

**To:** Council

**On:** 26 November 2020

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**Report by:** Director of Finance & Resources

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**Heading:** Annual Audit Report from Audit Scotland - 2019/20 Renfrewshire  
Council Annual Accounts

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**1. Summary**

- 1.1 Each year the Council's appointed external auditors carry out an audit of the Council's financial statements and provide an opinion as to whether those statements provide a fair and true view of the financial position of the Council and its income and expenditure for the year; and also whether they have been prepared in accordance with the Local Government (Scotland) Act 1973.
- 1.2 In accordance with International Auditing Standards, Audit Scotland are obliged to provide an annual report, which highlights matters that have arisen in the course of the audit. The attached Annual Audit Report from Audit Scotland outlines their findings from the audit of the 2019/20 the Renfrewshire Council Group accounts.
- 1.3 In addition, the Council's Chief Financial Officer is obliged to provide a letter of representation to Audit Scotland which outlines the assurances the Council provides to the external auditor with regards the annual accounts. A draft of this letter is attached as an appendix to the Annual Audit Report.
- 1.4 Under the Local Authority Accounts (Scotland) Regulations 2014, the Council must meet to consider the Annual Accounts and aim to approve those accounts for signature no later than 30 September. For 2019/20, the Coronavirus (Scotland) Act 2020 provided flexibility to this deadline, extending it to 30 November.

- 1.5 Audit Scotland officers will be in attendance at the meeting to respond to any queries that may arise.
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2. **Recommendations**

- 2.1 The Council is asked to consider the attached Annual Audit Report from Audit Scotland and to approve the letter of representation.
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**Implications of the Report**

1. **Financial** – The 2019/20 Annual Accounts demonstrate the Council continues to operate services within the resources available, and in line with the relevant legislation. They have been certified as providing a true and fair view of the financial position of the Council and its Group as at 31 March 2020.
  2. **HR & Organisational Development – none**
  3. **Community/Council Planning – none**
  4. **Legal** – An audit opinion free from qualification demonstrates the Council’s compliance with the statutory accounting requirements set out in the Local Government (Scotland) Act 1973 and the Local Government in Scotland Act 2003.
  5. **Property/Assets – none**
  6. **Information Technology – none**
  7. **Equality & Human Rights** – The recommendations contained within this report have been assessed in relation to their impact on equalities and human rights. No negative impacts on equality groups or potential for infringement of individuals’ human rights have been identified arising from the recommendations contained in the report because it is for noting only. If required following implementation, the actual impact of the recommendations and the mitigating actions will be reviewed and monitored, and the results of the assessment will be published on the Council’s website.
  8. **Health & Safety – none**
  9. **Procurement – none**
  10. **Risk – none**
  11. **Privacy Impact – none**
  12. **Cosla Policy Position – none**
  13. **Climate Risk – none**
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# Renfrewshire Council

2019/20 Annual Audit Report – Proposed



Prepared for the Members of Renfrewshire Council and the Controller of Audit

26 November 2020

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# Key messages

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## 2019/20 annual accounts

- 1** Our audit opinions on the annual accounts of Renfrewshire Council, its group and the section 106 charities administered by the Council are unqualified and report that the accounts present a true and fair view of the financial position of the Council.
- 2** The financial statements include an explanatory paragraph within Note 34 describing the effect of material uncertainties, caused by Covid-19, as declared in the valuation reports for property valuations. This is a significant management disclosure in the financial statements that impacts on the users understanding of the accounts. We have included an Emphasis of Matter referring to this paragraph in our independent auditor's report on the financial statements. Although the Emphasis of Matter paragraph constitutes a modification to our independent auditor's report, our opinion on the financial statements is not qualified in respect of this matter.
- 3** On 16 July 2020, the UK Government released a consultation document on the remedy to the issues identified by the McCloud case. The Council has included an adjustment of £8.118 million in the audited accounts, which reflects a more accurate assessment of the pension liabilities, in line with the proposed remedy.
- 4** The Council submitted its unaudited annual accounts in advance of the statutory deadline and the processes for the preparation of these have significantly improved.
- 5** Covid-19 created additional challenges for both council and audit staff, with key dates in the financial reporting process updated to reflect the revised statutory deadlines.

## Financial management

- 6** The Council reported a year-end deficit of £4.333 million for 2019/20, which was £0.538 million higher than the budgeted deficit of £3.795 million. The Council has a track record of delivering savings and has developed a three-year savings plan to support ongoing financial stability.
- 7** The Council's strategic financial management is effective with strong budgeting, financial monitoring and reporting processes that are aligned to its corporate priorities which enables robust financial management to be focussed on the delivery of key outcomes.

## Financial sustainability

- 8** The Council and its wider group financial position is sustainable into the foreseeable future, although Covid-19 is expected to have significant financial impact for the Council.
- 9** Increased levels of demand coupled with increasing costs and reductions in central funding will continue to place a strain on the Council's capacity to deliver services at current levels.

- 10** Medium-term financial plans are aligned to the Council's corporate priorities and clearly demonstrate how the organisation intends to address future financial challenges with the Council undertaking robust financial modelling.
- 11** The Council's transformation programme has been significantly disrupted by Covid-19 which will make achieving planned savings more challenging.
- 12** The additional financial challenges as a result of Covid-19 mean the Council will not be able to successfully deliver the required savings in isolation. It will need to actively engage with local and national partners to identify areas, and initiate action, to deliver the required level of efficiencies and savings. Success in this area will inevitably require difficult decisions on the part of Elected Members.

## **Governance and transparency**

- 13** The Council has appropriate governance arrangements in place. We recognise that in responding to the Covid-19 pandemic the Council revised its governance arrangements. The new arrangements are appropriate and support good governance and accountability.
- 14** Officers and elected members should work together to ensure the training provided reflects new ways of working, is flexible and can adapt to provide the necessary resources and support for elected members to access and complete training.

## **Best Value**

- 15** The Council has an appropriate and effective best value framework in place. The Council continues to make positive progress addressing the recommendations contained in our 2016/17 Best Value Assurance Report.
- 16** The Council actively considers performance against its corporate priorities and objectives and has established a range of improvement activities working in parallel which are clearly linked to key objectives and the budget setting process. However due to the current pandemic there have been delays in elements of performance management reporting with updated information due to be reported later in the year.

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# Introduction

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1. This report summarises the findings from the 2019/20 audit of Renfrewshire Council and its group (the Council). The scope of the audit was set out in our 2019/20 Annual Audit Plan which was presented to the Audit, Risk and Scrutiny Board meeting on 16 March 2020.

2. This report comprises the findings from:

- an audit of the annual accounts
- consideration of the four audit dimensions that frame the wider scope of public audit set out in the [Code of Audit Practice 2016](#) as illustrated in [Exhibit 1](#).

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## Exhibit 1 Audit dimensions



Source: *Code of Audit Practice 2016*

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3. The main elements of our audit work in 2019/20 have been:

- an audit of the Council and its group 2019/20 annual report and accounts and the statement of accounts of the section 106 charities administered by the Council including the issue of independent auditor's reports setting out our opinions
- a review of the Council's key financial systems
- audit work covering the Council's arrangements for securing Best Value relating to ongoing follow up of the recommendations in the 2016/17 Best Value Assurance Report (BVAR)
- consideration of the four audit dimensions.

**4.** After the publication of the Annual Audit Plan, in common with all public bodies, the Council has had to respond to the global Covid-19 pandemic. The impact of the global Covid-19 pandemic during the final month of 2019/20 will continue to be felt into financial year 2020/21 and beyond. This has, and will continue to have, significant implications for the provision and costs of services including the suspension of planned projects and activities. Our planned audit work has had to adapt to new emerging risks as they relate to the audit of the financial statements and the wider dimensions of audit.

**5.** Our approach to audit during these circumstances will be pragmatic, flexible and consistent. We issued a paper, [Covid-19 How public audit in Scotland is responding](#), setting out Audit Scotland's strategy and approach to our financial and performance audit programmes. It provided detail about the scope, timing and areas of focus for our audit work.

## Adding value through the audit

**6.** We add value to the council through the audit by:

- having regular dialogue with senior officers as the strategic and operational impact of Covid-19 developed and presenting to Audit, Risk and Scrutiny Board on key challenges in the Covid-19 environment
- sharing learning from our experiences working with other bodies and agreed a clear, no surprises, approach for the remote audit of the 2019/20 accounts within a revised accounts and audit timetable
- reporting our findings and conclusions in public and sharing intelligence and good practice through our national reports ([Appendix 3](#)) and good practice guides.

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

## Responsibilities and reporting

**8.** The Council has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual accounts that are in accordance with proper accounting practices. The Council is also responsible for compliance with legislation, and putting arrangements in place for governance, propriety and regularity that enable it to successfully deliver its objectives.

**9.** Our responsibilities as independent auditor appointed by the Accounts Commission are established by the Local Government in Scotland Act 1973, the [Code of Audit Practice 2016](#) and supplementary guidance, and International Standards on Auditing in the UK.

**10.** As public sector auditors we give independent opinions on the annual accounts. Additionally, we conclude on:

- the appropriateness and effectiveness of the performance management arrangements
- the suitability and effectiveness of corporate governance arrangements
- the financial position and arrangements for securing financial sustainability
- Best Value arrangements.

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

**12.** This report raises matters from our audit. Weaknesses or risks identified are only those which have come to our attention during our normal audit work and may not be all that exist. Communicating these does not absolve management from its responsibility to address the issues we raise and to maintain adequate systems of control.

**13.** Our annual audit report contains an agreed action plan at [Appendix 1](#). It sets out specific recommendations, responsible officers and dates for implementation. It also includes outstanding actions from last year and progress against these.

## **Auditor Independence**

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

**15.** We can confirm that we comply with the Financial Reporting Council's Ethical Standard. The 2019/20 audit fee of £358,030 as set out in our Annual Audit Plan remains unchanged. An additional fee of £7,800, also highlighted within our Annual Audit Plan has been charged for a piece of non-audit work undertaken during 2019/20. We are not aware of any relationships that could compromise our objectivity and independence.

**16.** This report is addressed to both the Council and the Controller of Audit and will be published on Audit Scotland's website [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk) in due course.

**17.** We would like to thank the management and staff who have been involved in our work for their cooperation and assistance during the audit. This is especially appreciated during the particularly challenging circumstances arising due to the Covid-19 pandemic.

# Part 1

## Audit of 2019/20 annual accounts



### Main judgements

Our audit opinions on the annual accounts of Renfrewshire Council, its group and the section 106 charities administered by the Council are unqualified and report that the accounts present a true and fair view of the financial position of the Council.

The financial statements include an explanatory paragraph within Note 34 describing the effect of material uncertainties, caused by Covid-19, as declared in the valuation reports for property valuations. This is a significant management disclosure in the financial statements that impacts on the users understanding of the accounts. We have included an Emphasis of Matter referring to this paragraph in our independent auditor's report on the financial statements. Although the Emphasis of Matter paragraph constitutes a modification to our independent auditor's report our opinion on the financial statements is not qualified in respect of this matter.

On 16 July 2020, the UK Government released a consultation document on the remedy to the issues identified by the McCloud case. The Council has included an adjustment of £8.118 million in the audited accounts, which reflects a more accurate assessment of the pension liabilities, in line with the proposed remedy.

The Council submitted its unaudited annual accounts in advance of the statutory deadline and the processes for the preparation of these have significantly improved.

Covid-19 created additional challenges for both Council and audit staff, with key dates in the financial reporting process updated to reflect the revised statutory deadlines.

The annual accounts are the principal means of accounting for the stewardship of resources and performance.

### Our audit opinions on the annual accounts are unmodified

**18.** The annual accounts for Renfrewshire Council and its group for the year ended 31 March 2020 were approved by the Council on 26 November 2020. As reported in the independent auditor's report;

- the financial statements give a true and fair view of the financial position of the Council and were properly prepared in accordance with the financial reporting framework
- the audited part of the remuneration report, management commentary and the annual governance statement were all consistent with the financial statements and properly prepared in accordance with proper accounting practices.

## The Council highlighted an uncertainty in property valuations due to Covid-19

**19.** The ‘Emphasis of Matter’ section in our Independent Auditor’s Report refers to the disclosures in note 34 of the financial statements, which identifies a material valuation uncertainty in respect of property valuations caused by the Covid-19 pandemic. Emphasis of Matter paragraphs are added to auditors’ reports where the auditor considers it necessary to draw user’s attention to matters which are fundamental to the understanding of the financial statements. Further information is contained in [Exhibit 3](#) below. The audit opinion is not modified in respect of this matter.

## The annual accounts were signed off in line with the revised statutory deadlines

**20.** The Scottish Government has advised that it considers the provisions made in Schedule 6 of the Coronavirus (Scotland) Act 2020 to be sufficient to allow each local authority to determine its own revised timetable for the Annual Accounts. The Council did not need to use the powers in the 2020 Act to postpone the publication of the unaudited accounts, and these were submitted to us for audit on 25 June 2020 in line with the original timetable.

**21.** Remote working brought additional challenges to the audit process. This affected how we were able to work as an audit team and with council staff. Our planned audit work had to adapt to new emerging risks as they relate to the audit of the financial statements and the wider dimensions of audit. New ways of working and communicating with each other had to be implemented in order to deliver an efficient and effective audit that met our quality standards. Despite these challenges we were able to deliver the audit in line with the revised statutory deadline.

## The Council’s processes for preparation of the annual accounts have significantly improved

**22.** We issued a modified opinion on Renfrewshire Council’s 2018/19 accounts due to issues relating to the closure of the financial ledger and the delayed sign-off of the audited accounts which resulted in the statutory deadline being missed. As a consequence, a Section 102 report was prepared for the Accounts Commission.

**23.** Management have responded positively to these challenges, implementing a new accounts preparation process and revised timetable. As a result, the 2019/20 unaudited accounts and accompanying working papers were prepared in advance of the 30 June 2020 deadline. The quality of the working papers improved significantly despite the additional challenge of the Covid-19 lockdown being implemented at a key time in the preparation process.

**24.** Although our audit opinion is modified this year in relation to the Emphasis of Matter paragraph, it is due to circumstances beyond the Council’s control and not a reflection on the quality of the financial statements or supporting processes. Indeed, the reduced number of significant findings and audit adjustments reflect the improved quality of the 2019/20 accounts.

## Our audit opinions on Section 106 charities were unmodified

**25.** Due to the interaction of section 106 of the Local Government in Scotland Act 1973 with the charities legislation, a separate independent auditor’s report is required for the statement of accounts of each registered charity where members of Renfrewshire Council are sole trustees, irrespective of the size of the charity.

**26.** There is one trust fund, Coats’ Observatory Trust which was set up “for the upkeep of Coats Observatory equipment”. This purpose was relevant while there were cash funds available; however, these funds have been exhausted, and only

the property assets remain. Given there are no cash funds remaining, nor are any anticipated, the Council will explore with OSCR the future of the charity, always considering the ongoing sustainability of the Observatory and ensuring appropriate governance arrangements remain in place.

**27.** The Common Good Funds continue to make grants available to local organisations through grant making process and will continue to fund recurring commitments. The Council will continue to review the funding provided by the Common Good Funds to ensure it remains appropriate and in line with the objectives of the Funds and to the benefit of the inhabitants of the relevant Burghs.

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

- the financial statements give a true and fair view the section 106 charity's financial position and are properly prepared in accordance with charities legislation
- the trustees' annual report is consistent with the financial statements and prepared in accordance with proper accounting practices.

**29.** These were considered by the Audit, Risk and Scrutiny Board on 23 November, approved by the Council on 26 November and signed by the statutory deadline of 30 November.

### **No objections were received on the annual accounts**

**30.** The Local Authority Accounts (Scotland) Regulations 2014 require a local authority to publish a public notice on its website that includes details of the period for inspecting and objecting to the accounts. This must remain on the website throughout the inspection period. The Council complied with the regulations. There were no objections to the 2019/20 accounts.

### **Whole of Government Accounts**

**31.** In accordance with the WGA guidance we intend to complete the required assurance statement and submit it to the National Audit Office by the extended deadline of 4 December 2020.

### **Overall materiality is £6.7 million**

**32.** The assessment of what is material is a matter of professional judgement. It involves considering both the amount and nature of the misstatement in the annual accounts. Misstatements are material if they could reasonably be expected to influence the economic decisions of users taken based on the financial statements.

**33.** Our initial assessment of materiality for the annual accounts was carried out during the planning phase of the audit and is summarised in [Exhibit 2](#). With regards to the annual accounts, we assess the materiality of uncorrected misstatements both individually and collectively.

**34.** On receipt of the unaudited annual accounts we reviewed our materiality and concluded that no changes were required to our planned levels.

## Exhibit 2

### Materiality values

Materiality level	Amount
Overall materiality	£6.700 million
Performance materiality	£3.350 million
Reporting threshold	£0.168 million

Source: Audit Scotland, Annual Audit Plan 2019/20

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

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

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

36. International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance, including our view about the qualitative aspects of the body's accounting practices. The significant findings are summarised in [Exhibit 3](#).

## Exhibit 3

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

Issue	Resolution
<p><b>1. Property valuations and Covid-19 uncertainty</b></p> <p>The Balance Sheet includes property, plant and equipment with a total value of £1,471 million. The council has a five-year rolling valuation programme as detailed in Note 35. The asset valuer has included a material uncertainty disclosure within the valuation report, which covers specific asset categories, in accordance with the rolling programme and was conducted as at 31 March 2020. We believe that, due to the impact of Covid-19 from mid-March 2020, there is a wider material uncertainty within the property valuation provided.</p>	<p>Property assets are material and the impact of Covid-19 has increased the uncertainty over associated valuations. The conclusion of the valuer on the rolling programme of valuation work have contributed to the view that less certainty can be attached to the valuation than would otherwise be the case.</p> <p><b>Conclusion:</b> The accounts disclose this increased uncertainty at Note 34 - Judgements in Applying Accounting Policies and we have included an 'emphasis of matter' paragraph in our independent auditors' report to draw attention to the matter.</p>
<p><b>2. Pension valuations – McCloud liability revision</b></p> <p>In January 2017 an employment tribunal ruled that a group of claimant judges had been subject to age discrimination when they were transferred to a new career average scheme, known widely as the McCloud case.</p>	<p>The Council requested a revised valuation report from the actuary taking into account this remedy.</p> <p>The amendments resulted in a decrease of £8.118 million for the pension liability in the accounts.</p> <p><b>Conclusion:</b> The accounts now include the revised estimate for "McCloud".</p>

Issue	Resolution
<p>On 16 July 2020, the UK Government released a consultation document on the remedy to the issues. This identified a proposed treatment for pension members affected.</p> <p>Following this Hymans Robertson (actuary) contacted the Council to advise them that the proposed remedy indicated that the estimated liability included in the IAS19 report for 2019/20 should be reduced as the basis for determining who the remedy applied to was more onerous than the actuary's previous estimate.</p>	
<p><b>3. Council Dwellings Audit Adjustment</b></p> <p>Renfrewshire Council owns a number of council dwellings which are valued for inclusion in the annual accounts based on a number of factors, including the average weekly rent charge.</p> <p>Our audit work noted that management had used the incorrect average weekly charge when valuing the council dwellings. Updating for the correct figure resulted in an increase of £13.960 million in the value of council dwellings, with a corresponding increase in the revaluation reserve.</p> <p>Overall, this increased the value of council dwellings from £568.863 million to £582.823 million.</p>	<p><b>Conclusion:</b> Management corrected for this in the audited annual accounts.</p>
<p>Source: Audit Scotland</p>	

## Other findings

**37.** Alongside four other local authorities, Renfrewshire Council entered into an agreement with partners in the private sector to improve and run Clyde Valley Waste Facility in Bargeddie, opening in January 2020. Renfrewshire Council accounted for its share of the running costs in the 2019/20 unaudited accounts, however its share of the assets and liabilities associated with the facility were excluded on the basis that no mutually approved accounting treatment was in place between the constituent authorities at 31 March 2020.

**38.** To correct for this an audit adjustment valued at £5.372 million was processed, increasing both Property, Plant and Equipment and Creditors accounts areas, treating Renfrewshire Council's share as a finance lease. Management confirmed that there are on-going discussions with partners and financial advisors over the financial model to be applied, and that it is possible that their assessment may change in future periods. We are satisfied that the accounting treating applied in 2019/20 is a materially accurate estimate.



### Recommendation 1

**Management should prioritise reaching an agreement over the accounting treatment for Clyde Valley Waste Facility with partners and ensure that processes are put in place to ensure that the accounting treatment for future projects are considered prior to these becoming operational.**

**39.** Our audit identified several presentational and disclosure issues which were discussed with management. These were adjusted and reflected in the audited annual accounts. This is normal audit practice and none of the presentational changes have any impact on the council's outturn for the year.

### **Good progress was made on prior year recommendations**

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

# Part 2

## Financial management



### Main judgements

The Council reported a year-end deficit of £4.333 million for 2019/20, which was £0.538 million higher than the budgeted deficit of £3.795 million. The Council has a track record of delivering savings and has developed a three-year savings plan to support ongoing financial stability.

The Council's strategic financial management is effective with strong budgeting, financial monitoring and reporting processes that are aligned to its corporate priorities which enables robust financial management to be focussed on the delivery of key outcomes.

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

### Financial Performance in 2019/20

**41.** The Council approved its 2019/20 budget in February 2019. Budgeted net expenditure was £402.816 million and estimated total income was £408.648 million, resulting in a projected budget surplus of £5.832 million. Decisions made by the Council at the budget approval meeting to commit this surplus to a number of different projects and changes during the year resulted in the amended projected year end position for 2019/20 being a projected deficit of £3.795 million.

**42.** The budget was aligned to the Council's strategic priorities. To inform the budget each directorate produces income and expenditure estimates based on the Service Improvement Plans (SIPs). SIPs outline the activities of each directorate and how these support the delivery of the Council Plan.

**43.** The Council has a good track record in delivering services within budget. The Council reported a deficit of £4.333 million in 2019/20 against the budgeted deficit of £3.795 million, an overspend of £0.538 million.

**44.** At a service level, the overspend was the result of exit costs associated with the Council's transformation programme (Right for Renfrewshire) and increases in bad debt provisions in response to Covid-19, which were partly offset by better than anticipated council tax recovery.

**45.** The financial impact of Covid-19 was limited in the 2019/20 financial year as this ended on 31 March 2020, only a few weeks after the pandemic began to impact Scotland.

### Housing revenue account operated within budget

**46.** The Council is required by legislation to maintain a separate housing revenue account (HRA) and to ensure that rents are set to at least cover the costs of its social housing provision. The HRA recorded expenditure in 2019/20 of £57.635 million (2018/19: £55.513 million). Overall, the HRA recorded a breakeven position

in 2019/20 against budget for the year and maintains a positive balance of £6.807 million.

### The level of reserves has remained stable

**47.** One of the key measures of the financial health of a local authority is the level of reserves held. The Council has increased its useable reserves steadily since 2013/14 and has historically had a high level of reserves in comparison to many other councils in Scotland. The majority of reserves are statutory or ring-fenced and aligned to future spending plans and strategic objectives.

**48.** The overall level of usable reserves held by the Council increased by £5.015 million from £154.606 million in 2018/19 to £159.621 million in 2019/20. A table showing all reserves movements is included in Exhibit 4.

## Exhibit 4 Movements in useable reserves in 2019/20

	Opening £m	Used £m	Added £m	Closing £m
General Fund (Unallocated)	7.137	0.538	-	6.559
General Fund (Ring-fenced)	52.007	10.504	6.709	48.212
Housing Revenue Account	6.807	-	-	6.807
Revenue Statutory Funds	2.858	-	-	2.858
Capital Receipt Reserve	8.017	0.704	2.140	9.453
Capital Statutory Funds	77.780	1.278	9.190	85.692
<b>Total</b>	<b>154.606</b>	<b>13.024</b>	<b>18.039</b>	<b>159.621</b>

Source: Audited Accounts 2019/20

**49.** Other than the Capital Statutory Funds, which is being maintained for future capital investment and future loan payments, the general fund reserve is the largest reserve, with a balance of £54.811 million. Although the general fund reserve has no restrictions on its use, £48.212 million has been ring-fenced for future expenditure plans.

**50.** The Council reviews the level of its unallocated reserves when setting the budget each year. The Council's approved reserves strategy specifies that uncommitted reserves should be between 1% and 2% of net revenue and not be lower than £7 million. The level of uncommitted general fund reserves as at 31 March 2020 was £6.599 million (1.6 % of net expenditure), slightly below the approved £7 million base line figure.

### Capital programme 2019/20

**51.** Plans for capital expenditure are approved by the Council as part of the budget setting process each year. In February 2019, the Council approved a capital budget of £92 million for 2019/20 (including £26 million of spend on housing related projects). A further £8 million of capital spend was approved in-year. A table setting out capital budget and spend is included in Exhibit 5.

## Exhibit 5

### Analysis of capital spend in 2017/18 to 2019/20

Year	Approved Capital Spend* (£ millions)	Capital Spend Relating to Plans Approved in Prior Years (£ millions)	Capital Spend Relating to Current Year Plan (£ millions)	Total in Year Capital Spend (£ millions)
2017/18	£104.4	£19.2	£48.2	£67.5
2018/19	£88.0	£21.5	£43.2	£64.7
2019/20	£99.9	£7.8	£77.6	£85.3

\*Includes spend approved by committee during the year

**52.** Capital expenditure in 2019/20 was primarily funded through borrowing (£45 million) and capital grants (£36 million) with the remainder being funded from revenue and asset sales.

**53.** As noted in our 2018/19 annual audit report the Council has a history of rescheduling its capital programme. There has been a significant improvement in 2019/20, achieving a higher level of planned spend than in previous years. Rescheduling to future years in 2019/20 totalled £26.1 million (2018/19: £42.9 million), with approximately £9.8 million of this related to City Deal projects and Paisley Town Hall. This was offset by accelerated progress on housing improvement projects.

### Capital plans need to be reviewed due to the impact of Covid-19

**54.** The Council approves a rolling capital plan as part of the annual budget setting process, looking forward 5 years for non-housing capital spend, and 3 years for housing spend. In March 2020 a programme totalling £477.6 million was approved for the period 2020/21 to 2024/25, with £127.4 million of spend planned in 2020/21.

**55.** Due to the Covid-19 lockdown, work on capital projects was halted for a short time, before recommencing in line with national guidelines. In September 2020, the Council reported that £44.3 million of the planned 2020/21 spend had been deferred to 2021/22, relating to City Deal, Paisley Town Centre and new council housing projects. There remains uncertainty over the impact of the new working arrangements on the delivery of capital projects in terms of timing and cost.

**56.** As a result of this uncertainty and the challenges the pandemic poses to the council's finances as a whole, the Council intends to undertake a full review of the existing capital programme. This review will consider both rescheduling and/or holding projects in reserve until there is greater financial certainty and it is intended this will be presented to the Council in December 2020.

### Financial systems of internal control operated effectively

**57.** As part of our audit we identify and assess the key internal controls in those accounting systems which we regard as significant to produce the financial statements. Our objective is to gain assurance that the body has systems of recording and processing transactions which provide a sound basis for the preparation of the financial statements.

**58.** As part of our audit work we reviewed and assessed the new processes and related controls in the following systems.

- General Ledger
- Payroll
- Accounts Receivables
- Accounts Payable
- Bank and Treasury Management
- Capital
- Housing Revenue Account
- Non-Domestic Rates
- Council Tax

**59.** Our work highlighted that the controls in place to carry out quality checks on awarded NDR and Council Tax reliefs did not take place for a number of months at the outset of 2019/20 due to other on-going work. The same checks were also not carried out from late March 2020 through to late June 2020 due to the Covid-19 lockdown. The lack of this quality check process increased the risk of reliefs being awarded inappropriately.

**60.** As a result, we carried out additional substantive testing over NDR and Council Tax reliefs, however no issues were highlighted from the sample of reliefs that we tested.



### Recommendation 2

**The Council should review its systems of internal control to ensure these are operating as intended despite the changes to council working arrangements resulting from the Covid-19 pandemic.**

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**61.** To ensure the accuracy of land and property valuations within the annual accounts management obtain expert advice from appropriately qualified staff within the Council's property services department. While we noted no issues with the advice provided, we recommend that management formalise the internal process for the request and provision of land and property valuations.



### Recommendation 3

**The Council should formalise the internal process for the request and provision of land and property valuations.**

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## Good progress has been made on addressing the agreed actions from our 2018/19 management report

**62.** Our 2018/19 management report included a detailed review of key systems following the implementation of the Council's enterprise resource planning system, Business World and highlighted areas for continued improvement. We followed these recommendations up as part of our 2019/20 audit.

**63.** Good progress has been made against the recommendations within our 2018/19 Management Report. A number of these recommendations were updated

and reflected within our 2018/19 Annual Audit Report and are summarised in Appendix 1.

### **Standards of conduct for the prevention and detection of fraud and error and progress on the National Fraud Initiative were satisfactory**

**64.** The Council has appropriate arrangements in place for the prevention and detection of bribery and corruption. We are not aware of any specific issues we require to bring to your attention.

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

**66.** The most recent NFI review relates to data from 2018/19. The NFI secure website lists a total of 6,419 data matches relating to Renfrewshire Council from this review, with 602 of these classed as 'recommended' matches for investigation. The 2018/19 NFI work is almost complete, with of 6,413 matches having been processed.

# Part 3

## Financial sustainability



### Main judgements

**The Council and its wider group financial position is sustainable into the foreseeable future, although Covid-19 is expected to have significant financial impact for the Council.**

**Increased levels of demand coupled with increasing costs and reductions in central funding will continue to place a strain on the Council's capacity to deliver services at current levels.**

**Medium-term financial plans are aligned to the Council's corporate priorities and clearly demonstrate how the organisation intends to address future financial challenges with the Council undertaking robust financial modelling.**

**The Council's transformation programme has been significantly disrupted by Covid-19 which will make achieving planned savings more challenging.**

**The additional financial challenges as a result of Covid-19 mean the Council will not be able to successfully deliver the required savings in isolation. It will need to actively engage with local and national partners to identify areas, and initiate action, to deliver the required level of efficiencies and savings. Success in this area will inevitably require difficult decisions on the part of Elected Members.**

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

### The financial impact of the COVID-19 pandemic will be significant

**67.** The Council approved its 2020/21 budget in early March 2020, prior to the impact of the Covid-19 pandemic. Following the impact of decisions at the Council meeting, net expenditure was expected to be £435.744 million and a breakeven position was forecast.

**68.** The Covid-19 pandemic has had a significant impact on the finances of the Council. Members have been provided with regular updates on the projected impact, initially via the Emergencies Board and most recently through an updated Financial Outlook Report in October 2020 as shown in Exhibit 6.

**69.** The Council expects additional pressure on its general fund budget in 2020/21, in the region of £20– £22 million, which is due to loss of income (council tax, service use), increased expenditure (direct Covid-19 expenditure and other support services) and disruption to the Right for Renfrewshire transformation plan. The Council expects additional funding of £14 million to £16 million from the Scottish Government based on national funding announcements, £9.6 million has been fully confirmed to date.

**70.** As a result of the Covid-19 pandemic, the Council forecasts a deficit of £4 - £8 million for 2020/21. This will potentially exhaust the Council's unallocated reserves

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

(currently £6.599 million), which are held for unexpected financial pressures like the current pandemic.

## Exhibit 6

### Impact of Covid-19 on the 2020/21 budget

		(£ millions)
<i>Original forecast in budget set pre-Covid-19</i>	Income	£435.744
	Expenditure	(£435.744)
	<b>Net Result</b>	<b>£0</b>
<i>Revised forecast per Financial Outlook Report in September 2020</i>	Additional pressures due to Covid-19*	(£21.000)
	Additional Government funding*	£15.000
	<b>Deficit*</b>	<b>(£6.000)</b>

\*mid-point of council estimate

Source: Council Financial Reports

### Medium term financial plans are in place but will have to be updated for the impact of Covid-19

**71.** It is important that long-term financial strategies (typically covering five to ten years) are in place which link spending to the Council's strategies. Although Councillors only approve the budget for a single year, this should be supported by indicative future spending plans that forecast the impact of relevant pressures on the Council.

**72.** Prior to the Covid-19 pandemic, the Council highlighted that financial challenges were expected in the following two financial years (2021/22 – 2022/23), with a projected deficit of up to £25 million due to a combination of expected grant reduction, pay pressures and increased service demand. In response to this, the Council is implementing a transformation programme (“Right for Renfrewshire”) which is aiming to deliver recurring savings in the period to 2022/23.

**73.** The medium-term financial plan was aligned to the Council's corporate priorities and clearly demonstrates how the organisation intends to address future financial challenges. The Council undertakes robust financial modelling based around the three scenarios of “best case”, “worst case” and “most likely” outcome.

**74.** The Covid-19 pandemic has added significant pressure to the existing medium-term financial challenge in a number of ways:

- savings planned to be delivered by the Right for Renfrewshire programme in 2020/21 were postponed, putting additional pressure on plans for years 2 and 3 of the programme. Delivering these will remain challenging during the pandemic.
- as the financial impact of the pandemic seems likely to continue in 2021/22, the Council plans to replenish unallocated reserves and increase the overall balance to £10 million (approximately 2.3% of net expenditure). While this is a prudent decision, it will further increase the financial pressures already outlined above.
- the continued uncertainty around the future financial impact of the pandemic on the Council in terms of its income and expenditure, and grant funding.

**75.** Due to the additional challenges presented by the Covid-19 pandemic and the medium to longer term impact this may have on planned public sector spending across the UK and Scotland, the Council's existing financial outlook plan is subject to significantly greater uncertainty. The central planning scenario supporting the Council's medium-term financial planning is at increased risk of not accurately predicting the Council's future financial outlook.

**76.** The Council has agreed a number of changes to its financial strategy to provide increased short to medium term financial flexibility to mitigate the risk arising from this increased uncertainty. It is important that the Council continues to update its medium-term financial plan as soon as more clarity on the financial impact of Covid-19 is obtained.



#### Recommendation 4

**The Council should continue to update its medium-term financial plan as soon as more clarity on the financial impact of Covid-19 is obtained.**

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**77.** The scale of the financial challenge is such that the Council will not be able to successfully deliver the required savings in isolation and it will need to actively engage with local and national partners to identify areas, and initiate action, to deliver the required level of efficiencies and savings. Success in this area will inevitably require difficult decisions on the part of Elected Members.

**The Council's transformation programme has been significantly disrupted by Covid-19 which will make achieving planned savings more challenging**

**78.** Renfrewshire Council has recognised longer term financial challenges for a number of years and has had a series of programmes in place to respond to these. The third phase, known as the Better Council Change Programme, has been updated by phase 4, branded 'Right for Renfrewshire'.

**79.** Right for Renfrewshire will take the form of a series of service redesigns aiming to achieve a range of attributes identified by the Council. These attributes include taking advantage of digital opportunities, focusing on the Council's core purpose, increasing the adaptability of Council resources and improving how the Council works with partners.

**80.** As decided at the Leadership Board in February 2020, the services initially impacted by the first tranche of service redesigns are Customer & Transaction Services, Placeshaping, Community Development, Community Protection, Facilities Management and Prevention and Early Intervention areas.

**81.** The first tranche of service redesigns is expected to result in a net reduction of 130 full time equivalent posts, predominantly facilitated through voluntary early redundancy (VER). The Council began consulting with its workforce to identify employees with an interest in taking VER in late 2019.

**82.** Right for Renfrewshire aims to provide savings of £25 million over the period 2020/21 to 2022/23, with £2.6 million of savings originally scheduled for the 2020/21 budget.

**83.** As noted previously the Covid-19 pandemic has significantly disrupted the Right for Renfrewshire programme, which was put on hold and is currently being remobilised. As a result, expected savings in 2020/21 are less than planned, adding to the savings requirement in future years. There is a risk that savings plans will no longer be fully deliverable due to the additional resource pressures arising from Covid-19.

## City Deals

**84.** The £1.13 billion Glasgow City Region City Deal is an agreement between the UK Government, the Scottish Government and eight local authorities across the Glasgow City Region. Renfrewshire Council is the lead authority on two City Deal infrastructure projects with funding of £134 million.

- **The Glasgow Airport Investment Area Project** (GAIA - £42.8 million) is delivering the enabling infrastructure and connections into Netherton Campus, a 52-hectare Renfrewshire Council-owned site next to Glasgow Airport. The project includes new roads, bridges, cycleways and footpaths which will connect into the Advanced Manufacturing Innovation District Scotland (AMIDS) and improve access to existing businesses including the nearby Westway Business Park. Work on this project was paused during the Covid-19 lockdown, recommencing in the summer with capital expenditure of £21.931 million to 31 March 2020.
- **The Clyde Waterfront and Renfrew Riverside Project** (CWRR - £90.7 million) includes the construction of a new opening bridge across the River Clyde, which will accommodate vehicles, pedestrians and cyclists, and the construction of the Renfrew North Development Road to better link communities and businesses on both sides of the river, improving access to work, education, hospitals and leisure through improved infrastructure. In April 2020, Compulsory Purchase Orders for land required for the project were confirmed by Scottish Ministers. Capital expenditure to 31 March 2020 was £15.116 million.

# Part 4

## Governance and transparency



### Main Judgements

**The Council has appropriate governance arrangements in place. We recognise that in responding to the Covid-19 pandemic the Council revised its governance arrangements. The new arrangements are appropriate and support good governance and accountability.**

**Officers and elected members should work together to ensure the training provided reflects new ways of working, is flexible and can adapt to provide the necessary resources and support for elected members to access and complete training.**

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

### Governance and transparency arrangements are appropriate

**85.** Renfrewshire Council has a board structure in place which is underpinned by clear roles for members and officers; and procedural documentation regarding decision making. Business is conducted through the Council meeting, the Leadership Board and a number of other policy boards as well as the Audit, Risk and Scrutiny Board. The Council's decision and delegation arrangements are regularly reviewed to ensure they support its key priorities.

**86.** All boards have members from the different political parties. The administration has a majority membership in each of the four policy boards with the remaining membership being from the opposition groups and parties. The conveners of policy boards are members of the administration. The Convener of the Audit, Risk and Scrutiny Board is an opposition member.

**87.** Papers provided by Council officers to the Council and its Boards are of a high standard and provide members with a good overview of the issues being covered as well as additional information, where appropriate. This supports constructive debate of issues at meetings.

**88.** A recommendation from the BVAR was that Councillors should improve cross-party working, given the financial challenges that exist and the important decisions that will need to be made in the future. The Council established the Cross-Party Sounding Board in May 2017. In June 2019, a climate emergency was declared by the Council with members from the Cross-Party Sounding Board establishing a Climate Emergency Working Group.

**89.** Governance arrangements within the Council are operating effectively and support good governance and accountability.

## The COVID-19 pandemic had a significant impact on governance arrangements from March 2020

**90.** The impact of COVID-19 from March 2020 has been set out in the Annual Governance Statement in the Council's annual accounts. These were significant and allowed the Council to manage the unprecedented nature and scale of the threat to its communities and staff. We note that the following steps were taken to allow the Council staff to prioritise their response to the outbreak.

**91.** On 20 March 2020, in response to the pandemic, the Council convened the Emergencies Board. This board was originally made up of a cross-party group of 5 councillors which was later expanded to 15 members. The Council's normal committee structure was suspended with the Chief Executive being granted temporary delegated authority for critical decisions that would normally require committee approval.

**92.** Council services have been significantly affected and large sections of the workforce were asked to work from home where possible. Restricted services operated in areas such as schools, childcare, housing repairs and roads maintenance. Alternative arrangements were put in place to support those children in receipt of free school meals.

**93.** On 25 June 2020 the Council met remotely for the first time. At this meeting members were presented with a summary list of the decision taken by the Chief Executive under delegated authority while the committees were suspended. They also approved a temporary change to the standing orders to permit future Council and committee meetings to meet remotely.

**94.** Covid-19 has exacerbated many pre-existing risks and challenges facing public bodies in areas such as financial sustainability and service demand pressures. We recognise that audit committees have a crucial role to play in providing effective scrutiny and challenge as they help public bodies focus on important aspects of the business and maintain effective oversight of spending, performance and governance arrangements.

**95.** As public bodies manage their business during this global pandemic, the role of audit committees becomes even more important. We recently issued a [Guide for audit and risk committees](#) which draws on our recent experience of auditing public bodies during this pandemic.

**96.** The revised governance arrangements in place within the Council are practical in the circumstances and effective in supporting good governance and accountability.

## Openness and transparency

**97.** There is an increasing focus on how public money is used and what is achieved. In that regard, openness and transparency supports understanding and scrutiny. There are increasing public expectations for more openness and transparency as citizens want to understand how public money is used and, to support their participation in local service design and delivery.

**98.** A transparent organisation shows the basis for its decisions and shares information about performance and outcomes, including when targets have and have not been achieved as well as how it is using its resources such as money, people and assets.

**99.** There is evidence from several sources which demonstrate the Council's commitment to transparency. Members of the public can attend meetings of the full Council and other boards. Minutes of these committee meetings and supporting papers are available on the Council's website. Most items on committee agendas are covered in open session at meetings rather than in private.

**100.** The Council webcasts its main Council meetings and all agenda papers and minutes, including the annual accounts are on the Council's website and made available in the public gallery and its reception.

**101.** The Council's website allows the public to access a wide range of information including the register of members' interests, current consultations and surveys and how to make a complaint. In addition, the website is encouraging the public to sign up for e-alerts. The service became available from 1 August 2018 and allows the public sign-up to news they want to receive on the website and get it delivered straight to their inbox. Initially this will cover information on Council news, What's On, Business news, Paisley town centre updates and updates for parents on schools and nurseries.

**102.** The management commentary that accompanies the financial statements clearly explains to readers how the council has performed against its revenue and capital budgets and how this is reconciled to the financial statements.

**103.** The Council conducts its business in an open and transparent manner.

### **Training and development for Councillors**

**104.** In our 2016/17 BVAR we noted that while the Council has provided training, historically Councillors have not made the most of the training and development opportunities available to them. Officers continue to make changes to the training and development programme, including the use of external speakers, offering twilight sessions and delivering focused weeks of training and development once a year.

**105.** In our previous reports we recommended that members continue to attend training that is relevant to their role within the Council and it would be beneficial for all Councillors to have a personal development plan (PDP) in place which is reviewed on an annual basis.

**106.** Elected members are reminded regularly of the support available to develop their own PDPs. The Improvement Service recognises that not all elected members will make use of the learning opportunities offered regardless of the support available and will choose to access learning at their own pace.

**107.** To make it easier for elected members to access continuing professional development (CPD) training resources at a time and place of their choosing, the full range of Improvement Service workbooks are now available in the online Members' Library.

**108.** The recommendation within our earlier reports remains more relevant than ever as officers and elected members adapt to the additional financial and governance challenges resulting from COVID-19. Officers and elected members should work together to ensure the training provided reflects new ways of working, is flexible and can adapt to provide the necessary resources and support for elected members to access and complete training.

# Part 5

## Best Value



### Main judgements

**The Council has an appropriate and effective best value framework in place. The Council continues to make positive progress addressing the recommendations contained in our 2016/17 Best Value Assurance Report.**

**The Council actively considers performance against its corporate priorities and objectives and has established a range of improvement activities working in parallel which are clearly linked to key objectives and the budget setting process. However due to the current pandemic there have been delays in elements of performance management reporting with updated information is due to be reported later in the year.**

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

### The Council is making good progress in securing Best Value

**109.** Best value is assessed over the audit appointment, as part of the annual audit work. In addition, a Best Value Assurance Report (BVAR) for each council will be considered by the Accounts Commission at least once in this period. The BVAR report for the council was published in August 2017.

**110.** The BVAR concluded that the Council has a clear and ambitious vision for Renfrewshire to revitalise the area's economy and address poverty and inequality. This vision is supported by the Council's partners and the Council Plan; management structures and performance management processes are also well aligned to the vision.

**111.** We also highlighted key areas where the Council should focus its improvement activities on going forward. The report made seven recommendations relating to areas for further development including cross party working, community engagement, partnership working, financial sustainability, workforce planning and governance arrangements.

**112.** The latest update on progress against the recommendations was reported to the Leadership Board in December 2019. Progress in implementing the recommendations continues to be monitored by the Corporate Management Team on an annual basis, with the next update scheduled for December 2020.

**113.** The Council continues to make positive progress in implementing the recommendations from the 2016/17 Best Value and Assurance Report. We will continue to monitor the Council's progress against the improvement actions.

### Performance management arrangements provide a sound base for improvement

**114.** The Council reports their progress against the Council Plan to the Leadership Board every six months.

**115.** There are Service Improvement Plans (SIPs) for all key service areas. They contain detailed action plans which link to the priorities in the Council Plan. They are also closely linked to other relevant plans, including Renfrewshire's Community Plan and Local Outcome Improvement Plan. Progress against SIP indicators is reported to relevant policy boards every six months. These are the forums where Councillors can challenge how services are performing.

**116.** Performance information is also accessible through the Council's "Our Current Performance" webpage. This includes performance progress updates on the SIPs and the Council Plan. The webpage also links to the Council's annual report, It's all about you. This reports performance against indicators that the public have told the Council they are most interested in. The presentation of the report has been refreshed to take account of public requests to have a more accessible and easier to read format. The Council reports performance against the full set of 70 indicators in the Local Government Benchmarking Framework to the Audit, Risk and Scrutiny Board.

**117.** The Council has launched a new digital news service which provides a variety of updates covering all of council services, schools and nurseries, what's on in the area, the town centre investment and news for businesses. The digital news service is being rolled out by Renfrewshire Council for residents and businesses.

**118.** The Council has an established performance management framework that managers and Councillors clearly understand, which provides a sound base for ongoing and continuous improvement, however due to the current pandemic there have been delays in reporting performance management with updated information is due to be reported later in the year.

### **National performance audit reports**

**119.** Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2019/20, Audit Scotland published a number of reports were issued which may be of interest to the body. These are outlined in [Appendix 3](#).

**120.** Arrangements are in place for the Council to consider national reports. These are presented to the Audit, Risk and Scrutiny Board and members are made aware of key issues. The Council routinely reports the Council's position in respect of the key issues reported. Action taken in response to reports is dependent on the nature of the national report and the service to which it relates.

# Appendix 1

## Action plan 2019/20



No.	Issue/risk	Recommendation	Agreed management action/timing
1	<p><b>Accounting for Clyde Valley Waste Facility</b></p> <p>Alongside four other local authorities, Renfrewshire Council entered into an agreement with partners in the private sector to improve and run Clyde Valley Waste Facility.</p> <p>An interim model has been applied in 2019/20 as the accounting treatment has not yet been agreed between partners</p> <p><b>Risk</b></p> <p>There is a risk that there is an inconsistent accounting treatment between different local authorities.</p>	<p>Management should prioritise reaching an agreement over the accounting treatment for Clyde Valley Waste Facility with partners and ensure that processes are put in place to ensure that the accounting treatment for future projects are considered prior to these becoming operational.</p> <p><a href="#">Paragraph 37</a></p>	<p>Discussions with partner authorities will be pursued with a view to reaching a consistent accounting treatment using the finalised financial model commissioned by the lead authority.</p> <p>Responsible officer: Head of Finance</p> <p>Agreed date: 31 March 2021</p>
2	<p><b>Review of Controls Environment</b></p> <p>Our work highlighted that the controls in place to carry out quality checks on awarded NDR and Council Tax reliefs did not take place for a number of months at the outset of 2019/20 due to other on-going work. The same checks were also not carried out from late March 2020 to late June 2020 due to the Covid-19 lockdown.</p> <p><b>Risk</b></p> <p>There is a risk that controls in other areas have been disrupted by the change in working arrangements as a result of Covid-19.</p>	<p>The Council should review its systems of internal control to ensure these are operating as intended despite the changes to council working arrangements resulting from the Covid-19 pandemic.</p> <p><a href="#">Paragraph 59</a></p>	<p>The Chief Auditor has engaged with the Corporate Management team about reviewing the internal control environment and proposed amendments to the Audit Plan for 20/21 will be submitted for approval to the Audit, Risk and Scrutiny Board in November.</p> <p>Responsible officer: Chief Auditor</p> <p>Agreed date: 31 March 2021</p>
3	<p><b>Improvement of Valuation Process</b></p> <p>To ensure the accuracy of land and property valuations within the annual accounts management</p>	<p>Management should improve the internal process for the request and provision of land and property valuations to include a formal engagement letter specifying the nature of</p>	<p>Management will work towards the establishment of a formal process.</p> <p>Responsible officer: Director of Finance and Resources</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
	<p>obtain expert advice from appropriately qualified staff within the council's property services department.</p> <p><b>Risk</b></p> <p>While we noted no issues with the advice provided, the process should be formalised.</p> <p><b>Risk:</b></p> <p>Valuation work provided by the valuer will not fully meet the annual accounts requirements.</p>	<p>the work to be carried out, including the valuation methods for each class of asset.</p> <p><a href="#">Paragraph 61</a></p>	<p>Agreed date: 31 March 2021</p>
4	<p><b>Financial Sustainability</b></p> <p>The Covid-19 pandemic has introduced further financial challenges, with a projected deficit of up to £25 million.</p> <p><b>Risk –</b></p> <p>The Council may not be able to deal with future financial challenges and deliver required savings without adversely impacting service delivery.</p>	<p>1. Continue to update the MTFP as more clarity on the financial impact of Covid-19 obtained.</p> <p>2. Work with key partners to identify opportunities to deliver service transformation.</p> <p><a href="#">Paragraph 74</a></p>	<p>An updated Financial Outlook report covering the period 2021 to 2023 was presented to the Council on 24 September 2020. This outlined the scale of the financial challenge and the potential impact of COVID-19. The Corporate Management Team will continue to seek ways of transforming services with a view to mitigating the potential deficit.</p> <p>Responsible officer: Director of Finance &amp; Resources</p> <p>Agreed date: Ongoing (31 March 2023)</p>

### Follow up of prior year recommendations

5	<p><b>Preparation of Annual Accounts</b></p> <p>Balances within the financial ledger in respect of trade receivables and trade payables were not properly reflected within the accounts presented for audit. Journals continued to be posted to the ledger after the accounts had been provided to audit at the end of June 2019 and working papers included a number of complex balances resulting from the change in accounting system.</p> <p><b>Risk –</b></p>	<p>We recommend that the Council's review of the audit findings highlighted within our management report inform the future close-down procedures for the preparation of the year end accounts.</p> <p><b>2018/19 Agreed management action:</b></p> <p>The operation of trade receivables and trade payables within Business World is under review with reconciliations being undertaken more frequently. Development of the system is being undertaken to ensure</p>	<p>We reviewed management's new accounts preparation process and timetable.</p> <p>The 2019/20 unaudited accounts and accompanying working papers were prepared in advance of the 30 June 2020 deadline. These were of significantly improved quality, despite the additional challenge of the Covid-19 lockdown.</p> <p>No issues were noted regarding agreement of the accounts, ledger and working papers.</p> <p><b>Complete</b></p>
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No.	Issue/risk	Recommendation	Agreed management action/timing
	There is a risk that similar issues result in errors within the 2019/20 annual accounts.	the risk is mitigated in future years.	
6	<p><b>Process for Identification of Internal Recharges</b></p> <p>The 2018/19 Code requires that internal recharges are removed from each service within the CIES.</p> <p>We confirmed that management had processed this change and concluded that the figures in the CIES are materially accurate. However, we noted that there is scope for improvement in the Council's process to accurately and efficiently identify internal recharge transactions.</p>	<p>Management should take steps to improve the accuracy and efficiency of the process to identify internal recharge transactions.</p> <p><b>2018/19 Agreed management action:</b></p> <p>A review of the processes for internal recharging will be undertaken by Finance staff with a view to eliminating unnecessary charges. Development of the system will be undertaken to better identify internal transactions.</p>	<p>We reviewed the process for identification of internal recharges during our 2019/20 audit of the annual accounts.</p> <p>We noted that the process has improved significantly.</p> <p><b>2019/20 Agreed management action:</b></p> <p>A new journal type has been introduced into the Financial Management System to make identification of internal recharges easier. In addition, work is ongoing to review all internal recharges by department, with a view to better understanding, re-thinking and improvement of processes where appropriate.</p> <p>Responsible officer: Head of Finance</p> <p>Revised date: 31 March 2021</p>
7	<p><b>Whole of Government Accounts</b></p> <p>The Council's WGA submission was late in both 2016/17 and 2017/18, resulting in a qualified audit opinion on the 2017/18 WGA return.</p> <p>Risk – Future WGA submissions may not be submitted in line with the agreed deadline.</p>	<p>Due to the delayed sign off of the 2018/19 audited annual accounts. The 2018/19 audited WGA was not submitted by the deadline of 27 September 2019.</p> <p>The WGA submission was of improved quality from 2017/18 and we issued an unqualified audit opinion.</p> <p>Management should put in place processes to ensure future WGA submissions are prepared in accordance with the required NAO timetable.</p> <p><b>2018/19 Agreed management action:</b></p> <p>A wholesale review of closedown processes, deadlines and responsibilities will be undertaken for the 2019/20 accounts and this will incorporate WGA.</p>	<p>We will reflect on the WGA process following the audit of the 2019/20 submission, which has a deadline of 4 December 2020.</p> <p><b>2019/20 Management response:</b></p> <p>A new timetable was established for the preparation of working papers for the Whole of Government Accounts (WGA) for 2019/20. Three officers attended webinar training for the new OSCAR II portal.</p> <p>Despite this brand new online process for preparation and submission of the WGA return for 2019/20, the exercise was completed and submitted by the HM Treasury deadline of 30 September 2020. The new WGA audit reports were passed to Audit Scotland on the same date.</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
8	<p><b>Renfrewshire IJB Funding Arrangements</b></p> <p>Renfrewshire Council holds earmarked reserves of £1.232 million and other balances of £1.203 million relating to services that have been delegated to RIJB.</p> <p>Risk – There is a risk that the existing funding arrangements may not be transparent.</p>	<p>We recommend that the Council reviews the existing funding arrangements with RIJB and consider how any future arrangements will be processed to improve transparency.</p> <p><b>2018/19 Agreed management action:</b></p> <p>Balances attributable to the RIJB will be drawn down during 2019/20.</p>	<p>These funds were fully drawn down in 2019/20 and all funding is now made through standard integration arrangements.</p> <p><b>Complete</b></p>
9	<p><b>Public notice</b></p> <p>The Local Authority Accounts (Scotland) Regulations 2014 required the Council to give public notice for inspection and objection of the 2018/19 unaudited annual report and accounts by 17 June 2019. The public notice was published on the website on 26 June 2019 and in a newspaper on 28 June 2019, meaning this deadline was not met</p>	<p>The Council should review its procedures to ensure the statutory deadline is achieved in future years.</p> <p><b>2018/19 Agreed management action:</b></p> <p>A wholesale review of closedown processes, deadlines and responsibilities will be undertaken for the 2019/20 accounts and this will incorporate the public notice.</p>	<p>The Council met the public notice requirements for inspection of the annual accounts in 2019/20.</p> <p><b>Complete</b></p>
10	<p><b>Budgetary process</b></p> <p>Budget reports are considered by policy boards throughout the year; however, the budget setting and monitoring arrangements could be more transparent.</p>	<p>The Council could improve the transparency of the budgetary process by</p> <ul style="list-style-type: none"> <li>▪ producing the year end budget report in the same format as the regular budget reports</li> <li>▪ publishing an amended budget to reflect decisions made by members during budget approval</li> <li>▪ outlining budget changes from the prior period in each finance report.</li> </ul> <p><b>2018/19 Agreed management action:</b></p> <p>The Council will incorporate these suggestions into a fundamental review of corporate financial management and reporting.</p>	<p>The council has made a number of improvements in this area:</p> <ul style="list-style-type: none"> <li>▪ a year end budget report was submitted alongside the unaudited accounts in June 2020.</li> <li>▪ budget monitoring reports now clearly outline changes from the originally approved budget.</li> </ul> <p>There remains an opportunity to further improve transparency through the timely publication of an amended budget to reflect decisions made by members during budget approval.</p> <p><b>2019/20 Agreed management action:</b></p> <p>Budget monitoring reporting arrangements are subject to continuous review and development with a view to standardisation and improving transparency and ease of use.</p>



**No. Issue/risk**

**Recommendation**

**Agreed management action/timing**

			<p>The format of the approved budget will be considered for the 2021/22 Estimates.</p> <p>Responsible officer: Director of Finance and Resources</p> <p>Revised date: 31 March 2021</p>
<p><b>11</b></p>	<p><b>Training and development for elected members</b></p> <p>Councillors have not made the most of the training and development opportunities available to them.</p> <p>Risk – there is a risk that elected members do not have the necessary training to carry out their role effectively.</p>	<p>We recommend further action is required by Elected Members to review their individual training requirements with a view to agreeing tailored personal development plans to ensure they deliver, and are seen to deliver, the challenge and scrutiny that is expected of them.</p> <p><b>2018/19 Agreed management action:</b></p> <p>Officers will continue to make available a wide range of development opportunities for Elected Members and encourage attendance or participation in these. Elected members will be supported in agreeing individual development plans</p>	<p><b>2019/20 Management response:</b></p> <p>To make it easier for elected members to access CPD training resources at a time and place of their choosing, the full range of Improvement Service workbooks are now available in the online Members' Library. Elected members will continue to be reminded regularly of the support available to develop their own PDPs and consulted upon the topics for the annual training week. This was reported to the Leadership Board on 4 December 2019.</p> <p><b>2019/20 Agreed management action:</b></p> <p>Revised action: Elected members will continue to be reminded regularly of the support available to develop their own PDPs and consulted upon the topics for the annual training week.</p> <p>Responsible officer: Head of Corporate Governance</p> <p>Revised date: Ongoing</p>
<p><b>12</b></p>	<p><b>Community Engagement</b></p> <p>The locality plan identifies broad outcomes for improvement, but it does not refer to localities where action will be focused nor are clear timescales for achieving these set out.</p> <p>Risk – There is a risk that outcomes do not focus on the correct localities.</p>	<p>The council should clarify within the locality plans the localities where outcomes for improvement will be focused and specify the timescales for achieving these.</p> <p><b>2018/19 Agreed management action:</b></p> <p>Narrative on agreed action Locality partnerships have been established and will develop their own action plans which the Council will support to ensure they are "SMART"</p>	<p><b>2019/20 Agreed management action:</b></p> <p>Local plans are being developed by each of the Local Partnerships, and initial priorities identified during 2019. Due to the pandemic the Local Partnerships were paused and this work did not progress at the original pace intended. Sessions are being planned for January 2021 to resume locality level discussions on local priorities in light of COVID.</p>



**No. Issue/risk**



**Recommendation**



**Agreed management action/timing**

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Responsible officer: Head of Policy and Commissioning

Revised date: 30 June 2021

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# Appendix 2

## Significant audit risks identified during planning

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

Audit risk	Assurance procedure	Results and conclusions
<b>Risks of material misstatement in the financial statements</b>		
<p><b>1 Closedown procedures</b></p> <p>We identified issues in the closedown procedures used to prepare the 2018/19 unaudited annual accounts.</p> <p>Balances reported in the financial ledger in respect of debtors and creditors were not properly reflected in the unaudited annual accounts and journals continued to be processed after the unaudited annual accounts had been presented for audit. The differences arose because finance staff had identified issues with intra-group balances between the Council and Renfrewshire Leisure Limited (RLL) and the journals were processed to try and correct these issues. However, the journals processed did not appropriately correct the identified issues and further correcting adjustments were required. This issue resulted in the statutory deadline for certification of the annual accounts being missed and a modification in the independent auditor's report.</p>	<p>Review of revised closedown procedures for reasonableness and identification of key dates.</p> <p>Review of debtors and creditors in unaudited financial statements against the financial ledger, working papers, and primary records.</p> <p>Ongoing liaison with the Director of Finance and Resources, the Head of Finance, and key finance officers to review and assess progress against actions arising from the 2018/19 audit.</p>	<p>We reviewed management's new accounts preparation process and timetable.</p> <p>The 2019/20 unaudited accounts and accompanying working papers were prepared in advance of the 30 June 2020 deadline. These were of significantly improved quality, despite the additional challenge of the Covid-19 lockdown.</p> <p>No issues were noted regarding agreement of the accounts, ledger and working papers.</p> <p><b>Conclusion:</b></p> <p>Management have made significant improvements to closedown procedures.</p>
<p><b>2 Management override of controls</b></p> <p>ISA 240 requires that audit work is planned to consider the risk of fraud, which is presumed to be a significant risk in any audit. This includes consideration of the risk of management override of controls to change the position</p>	<p>Detailed testing of journal entries.</p> <p>Review of accounting estimates.</p> <p>Focused testing of accruals and prepayments.</p> <p>Evaluation of significant transactions that are outside the normal course of business.</p>	<p><b>Conclusion:</b></p> <p>Our work identified no evidence of management override of controls at the Council.</p>

Audit risk	Assurance procedure	Results and conclusions
disclosed in the financial statements.		
<p><b>3 Fraud over expenditure</b></p> <p>Most public sector bodies are net expenditure bodies and therefore the risk of fraud is more likely to occur in expenditure. There is a risk that expenditure may be materially misstated in the financial statements.</p> <p>Renfrewshire Council incurs expenditure on a range of activities. The extent and complexity of expenditure means that there is an inherent risk of fraudulent or erroneous reporting of expenditure to achieve a desired financial position.</p>	<p>Analytical procedures on expenditure streams.</p> <p>Detailed testing of expenditure transactions focusing on whether expenditure is processed in the correct accounting year.</p>	<p>We assessed the design of key controls in place at the Council and did not identify any issues that would result in an increased risk of fraud over expenditure.</p> <p>Substantive (sample) testing was carried out over all areas of expenditure.</p> <p><b>Conclusion:</b></p> <p>We did not identify any evidence of fraud over expenditure.</p>
<p><b>4 Accounting for pensions</b></p> <p>Renfrewshire Council recognised a net liability of £276.674 million relating to its share of Strathclyde Pension Fund at 31 March 2019. There is a significant degree of subjectivity in the measurement and valuation of the pension fund liability. The valuation is based on specialist assumptions and estimates, and changes can result in material changes to the valuation.</p> <p>Additionally, successful legal action was brought against the UK government in relation to pension schemes for judges and firefighters in 2018/19, on the grounds of age discrimination. The judgements for these pension schemes will impact on Strathclyde Pension Fund as it had similar arrangements in place. Uncertainty remains over the remedy for the legal judgements. The expected impact of the legal judgements, or remedy if agreed, will need to be reflected in the pension fund liability valuation in 2019/20.</p>	<p>Completion of 'review of the work of Management's expert' for the pension fund actuary.</p> <p>Review of the estimates used, and assumptions made in calculating the pension fund liability.</p> <p>CIPFA intend to issue a briefing note outlining the accounting requirements of the legal judgments. Compliance with the briefing note will be assessed.</p>	<p>The legal case referred to in the risk column concluded after the unaudited accounts were issued. An audit adjustment was processed to reflect the impact of the legal remedy on the council's pension liability.</p> <p><b>Conclusion:</b></p> <p>A material audit adjustment was processed due to the conclusion of a legal case. No issues were noted regarding the council's processes around pension accounting.</p>

Audit risk	Assurance procedure	Results and conclusions
<p><b>5 Estimates and judgements in the valuation of land and buildings</b></p> <p>Renfrewshire Council held land and buildings with a net book value (NBV) in excess of £780 million at 31 March 2019. There is a significant degree of subjectivity in the valuation of land and buildings. Valuations are based on specialist and management assumptions and estimates, and changes in these can result in material changes to valuations.</p>	<p>Completion of 'review of the work of Management's expert' for the professional valuer.</p> <p>Review of revaluations performed by the internal valuer in year, assessing whether they have been performed using an appropriate and relevant valuation basis / methodology by suitably qualified individuals.</p> <p>Review of the information provided to the valuer and assess whether this was complete and included all Renfrewshire Council's land and buildings relevant for the 2019/20 revaluation exercise.</p> <p>Review and assess the reasonableness of revaluations.</p>	<p><b>Conclusion:</b></p> <p>We noted no issues with the reliability of the professional valuer or the reasonableness of estimates they provided.</p> <p>The valuer highlighted a material uncertainty in their valuation arising due the impact of the Covid-19 pandemic. We included an emphasis of matter in our audit opinion as a result.</p> <p>We recommend that management formalise processes for engagement with the asset valuer.</p>

<p><b>6 Identification of internal recharges</b></p> <p>Changes were made to the 2018/19 Code of Practice on Local Authority Accounting in the United Kingdom (the Code) which required internal recharges to be removed from the Comprehensive Income and Expenditure Statement (CIES). Our audit work in 2018/19 identified issues in the process for identifying internal recharges and noted there was scope for improvements in the process.</p>	<p>Review and assessment of the process for identifying internal recharges.</p> <p>Review of internal recharges to assess if these are reasonable.</p>	<p><b>Conclusion:</b></p> <p>No issues were noted with the identification of internal recharges.</p> <p>Management continue to improve the efficiency of the process for identifying internal recharges.</p>
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### Risks identified from the auditor's wider responsibility under the Code of Audit Practice

<p><b>7 Financial sustainability</b></p> <p>The council approved its 2019/20 budget in February 2019. A surplus of £5.832 million was forecast in the original budget paper, however this was before decisions were approved by the Council. Motions approved by the Council resulted in the forecast surplus moving to a forecast breakeven position. The latest revenue budget monitoring report to 8 November 2019 highlights a year to date underspend of £58,000 and a</p>	<p>Review of revenue budget monitoring reports during the year and comment on financial position within the Annual Audit Report.</p> <p>Attendance at Council, board, and committee meetings.</p> <p>Monitoring of progress against savings plans and delivery of the transformational change programme.</p> <p>Monitoring service delivery key performance indicators (KPIs).</p>	<p>The Council continues to forecast financial pressures in the medium term, and the Covid-19 pandemic is likely to make these significantly more challenging.</p> <p>The Council has made progressed with its transformation plan ("Right for Renfrewshire") which seeks to deliver £25 million of savings in the period 2020/21 to 2022/23. This has also been disrupted by the pandemic, meaning savings will be harder to deliver.</p> <p><b>Conclusion:</b> The Council should update its medium-term financial</p>
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Audit risk	Assurance procedure	Results and conclusions
<p>forecast year end underspend of £0.358 million.</p> <p>While an underspend is forecast in 2019/20, Renfrewshire Council's Financial Outlook 2020 – 2023 forecasts a net budget gap of between £26 - £67 million over the three-year period. The council plans to address the funding pressures through a combination of savings and a transformational change programme. The plans also acknowledge the option for further council tax increases to balance future budgets.</p> <p>Meeting the savings targets and the transformational change programme and are expected to have a considerable impact on the way services are delivered, and there is a risk that the changes will affect the quality of services provided.</p>	<p>Assessment of savings plans over the medium term.</p>	<p>plan as soon as more clarity on the financial impacts of Covid-19 is obtained.</p>

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# Appendix 3

## Summary of national performance reports 2019/20



**2019/20  
Reports**

		Apr	
Social security: Implementing the devolved powers		<b>May</b>	
Scotland's colleges 2019		<b>Jun</b>	Enabling digital government
		Jul	
NHS workforce planning - part 2		<b>Aug</b>	
Finances of Scottish universities		<b>Sept</b>	
NHS in Scotland 2019		<b>Oct</b>	
		Nov	
Local government in Scotland: Financial overview 2018/19		<b>Dec</b>	
Scotland's City Region and Growth Deals		<b>Jan</b>	Privately financed infrastructure investment: The Non-Profit Distributing (NPD) and hub models
		Feb	
		<b>Mar</b>	Early learning and childcare: follow-up

# Appendix 4

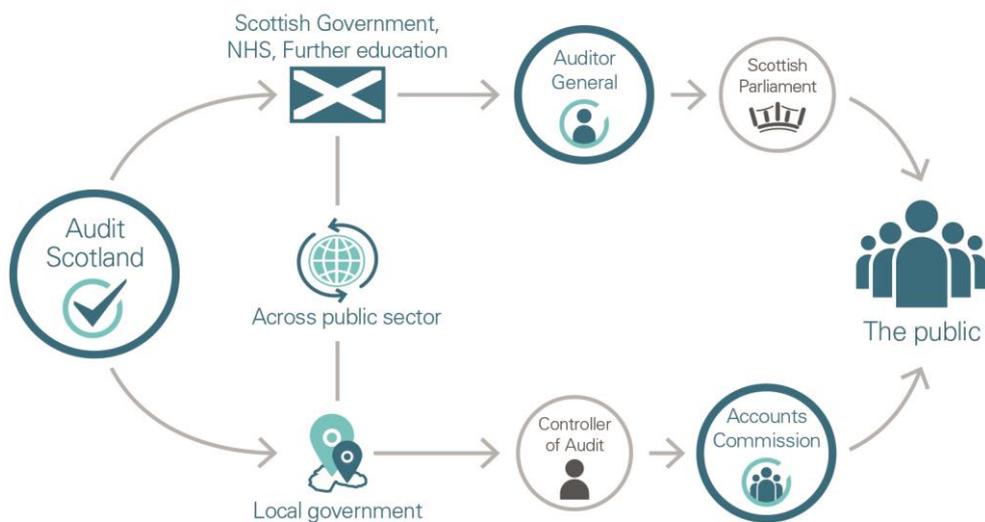
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# Renfrewshire Council

## 2019/20 Annual Audit Report – Proposed

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## APPENDIX B: Letter of Representation (ISA 580)

John Cornett, Audit Director  
Audit Scotland  
4th Floor  
8 Nelson Mandela Place  
Glasgow  
G2 1BT

Dear John

### **Renfrewshire Council Annual Accounts 2019/20**

1. This representation letter is provided about your audit of the annual accounts of Renfrewshire Council for the year ended 31 March 2020 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the financial reporting framework, and for expressing other opinions on the remuneration report, management commentary and annual governance statement.
2. I confirm to the best of my knowledge and belief and having made appropriate enquiries of the Chief Executive and Corporate Management Team, the following representations given to you in connection with your audit of Renfrewshire Council's annual accounts for the year ended 31 March 2020.

### **General**

3. Renfrewshire Council and I have fulfilled our statutory responsibilities for the preparation of the 2019/20 annual accounts. All the accounting records, documentation and other matters which I am aware are relevant to the preparation of the annual accounts have been made available to you for the purposes of your audit. All transactions undertaken by Renfrewshire Council have been recorded in the accounting records and are properly reflected in the financial statements.
4. I confirm that the effects of uncorrected misstatements are immaterial, individually and in aggregate, to the financial statements as a whole. I am not aware of any uncorrected misstatements other than those reported by you.

### **Financial Reporting Framework**

5. The annual accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (2019/20 accounting code), and in accordance with the requirements of the Local Government (Scotland) Act 1973, the Local Government in Scotland Act 2003 and The Local Authority Accounts (Scotland) Regulations 2014.
6. In accordance with the 2014 regulations, I have ensured that the financial statements give a true and fair view of the financial position of the Renfrewshire Council and its Group at 31 March 2020 and the transactions for 2019/20.

## **Accounting Policies & Estimates**

7. All significant accounting policies applied are as shown in the notes to the financial statements. The accounting policies are determined by the 2019/20 accounting code where applicable. Where the code does not specifically apply I have used judgement in developing and applying an accounting policy that results in information that is relevant and reliable. All accounting policies applied are appropriate to Renfrewshire Council circumstances and have been consistently applied.
8. The significant assumptions used in making accounting estimates are reasonable and properly reflected in the financial statements. Judgements used in making estimates have been based on the latest available, reliable information. Estimates have been revised where there are changes in the circumstances on which the original estimate was based or as a result of new information or experience.

## **Going Concern Basis of Accounting**

9. I have assessed Renfrewshire Council's ability to continue to use the going concern basis of accounting and have concluded that it is appropriate. I am not aware of any material uncertainties that may cast significant doubt on Renfrewshire Council's ability to continue as a going concern.

## **Assets**

10. Where a rolling programme of asset valuations has been used, I have satisfied myself that the carrying amount of assets at 31 March 2020 does not differ materially from that which would be determined if a revaluation had been carried out at that date.
11. I carried out an assessment at 31 March 2020 as to whether there is any indication that an asset may be impaired and have recognised any impairment losses identified.
12. I have provided you with all information of which I am aware regarding any valuation exercises carried out after 31 March 2020.
13. There are no plans or intentions that are likely to affect the carrying value or classification of the assets recognised within the financial statements.
14. Owned assets are free from any lien, encumbrance or charge except as disclosed in the financial statements.

## **Liabilities**

15. All liabilities at 31 March 2020 of which I am aware have been recognised in the annual accounts.
16. Provisions have been recognised in the financial statements for all liabilities of uncertain timing or amount at 31 March 2020 of which I am aware where the conditions specified in the 2019/20 accounting code have been met. The amount recognised as a provision is the best estimate of the expenditure likely to be required to settle the obligation at 31 March 2020. Where the effect of the time value of money is material, the amount of the provision has been discounted to the present value of the expected payments.

17. Provisions recognised in previous years have been reviewed and adjusted, where appropriate, to reflect the best estimate at 31 March 2020 or to reflect material changes in the assumptions underlying the calculations of the cash flows.
18. The accrual recognised in the financial statements for holiday untaken by 31 March 2020 has been estimated on a reasonable basis.
19. The pension assumptions made by the actuary in the IAS 19 report for Renfrewshire Council have been considered and I confirm that they are consistent with management's own view.
20. There are no plans or intentions that are likely to affect the carrying value or classification of the liabilities recognised in the financial statements.

### **Contingent liabilities**

21. There are no significant contingent liabilities, other than those disclosed in Note 30 to the financial statements, arising either under formal agreement or through formal undertakings requiring disclosure in the accounts. All known contingent liabilities have been fully and properly disclosed, including any outstanding legal claims which have not been provided under the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and IAS 37

### **Fraud**

22. I have provided you with all information in relation to:
  - my assessment of the risk that the financial statements may be materially misstated because of fraud
  - any allegations of fraud or suspected fraud affecting the financial statements
  - fraud or suspected fraud that I am aware of involving management, employees who have a significant role in internal control, or others that could have a material effect on the financial statements.

### **Laws and Regulations**

23. I have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

### **Related Party Transactions**

24. All material transactions with related parties have been appropriately accounted for and disclosed in the financial statements in accordance with the 2019/20 accounting code. I have made available to you the identity of all the Renfrewshire Council's related parties and all the related party relationships and transactions of which I am aware.

### **Remuneration Report**

25. The Remuneration Report has been prepared in accordance with the Local Authority Accounts (Scotland) Amendment Regulations 2014, and all required information of which I am aware has been provided to you.

### **Management commentary**

26. I confirm that the Management Commentary has been prepared in accordance with the statutory guidance and the information is consistent with the financial statements.

## **Corporate Governance**

27. I confirm that the Renfrewshire Council has undertaken a review of the system of internal control during 2019/20 to establish the extent to which it complies with proper practices set out in the Delivering Good Governance in Local Government: Framework 2016. I have disclosed to you all deficiencies in internal control identified from this review or of which I am otherwise aware.
28. I confirm that the Annual Governance Statement has been prepared in accordance with the Delivering Good Governance in Local Government: Framework 2016 and the information is consistent with the financial statements. There have been no changes in the corporate governance arrangements or issues identified, since 31 March 2020, which require to be reflected.

## **Group Accounts**

29. I have identified all the other entities in which Renfrewshire Council has a material interest and have classified and accounted for them in accordance with the 2019/20 accounting code. Any significant issues with the financial statements of group entities, including any qualified audit opinions, have been advised to you.

## **Events Subsequent to the Date of the Balance Sheet**

30. All events subsequent to 31 March 2020 for which the 2019/20 accounting code requires adjustment or disclosure have been adjusted or disclosed.

## **Prior Year Restatements**

31. I confirm that all restatements to correct or update 2018/19 comparative figures in the 2019/20 accounts are have been accurately processed.

Yours sincerely

Director of Finances and Resources