow up information is to provide the Accounts Commission and the Auditor General with an understanding of the impact of the 2013 report and in particular, the extents to which public bodies are implementing the recommendations. The information will be available for use in our sector specific overview reports and within the Council's annual audit report.

Financial Reporting & Scrutiny: Why the Accounts Matter

49. The financial accounts are a vital part of the Council's accountability framework, and they provide members with the information they require to scrutinise the use of funds in the year and to make budgetary decisions for the future.
50. In 2014/15 councils faced the challenge of producing the accounts to tighter timescales as prescribed by the new accounts regulations. Audit Scotland auditors have said that councils generally responded well to this challenge, bringing forward the completion of the accounts for member approval by 30 September.
51. **Audit Work** - For 2015/16 we will review and discuss the Audit Scotland paper, *Financial Reporting & Scrutiny: Why the Accounts Matter*, issued to the Head of Accountancy in February 2016. The paper includes a list of questions for elected members to consider when reviewing the accounts. We will request an opportunity to discuss this paper with members of the Audit & Scrutiny Committee prior to the August meeting at which members consider the draft accounts. The expectation is that the Audit & Scrutiny Committee

members could then use the questions in considering the accounts and Annual Audit Report at their meetings in June and September.

Best Value Intelligence Summary

52. **Audit Work** - As part of Audit Scotland's work on revising the approach to Best Value, for 2015/16 we will develop a baseline intelligence summary of Best Value for each Scottish council. This will involve forming conclusions and judgements about the effect and impact of the Council's arrangements and of plans and risks going forward. The review will draw upon the extensive knowledge acquired by the local audit team over the five year audit appointment to 2015/16. We will also consider the findings from the Shared Risk Assessment (SRA) and the annual audit process.
53. The baseline information collected will support the planning for the next programme of Best Value audit work and will also provide additional insight for the SRA in Autumn/Winter 2016/17.

Fees and resources

Audit fee

54. Over the past four years, Audit Scotland has reduced audit fees by 24% in real terms, exceeding our 20% target. Due to further refinement of our audit approach we have been able to maintain audit fees for 2015/16 at the same level as last year. This represents an additional real term fee reduction of 1.6%.
55. In determining the audit fee we have taken account of the risk exposure of the Council, the planned management assurances in place, and the level of reliance we plan to take from the work of internal audit. We have assumed receipt of a complete set of unaudited financial statements and comprehensive working papers package by 29 June 2016.
56. The audit fee for 2015/16 was agreed with the Head of Accountancy on 28 January 2016. The fee for the 2015/16 audit of the Council is £225,084. Our fee covers:
 - the costs of planning, delivering and reporting the annual audit including auditor's attendance at committees
 - your organisations allocation of the cost of national performance studies and statutory reports
 - a contribution towards functions that support the local audit process (e.g. technical support and coordination of the National

Fraud Initiative), support costs and auditors' travel and subsistence expenses.

57. Where our audit cannot proceed as planned through, for example, late receipt of unaudited financial statements or being unable to take planned reliance from the work of internal audit, a supplementary fee may be levied. An additional fee may also be required in relation to any work or other significant exercises outwith our planned audit activity.

Audit team

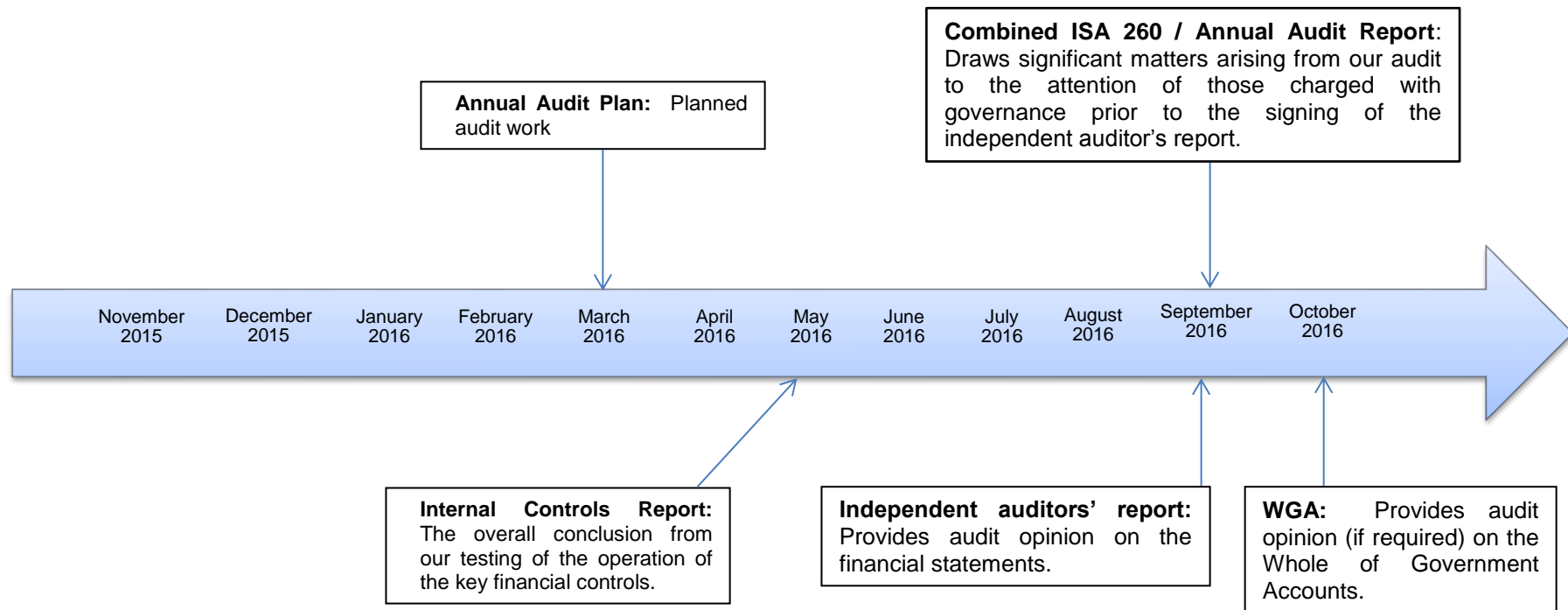
58. Brian Howarth, Assistant Director, Audit Services is your appointed auditor. The local audit team will be led by Esther Scoburgh who will be responsible for day to day management of the audit and who will be your primary contact. Details of the experience and skills of our team are provided in Exhibit 2. The core team will call on other specialist and support staff as necessary.

Exhibit 2: Audit team

Name	Experience
Brian Howarth ACMA, CGMA Assistant Director (and certifying auditor)	Brian has over 20 years experience of public sector audit across central government, local government, health and the further education sectors. Brian also manages Audit Scotland's Business Improvement Unit and its Professional Standards and Quality Improvement Group. Prior to joining Audit Scotland, Brian worked in the Scottish Office and an NDPB for 7 years.
Esther Scoburgh CPFA Audit Manager	Esther has over 16 years public sector audit experience in Scotland and has audited a variety of organisations from health boards, local authorities, NDPBs, the Scottish Government and most recently managing the Scottish Police Authority audit. Esther trained for her CIPFA qualification with Audit Scotland and prior to this Esther was a tax auditor in Canada.
Maria Paterson CPFA Senior Auditor (lead)	Maria has 19 years experience of public sector audit including NHS, local government and various central government bodies. Maria is lead senior auditor for East Renfrewshire Council.
Jim Cumming CEng, CITP Senior Auditor (ICT)	Jim has 14 years experience of public sector ICT audit with Audit Scotland, covering local government, health and central government sectors. Prior to working for Audit Scotland Jim spent 15 years in various IT roles including development, project management, operational and system administration roles in the engineering industry.
Pamela Morrison BA (Hons), MSc Auditor	Pamela joined Audit Scotland as an ICAS professional trainee in 2012 and is now exam qualified. Pamela is a member of Audit Scotland's Professional Standards and Quality Improvement Group and she has experience in a number of local and central government audits.
Alex Berwick MA (Hons) Professional Trainee	Alex holds an Honours degree in Economics from the University of Aberdeen. Alex joined Audit Scotland as a professional trainee in 2015 and will begin studying for his ICAS qualification in September 2016.

Appendix 1: Planned audit outputs

The diagram below shows the key outputs planned for the Council in 2015/16.



Appendix 2: Significant audit risks

The table below sets out the key audit risks, the related sources of assurance received and the audit work we propose to undertake to address the risks during our audit work.

#	Audit Risk	Source of assurance	Audit assurance procedure
Financial statement issues and risks			
1	<p>Income</p> <p>East Renfrewshire Council receives a significant amount of income in addition to SG funding. The extent and complexity of income means there is an inherent risk of fraud in accordance with ISA 240.</p>	<p>Internal controls for these systems are operating effectively.</p> <p>Regular presentation of Revenue Budget Monitoring Reports detailing budget variances.</p> <p>There are a range of measures in place to prevent and detect fraud including Financial Regulations, Standing Orders, Whistleblowing Policy and an Anti Fraud and Bribery Strategy.</p>	<p>Controls testing of income streams as part of the audit of the financial statements.</p>
2	<p>Management override of controls</p> <p>As stated in ISA 240, management is in a unique position to perpetrate fraud because of management's ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p>	<p>Internal audit review a range of financial systems and related controls and provide an opinion on the control environment.</p> <p>There are a range of measures in place to prevent and detect fraud including Financial Regulations, Standing Orders, Whistleblowing Policy and an Anti Fraud and Bribery Strategy.</p>	<p>Detailed testing of journal entries.</p> <p>Review of accounting estimates for bias.</p> <p>Evaluating significant transactions that are outside the normal course of business.</p> <p>Focused testing of accruals and prepayments.</p>

#	Audit Risk	Source of assurance	Audit assurance procedure
3	<p>Group Accounts</p> <p>East Renfrewshire Council IJB and the Leisure Trust are new bodies established and operational in 2015/16. There is a risk that adequate processes and systems have not been put in place to enable submission of the financial statements on time and consolidation adjustments are accurate. (MKI Ref: 70058)</p>	<p>Accounts requested within 6 weeks of year end for both bodies.</p> <p>The Council staff will assist in preparing accruals and draft accounts.</p>	<p>Review the timetable with the Council and bodies involved</p> <p>Review the group boundary assessments</p> <p>Seek component auditor assurances</p> <p>Review and test consolidation adjustments</p>
4	<p>New Care Finance system</p> <p>The system is being implemented in phases across the various social care activities during 2015/16 and beyond. With any new system introduced there are risks associated with it.</p>	<p>Financial Governance Framework policy in place.</p> <p>Team structure revised and now includes a Development Accountant post to develop a comprehensive governance and control reporting suite of information.</p> <p>Newly appointed Chief Financial Officer post for the HSCP to undertake a systematic review of wider processes and procedures.</p>	<p>Review implementation of the new Care Finance system</p> <p>Establish the existence and operation of key controls within the new system.</p> <p>Substantive testing of expenditure</p>
5	<p>Valuations</p> <p>Land, properties and pensions are subject to annual valuation exercises. There is a risk that any subjective judgement/error in the valuations would have a significant impact on the financial statements. (MKI ref: 67329)</p>	<p>Early management review of estimates and assumptions used by valuers.</p>	<p>Review the work of the management experts used in these areas to enable us to place reliance on these “management experts” in accordance with ISA 500.</p>

#	Audit Risk	Source of assurance	Audit assurance procedure
6	<p>Common Good Assets</p> <p>The Council agreed to carry out a formal review of common good assets by March 2016, to further identify those assets which should more appropriately be categorised as common good assets. There is a risk that the Council have not identified and categorised the common good assets appropriately within their accounts.</p> <p>(MKI ref: 69993)</p>	<p>The Council's review of assets carried out by council officers including checking individual Barrhead titles as and when the land in question becomes subject to the possibility of alternative use/transfer etc.</p>	<p>Confirm and review of the work carried out by the Council to identify common good assets.</p>
Wider dimension issues and risks			
7	<p>Financial position and funding gap</p> <p>As a result of the 2016/17 Scottish Government Settlement, the budget shortfall has increased from £22 million to £24 million and the Council now has to achieve additional savings of £7 million over the remaining two years (2016/17 and 2017/18). The biggest challenge being the attainment of £6 million recurrent savings in 2017/18.</p>	<p>Savings for 2015/16 have been achieved.</p> <p>Budget for 2016/17 and indicative budget for 2017/18 have been set.</p> <p>Regular presentation of Revenue Budget Monitoring Reports to Cabinet.</p> <p>Ongoing discussions with senior officers.</p> <p>Ongoing review by council to identify additional savings to address the shortfall.</p>	<p>Review of detailed budget papers.</p> <p>On-going discussion with the Council officers.</p> <p>Review of progress/achievement against savings plans and the budgeted financial outturn.</p>
8	<p>Creditors departmental changes</p> <p>Due to staffing issues and implementation of a change programme, there have been slippages in creditor payments. There is a</p>	<p>Council has recently moved Creditors to Corporate & Community Services Department to give greater resilience to the team and facilitate a focus back on the</p>	<p>Review of internal audit work on creditors system.</p> <p>Review outstanding trade payables and compare to prior year levels.</p>

#	Audit Risk	Source of assurance	Audit assurance procedure
	reputational risk to the Council that suppliers will withdraw from contracts if they are not paid in timely manner.	<p>change programme.</p> <p>Interim management arrangements now in place to focus on the slippage and recruitment underway for permanent manager position.</p> <p>Range of temporary support in place to assist processing to reduce risk to supply contracts.</p> <p>Weekly governance/progress meetings in place between Head of Service and management/project team.</p>	

Appendix 3: Progress on Annual Audit Report Actions

The current position of the action plan points from our 2014/15 annual audit report are listed below.

#	Issue	Management Action/Response	Updated position as at March 2016
1	<p>CHCP scheduled payments - Weaknesses in controls over the existing CHCP scheduled payments system led to overpayments of £1.3 million over a number of financial years. The scheduled payments system should be discontinued.</p>	<p>At the start of 2015/16 scheduled payments were being made for 6 organisations. Of these 3 are now paid on invoice, 1 will be paid on invoice by October 2015 and the remaining 2 organisations will move to payment by invoice by the end of the financial year.</p>	<p>CHCP scheduled payments are due to end by March 2016. All providers have now moved to payment by invoice.</p>
2	<p>CHCP provider contracts – The contractual terms could not be established with some providers of care and some contracts may not have been reviewed for over ten years. CHCP grants and payments to providers of care services should be reviewed to ensure appropriate contract terms exist that reflect the current procurement practices. These arrangements may reflect care provision on an individual basis within wider contract terms for each provider or arrangements where a provider provides a service which is not individual-based. However, the contractual basis should be clear with each</p>	<p>The HSCP, through the Council, has in place contracts with a number of providers under the National Care Home Contract, the Care at Home framework and the Care and Support framework for major areas of service.</p> <p>For the Learning Disability former scheduled payment providers, the Public Social Partnership which commenced in 2013, is the vehicle for reviewing and redesigning over 100 complex and high value care packages. To date 65 of these have been redesigned, with clear expressions of individual choice being agreed and the</p>	<p>Ongoing</p>

#	Issue	Management Action/Response	Updated position as at March 2016
	provider.	<p>relevant SDS route being followed. The HSCP will migrate these individuals on to their preferred self directed support option and associated contracts.</p> <p>Option 3 - Care and Support Framework – 42 individuals</p> <p>Option 2 - Individual Service Fund Agreement – 20 individuals</p> <p>Option 1 - Direct Payment Agreement – 3 individuals</p> <p>Individuals whose service redesign is currently underway will agree their preferred choice and the relevant Self Directed Support option – 24 individuals.</p>	
3	<p>CHCP systems - The existing systems and controls over CHCP budgeting and expenditure are fragmented, inconsistent and create poor audit trails. All CHCP records that lead to a payment for care, based on agreed care records, should be migrated to CareFinance.</p>	<p>Work with the remaining individuals to redesign and implement their preferred Self Directed Support Option – 36 individuals</p> <p>The HSPC will undertake a systematic review of all remaining grants and other contract arrangements.</p> <p>All Community Care and Children and Families care support packages will be migrated to CareFinance.</p> <p><u>Care Finance Workstream 1 – Data Migration</u></p>	<p>Since April 2015, residential care payments have been processed on the Care First system.</p> <p>As of March 2016, 27 of the 51 non-residential suppliers have been migrated to the new Care Finance system.</p> <p>There have been delays to the migration of payments to Children & Families.</p>

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		<ul style="list-style-type: none"> • Permanent Care – complete • OP & PD – complete • LD – 48% complete • MH – 26% complete • C&F – commence October • Home Care (CM2000 Integration) – linked to Care @Home project timescales <p><u>Care Finance Workstream 2 - Payment Functionality</u></p> <ul style="list-style-type: none"> • Invoice Matching – live running for Permanent Care • Migration of non-residential payment commenced Aug 15 <p><u>Care Finance Workstream 3 – Support Tools</u></p> <ul style="list-style-type: none"> • Residential Financial Assessments – commences Oct 15, target implementation Dec 15 • CarePay – Fostering & Adoption, implementation commenced Aug 15 <p>The newly appointed Chief Financial Officer post for the HSCP will undertake a systematic review of wider processes and procedures and implement a Financial Governance Framework for the HSCP.</p>	

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4	<p>Common Good Assets - In 2013/14, the Council recognised Common Good Fund assets (Cowan Park, Barrhead) for the first time through the legal process adopted as part of the new Barrhead High School project.</p> <p>We recommended last year that the council should review the asset register to identify common good assets and this was agreed with an implementation date of 31 March 2016.</p>	<p>In terms of the Community Empowerment and Renewal Bill once it is enacted (probably late 2015 or early 2016). A preliminary check of titles will be undertaken in preparation for this task. The Council will also carry out a process of checking individual Barrhead titles as and when the land in question becomes subject to the possibility of alternative use/transfer etc.</p>	<p>A response was received on 17/03/16 from the Principal Solicitor.</p> <p>He confirmed that a preliminary check of titles in the Burgh of Barrhead has been carried out and has identified 289 titles which potentially require further investigation. This is much more than initially anticipated.</p> <p>Due to the limited resources of the Legal Services team at ERC, it is not anticipated that this will be complete until March 2017.</p> <p>Revised completion date: March 2017</p>
Wider dimension issues and risks			
5	<p>Business continuity plans - As part of our Governance review we found that the Council does not have a council-wide business continuity plan. Departmental business continuity plans are being completed first and work is on-going with some departments having draft plans.</p> <p>We recommend that departmental and council-wide BCPs are completed.</p>	<p>Departmental Business Continuity Plans are now complete. A draft Council Wide Plan has been developed & will be considered by the Corporate CRMT 22 October 2015 & presented to CMT 24 November 2015.</p>	<p>A Strategic Business Continuity Management Plan has been produced (February 2016) and was due for consideration by the CMT on 08/03/16.</p>
6	<p>Register of interests - Council officers wrote out to members in December 2014 asking them to update their register of interests. Our</p>	<p>Elected Members Register - We will increase the frequency with which we write out to Elected Members asking them to</p>	<p>Elected members are now asked to review their register of interests every six months rather than annually. Councillors were asked</p>

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	<p>review this year noted that not all members submitted updated returns. Although a prior declaration existed there was no correspondence confirming no changes to the prior disclosure</p> <p>We recommend that annual confirmations of members' interests are provided for all members. We also think that there is scope for reviewing and further extending the register of staff interests.</p>	<p>review their register entries from annually to six-monthly. We will also send a reminder letter out to Elected Members after 2 weeks if no response has been received.</p> <p>However it needs to be stated that ultimately, responsibility for updating their register is personal to Elected Members, and officers cannot compel them to respond to reminders that are issued.</p> <p>Staff Register - At present a detailed e-mail is sent out to all at the Council in April/May each year advising of the existence of the registers and what employees need to do if they think they may need to make an entry. On another three occasions during the year, we ask that a link to the Intranet article on the register is displayed on the Home page of the Intranet on the rotator. New employees are also provided with a copy of the code of conduct as part of their "employee essentials" pack.</p> <p>We will review these arrangements.</p>	<p>to review their register on 14/12/15 and in line with the recommendations; those that did not respond to the initial request were sent a further reminder on 07/01/16.</p> <p>Since the most recent request, 13 of the 20 councillors either updated their register of interest or confirmed that no update was necessary. The remaining 7 councillors have yet to respond.</p>

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