Audit and Scrutiny Committee

A Meeting of the **Audit and Scrutiny Committee** of North Ayrshire Council will be held in the **Council Chambers**, **Ground Floor, Cunninghame House, Irvine, KA12 8EE** on **Tuesday, 27 March 2018** at **10:00** to consider the undernoted business.

1   Declarations of Interest
Members are requested to give notice of any declarations of interest in respect of items of business on the Agenda.

2   Minutes
The accuracy of the Minutes of the meeting of the Audit and Scrutiny Committee held on 30 January 2018 and the Special Meeting held on 6 March 2018 will be confirmed and the Minutes signed in accordance with Paragraph 7 (1) of Schedule 7 of the Local Government (Scotland) Act 1973 (copy enclosed).

3   Operational Budget Management in the Health and Social Care Partnership
Submit report by the Executive Director (Finance and Corporate Support) on the review of financial management within the Health and Social Care Partnership (copy enclosed).

4   Early Learning and Childcare Expansion
Submit report by the Executive Director (Education and Youth Employment) on the recommendations of the Audit Commission report on the expansion of early learning and childcare in Scotland (copy enclosed).

5   Development for Councillors
Submit report by the Chief Executive on the development provided to Councillors over the last year, including attendance rates, feedback from currently activities and suggestions for future planned development (copy enclosed).

6   External Audit Plan 2017/18
Submit report by the Executive Director (Finance and Corporate Support) on the External Audit Plan prepared by Deloitte LLP, the Council's external auditor (copy enclosed).

7   Internal Audit Reports Issued
Submit report by the Executive Director (Finance and Corporate Support) on the findings of Internal Audit work completed between 1 January and 28 February 2018 (copy enclosed).

8   Internal Audit and Corporate Fraud Action Plans: Quarter 3 Update
Submit report by the Executive Director (Finance and Corporate Support) on the progress made in implementing the agreed actions from the Internal Audit and Corporate Fraud report as at 31 December 2017 (copy enclosed).

9   Internal Audit Plan 2018/23
Submit report by the Executive Director (Finance and Corporate Support) on the proposed Internal Audit Plan for 2018/19 and the indicative programme of work for 2019/23 (copy enclosed).

10   Ayrshire Valuation Joint Board
Submit the Minutes of the meetings of the Ayrshire Valuation Joint Board held on 5 September 2017 and 9 January 2018 (copies enclosed).

11   Urgent Items
Any other items which the Chair considers to be urgent.

12   Exclusion of the Public
Resolve in terms of Section 50(A)4 of the Local Government (Scotland) Act 1973, to exclude from the Meeting the press and the public for the following item of business on the grounds indicated in terms of Paragraph 1 of Part 1 of Schedule 7A of the Act.

Non Disclosure of Information
In terms of Standing Order 19 (Disclosure of Information), the information contained within the following report is confidential information within the meaning of Section 50A of the 1973 Act and shall not be disclosed to any person by any Member or Officer.

12.1   Corporate Fraud Reports Issued
Submit report by the Executive Director (Finance and Corporate Support) on the findings of Corporate Fraud investigations completed between 1 January and 28 February 2018 (copy enclosed).

Audit and Scrutiny Committee Sederunt

Marie Burns (Chair) Margaret George (Vice Chair) Joy Brahim Alan Hill Tom Marshall Donald Reid John Sweeney	Chair: Apologies: Attending:

**Audit and Scrutiny Committee
30 January 2018**

At a Meeting of the Audit and Scrutiny Committee of North Ayrshire Council at 10.00 a.m.

Present
Marie Burns, Margaret George, Joy Brahim, Alan Hill, Tom Marshall, Donald Reid and John Sweeney.

In Attendance
L. Friel, Executive Director, P. Doak, Senior Manager (Internal Audit, Risk and Performance) and D. Miller, Complaint and Feedback Manager (Finance and Corporate Support); C. Hatton, Executive Director and T. Reaney, Senior Manager (Streetscene) (Place); S. Brown, Interim Director North Ayrshire Health and Social Care Partnership; J. Butcher, Executive Director (Education and Youth Employment); C. McAuley, Head of Service (Economic Growth); A. Fraser, Head of Democratic Services, M. Davison, Senior Manager (Democratic Services), A Todd, Senior Policy and Performance Officer and A. Little, Committee Services Officer (Chief Executive's).

Chair
Councillor Burns in the Chair.

1.   Declarations of Interest

There were no declarations of interest by Members in terms of Standing Order 10 and Section 5 of the Code of Conduct for Councillors.

2.   Minutes

The Minutes of the meeting of the Committee held on 14 November 2017 and special meeting held on 9 January 2018 were confirmed and the Minutes signed in accordance with Paragraph 7 (1) of Schedule 7 of the Local Government (Scotland) Act 1973.

3.   Quarter Two 2017/18 Progress Report - Directorate Plan Performance

Submitted report by the Chief Executive which provided an update on the performance of all Directorates against the priorities outlined in the Directorate Plans 2015/18 as at 30 September 2017.

The reports for each Directorate were set out in Appendices 1 - 6 to the report and an overview of the performance of Directorates compared against the same time last year was illustrated in the charts at section 2.9 of the report. The percentage of indicators which are on target has decreased slightly from 77.4% in 2016/17 to 73.7% in 2017/18 and the percentage of quarterly indicators significantly adrift of target has increased from 17.2% to 22.1%.

Members asked questions and were provided with further information in relation to:-

Democratic Services

- Processes and procedures in place within services to manage absence triggers where the Manager is also absent from work in order to ensure the employee's health and well-being;
- The increasing role of digital and social media by services and the role of Communications in support this and of ensuring corporate branding.

Finance and Corporate Support

- A range of supports that are offered to employees on long term absence to assist their return to work, such as Occupational Health referrals and Livewell initiatives;
- Information that will be provided to Members on the interface between the Council webpage and the Committees and Meetings webpage, the calendar of meetings and the search facility;
- The creation of a Digital Adviser post in the Contact Centre to promote and support customers on the use of digital services.

Education and Youth Employment

- Work on reducing the attainment gap and the development of a new numeracy framework to a focus on this area;
- The use of the Pupil Equity Fund to reduce the impact of poverty on educational outcomes;
- Review meetings with Head Teachers to encourage the use of the Pupil Equity Funds, the roll-over of any underspends to the next financial year;
- The use of Early Years Practitioners and the purchase of additional resources that has been required as a result of a shortfall of teachers in the Ayrshire area;
- Further information that will be provided to Members on attainment in respect of the top 20% and the bottom 20% and the Pupil Equity Fund spend across schools;
- Approval by Cabinet of the first draft of the Regional Improvement Collaborative that aims to deliver improvement through collaboration in line with the National Improvement Framework priorities;
- Information in respect of the Pupil Equity Fund, the regional attainment gap and the Regional Improvement Collaborative that will be included in future Directorate Plan reports; and
- The Active Lives initiative that supports the work being done on healthy eating and nutrition, lunchtime clubs and increasing the take up of school meals.

Economy and Communities

- Community Participatory Budgeting (CPB) events that were held in the Three Towns areas that were not very well attended as a result of inclement weather;
- Positive feedback from the Three Towns CPB events on grounds maintenance services and work by officers that is being undertaken on the good quality responses received from the these events on the future use of funds for the local areas; and
- A response that has been provided to the feedback from the Scottish and UK government on the Council's Ayrshire Growth Deal.

North Ayrshire Health and Social Care Partnership

- The pressures on primary care as a result of difficulties in recruiting General Practitioners that contributes to increased presentations to Crosshouse Hospital;
- Redirections to primary care that are put in place by Crosshouse Hospital when appropriate; and
- Support to primary care by multi-disciplinary teams, community link workers and community connectors who provide valuable advice to local people on alternative opportunities and services to support their health and well-being.

The Committee agreed (a) the Executive Director (Finance and Corporate Support) provide information to Members on the interface between the Council webpage and the Committees and Meetings webpage, the calendar of meetings and the search facility; (b) the Executive Director (Education and Youth Employment) provide further information to Members on attainment in respect of the top 20% and the bottom 20% and the Pupil Equity Fund spend across schools; and (c) to otherwise note the report.

4.   Local Government Benchmarking Framework (LGBF) 2015/16

Submitted report by the Chief Executive which set out (a) the Directorates' priorities identified through work undertaken following the publication of the latest LGBF report; and (b) highlighted the Improvement Service's areas for development that will enable the Council to make further use of the Framework. Appendix 1 to the report provided an explanation and details of improvement activity in terms of the LGBF measures, focusing in particular on the priority measures.

Members asked questions and were provided with further information in relation to:-

- A review of how the street cleaning indicator is calculated which is underway to ensure a consistent interpretation between Councils; and
- The influence of a range of factors on the financial information in respect of the cost per school pupil.

Noted.

5.   Internal Audit Reports Issued

Submitted report by the Executive Director (Finance and Corporate Support) on the findings of Internal Audit work completed between 1 November and 31 December 2017. Appendix 1 to the report provided information on the three separate audit assignments completed together with an executive summary and action plan from each audit.

Noted.

6.   Internal Audit Charter

Submitted report by Executive Director (Finance and Corporate Support) on the updated Internal Audit Charter, which has been prepared in accordance with the requirements of the Public Sector Internal Audit Standards (PSIAS) and was attached as an appendix to the report.

Members asked questions and were provided with further information in relation to the role of External Audit in undertaking an annual assessment of the Internal Audit function and the regular oversight by the Chief Executive and Executive Director (Finance and Corporate Support) of this area.

The Committee agreed to approve the Internal Audit Charter as set out in the appendix to the report.

7.   Q2 2017 YTD Complaint Report

Submitted report by the Executive Director (Finance and Corporate Support) on (a) the Council's complaint performance; (b) the volumes and trends of complaints received in the first 6 months of Financial Year 2017/18; (c) comparative data for the first six months of 2016 and 2015; and (d) that the Executive Directors will provide a report to the next meeting on details of upheld and partially upheld complaints. Appendix 1 to the report provided statistical data and information on the range and volume of complaints at all stages of the complaints process.

Noted.

8.   Exclusion of the Public

The Committee resolved in terms of Section 50(A)4 of the Local Government (Scotland) Act 1973, to exclude from the Meeting the press and the public for the following item of business on the grounds indicated in terms of Paragraph 1 of Part 1 of Schedule 7A of the Act.

8.1   Corporate Fraud Reports Issued

Submitted report by the Executive Director (Finance and Corporate Support) on the findings of Corporate Fraud investigations completed between 1 November and 31 December 2017.

Noted.

The meeting ended at 12 noon.

Audit and Scrutiny Committee
6 March 2018

Present
Marie Burns, Alan Hill and John Sweeney.

Also Present
Ronnie McNicol and Joe Cullinane.

In Attendance
A. Sutton, Head of Service (Connected Communities) (Economy and Communities); A. Fraser, Head of Democratic Services, H. Clancy, Committee Services Officer and M. Anderson, Committee Services Team Leader (Chief Executive's Service).

Chair
Councillor Burns in the Chair.

Apologies
Tom Marshall and Donald Reid.

1.   Declarations of Interest

There were no declarations of interest by Members in terms of Standing Order 10 and Section 5 of the Code of Conduct for Councillors.

2.   Call In: Communities – Short Life Working Group

Submitted report by the Chief Executive on a Call In Request received in respect of the decision taken by Cabinet at its meeting on 20 February 2018 in relation to the report on the Communities Short Life Working Group. A copy of the Cabinet report was provided at Appendix 1 to the report.

The Cabinet, at its meeting on 20 February 2018, considered a report by the Executive Director (Economy and Communities) on the reconvening of a short life working group, from 1 March 2018, comprising North Ayrshire Council and the North Ayrshire Federation of Community Associations (NAFCO) to address financial challenges faced by the public and voluntary sector in relation to the role of community associations and how they provide services to our communities.

The Cabinet agreed to (a) reconvene the short life working group from 1 March 2018 comprising North Ayrshire Council and the North Ayrshire Federation of Community Organisations and that the format of the Group should be:- • 3 x NAFCO • 3 x NAC Officer • 3 x Elected member (Chair - Cllr McPhater, 1 x SNP; 1 x Scottish Conservative and Unionist - with an Independent Member being offered a place if none of the Conservatives take up the place).; (b) that the Clerk contact the SNP and Conservative and Unionist Group Leaders asking for their nominations to the Working Group; and

(c) receive future reports in relation to themes which may emerge from the recommendations of the working group.

A Call In Request, signed by Councillors Barr, McNicol and Donald L. Reid, and referring in particular to (b) and (c) of the above decision, was in the following terms:-

"Reason for Call In

The recommendations of the working group Working group should have cross party elected membership and that the format of the group should be: 3 NAFC0/3 NAC officers/3 Elected Members (Cllr McPhater, 1 x SNP, 1 Conservative and Unionist — with an Independent Member being offered a place if none of the Conservatives take up the place. Why as an Independent Member not invited to attend the working group?

Desired Outcome

Referred back to Cabinet to reconsider decision and we recommend that all future reports in relation to themes which may emerge from the recommendations of the working group be reported to future meeting of the full Council."

The Head of Democratic Services summarised the procedure for considering the Call In Request and set out the circumstances surrounding the Cabinet decision.

Thereafter, Councillor McNicol was invited to speak on behalf of the Members who had requested the Call In. Councillor McNicol expressed the view that the Independent Members should also be invited to serve on the working group, rather than being offered a place only in the circumstances set out in the Cabinet Minute. Councillor McNicol also intimated that, given the importance of community centres to Elected Members and the communities they serve, any recommendations arising from the working group should be considered by the full Council.

The Chair then invited Councillor Cullinane, on behalf of the Cabinet Member for Communities, to address the meeting. Councillor Cullinane advised that it had been the intention of the Cabinet to extend the invitation to Independent Members and the Conservative and Unionist Group collectively. He intimated that he was not averse to an additional place being offered to allow an Independent Member to serve on the working group, albeit that NAFCO may also wish an additional place in the interests of parity. Councillor Cullinane indicated that he had no objection to the suggestion that the working group report to the Council rather than to the Cabinet.

The Head of Service (Connected Communities) (Economy and Communities) invited Members to consider the importance of parity of esteem in the Council's work with NAFCO, as well as the issue of manageability given the work to be carried out by the working group within a short timescale.

Members discussed the need for parity between Elected Member and NAFCO representation and considered the implications in terms of timing of the working group reporting to Council rather than to the Cabinet.

Councillor Hill, seconded by Councillor Burns, moved to accept, in part, the terms of the Call In and recommend to the Cabinet that the Elected Member representation on the working group be increased to four to allow the appointment of an Independent Member, with a further place also offered to NAFCO in the interests of parity, but that no change be made to the decision that the working group report to the Cabinet.

Councillor Sweeney moved to accept in part the terms of the Call In and recommend to the Cabinet that the Elected Member representation on the Working Group remain at three, with the Conservative Group and Independent Members being offered one place between them. There being no seconder and no further amendment, the motion was carried.

The meeting ended at 10.10 a.m.

NORTH AYRSHIRE COUNCIL

27 March 2018

Audit and Scrutiny Committee

Title:	**Operational Budget Management in the Health and Social Care Partnership**
Purpose:	To advise Committee of the findings and action being taken from the review of financial management within the Health and Social Care Partnership
Recommendation:	That the Committee (a) notes the findings of the review (b) notes the action being taken by the Health and Social Care Partnership to strengthen financial management and accountability and (c) agrees to consider an update report at the May Committee.

1. Executive Summary

1.1. The Health and Social Care Partnership (HSCP) has overspent in each of the years since it was established. Like all Services there is a requirement for the HSCP to ensure that it delivers services within its allocated budget.

1.2. This was identified as an issue in both the Council's and the Integrated Joint Board's (IJB) 2016/17 External Audit reports.

1.3. To establish whether a robust framework for financial management and accountability was in place an audit was carried out by the Council's Head of Finance.

1.4. The findings of this audit together with the report that was presented to the IJB's Performance and Audit Committee on 8 March 2018 is attached at Appendix 1. This report outlines the actions being taken by the HSCP to address the weaknesses identified in the management of budgets within the HSCP and ensure a more robust framework is established.

1.5. The actions outlined in the report should establish a more robust financial accountability framework supporting the HSCP to deliver services within budget.

2. Background

2.1. The Executive Summary highlights the background to this report.

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2.2. The key finding emerging from the review are summarised below;

- The need for further training for all budget holders;
- Approval of expenditure should be restricted to budget holders;
- Guidance requires to be provided to budget holders on managing demand within available budget;
- Implementation of Challenge Fund initiatives to establish a universal framework for accessing care and applying charges; and
- Effective communication of all budget decisions.

2.3. A number of the responses to the actions within the audit report have been assigned to the Partnership Senior Management Team. It is essential that accountability for actions is clear to ensure these are progressed.

2.4. Significant progress is being made in developing a financial framework for the HSCP to ensure that it starts 2018/19 with a clear understanding of its budgets, savings and pressures, supporting delivery of service within the agreed financial envelope. To provide assurance to the Committee of the approach being taken by the HSCP it is proposed that a presentation of this is provided to the May meeting of the Committee.

3. Proposals

3.1. That the Committee (a) notes the findings of the review (b) notes the action being taken by the Health and Social Care Partnership to strengthen financial management and accountability and (c) agrees to consider an update report at the May Committee.

4. Implications

Financial:	There are no direct financial implications. However it is essential that operational budget management arrangements are effective and ensure service delivery is contained within the financial envelope.
Human Resources:	No direct implications.
Legal:	No direct implications.
Equality:	No direct implications.
Children and Young People:	No direct implications.
Environmental & Sustainability:	No direct implications.
Key Priorities:	Effective financial control ensure that key priories are delivered within the financial envelope.
Community Benefits:	No direct implications.

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5   Consultation

5.1   The report has been discussed with the Director and Chief Finance and
        Transformation Officer of the HSCP.

Laura Friel

Laura Friel
Executive Director (Finance & Corporate Support)

For further information please contact Laura Friel on 01294-324554.

Background Papers
None

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Performance and Audit Committee
8th March 2018
Agenda Item No.

Subject:	Audit of Operational Budget Management

Purpose:	To inform the Performance and Audit Committee of the findings of the audit into operational budget management.

Recommendation:	That the Committee considers the outcomes from the audit which has been carried out and the action plan attached.

Glossary of Terms	
PSMT	Partnership Senior Management Team
SMT	Senior Management Team (Service)
ARG	Adult Review Group

1.	EXECUTIVE SUMMARY
1.1	On 14 September 2017, Deloitte LLP reported on the outcome of their audit work for 2016/17. As part of this report Deloitte LLP recommended that the Board assess the effectiveness of operational budget management to secure delivery of services within the budget which has been set.
1.2	An audit of operational budget management has been undertaken across the Health and Social Care Partnership and has reviewed budget management arrangements in a range of services including looked after and accommodated children, physical disabilities, care homes, learning disability, through care, equipment, MH inpatients, community mental health and rehab and reablement services.
1.3	This has identified a number of actions which are required to be undertaken to increase the effectiveness of operational budget management arrangements within the Partnership.
2.	BACKGROUND
2.1	On 14 September 2017, Deloitte LLP reported on the outcome of their audit work for 2016/17. As part of this report Deloitte LLP recommended that the Board assess the effectiveness of operational budget management to secure delivery of services within the budget which has been set.
2.2	In response to this action, a review of operational budget management has been undertaken with a focus on high risk areas and is the subject of this report.

3.	**AUDIT OF OPERATIONAL BUDGET MANAGEMENT**
3.1	An audit of operational budget management has been undertaken across the Health and Social Care Partnership and has reviewed budget management arrangements in a range of services which have a total budget of £136m and are currently forecasting an overspend of £3.249m, representing 55% of the annual budget and 61% of the forecasted overspend. The services covered were looked after and accommodated children, physical disabilities, care homes, learning disability, through care, equipment, MH inpatients, community mental health and rehab and reablement services.
3.2	The audit has been undertaken through interviews with a range of budget holders, operating at different management levels across the partnership. A summary of this is shown in the table below:-

Management Level	No
Head of Service	1
Senior Manager	6
Manager/Team Leader	5
Total	12

3.3	The discussions with budget holders focused on 3 key areas to gain an insight into the level of understanding that budget holders have in relation to their budget, how they manage their budgets on a daily basis and how they deal with service levels and demands which are higher than the budget available.
3.4	In general terms, budget holders were able to demonstrate a good understanding of the budget that they have responsibility for and understand what factors influence both expenditure and income recovery. Integration of services has resulted in staff employed by one partner body also being responsible for services from another partner body and this has required some budget holders to become familiar with financial management processes and reporting from another partner body. This is impacting on how comfortable budget holders are in reviewing financial reports and understanding their content. The recent implementation of a new financial management system for North Ayrshire Council has also impacted on this. 50% of those interviewed requested additional support to assist with this. (Action a)
3.5	The majority of budget holders interviewed were able to provide evidence that there is a focus on financial performance across the Partnership with updates and discussions taking place at a variety of forums including the Partnership Senior Management Team (PSMT), service Senior Management Team (SMT), individual team meetings and supervision meetings between individual employees and managers. The nature of these discussions varied with some being at a high level and others being more detailed. This variation tended to reflect either the nature of the meeting or the financial performance of the service. However it is evident that in some cases there is limited discussion on how to recover overspends or manage demand within the budgets available. This is concerning given the responsibility of all budget holders to deliver services within budgets and demonstrates a lack of willingness in some service areas to tackle overspends when they occur. This will be explored further in section 3.8 – 3.11.

3.6	There was evidence in some areas of budgets been delegated down to team leader/manager level. However in other areas there was evidence of limited delegation, with control of the budget being retained at senior manager level in 50% of the services reviewed. This was reflected in discussions with managers and team leaders, with 40% confirming that they did not feel they had budget responsibility, despite them recommending packages of care to the Adult Review Group (ARG) which commits spend, authorising invoices up to £20,000 each for their service and authorising variations to care packages. This results in managers and team leaders not being held directly accountable for the expenditure they incur. It also makes it difficult for the senior manager to co-ordinate and manage spend with some managing spend by reviewing actual expenditure after it has been incurred. This way of managing spend results in a review after the event. In these circumstances it can be too late to take corrective action as the commitment has already been made. (Action b)
3.7	Discussions with Senior Managers (50%) identified concerns about this and recognised the need for there to be increased accountability at manager/team leader level in relation to budgets and spend. One Senior Manager has already put plans in place to address this.
3.8	Budget holders at all levels were able to provide good evidence in relation to how they controlled employee budgets (44% of total budget). This included:- • the use of the vacancy scrutiny panel to control recruitment • working flexibly across teams to manage staffing requirements, reducing the need for bank and agency • using toil to minimise overtime costs and where this is not possible utilising plain overtime before premium rates are considered • active management of sickness absence including alternative duties to enable employees to return to work and commence the transition back to normal duties • escalation processes to Senior Managers and Heads of Service where required
3.9	However a different attitude to spend was evidenced in relation to care (94% of total budget excluding employee costs). 41 % of those budget holders interviewed understood the need to manage care within the budget which was available and used a number of methods to do this including the use of waiting lists when no other alternative was available. As a result these budget holders are not contributing to the overspend forecast.
3.10	The remaining 59% of budget holders are not limiting expenditure in relation to care. One budget holder stated that they felt like their hands were tied, with no control over demand and the need to meet an assessed need which meets the eligibility criteria. This is reflective of the views of the other budget holders who were not limiting expenditure. The management of demand for care is complex, however budget resources are not unlimited and spend must be managed within the overall budget which is set for the Partnership. The lack of focus on demand and ultimately cost management in these areas is concerning and will be contributing to the scale of the overspend being experienced. The differences in approaches between services could also lead to inequality in service provision across the Partnership. (Action c)
3.11	Budget holders recognised that there is a need to change the culture of the organisation in relation to risk. There is also a need for strategies to enable client groups to have less dependency on care services and for services to pro-actively

		manage service demand and care support with strategies to increase independence and reduce care over time. The Partnership has identified a number of proposals under the Challenge Fund which will support this change in culture and it is essential that these are progressed as soon as possible to support a change in how we assess and manage care services. Further work will also be undertaken in relation to charging, criteria and thresholds and Self Directed Support offer an opportunity to provide a universal framework which will support operational management of care budgets and support equality of service delivery across the Partnership. (Action d)
	3.12	Integration of services within the Partnership has resulted in a number of budget areas where full control does not lie with the budget holder. 50% of budget holders were able to provide examples in their areas where this was the case with other budget holders able to spend against their budgets directly. Again this prevents budget holders from co-ordinating spend and being held accountable for spend against their budgets. (Action e)
	3.13	A number of budget holders raised concerns about poor communication in relation to decisions taken by PSMT or the IJB. Examples provided were in relation to mitigation plans to recover overspends and proposals linked to savings. If budget holders are not informed about decisions which are taken to support budget management there is a risk that the intended outcome will not be achieved. (Action f)
3.	**PROPOSAL**	
	3.1	Performance and Audit Committee are asked to consider the outcomes from the audit which has been carried out and the action plan attached.
	3.2	**Anticipated Outcomes**
		Implementation of the action plan will improve budget management arrangements within the Partnership and offer a framework and support for operational budget holders to actively manage their financial performance.
	3.3	**Measuring Impact**
		Progress against the action plan will be monitored to ensure all actions are completed.
4.	**IMPLICATIONS**	

Financial :	There are no direct financial implications. However it is essential that operational budget management arrangements are tightened to improve financial performance.
Human Resources :	None.
Legal :	None.
Equality :	The introduction of a universal framework for thresholds, criteria, Self Directed Support and charging should assist in ensuring equality of access to services across the Partnership.
Environmental & Sustainability :	None
Key Priorities :	There are no Key Priority implications.
Risk Implications :	The risks associated with financial performance are recognised on the Partnerships Risk Register.

Community Benefits :	None.

	Direction to :-	
Direction Required to Council, Health Board or Both *(where Directions are required please complete Directions Template)*	1. No Direction Required	
	2. North Ayrshire Council	
	3. NHS Ayrshire & Arran	
	4. North Ayrshire Council and NHS Ayrshire & Arran	

5.	**CONSULTATION**
5.1	This audit was undertaken in conjunction with a number of budget holders across the Partnership. The Action Plan has been agreed with the PSMT.
6.	**CONCLUSION**
6.1	This audit has identified a number of actions which are required to be undertaken to increase the effectiveness of operational budget management arrangements within the Partnership.

For more information please contact Eleanor Currie, Principal Manager on 01294 317814

ACTION PLAN
AUDIT OF OPERATIONAL BUDGET MANAGEMENT

Action	a
Action Description	The Chief Financial Officer should consider offering additional support to budget holders to aid their budget management of all budgets, irrespective of the host partner body.
Risk	A failure to support budget holders to access and engage with financial monitoring could impact on the effectiveness of operational budget management.
Priority (1, 2, 3)	2
Paragraph Reference	3.4
Assigned to	Chief Financial Officer
Due Date	30th June 2018
Management Response	Training needs will be identified and training materials developed. A training schedule will be delivered by a combination of the principal manager and corporate finance. The Budget Holders Charter will be reviewed, updated and reissued.

Action	b
Action Description	Heads of Service to consider operational budget management arrangements and how budget responsibility can be delegated to those budget holders who are responsible for incurring expenditure.
Risk	A failure to delegate budget management responsibility to those responsible for incurring expenditure impacts on the ability to hold budget holders to account for expenditure.
Priority (1, 2, 3)	1
Paragraph Reference	3.6
Assigned to	Partnership Senior Management Team
Due Date	31st July 2018
Management Response	Initially key risk areas (LD care packages and residential school placements) will continue to be signed off at Head of Service level until the training is complete and the projected spend is controlled. All other areas will remain as but will be delegated to those responsible for incurring spend once the training is complete.

Action	C
Action Description	All budget holders to be given management guidance in relation to the management of care budgets to ensure consistency of service provision across all service areas, and the use of waiting lists to control demand where this is appropriate.

Risk	The lack of controls on expenditure could result in further overspends which will contribute further to the Partnerships deficit. Different approaches to demand management could also result in an inequality of service across the Partnership.
Priority (1, 2, 3)	1
Paragraph Reference	3.10
Assigned to	Partnership Senior Management Team
Due Date	31st March 2018
Management Response	Management guidance will be issued where all care packages (except those in relation to child or adult protection) will only be approved if they are within budget or funded by reductions in other care packages. Exceptions to this must meet criteria which will be outlined in the guidance. Managed waiting lists will be operated to control demand.

Action	d
Action Description	The Challenge Fund projects are to be implemented as soon as possible and specifically the review of thresholds and criteria, roll out of Self Directed Support and the review and development of the Partnerships charging policy to provide a universal framework to support the operational management of care budgets.
Risk	A failure to establish a universal framework for assessments of care could lead to inequality in service provision and the continuation of thresholds and criteria being employed which are financially unsustainable for the Partnership.
Priority (1, 2, 3)	1
Paragraph Reference	3.11
Assigned to	Partnership Senior Management Team
Due Date	30th September 2018
Management Response	Phase 1 of the Challenge Fund is underway but some projects have been delayed due to difficulties securing the necessary post resource to implement the projects. Phase 2 funding has still to be released but will be requested with a view to commencing projects in April 2018.

Action	E
Action Description	A review of budgets to be undertaken to identify areas where budget holders do not have full control and new processes implemented to ensure budget holders approve spend or delegate the budget further to those who currently incur expenditure.
Risk	Budget holders cannot fully control expenditure and therefore cannot effectively manage the budgets under their direct responsibility.
Priority (1, 2, 3)	2
Paragraph Reference	3.12
Assigned to	Partnership Senior Management Team
Due Date	30th April 2018

Management Response	A full review of budgets will be undertaken and if required budgets will be split to the relevant budget holder.

Action	f
Action Description	PSMT to review how budget decisions are communicated to senior managers, team leaders and managers and implement a process to increase the effectiveness of this communication.
Risk	If budget holders are not informed about decisions which are taken about budgets they directly manage there is a risk that the intended outcome will not be achieved.
Priority (1, 2, 3)	1
Paragraph Reference	3.13
Assigned to	Partnership Senior Management Team
Due Date	30th June 2018
Management Response	Initial awareness sessions will be held with all senior managers, managers and team leaders to give them an overview of the partnership budget and financial position. Regular updates (the double sided graphic report) will be emailed to all senior managers, managers and team leaders. A regular update will be included in the Directors update to all staff.

Priority Key used in Action Plan

1 (High)	Control weakness where there is a material impact on the achievement of the control objectives, generally requiring prompt attention.
2 (Medium)	Control weakness which needs to be rectified, but where there is no material impact on the achievement of the control objectives.
3 (Low)	Minor weakness or points for improvement.

NORTH AYRSHIRE COUNCIL

27 March 2018

Audit and Scrutiny Committee

Title:	**Early Learning and Childcare Expansion**
Purpose:	a) To highlight the recommendations contained in the Audit Commission Report in February 2018 on the expansion of early learning and childcare in Scotland. b) To provide information on North Ayrshire Council's progress of its expansion plans to introduce 1140 hours of ELC by 2020, specifically in relation to the recommendations for Councils contained in the report.
Recommendation:	That the Committee notes the progress that North Ayrshire Council is making on the Early Learning and Childcare expansion programme in relation to the recommendations contained in the Accounts Commission report Feb 2018

1.   Executive Summary

1.1   In February 2018 the Accounts Commission published a report on the Scottish Government's plans to increase the hours of early learning and childcare to 1140 hours by 2020.   http://www.audit-scotland.gov.uk/news/significant-risks-to-delivering-early-learning-and-childcare-plan-by-2020

1.2   The report highlighted that there are "significant risks" surrounding the Scottish Government's plans.

1.3   The report makes 12 recommendations: Six of these are for Scottish Government and six relate to activities by Local Authorities. This report provides information on North Ayrshire Council's response to each of the six recommendations for Councils, and highlights that the most significant risk facing the council is the lack of clarity on the level of revenue and capital funding it will receive to deliver the expanded model.

2.   Background

2.1   On 15 February, the Accounts Commission issued a report on the Early Learning and Childcare (ELC) expansion plans in Scotland. The report highlighted "significant risks" surrounding the Scottish Government ambition to increase ELC from 600 hours to 1140 hours by 2020, particularly in relation to the funding requirement and the detailed planning required by the 2020 timescale.

2.2 The report contains four key messages:

a) Scottish Government has not taken time to fully evaluate the impact of the recent expansion in ELC to 600 hours in 2014 and has not considered alternative ways of expanding ELC to achieve the aim of improving outcomes for children and families.
b) Funding ELC for 'part days' has limited impact on parents' ability to take up work, education or training.
c) There are significant risks that Councils will not be able to meet the increased infrastructure and workforce demands, to enable delivery of 1140 hours by 2020.
d) Scottish Government expects the costs to be about £840 million. Council estimates of the costs of delivering expanded ELC across Scotland are in the region of £1billion.

2.3 The report therefore makes six recommendations for Scottish Government and Councils to address the need to deliver 600 hours in line with national policy, and to progress with the planning for 1140 hours.

2.4 This report highlights the actions that North Ayrshire Council is taking in relation to these six recommendations.

2.5 **Recommendation**: Scottish Government and Councils should develop links between the increase in funded hours and programmes to support parents, at a local and national level, into work, training or study.

North Ayrshire Council received funding to deliver an ELC pilot in the Fullarton area to provide 1140 hours for parents who chose to take up work, training or study. This resulted in nine parents on the Authority-wide Skills for Life programme being provided with funded childcare support. It was the only pilot in the initial phase to focus on employability as well as child care expansion. The pilot programme has been extended to Loudon Montgomery early years class where the expanded provision is now available to all children and families who attend that establishment. There are close links between the early years' class and the Fullarton Employability hub. In addition, the HSCP employs a small team of employability support officers as part of the early years' universal pathway who work alongside the health visitor team to support families considering their employment and training options.

2.6 **Recommendation**: Scottish Government and Councils should provide clearer information for parents to help them understand how funded ELC is provided locally.

North Ayrshire Council's website gives information on ELC entitlement and North Ayrshire ELC provision. CARIS – Ayrshire is a web based service that provides information and advice covering North, South and East Ayrshire, on childcare including childminders, nurseries, playgroups, and parent and toddler groups.

As part of the planning for 1140 hours, the council has conducted two parent /carer consultations in June 2017 and February 2018, conducted a series of parent focus groups in May 2017, issued two parent /carer briefings in April and September 2017 and a stakeholder newsletter, in December 2018.

A need for a workstream as part of the Early Learning and Childcare Expansion Programme (ELCEP), focussing on communication and stakeholder engagement has been identified, and is in the process of being established.

An officer from the Council's Communications Team has been included on the ELCEP Board from its commencement. They have advised and supported communications with parents and the wider North Ayrshire community.

2.7 **Recommendation**: Councils should develop commissioning strategies for funded ELC that set out information on demand, capacity, cost, quality, flexibility and parental preferences.

North Ayrshire Council hosted an event on behalf of Scottish Government for ELC providers within the South West Improvement Collaborative on 6 March 2018. This was a consultation event on the development of the National Standard for ELC that will apply to all providers; private and voluntary, childminders and local authority. The National Standard will set out criteria that must be met by all providers who deliver the funded entitlement and will create consistency across all providers in all local authorities. Local authorities will still negotiate and agree funding rates with providers at a local level but these rates must reflect national priorities including the payment of the living wage.

The Council set up a Private and Voluntary Partner Engagement group in November 2017 and has been meeting monthly with this group to plan for how the sector will be sustained and supported to develop and deliver the requirements of 1140 hours and the new National Standard.

There has been regular discussion with, and on-going support from, the Finance Team in the Council in relation to the commissioning and procurement of services.

2.8 **Recommendation**: Scottish Government and Councils should urgently finalise and implement plans for changes to the workforce and infrastructure to address the significant risks of not being able to deliver on time.

North Ayrshire Council has established the Early Learning and Childcare Expansion Programme (ELCEP) board to oversee the delivery programme. There are two workstreams, dedicated to infrastructure and workforce planning, that report to this Board. The Board has developed its expanded delivery model, and a programme of workforce planning and infrastructure works is already underway. This is subject to the multi-year funding announcement from Scottish Government due in April 2018. The Board has already announced plans to begin a phased introduction of 1140 hours across nine establishments from August 2018 and a further 10 establishments from August 2019. Currently, the only significant risk to the on-time delivery of 1140 hours across all establishments by 2020, is the uncertainly over funding.

2.9 **Recommendation**: Scottish Government and Councils should collect better information on the cost of different models of ELC and their impact on children's outcomes to allow them to better plan for the expansion.

North Ayrshire Council has worked closely with other local authorities and with the Scottish Government Delivery group to develop its delivery model. The Council has

adhered to Scottish Government direction in its capital and infrastructure planning to maximise the use of existing assets. The determination to open all establishments over a full year and from 8am – 6pm each day, addresses the national and local ambition to provide more flexible services that address the needs of all families, particularly working families. The staffing model that supports this delivery model has been identified by Scottish Government as particularly cost efficient.

The impact of the Council's delivery model on children's outcomes will be evaluated over time. In the short term there is a robust evaluation plan in place in the two pilot sites where 1140 hours are currently being delivered: Loudon Montgomery and Glencairn early years classes. The outcomes of this three stage evaluation programme will be known in July 2018.

There is already in place a model of quality assurance for our EY centres and schools and childminders and day carers, to ensure a positive impact on children's outcomes. This is managed through the central team and the senior managers in our schools and centres,

2.10 **Recommendation**: Scottish Government and Councils should work with partner providers of both funded and non-funded ELC to understand the impact of decisions on the wider system of ELC and reduce the impact of unanticipated consequences for these providers.

North Ayrshire Council has established a Private and Voluntary (P&V) Partner Engagement Group that meets on a monthly basis. As a result of the discussion taking place at this group, the Council is seeking to accelerate the timeframe for the payment of the increased hourly rate to enable the payment of the living wage to staff in the sector. The high level of staff movement from the P&V sector to the local authority sector is a significant risk to the survival of some P&V providers. Similarly, the Council is also aware of the need to enable P&V providers to begin phasing the delivery of 1140 hours ahead of 2020 in line with the phased programme in place for the local authority provision.

3.   Proposals

3.1 The Audit and Scrutiny Committee is asked to note the content of this report. A report will be taken to Cabinet outlining expansion proposals and Scottish Government funding arrangements.

4.   Implications

4.1 There are no implications relating directly to the Audit Scotland Report other than noting the content of the report.

Financial:	N/A
Human Resources:	N/A

Legal:	N/A
Equality: Children and Young People:	N/A
Environmental & Sustainability:	N/A
Key Priorities:	N/A
Community Benefits:	N/A

5. Consultation

5.1 Currently, a number of consultations are underway which relate to the expansion programme are noted in this report.

Insert Director's electronic signature when final version approved

John Butcher

For further information please contact **John Butcher, Executive Director** on **01294 324411**.

Background Papers
N/A

NORTH AYRSHIRE COUNCIL

March 2018

Audit and Scrutiny Committee

Title:	**Development for Councillors**
Purpose:	To provide information on the development provided to Councillors over the last year, on attendance rates, feedback from current activities and on suggestions for future planned development.
Recommendation:	That the Committee considers the report, and (1) provides feedback on the Welcome and Learning and Development programmes in 2017, (2) suggestions as to how future programmes and Member attendance can be improved, and (3) suggestions for future topics.

1. Executive Summary

1.1 This report provides information on development provided to Councillors over the last year, on attendance rates, feedback from current activities and on future planned development.

2. Background

2.1 The Audit and Scrutiny Committee of 13 February 2017 agreed that an annual report providing details on the Council's learning events programme for Councillors and individual Councillor attendance figures.

2.2 The background to the recommendation was the Audit Commission report on "Roles and Working Relationships- Are you still getting it right?" That report emphasised that Councillors need the skills and tools to carry out their role. It noted that evidence from Best Value Audits indicates that Councillors' take-up of training is at best variable and sometime they have poor perceptions of the training they receive. It also noted the need to receive training in relation to ALEO responsibilities, as well as scrutiny, audit and financial decision making. Finally it noted that training and development should be an ongoing process, not a one-off induction. In turn that report was a follow-up report to an Audit Commission report from 2010 which found that "Common reasons for this (lack of attendance at training) include time pressures and a lack of recognition of the need for, and value of, training and development."

2.3 North Ayrshire Council offers an extensive training programme for Members. It also offers a training needs analysis as part of annual PDP discussions with Members.

As a result of the elections, no PDP discussions took place in 2017 but the Council's Organisational Development Team are currently in the process of arranging 2018 PDP sessions for those Members who have requested them.

2.4 Appendix 1 contains details of (a) the development programme from January 2017 until the May election, (b) the Welcome Programme following the election (c) training attended by Members of the Council's Regulatory Committees and (d) the development programme from August to December 2017.

2.5 In the period from January 2017 to the election, three development sessions took place. The low number of sessions reflected the fact that this was in the run-up to the election. By comparison, 22 development sessions took place in 2016. Numbers attending these three sessions varied between 10 and 14, and average Member attendance was 39%. Individual Member attendance varied between attendance at all three sessions or attendance at none.

2.6 Following the 2017 local government elections there was an extensive welcome programme for new Members, with 19 sessions taking place over May and June. New features of this programme were the 'marketplace stalls' and site visits which each Directorate provided as part of the induction. This helped to minimise the danger of 'death by PowerPoint'. A similar marketplace approach was used for the recent session provided by our Community Planning Partners.

2.7 Attendance varied between 30 and eight, and average Member attendance at each session was 16.5 or 50%. Individual Member attendance varied between attendance at all 19 sessions (two Members), or attendance at one session, being the initial welcome and IT pick up session (four Members).

2.8 In addition, seven Members attended training in the work of the Licensing Committee, 22 in the work of the Planning Committee and nine in the work of the Licensing Board. The latter is a statutory requirement which requires an externally accredited exam to be passed before Members can sit on the Board.

2.9 Council previously agreed that all Members who sit on the Appeals Committee should receive training before they sit on the Committee. Two externally facilitated sessions have been held and to date, 10 Members have been trained. Those who still require to receive training before they can sit on the Committee are Councillors Brahim, Foster, Glover and McPhater.

2.10 Following the recess the development programme recommenced from August to December 2017 and 17 sessions were held. Attendance varied between 18 and two, and average Member attendance at each course was 9.5 or 29%. Individual Member attendance varied between attendance at 15 sessions (one Members), or none (3 Members).

2.11 Looking at 2017 as a whole, there were 44 development sessions in total. Whilst this is exactly double the number of sessions which were offered in 2016, this to a large extent, reflects the need for an extensive welcome or induction programme following the election. Excluding the appeals training in 2017 which was only offered to Members of that

committee, there were 43 sessions, with 544 Member attendances in total. That gives an average attendance of 12.6 Members, or 38% attendance.

This compares favourably with the 2016 figures which showed an average of 10 or 33% of Members attending those sessions which were open to all Members.

2.12 Individual Member attendance from May 2017 to date varied between attendance at 36 sessions (Councillor Donald L Reid) and attendance at one (Councillors Gurney, McPhater and Montgomerie). If there is a trend, it is that Members who have other employment find it more difficult to attend these sessions. This might be because of other commitments or because the development was not suited to their needs. However feedback from our recent Attainment and Pupil Equity Fund inspection also highlighted low attendance from Members. The views of Committee Members on this would be welcomed.

2.13 Members were able to provide feedback on sessions attended, initially by hard copy and subsequently by electronic means. Feedback results for each session are available. Generally training is well received with Councillors confirming that their skills/knowledge has increased by attending the training.

2.14 In addition to this there is online learning available hosted both internally and externally by the Improvement Service. Our intranet, Connects, site hosts information, such as the slides from learning events. Councillors also have the opportunity to attend learning events throughout the year that are hosted for staff as part of their continued leadership development. A number of Members also attended an Ayrshire session organised by the Standards Commission for Scotland.

2.15 The Elected Member Learning and Development Event Schedule for 2018 is attached at Appendix 3. The views of the Committee are welcomed on future topics.

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3. Proposals

3.1 The Committee is requested to provide feedback on the Welcome and Development programmes for 2017, as well as suggestions as to how future programmes and Member attendance can be improved. It is also asked to suggest additional topics for 2018.
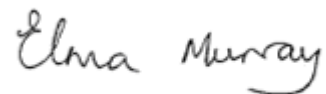
4. Implications

Financial:	Investment in development produces better results, whether it is for officers or Members. In relation to Members, this supports good governance and better decision making.
Human Resources:	Effective development is a key to keeping North Ayrshire Council as a high performing Council.

Legal:	Training is a key component of good governance, leading to better decisions.
Equality:	Effective equalities training is essential for Members.
Children and Young People:	Development in the work of those Council services which impact on children and young persons helps inform Members in how to produce policies which most benefit children and young persons.
Environmental & Sustainability:	No implications
Key Priorities:	Effective development support for Members is one of the underpinnings which support the Council's priorities.
Community Benefits:	There are no community benefit implications.

5.   Consultation

5.1   Organisational Development have been involved in the preparation of this report. All sessions have been evaluated.

Elma Murray

Elma Murray OBE
Chief Executive

For further information please contact Andrew Fraser, Head of Democratic Services on (01294) 324125

Background Papers
  N/A

	14.1.16 Getting it Right for Children in NA	27.1.16 The Gerry McGovern Experience	2.2.16 Ayrshire Growth Deal	No of sessions attended
Barr, R				0
Bell, J				0
Brown, M				0
Bruce, J				0
Burns, M			Y	1
Clarkson, I	Y	Y	Y	3
Cullinane, J	Y			1
Dickson, A`		Y	Y	2
Easdale, J	Y	Y	Y	3
Ferguson, J	Y		Y	2
Gallagher, A	Y	Y	Y	3
Gibson, W	Y	Y	Y	3
Gurney, A				0
Highgate, J	Y			1
Hill, A			Y	1
Hunter, J	Y			1
Marshall, T			Y	1
McLardy, E				0
McLean, G		Y	Y	2
McMillan, C	Y	Y	Y	3
McNamara, P		Y	Y	2
McNicol, R				0
McPhater, L				0
Montgomerie, J				0
Munro, A				0
O'Neill, D				0
Oldfather, I				0
Reid, D	Y	Y	Y	3
Steel, R		Y		1
Sturgeon, J	Y		Y	2
Totals	11	10	14	35

32

Name	Week 1									Week 2					Week 3				Week 4	
	(Mon) Welcome & IT pick up	(Tues) Intro to NAC ELT	(Tues) First Statutory Meeting	(Tues) Importance of Comms	(Tues) ICT Security & DPA	(Wed) Practical use of IT	(Wed) Role of the Councillor	(Thurs) CP Stategic Priorities	(Fri) 121 IT Support	(Mon) Overview of Expenses & Pension	(Mon) Elected Member Hub	(Tues) An Introduction to	(Thurs) Intro to CE/DS	(Fri) Intro to Place	(Mon) Intro to E&Y	(Wed) Intro to FACS	(Thurs) Audit, Scrutiny & Performance Role	(Fri) Intro to HSCP	(Wed) Intro to E&C	
Alan Hill	Y	Y	Y									Y								4
Alex Gallagher	Y	Y	Y					Y								Y			Y	6
Angela Stephen	Y	Y	Y	Y	Y	Y	Y	Y		Y	Y		Y				Y	Y		13
Anthea Dickson	Y	Y	Y	Y	Y	Y	Y	Y		Y	Y	Y							Y	12
Christina Larsen	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	19
Davina McTiernan	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	19
Donald L Reid	Y	Y	Y	Y	Y	Y		Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	18
Donald Reid	Y	Y	Y	Y	Y	Y	Y	Y		Y	Y	Y		Y	Y		Y	Y	Y	16
Ellen McMaster												Y	Y		Y	Y	Y	Y		6
Ian Clarkson	Y		Y					Y	Y	Y	Y		Y	Y					Y	9
Ian Murdoch	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y								12
Jean McClung	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y		Y	Y	Y	Y	Y	Y	18
Jim Montgomerie	Y																			1
Jimmy Miller	Y		Y	Y	Y	Y		Y	Y	Y	Y		Y		Y	Y				12
Joe Cullinane	Y	Y	Y							Y	Y	Y					Y			7
John Bell	Y																			1
John Easdale	Y			Y	Y	Y		Y		Y	Y	Y		Y					Y	10
John Glover	Y					Y				Y							Y			4
John Sweeney	Y	Y	Y	Y	Y		Y				Y						Y			8
Joy Brahim		Y	Y				Y		Y	Y	Y						Y			7
Louise McPhater	Y																			1
Margaret George	Y	Y	Y				Y			Y	Y	Y				Y	Y			9
Marie Burns	Y	Y	Y			Y		Y		Y					Y	Y	Y	Y	Y	11

	Week 1									Week 2					Week 3				Week 4	
	(Mon) Welcome & IT pick up	(Tues) Intro to NAC ELT	(Tues) First Statutory Meeting	(Tues) Importance of Comms	(Tues) ICT Security & DPA	(Wed) Practical use of IT	(Wed) Role of the Councillor	(Thurs) CP Stategic Priorities	(Fri) 121 IT Support	(Mon) Overview of Expenses & Pension	(Mon) Elected Member Hub	(Tues) An Introduction to Finance	(Thurs) Intro to CE/DS	(Fri) Intro to Place	(Mon) Intro to E&Y	(Wed) Intro to FACS	(Thurs) Audit, Scrutiny & Performance Role	(Fri) Intro to HSCP	(Wed) Intro to E&C	
Robert Barr	Y	Y	Y			Y			Y			Y								6
Robert Foster			Y	Y	Y		Y			Y	Y	Y	Y		Y		Y	Y		11
Ronnie McNicol	Y					Y											Y			3
Scott Davidson	Y		Y	Y	Y			Y	Y	Y	Y	Y		Y	Y	Y			Y	13
Scott Gallacher	Y	Y	Y			Y	Y	Y		Y	Y	Y				Y	Y			11
Shaun Macaulay	Y	Y	Y	Y	Y	Y	Y			Y	Y									9
Timothy Billings	Y	Y	Y	Y	Y	Y		Y		Y	Y	Y	Y	Y	Y		Y	Y	Y	16
Todd Ferguson	Y	Y	Y							Y	Y	Y		Y	Y	Y	Y	Y	Y	12
Tom Marshall	Y		Y			Y				Y	Y						Y	Y	Y	8
Tony Gurney	Y																			1
	9	5	8	4	4	6	3	3	2	7	7	6	2	3	4	3	6	4	4	90

	Licensing Committee Training 01.06.17	Planning Committee Training 05.06.17	Licensing Board Training 19.06.17	No of sessions attended
Alan Hill				0
Alex Gallagher		Y		1
Angela Stephen		Y	Y	2
Anthea Dickson		Y		1
Anthony Gurney		Y		1
Christina Larsen		Y		1
Davina McTiernan	Y	Y	Y	3
Donald L Reid	Y	Y	Y	3
Donald Reid		Y		1
Ellen McMaster		Y		1
Ian Clarkson		Y		1
Ian Murdoch		Y		1
Jean McClung	Y	Y	Y	3
Jim Montgomerie				0
Jimmy Miller	Y			1
Joe Cullinane				0
John Bell				0
John Easdale		Y	Y	2
John Glover				0
John Sweeney				0
Joy Brahim				0
Louise McPhater				0
Margaret George		Y		1
Marie Burns				0
Robert Barr	Y	Y	Y	3
Robert Foster		Y		1
Ronnie McNicol	Y	Y	Y	3
Scott Davidson		Y		1
Scott Gallacher			Y	1
Shaun Macaulay		Y		1
Timothy Billings		Y		1
Todd Ferguson	Y	Y	Y	3
Tom Marshall	7	Y		1
Totals	7	22	9	38

Learning & Development Session Attendance 2017 (Aug-Dec)

Name	Duties of Councillors when serving on Companies, Charities & Outside Bodies. 21.8.17	Chairing Skills 25.8.17	Appeals Training 30.08.17	Unacceptabel Contact Policy 04.10.17	Update on HSCP 18.09.17	Education Governance 02.10.17	Contact Centre visits 2.10.17 & 6.10.17	Civil Contingencies & Toursim 31.10.17	CPD Framework 06.11.17	Universal Credit 17.11.17	Health & Safety Briefing 27.11.17	ASN Update 27.11.17	Citizens Basic Income 1.12.17	Counter Fraud & Corruption 4.12.17	Local Housing & Waste Mgmnt 7.12.17	Intro toHousing 8.12.17	Update on HSCp 11.12.17	TOTALS
Alan Hill													Y	Y				2
Alex Gallagher	Y				Y				Y	Y	y		Y				Y	7
Angela Stephen		Y	Y	Y				Y		Y								5
Anthea Dickson	Y	Y			Y			Y	Y				Y		Y	y	Y	9
Anthony Gurney																		0
Christina Larsen	Y			Y	Y	Y			Y	Y	y		Y	Y	Y	y	Y	12
Davina McTiernan	Y	Y			Y				Y	Y	y		Y	Y		y	Y	10
Donald L Reid	Y	Y		Y	Y	Y	Y	Y	Y	Y	y	Y		Y	Y	y	Y	15
Donald Reid				Y	Y				Y	Y				Y				5
Ellen McMaster													Y					1
Ian Clarkson	Y	Y			Y	Y		Y	Y		y		Y					8
Ian Murdoch	Y												Y					2
Jean McClung	Y	Y		Y	Y				Y			Y		Y			Y	8
Jim Montgomerie																		0
Jimmy Miller			Y						Y		y							3
Joe Cullinane									y				Y					2
John Bell								Y					Y					2
John Easdale	Y	Y						Y	Y	Y	y					y		7
John Glover	Y	Y		Y	Y	Y		Y	Y								Y	8
John Sweeney																		0
Joy Brahim									Y									1
Louise McPhater	Y																	1
Margaret George		Y											Y	Y				3
Marie Burns				Y					Y		y		Y					4
Robert Barr	Y				Y	Y				Y				Y				5
Robert Foster	Y			Y	Y			Y	Y								Y	6
Ronnie McNicol													Y					1
Scott Davidson	Y	Y															Y	3
Scott Gallacher				Y									Y				Y	3
Shaun Macaulay	Y	Y		Y	Y	Y			Y			Y			Y		y	9
Timothy Billings	Y		Y	Y	Y			Y	Y	Y		Y	Y	Y			Y	11
Todd Ferguson	Y		Y															2
Tom Marshall	Y							Y	y	Y			Y		Y		Y	7
Totals	18	11	4	10	13	6		10	18	10	8	4	16	9	5	5	13	160

Official Protect

Elected Member Annual CPD Report
Jan – Dec 2017

Introduction

This paper provides an overall summary of the Learning & Development activities that support Elected Member Continuous Professional Development covering the period Jan – Dec 2017.

Session Feedback

Each event is evaluated, this is now being completed digitally via survey monkey. We are experiencing an approx. 50% response rate via this method. The feedback is passed onto the presenter of each session and is used to amend the process, timing or format of sessions if required.

Comments	Topic
The information given was relevant, well thought-out, and not at all "boring". I think that Andrew Fraser touched the right note throughout. Thank you again for giving the new councillors this opportunity to become better at their jobs.	*Chairing Skills*
I enjoyed the session as it was quite informal, and not at all threatening. The presenter's approach I felt was very good, in that he did not simply lecture, but interacted with his audience in a way that made me feel comfortable contributing my thoughts. It was also a good idea to involve the Group leaders, who gave their own insights into the induction sessions.	*CPD Framework*
It was good to have information about the other local authorities involved in this initiative,	*Citizens Basic Income*
Perhaps a further session in a few months once it begins to bed in in NAC would be useful.	*Universal Credit*
A very worthwhile input from all three speakers. I was greatly reassured by their knowledge and commitment. Their work has to be commended.	*Counter Fraud & Corruption*
Overall it was a most enjoyable and informative session and he was able to range of a variety of subjects in the educational remit. Really first class speaker and leader.	*Education Governance*
Broadly very interesting and enjoyable. I am a bit hard of hearing and heard the tutor much better when he was using the microphone. The big screen was very helpful.	Duties of Councillors

Fiona McMeechan
Interim Organisational Development Manager

For further information contact - Irene Somerville, L&OD Adviser Tel: 324632

Version 0.2 as at 17.01.18

Elected Member Learning & Development Event Schedule
January to June 2018

January 2018				
Monday 15th 10.30am – 12.30pm	**Local Development Plan Briefing**	Neale McIlvanney & Jim Miller	Caitriona McAuley	*Elected member update on the progress of the preparation of a Local Development Plan for North Ayrshire (LDP2). The briefing will include a particular focus on the assessment of sites promoted for future housing development, which will inform housing allocations and strategy for LDP2.*
Friday 19th 10.30am – 12noon	**Early Years**	Caroline Amos	John Butcher	*Early Years Development Plan*
Monday 22nd 10am – 12noon	**Adult Support & Protection**	Brenda J Walker & John Paterson	David Rowland	*The Adult Support and Protection (Scotland) Act 2007 is now ten years old. This session will provide an overview of how we use the provisions within the act to support and protect adults in North Ayrshire and to consider some local Case Studies. The session will provide you with information about the legislation, the current position in North Ayrshire in relation to Adult Protection, local practice and importantly what to do if you, or anyone coming to you for advice, have concerns that an adult is being harmed.*
Friday 26th 10am – 12noon	**Overnight Support Packages in the Learning Disability Service**	Carly Nesvat	Thelma Bowers	*North Ayrshire Health and Social Care Partnership is undertaking a review of all overnight supports currently being accessed by service users. This review is in line with health and social care partnerships across Scotland and our North Ayrshire Learning Disability Strategic Plan 2017-2019. Letters have now been issued to all service users and their families/carers/guardians who have overnight support to advise that we will begin to review everyone to ensure the service continues to meet their needs. Our plan is to put assistive technology (Canary Care) into service user's homes to gather objective data, over a four-week period, about their overnight support needs.*

North Ayrshire Council
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				The output data will be then reviewed by a multi-disciplinary team including the service user and their family and guardians and the current care package will be discussed to ensure the overnight support continues to meet the specific needs of each. *The purpose of the session is to provide further information about the assistive technology and the finer details of the review process*
Monday 29th 2.30 – 4pm	**Healthy Eating**	Ken Campbell	Craig Hatton	*This session will look at the "Schools (Health Promotion and Nutrition) (Scotland) Act 2007" and how we as a council comply and what challenges do we face?*
Monday 5th 10am – 12noon	**Equalities**	Stephen Miller, Clyde & Co	Fiona Walker	*This session will provide an overview of the Equality Act and how it protects individuals from discrimination. There will be a discussion of protected characteristics and the concepts of direct and indirect discrimination with a particular focus on social media, dignity & respect at work and family friendly rights.*
Thursday 8th 2pm – 5pm	**CPP** **Greenwood Conference Centre**	Morna Rae CPP Partners	Andrew Fraser	*This event will be for Elected Members to get more information about the work of our CPP partners and how it relates to them, and their constituents in an informal round table approach.*
Monday 12th 10am – 12noon	**CPR & Defibrillator training**	Andrew Hale KA Leisure	Andrew Fraser	*Would you like to learn a lifesaving skill? The Council has put in place a large number of Defibrillators across the Council and we are running a session on how to learn CPR using a defibrillator. This sessions is part of the Council's programme of installing Defibrillators at a number of premises across North Ayrshire.* ***Please note: no previous first aid experience is*

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Elected Member Learning & Development Event Schedule
January to June 2018

				required.
Monday 19th 10am – 12noon	**Appeals Committee Training**	Stephen Miller, Clyde & Co	Ainsley Young	*All members of the Appeals Committee are require to attend training in the law and procedures relating to appeals and employment prior to serving on the Committee. In addition, Members will require to attend refresher training as appropriate* *The Appeals Committee determines appeals by employees against dismissal, or action short of dismissal due to disciplinary action, and in the case of Teachers, against a final written warning, dismissal, or action short of dismissal due to disciplinary action. The Committee also determines the outcomes of stage 3 grievance and stage 3 maximising attendance appeals by employees, all under the Council's HR policies and procedures.* *Any queries please contact Ainsley Young HR Manager on 0294324671* *Note this is <u>only</u> for Members on the Appeals Committee*
~~**Tuesday 27th**~~ ~~2pm – 3.30pm~~ *Cancelled*	~~**Changing our Approach to Participation**~~	~~Dr Oliver Escobar, Co-Director, What Works Scotland~~	~~Elma Murray~~	~~*Dr Oliver Escobar, Co-Director of What Works Scotland, who recently presented at the COSLA conference and has agreed to provide a session for our Members based on his inputs at the conference on considering new ideas and ways of working.*~~
Monday 12th 10.30am – 12noon	**Update on HSCP**	Jo Gibson	Stephen Brown	*This session will provide an update on the key areas covered within the Strategic Plan and an update on* Child Protection/MAPPA

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Elected Member Learning & Development Event Schedule
January to June 2018

Monday 19th 10.30am – 12noon	**GDPR**	Elizabeth Quinn, Rose Johnston, Cathie Fraser	Andrew Fraser / Esther Gunn-Stewart	*The European General Data Protection Regulation has now been adopted by EU Member states and comes into force in May 2018 and the UK existing data protection laws are being changed.* *Keeping data safe is a legal obligation and failure to do so can lead to sanctions and fines with high profile data security incidents having real potential to impact on our reputation.* *This session will provide an update on the recent legislative changes which strengthen rights for individuals and oblige those that process personal data to demonstrate awareness and compliance with new data protection laws.*
Monday 26th 2pm – 3pm	**Carer (Scotland) Act 2016 Update**	Isobel Marr	David Rowland	*We have a duty to provide support for carers. We do this in a variety of ways, including identifying carer's needs and enabling them to work towards identified personal outcomes by creating an **Adult Carer Support Plan** or **Young Carers Statement**.* *Our information session will update elected members on duties and requirements of Carers (Scotland) Act 2016 and the provision that will be in place in North Ayrshire.*
Monday 16th	**Equalities**	Stephen	Fiona Walker	*This session will provide an overview of the Equality Act and how it protects individuals from*

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Elected Member Learning & Development Event Schedule
January to June 2018

2pm – 3.30pm		Miller, Clyde & Co		*discrimination. There will be a discussion of protected characteristics and the concepts of direct and indirect discrimination with a particular focus on social media, dignity & respect at work and family friendly rights.* **Please note this session is aimed at members who didn't attend the Equalities session on 5th February 2018.*
Friday 4th 1pm – 3.30pm	**Citizen's Basic Income**	Julie McLachlan	Caitriona McAuley	*The purpose of this Seminar is to update Elected Members on the progress that has been made on a Scottish Basic Income Pilot. This sessions follows an Elected Member Seminar which took place in December 2017 to raise Members awareness of the concept of Citizen's Basic Income and to inform them of the scope of the Council's pilot work.* *At its meeting in March 2017 (budget), the Council announced a Basic Income Pilot (£200k) which will test the feasibility and potential benefits of implementing a Basic Income in North Ayrshire. Whilst plans are at an early stage, it has been agreed that the Council will participate in a Scottish Basic Income pilot that would run in four parts of Scotland – Fife, Glasgow, Edinburgh and North Ayrshire.* *The Seminar will update Members on progress so far and will outline the next steps for the pilot.*
Monday 14th 11.00am – 12.30pm	**Health & Safety**	James Walls	Fiona Walker	*As you know the Health and Safety Annual Performance Report was presented to Cabinet in May 2017.*

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Elected Member Learning & Development Event Schedule
January to June 2018

				The Executive Leadership Team, recently as part of their Health and Safety objectives, received an informative Health and Safety briefing which focused on leadership and decision making. In light of some high profile incidents within Local Authorities in Scotland and England, it would be very beneficial for you, if you could attend this similar Health and Safety briefing, tailored for Elected Members. ***Please note this session is aimed at members who didn't attend the H&S session in November 2017.*
Monday 11th 10.30am – 12noon	**Update on HSCP**	**Jo Gibson**	**Stephen Brown**	*This session will provide an update on the key areas covered within the Strategic Plan.*

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NORTH AYRSHIRE COUNCIL

27 March 2018

Audit and Scrutiny Committee

Title:	**External Audit Plan 2017/18**
Purpose:	To inform the Committee of the External Audit Plan for 2017/18.
Recommendation:	That the Committee notes the External Audit Plan for 2017/18.

1. Executive Summary

1.1 Deloitte LLP has been designated as the Council's external auditors for the five year period 2016-2021. 2017/18 is the second year of this appointment.

1.2 This report provides the Audit and Scrutiny Committee with the external audit plan for the 2017/18 audit work.

1.3 The annual audit report will be presented to the Committee in September 2018.

2. Background

2.1 Deloitte LLP has been designated as the Council's external auditors for the five year period 2016-2021. Deloitte LLP has also been appointed as the auditors for the North Ayrshire Integration Joint Board and for East Ayrshire and South Ayrshire Councils and IJBs, as well as NHS Ayrshire and Arran. 2017/18 is the second year of this appointment.

2.2 An audit plan has been prepared which is attached as Appendix 1 to this report and a representative of Deloitte will be in attendance to present the plan to the Committee.

2.3 Under the 2016 Code of Audit Practice, the key areas of responsibility for Deloitte include both core audit work and wider scope requirements.

2.4 In planning the audit work, Deloitte has identified recognition of grant income, valuation of property assets and management override of controls as being significant risks in terms of the financial statements and will carry out specific testing in relation to these risks.

2.5 Core audit work will cover:

- providing the Independent Auditor's Report;
- providing the annual report on the audit;
- communicating audit plans;
- providing reports to management in respect of the auditor's corporate governance responsibilities;
- preparing and submitting fraud returns to Audit Scotland;
- certifying grant claims;
- discharging responsibilities in relation to the Council's published performance indicators;
- setting out a 5 year plan for auditing Best Value;
- participating in the shared risk assessment process leading to preparation of the Local Scrutiny Plan.

2.6 In terms of wider scope requirements, the Code of Audit Practice sets out four audit dimensions which set a common framework for all public sector audits in Scotland. Deloitte will consider how the Council is addressing these audit dimensions, including any risks to their achievement, as part of their audit work:

- financial sustainability;
- financial management;
- governance and transparency;
- value for money.

2.7 The audit plan also indicates that Deloitte will have a particular focus on the realisation of benefits from the Council's transformation programme, health and social care integration, the impact of the new financial system (Integra) and the capacity of the Finance team.

2.8 As part of its wider scope work, Deloitte will also audit Best Value using a new approach developed by Audit Scotland, linked to five strategic audit priorities. These are:

- Council priorities and long-term planning;
- Service delivery;
- Members and officers knowledge, skills and resource;
- Citizen involvement;
- Quality of public performance reporting.

2.9 In 2016/17, wider scope work also covered transformational change, use of reserves and achievement of savings targets; work in 2017/18 will follow-up on these areas as well as looking at the Council's arrangements for demonstrating Best Value. Deloitte will also review the Council's participation in the National Fraud Initiative (NFI) and contribute to national performance audits that are planned by Audit Scotland in relation to Digital Transformation and Health and Social Care Integration.

3. Proposals

3.1 It is proposed that the Committee notes the External Audit Plan for 2017/18.

4.   Implications

Financial:	The fee which will be charged by Deloitte LLP for the 2017/18 audit work will be £295,060. This represents an increase of £4,770 (1.6%) against the fee of £290,290 which was charged for the 2016/17 audit. A breakdown of this fee is provided on page 40 of the audit plan attached.
Human Resources:	None.
Legal:	None.
Equality: Children and Young People:	None. None.
Environmental & Sustainability:	None.
Key Priorities:	The work of external audit helps to support the efficient delivery of the strategic priorities within the Council Plan 2015-2020.
Community Benefits:	None.

5.   Consultation

5.1   Deloitte LLP consulted with the Executive Director (Finance and Corporate Support) in preparing their audit plan.

[signature]

Laura Friel
Executive Director (Finance and Corporate Support)

For further information please contact **Laura Friel, Executive Director (Finance and Corporate Support)** on **01294-324512**.

Background Papers
N/A

North Ayrshire Council

Planning report to the Audit and Scrutiny Committee on the audit for the year ending 31 March 2018

27 March 2018

Contents

Deloitte Confidential: Public Sector

Planning report

Director introduction
The key messages in this report:

Audit quality is our number one priority. We plan our audit to focus on audit quality and have set the following audit quality objectives for this audit:

- A robust challenge of the key judgements taken in the preparation of the financial statements.

- A strong understanding of your internal control environment.

- A well planned and delivered audit that raises findings early with those charged with governance.

We have pleasure in presenting our draft planning report to the Audit and Scrutiny Committee of North Ayrshire Council (the Council) for the year ending 31 March 2018 audit. We would like to draw your attention to the key messages of this draft audit plan:

Audit Plan

We have updated our understanding of the Council including discussion with management and review of relevant documentation from across the Council as well as Audit Scotland performance audit reports published during the year.

Based on these procedures, we have developed this plan in collaboration with the Council to ensure that we provide an effective audit service that meets your expectations and focuses on the most significant areas of importance and risk to the Council.

We have taken an initial view as to the significant audit risks the Council faces. These are presented as a summary dashboard on page 18.

- In accordance with auditing standards, we have identified a significant risk associated with income. This risk is pinpointed to the recognition of grant income (excluding General Revenue Grant and Housing Benefit income) as this involves a degree of complexity and management judgement in determining whether or not grant conditions have been met and the income can be recognised in the year. In 2016/17 the total grant income received excluding General Revenue Grant and Housing Benefit income was £57,185k, which was 13.3% of total grant income received in the year (£428,695k).

- In accordance with auditing standards, management override of controls has also been identified as a significant audit risk.

- We have also identified the valuation of property assets as a significant risk in line with the prior year given the degree of judgement and complexity involved and its material impact on the financial statements.

Director introduction (continued)

The key messages in this report (continued):

Audit Dimensions

- The 2016 Code of Audit Practice sets our four audit dimensions which set a common framework for all public sector audits in Scotland. Our audit work will consider how the Council is addressing these and report our conclusions in our annual report to the Audit and Scrutiny Committee in September 2018. In particular, our work will focus on:

  - *Financial sustainability* – the Council continues to face significant financial challenges. The overall 2017/18 forecast position as at 30 November 2017 projects a net underspend of £2,332k in its revenue budget and £507k in its capital budget. This is based on the assumption that total expenditure incurred by the Integration Joint Board (IJB) in the year will be within budget and that the Council will not fund any overspend – however, the IJB is projecting an overspend in the year of £5,315k, of which £2,242k relates to Council commissioned services.

  - The Council has proposed that the net in-year underspend for 2017/18 is utilised as part of the budget strategy for 2018/19 to address the identified funding gap, as noted below.

  - The Council's Medium Term Financial Plan is refreshed and approved annually and includes savings targets linked to the Long Term Financial Plan. Estimated funding gaps of £16,180k and £9,371k have been identified for 2019/20 and 2020/21 respectively. The Council will have to find solutions to the emerging funding gap and there is a risk that they will not be able to achieve the savings required.

- The Council anticipates that there will be further significant cash reductions in the General Revenue Grant from the Scottish Government over the forthcoming years, and simultaneously the Council will have to manage an ever increasing demand for Council services and manage cost pressures that apply to the models of service delivery.

- The Accounts Commission raised concern in its 2016/17 financial overview report regarding the level of reserve drawdowns made by North Ayrshire Council to fund its services, stating that the Council's General Fund could run out within two years if its planned reliance on reserves in 2017/18 continued. During the 2016/17 audit we found that the Council agreed to retain unearmarked reserves at 2% of budgeted net expenditure which is at the lowest end of best practice percentage. We also noted that a sum of £2,600k arising from the in year underspends was earmarked to support a range of non-recurring investments in 2017/18, including the establishment of the 'Challenge Fund' in collaboration with the IJB. We will assess the Council's reserves position going forward and the plans put in place to ensure reliance on reserves is maintained at a sustainable level.

- We will monitor the Council's actions in respect of its short, medium and longer term financial plan to assess whether short term financial balance can be achieved, whether there is a long-term financial strategy and if investment is effective. Currently, there is a risk around how benefits are realised from service redesign projects and how this impacts on achieving financial targets.

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Director introduction (continued)
The key messages in this report (continued):

- ***Financial management*** – we will review the budget and monitoring reports to the Council during the year and liaise with internal audit in relation to their work on the financial control environment to assess whether financial management and budget setting is effective. We will also assess the capacity of the finance team in view of the recent departure of the Head of Finance and a separate interim appointment of the Chief Finance and Transformation Officer for the IJB.

- From our audit work in 2016/17 we found that the Council had strong financial monitoring arrangements and is robust enough to sufficiently capture and changes in the achievement of financial targets, including budgeted use of reserves.

- There remains a general risk that a lack of appropriate financial management could result in the Council not achieving its financial targets.

- ***Governance and transparency*** – from our review of Council papers and attendance at Audit and Scrutiny Committees we will assess the effectiveness of governance arrangements and Audit and Scrutiny Committee attendance. We will also review the governance arrangements in relation to the Integrated Joint Board (IJB). As the IJB is still relatively new and faces significant challenge around long term financial sustainability, there is a risk that the governance arrangements between the Council and the IJB (and the partner NHS Board) are not effective.

- ***Value for money*** – from our 2016/17 audit work we concluded that the Council had a well established performance management framework in place, with performance regularly considered by management, and the Council. During 2017/18 we will review how the Council is addressing areas where targets are not being met and also how the implementation of strategic change is impacting on how the Council's performance is measured and reported. There is a risk that insufficient resources are targeted to areas of under performance.

Best Value and Strategic Audit Priorities

As part of our best value work, we will consider the five Strategic Audit Priorities agreed by the Accounts Commission and update our assessment of the baseline position of the Council's performance established in 2016/17 against these priorities. We will assess how effectively the Council undertakes transformational change through its T2 programme, and whether savings targets are being achieved.

Deloitte Confidential: Public Sector

Director introduction (continued)

The key messages in this report (continued):

Other wider scope work

We will continue to monitor the Councils participation and progress with the National Fraud Initiative (NFI) during 2017/18 and completed an Audit Scotland audit questionnaire by 28 February 2018.

In accordance with Audit Scotland guidance, we will be requested to provide information to support national performance audits on Digital and Health and Social Care Integration.

Regulatory Change

There are limited changes this year affecting the audit, through the Code of practice on local authority accounting or statutory guidance.

We would highlight that new accounting standards on financial instruments will apply from 2018/19, and for leases from 2019/20, and it is important that the Council considers their impact ahead of implementation. See pages 33-34 for more details.

Our Commitment to Quality

We are committed to providing the highest quality audit, with input from our market leading specialists, sophisticated data analytics and our wealth of experience.

Adding value

Our aim is to add value to the Council through our external audit work by being constructive and forward looking, by identifying areas of improvement and by recommending and encouraging good practice. In this way, we aim to help the Council promote improved standards of governance, better management and decision making and more effective use of resources.

Pat Kenny
Audit director

Deloitte Confidential: Public Sector

Responsibilities of the Audit and Scrutiny Committee

Helping you fulfil your responsibilities

The primary purpose of the Auditor's interaction with the Audit and Scrutiny Committee:

- Clearly communicate the planned scope of the financial statements audit

- Provide timely observations arising from the audit that are significant and relevant to the Audit and Scrutiny Committee's responsibility to oversee the financial reporting process

- In addition, we seek to provide the Audit and Scrutiny Committee with additional information to help fulfil your broader responsibilities

As a result of regulatory change in recent years, the role of the Audit and Scrutiny Committee has significantly expanded. We set out here a summary of the core areas of Audit and Scrutiny Committee responsibility to provide a reference in respect of these broader responsibilities and highlight throughout the document where there is key information which helps the Audit and Scrutiny Committee in fulfilling its remit.

Oversight of external audit

- At the start of each annual audit cycle, ensure that the scope of the external audit is appropriate.

- Implement a policy on use of the external auditor for non-audit services and approve if arise.

Integrity of reporting

- Make an impact assessment of key judgements and the level of management challenge.

- Review the external audit findings, key judgements and level of misstatements.

- Assess the quality and capacity of the internal team.

- Assess the completeness of disclosures, including consistency with disclosures on business model and strategy and, where requested by the Council, provide advice in respect of the fair, balanced and understandable statement.

Internal controls and risks

- Review the internal control and risk management systems.

- Explain what actions have been, or are being taken to remedy any significant failings or weaknesses.

-Oversee the work of the Council's local counter fraud service.

Oversight of internal audit

- Consider annually whether the scope of the internal audit programme is adequate.

- Monitor and review the effectiveness of the internal audit activities.

Whistle-blowing and fraud

- Ensure that appropriate arrangements are in place for the proportionate and independent investigation of any concerns that are raised by staff in connection with improprieties.

Deloitte Confidential: Public Sector

Our audit explained
We tailor our audit to your Council and your strategy

Identify changes in your Council and environment

The Council continues to face significant financial pressures due to an increase in costs and demand for services as well as a risk of reduced available funding.

The integration of health and social care also continues to be a challenge, as discussed in page 12.

Scoping

Our scope is in line with the Code of Audit Practice issued by the Audit Scotland.

More detail is given on pages 16-17.

In our final report

In our final report to you we will conclude on the significant risks identified in this paper, report to you our other findings, and detail those items we will be including in our audit report.

| Identify Changes in your business and environment | Determine materiality | Scoping | Significant risk assessment | Conclude on significant risk areas | Other findings | Our audit report |

Determine materiality

We have determined a materiality of £7,891k (2016/17: £9,064k) with a performance materiality of £5,918k (2016/17: £6,797k). This is based on gross expenditure adjusted for net contributions made to the IJB. We have reduced the benchmark percentage applied from 1.6% to 1.4% as explained on page 15. We will report to you any misstatements above £250k (2016/17: £250k). More detail given on page 15.

Significant risk assessment

We have identified significant audit risks in relation to the Council. More detail is given on pages 18-21. These significant risks are consistent with those identified in our prior year audit.

Quality and Independence

We confirm all Deloitte network firms are independent of the Council. We take our independence and the quality of the audit work we perform very seriously. Audit quality is our number one priority.

Continuous communication and reporting
Planned timing of the audit

Planning	Interim	Year end fieldwork	Reporting

Planning	Interim	Year end fieldwork	Reporting
• Planning meetings to inform risk assessment and identify judgemental accounting issues. • Update understanding of key business cycles and changes to financial reporting, particularly in relation to the new finance ledger system. • Document design and implementation of key controls. • Review of key Council documents including Council and Committee minutes. • Planning work for wider scope responsibilities.	• Update planning procedures for any changes in the interim period – refresh our risk assessment, understanding of business cycles etc. • Perform procedures to test the implementation of the new finance ledger system. • Initiate substantive audit procedures addressing the significant risk around management override of control. • Initiate audit procedures for wider scope responsibilities, including Strategic Audit Priorities and Best Value.	• Audit of grant claims. • Audit of charitable trusts. • Review of draft accounts. • Substantive testing of all material areas. • Finalisation of work in support of wider scope responsibilities. • Detailed review of annual accounts and report, including Annual Governance Statement. • Review of final internal audit reports and opinion. • Completion of testing on significant audit risks. • Review of SPI arrangements.	• Final Audit and Scrutiny Committee meeting. • Issue final Annual Report to the Council and the Controller of Audit. • Issue audit report and submission of audited financial statements to Audit Scotland. • Issue audited Whole of Government Accounts (WGA) • Audit feedback meeting. • Submit BV data return • Submission of remaining certified grant claims.

Audit Team

Pat Kenny, Audit Director

Karlyn Watt, Senior Manager

James Corrigan, Manager

Martin Clark, Field Manager

2017/18 Audit Plan	Final report to the Audit and Scrutiny Committee

December	April	June - August	September

Ongoing communication and feedback

Deloitte Confidential: Public Sector

An audit tailored to you
Focusing on your business and strategy

Impact on our audit

Future financial strategy and sustainability

North Ayrshire Council's overall 2017/18 forecast position as at 30 November 2017 projects an underspend of £507k in its capital budget and an underspend of £2,332k in its revenue budget. However, this is on the basis that the IJB achieves a breakeven position. Currently the IJB is forecasting an overspend for 2017/18 of £5,315k, of which £2,242k relates to Council specific elements. The Council, in partnership with the IJB, has established a 'Challenge Fund' of £4,000k to help fund transformational change to the service delivery of health and social care. £2,600k of this is funded by the Council and £1,400k is to be funded though efficiencies made by the IJB. However, the Council has received a request for permission from the IJB to offset £1,400k of this fund against overspend on Council commissioned IJB services in the year in an effort to reduce the £2,242k overspend.

The Council carried forward a General Fund reserve balance of £32,049k from 2016/17. This included unearmarked reserves of £6,380k, which was 2% of budgeted net expenditure, however the Council had agreed to retain reserves at 2% of budgeted net expenditure going forward. We concluded in the prior year audit that whilst reserves were at an acceptable level, they were at the lowest end according to best practice guidance and that the Council should consider adopting a more prudent approach in the long term. The Accounts Commission has highlighted the potential for the Council to become over-reliant on reserves to fund services in the medium term, thereby depleting the General Fund and reducing unearmarked reserves further. However, this assessment did not consider the allocation of £2,600k from reserves to the Challenge Fund.

The Council anticipates that there will be further significant cash reductions in the General Revenue Grant from the Scottish Government over the forthcoming years, adding to the challenge of the increasing demand and cost of Council services. Estimated funding gaps of £16,180k and £9,371k have been identified for 2019/20 and 2020/21 respectively. We will monitor the Council's plans to achieve short, medium and long term financial sustainability.

New significant risk   Continuing significant risk   Considered as part of wider scope audit requirements

Deloitte Confidential: Public Sector

An audit tailored to you
Focusing on your business and strategy (continued)

	Impact on our audit
Health and social care integration ⚑	2016/17 was the second full financial year of the Health and Social Care Partnership between NHS Ayrshire and Arran and the North Ayrshire Council through the IJB. This follows on from the Shadow Integration Board which operated for one year in 2014/15. As reported in our 2016/17 annual audit report, the biggest risk facing the IJB was the projected overspend in 2017/18 and the efficiencies required over the next three years to achieve a balanced budget. It is critical that the Council works closely with the IJB and the NHS Board to focus on implementing recurring savings through efficiencies or service redesign. This has already been evidenced through the establishment of the Challenge Fund in partnership with the IJB, and we will continue to monitor progress made as a result of this fund or otherwise. We will continue to review the work being done both at the Council and the IJB to address these funding gaps.
Local Government in Scotland – Financial Overview 2016/17 ⚑	Audit Scotland published its annual overview report **Local Government in Scotland: Financial Overview 2017** in November 2017. It concluded that, in general, councils' financial challenges continue to grow and they are showing increasing financial stress. As mentioned previously, it also specifically highlighted North Ayrshire Council's position with regards to reserves and the potential for over-reliance on the General Fund. Throughout the report, Audit Scotland has identified examples of questions that councillors may wish to consider to help them better understand their council's financial position and to scrutinise financial performance. The key messages and example questions from the report are summarised on page 28. We note that the report was presented to the Council meeting on 20 December 2017 where members were asked to note the findings of the report, the current position for North Ayrshire Council and consider these as part of the budget deliberations. We will evaluate North Ayrshire Council against these as part of our wider scope work.

⚑ New significant risk   ⚑ Continuing significant risk   ⚑ Considered as part of wider scope audit requirements

Deloitte Confidential: Public Sector

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An audit tailored to you
Focusing on your business and strategy (continued)

Impact on our audit

New finance ledger

In June 2017, the Council's Masterpiece system was replaced by Integra as the new finance ledger system to be used as the primary source of financial information across services. The main aims of the new system were to improve reporting and forecasting capabilities, and to further integrate the financial system across services and operations.

The implementation has been considered a success by the Council thus far. However, there are some ongoing issues, particularly in relation to automated reconciliation controls in place, which can often occur following the implementation of a new ledger system. Should these issues remain unresolved at year end, they have the potential to cause significant issues during the audit and could ultimately lead to material misstatements within the financial statements.

The key audit risk of implementing a new ledger system relates to the completeness and accuracy of the transfer of information to the new system. As part of our planning procedures we have already updated our understanding of key business processes to reflect changes made as a result of the new system. During our interim and year end fieldwork phases we will perform the following:

- Assess the design and implementation of management controls around the transfer of data from the old to new system, in particular the opening and closing trial balances;
- Perform a reconciliation between the opening and closing trial balances, taken from the new and old systems respectively, to assess whether all balances have been transferred accurately;
- Review the Council's project monitoring arrangements and follow up any issues arising from the Council's implementation processes to ensure that they have been appropriately addressed; and
- Review any relevant reports produced by internal audit.

We will follow up progress with implementation as part of our wider scope audit requirements and assess any impact on our financial statements audit work.

New significant risk   Continuing significant risk   Considered as part of wider scope audit requirements

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An audit tailored to you
Focusing on your business and strategy (continued)

| Impact on our audit |
|---|

Finance team capacity

🚩

We note that the Head of Finance of the Council, who also had the role of S95 Officer for the IJB has recently left the Council. A permanent replacement for both roles has still to be made, however, the IJB has recently approved the appointment of a full time Chief Finance and Transformation Officer (and s95 officer) specifically for the IJB, recognising the challenges and financial responsibilities it faces.

In view of this change in senior role, we will assess the capacity of the finance team.

🚩 New significant risk   🚩 Continuing significant risk   🚩 Considered as part of wider scope audit requirements

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Materiality
Our approach to materiality

Basis of our materiality benchmark

- The audit director has determined materiality as £7,891k (2016/17: £9,064k) and a performance materiality of £5,918k (2016/17: £6,797k), based on professional judgement and risk factors specific to North Ayrshire Council, the requirement of auditing standards and the financial measures most relevant to users of the financial statements. Performance materiality is the benchmark used as part of our detailed audit procedures, and is set at a lower level to reduce the probability that the aggregate of individually immaterial uncorrected and undetected misstatements exceeds overall materiality.

- We have used 1.4% of forecasted gross expenditure adjusted for net contributions to the IJB as the benchmark for determining materiality in line with prior year. This is a decrease from 1.6% applied in 2016/17 – this is the result of our professional judgement in response to the increased audit risk resulting from Accounts Commissions' concerns regarding North Ayrshire Council's reduction is unearmarked reserves.

Reporting to those charged with governance

- We will report to you all misstatements found in excess of our clearly trivial threshold (CTT) which is £250k (2016/17: £250k).

- As in prior year, we have followed Audit Scotland guidance by ensuring this threshold does not exceed £250k. As a result of the decrease in materiality, the level of our CTT has increased to 3.2% (2016/17: 2.8%) of materiality.

- We will report to you misstatements below this threshold if we consider them to be material by nature.

Our annual audit report

We will:

- Report the materiality benchmark applied in the audit of the Council;

- provide comparative data and explain any changes in materiality, compared to prior year, if appropriate; and

- explain any normalised or adjusted benchmarks we use, if appropriate.

Materiality

Gross expenditure 2016/17 (adj. for net IJB contributions) £563,671k

Materiality £7,891k

Audit Committee reporting threshold £250k
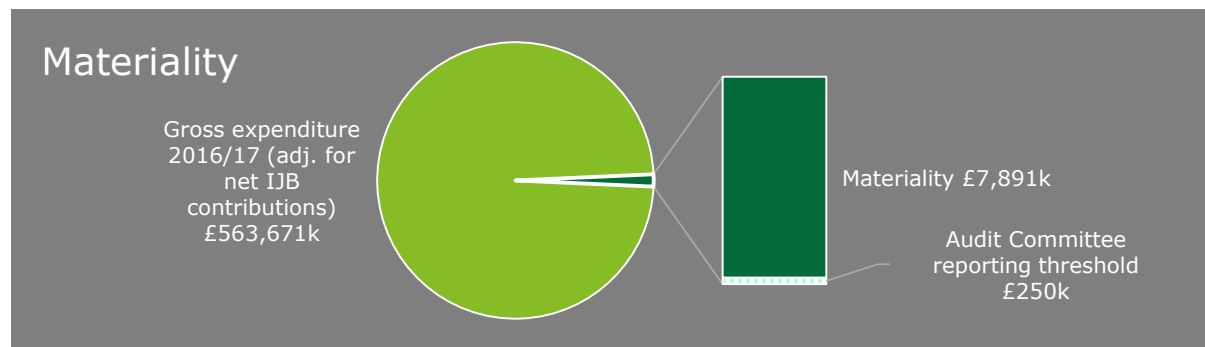
Although materiality is the judgement of the audit director, the Audit and Scrutiny Committee must satisfy themselves that the level of materiality chosen is appropriate for the scope of the audit.

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Scope of work and approach
Our key areas of responsibility under the Code of Audit Practice

Core audit

Our core audit work as defined by Audit Scotland comprises:

- Providing the **Independent Auditor's Report** on the annual accounts (and any assurance statement on consolidation packs);

- providing the **annual report** on the audit addressed to the Council and the Controller of Audit;

- communicating **audit plans** to those charged with governance;

- providing **reports to management**, as appropriate, in respect of the auditor's corporate governance responsibilities in the Code (including auditors' involvement in the NFI exercise);

- preparing and submitting **fraud returns**, including nil returns, to Audit Scotland where appropriate;

- identifying significant matters arising from the audit, alert the Auditor General for Scotland and support Audit Scotland in producing statutory reports as required;

- undertaking work requested by Audit Scotland or local performance audit work;

- certifying all **grant claims** submitted by the Council that have been approved for certification by Audit Scotland;

- discharging our responsibilities in connection with the Councils publication of **Statutory Performance Indicators (SPIs)** in accordance with the Account Commission 2015 Direction;

- setting out an outline **five year plan** for auditing Best Value (BV);

- reporting on the results of follow-up on Councils progress in implementing existing **BV improvement plans** where requested; and

- providing existing evidence and intelligence for, and participate in, **Shared Risk Assessment (SRA)** processes leading to the preparation of a Local Scrutiny Plan for the Council and a national scrutiny plan.

Wider scope requirements

The Code of Audit Practice sets out four audit dimensions which set a common framework for all public sector audits in Scotland:

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

- **Financial management** – financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.

- **Governance and transparency** – the effectiveness of scrutiny and governance arrangements, leadership and decision making, and transparent reporting of financial and performance information.

- **Value for money** - using resources effectively and continually improving services.

The Accounts Commission has reviewed its strategic planning arrangements and has agreed five **Strategic Audit Priorities** that will be built into audit expectations. The priorities are:

- The clarity of Council priorities and quality of long-term planning to achieve these.

- How effectively Councils are evaluating and implementing options for significant changes in delivering services.

- How Councils are ensuring members and officers have the right knowledge, skills and support to design, develop and deliver effective services in the future.

- How well Councils are involving citizens in decisions about services and empowering local communities to identify and help deliver services they need.

- The quality of Councils' reporting of their performance to enhance accountability to citizens and communities.

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Scope of work and approach (continued)
Our approach

Liaison with internal audit

The Auditing Standards Board's version of ISA (UK) 610 "Using the work of internal auditors" prohibits use of internal audit to provide "direct assistance" to the audit. Our approach to the use of the work of Internal Audit has been designed to be compatible with these requirements.

We will review their reports and meet with them to discuss their work. We will discuss the work plan for internal audit, and where they have identified specific material deficiencies in the control environment we consider adjusting our testing so that the audit risk is covered by our work.

Using these discussions to inform our risk assessment, we can work together with internal audit to develop an approach that avoids inefficiencies and overlaps, therefore avoiding any unnecessary duplication of audit requirements on the Council's staff.

Approach to controls testing

Our risk assessment procedures will include obtaining an understanding of controls considered to be 'relevant to the audit'. This involves evaluating the design of the controls and determining whether they have been implemented ("D&I").

The results of our work in obtaining an understanding of controls and any subsequent testing of the operational effectiveness of controls will be collated and the impact on the extent of substantive audit testing required will be considered.

Consideration of group entities
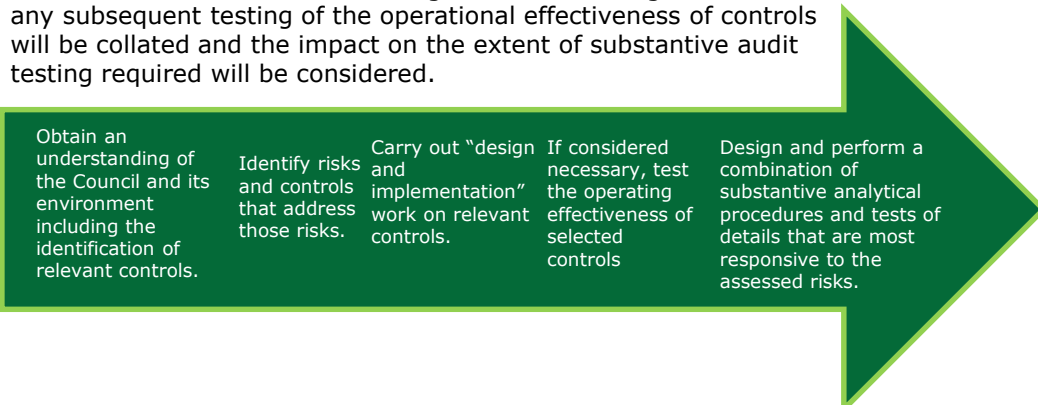
We expect North Ayrshire Council to consolidate the IJB, the Ayrshire Valuation Joint Board (VJB), Common Good and Trust Funds and five other bodies. These will be included in the group accounts for the year ended 31 March 2018. The named bodies are all audited separately to the Council by us. The consolidation of the five other bodies is not expected to be individually or cumulatively material.

Promoting high quality reporting to stakeholders

We view the audit role as going beyond reactively checking compliance with requirements: we seek to provide advice on evolving good practice to promote high quality reporting.

We will utilise the Code of practice on local authority accounts in the UK disclosure checklist to support the Council in preparing high quality drafts of the Annual Report and financial statements, which we would recommend the Council complete during drafting.

The Disclosure Checklist reflects the cutting clutter agenda and includes a "not material" column. We would encourage the Council to exclude disclosure if the information is not material.

Obtain an understanding of the Council and its environment including the identification of relevant controls.

Identify risks and controls that address those risks.

Carry out "design and implementation" work on relevant controls.

If considered necessary, test the operating effectiveness of selected controls

Design and perform a combination of substantive analytical procedures and tests of details that are most responsive to the assessed risks.

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Significant risks
Dashboard

Risk	Material?	Fraud risk identified?	Planned approach to controls testing	Level of management judgement	Page no.
Recognition of grant income	✓	✓	Design and implementation	⚠	19
Management override of controls	✓	✓	Design and implementation	⚠	20
Valuation of property assets	✓	✗	Design and implementation	⚠	21

⚠ Some degree of management judgement

⚠ Limited management judgement

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Significant risks (continued)
Risk 1 – Recognition of grant income

Risk identified	ISA 240 states that when identifying and assessing the risks of material misstatement due to fraud, the auditor shall, based on a presumption that there are risks of fraud in revenue recognition, evaluate which types of revenue, revenue transactions or assertions give rise to such risks.		

Type of income	2016/17 (£m)	Significant risk
Taxation and Non-Specific Grant Income		
Council Tax income	47.9	
Non domestic rates	41.5	
General Revenue Grant	227.1	
Capital grants and contributions	25.2	✓
Service Income		
Grant income	32.0	✓
Housing Benefit Funding	55.0	
Housing rent	45.4	
IJB commission income (book entry)	113.4	
Other Service Income	60.9	

Risk identified (continued): Key components of income for the Council, as summarised in the table to the left, are the General Revenue Grant and non-domestic rates which are directed by the Scottish Government and not considered a significant risk as the process for receipt of this income is not complex and can be verified 100%. The significant risk is pinpointed to the recognition of grant income (excluding General Revenue Grant income). Council tax, non-domestic rates and housing rent income are set through the annual budget process with no management judgement and therefore have a low risk of fraud. Similarly, other Service Income includes fees and charges across all Services, which are set through formal approval processes, with no history of fraud or error.

Our response

Grant income is a significant risk due to:

- management judgement in determining if there are any conditions attached to a grant and if so whether the conditions have been met; and
- complex accounting for grant income as the basis for revenue recognition in the accounts will depend on the scheme rules for each grant.

We will perform the following:

- assess management's controls around recognition of grant income; and
- test a sample of capital grants and contributions and grant income credited to Service Income and confirm these have been recognised in accordance with any conditions applicable.

Deloitte Comment

We are not aware of any issues arising during our planning work which would impact on the treatment of income during the year.

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Significant risks (continued)
Risk 2 – Management override of controls

We will use computer assisted audit techniques, including Spotlight, to support our work on the risk of management override

Risk identified	In accordance with ISA 240 (UK and Ireland) management override is a significant risk. This risk area includes the potential for management to use their judgement to influence the financial statements as well as the potential to override the Council's controls for specific transactions.
	The key judgments in the financial statements are those which we have selected to be the significant audit risks around recognition of grant income and valuation of property assets. This is inherently the areas in which management has the potential to use their judgment to influence the financial statements.
Planned audit challenge	In considering the risk of management override, we plan to perform the following audit procedures that directly address this risk:
	• We will test journals, using our Spotlight data analytics tool, to focus our testing on higher risk journals;
	• We will review accounting estimates for bias that could result in material misstatements due to fraud;
	• We will obtain an understanding of the business rationale of significant transactions that we become aware of that are outside of the normal course of business for the entity, or that otherwise appear to be unusual, given our understanding of the entity and its environment.
Deloitte Comment	We have not identified in our prior year audit work any transactions which appear unusual or outside the normal course of business. We have completed our testing on the design and implementation of controls around management override of controls and note no issues.

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Significant risks (continued)
Risk 3 – Valuation of property assets

We will engage Deloitte Real Estate specialists to assist our testing of the revaluation of the £947m property asset portfolio.

Risk identified	The Council is required to hold property assets within Property, Plant and Equipment at a modern equivalent use valuation. The valuations are by nature significant estimates which are based on specialist and management assumptions and which can be subject to material changes in value.
Planned audit challenge	The Council held £946,871k of property assets at 31 March 2017. The financial year to 31 March 2018 will represent year 2 of a 5 year rolling programme in which 20% of the portfolio will be revalued along with 100% of Council dwellings. We will perform the following: • assess management's controls around the valuation of property assets; • review any revaluations performed in the year, assessing whether they have been performed in a reasonable manner, on a timely basis and by suitably qualified individuals; • test a sample of revalued assets and re-perform the calculation assessing whether the movement has been recorded through the correct line of the accounts; • consider material changes of assets not subject to full revaluation during the year; • consider assets classified as surplus or held for sale to assess whether these have been valued and disclosed in line with IFRS; and • review and challenge the assumptions and methodology adopted by the Council's external valuer, including sample testing of inputs to the valuations.
Deloitte Comment	A number of areas for improvement were highlighted in the prior year audit in relation to the valuation process. We noted that these areas needed to be addressed to prevent future material errors in the financial statements. We will assess progress made in relation to these recommendations following the current year end. We are aware that the Council is in the midst of a tendering process for an external valuer to perform this year's valuation.

Wider scope requirements

Audit dimensions

The Code of Audit Practice sets our four audit dimensions which set a common framework for all public sector audits in Scotland. We will consider how the Council in addressing these areas, including any risks to their achievement, as part of our audit work as follows:

Audit dimension	Areas to be considered	Impact on the 2017/18 Audit
Financial sustainability looks forward to the medium and longer term to consider whether the body is planning effectively to continue to deliver its services or the way in which they should be delivered.	• The financial planning systems in place across the shorter and longer terms • The arrangements to address any identified funding gaps • The affordability and effectiveness of funding and investment decisions made • Workforce planning	From our work in 2016/17 we found that the Council has been successful in making significant savings over the previous 6 years, however further savings were required to reduce reliance on reserves to a sustainable level going forward. We also found that the Council had effective medium to long term financial planning procedures in place. We will assess whether the Council continues to have effective short, medium and long term financial planning systems in place so it can achieve financial sustainability over the next 5-10 years. We will also assess the effectiveness of the Council's efforts to achieve further sustainable efficiencies, in particular through the T2 transformational change programme. **Audit Risk:** There is a risk that the plans for medium to long term efficiencies and transformational change are not robust enough to allow benefits to be realised. Adequate efficiencies also may not be identified, hindering the Council's ability to achieve sustainability.
Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively	• Systems of internal control • Budgetary control system • Financial capacity and skills, including plans for replacing the recently departed Head of Finance. • Arrangements for the prevention and detection of fraud	We will review the budget and monitoring reporting to the Council during the year to assess whether financial management and budget setting is effective. From our audit work in 2016/17 we found that the Council had sound financial management procedures in place. Our fraud responsibilities and representations are detailed on pages 38-39. **Audit Risk:** A lack of appropriate financial management could result in the Council not achieving its financial targets.

Wider scope requirements (continued)

Audit dimensions (continued)

Audit dimension	Areas to be considered	Impact on the 2017/18 Audit
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 arrangements • Scrutiny, challenge and transparency on decision making and financial and performance reports • Quality and timeliness of financial and performance reporting	We will review the financial and performance reporting to the Council during the year as well as minutes of all Council and key Committee meetings to assess the clarity and effectiveness of the governance arrangements. Our attendance at Audit and Scrutiny Committees will also inform our work in this area. We will also review the governance arrangements in relation to the IJB. **Audit Risk:** As the IJB is still relatively new and has significant challenge around long term financial sustainability, there is a risk that the governance arrangements between the Council and the IJB (and the partner NHS Board) are not effective.
Value for money is concerned with using resources effectively and continually improving services.	• Value for money in the use of resources • Link between money spent and outputs and the outcomes delivered • Improvement of outcomes • Focus on and pace of improvement.	From our 2016/17 audit work we concluded that the Council had a well established performance management framework in place, with performance regularly considered by management and the Council members. During 2017/18 we will review how the Council is addressing areas where targets are not being met and also how the implementation of transformational change is impacting on how the Council's performance is measured and reported. **Audit Risk:** There is a risk that insufficient resources are targeted to areas of under performance.

Wider scope requirements
Best value

In June 2016 the Accounts Commission formally agreed the overall framework for a new approach to auditing Best Value (BV). This framework introduced a five year approach to auditing BV. 2017/18 represents year two of the BV audit plan. Under this approach, the Controller of Audit will provide a Best Value Assurance Report (BVAR) to the Commission for each Council at least once in a five year period. The national five year BVAR programme is updated each year reflecting changes to risk assessments identified from the SRA process or annual audits. North Ayrshire Council has not been identified for a BVAR report in 2017/18.

The audit planning framework is set out below.
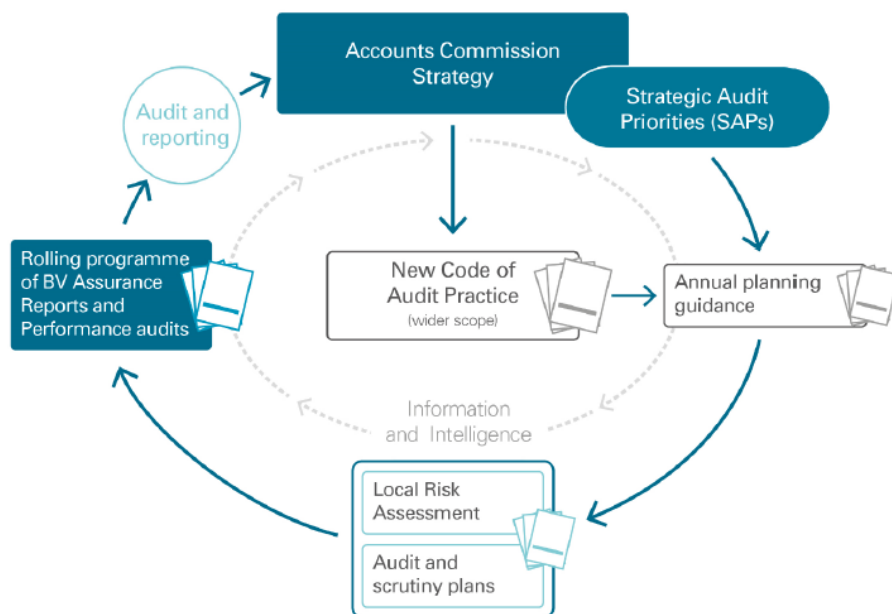
In 2016/17, as well as assessing the Council's performance against the Strategic Audit Priorities (page 25), we considered the following key areas in relation to best value:

- Transformational Change
- Use of Reserves
- Achievement of Savings Targets

In 2017/18, we will follow up on the above areas, and also continue to focus on the Council's arrangements for demonstrating Best Value.

Our work will be integrated into our audit approach, including our work on the audit dimensions discussed on pages 22-23, and will be reported in our annual audit report.

In addition, to inform the Controller of Audit's Annual Assurance and Risk Report to the Accounts Commission, we will submit a data return covering our audit work by 1 October 2018.

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Wider scope requirements (continued)
Strategic Audit Priorities

In its Strategy, which is updated annually, the Accounts Commission sets out an overall aim of holding councils to account for their pace, depth and continuity of improvement facilitated by effective governance. Within this, the Commission also sets out five **Strategic Audit Priorities** that will be built into audit expectations, which are set out below.

Council Priorities and Long Term Planning
The clarity of Council priorities and quality of long-term planning to achieve these.

Changes in Service Delivery
How effectively Councils are evaluating and implementing options for significant changes in delivering services.

Members and officers knowledge, skills and support
How Councils are ensuring members and officers have the right knowledge, skills and support to design, develop and delivery effective services for the future.

Citizen involvement
How well Councils are involving citizens in decisions about services and empowering local communities to identify and help deliver services they need.

Quality of reporting
The quality of Councils' reporting of their performance to enhance accountability to citizens and communities.

During our 2016/17 audit, we worked with our colleagues in Audit Scotland's Performance Audit and Best Value group (PABV) to undertake a baseline assessment of the Council's position across these Strategic Audit Priorities, which was reported in our Annual Audit Report to the Audit and Scrutiny Committee in September 2017.

During 2017/18, we will assess what progress the Council has made in each of these priority areas. The basis for this assessment will include interviews with key Members, senior officers and other personnel across the Council, observance of committee meetings and review of key documents such as the Council's Long Term Financial Plan, Medium Term Financial Plan and T2 Transformation Programme.

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Wider scope requirements (continued)

Specific risks

As part of the 2017/18 planning guidance, Audit Scotland have identified the following areas as significant risks faced by the public sector. While we have not identified any specific risks in relation to these areas for the Council, we will continue to monitor these areas as part of our audit work.

Risk	
EU withdrawal	There remains significant uncertainty about the detailed implications of EU withdrawal. Nonetheless, given the potential timetables involved, it is critical public sector bodies are working to understand, assess and prepare for the impact on their business. Key aspects of this are likely to include three broad areas: - Workforce - Funding - Regulation
New Financial Powers	The provisions of the 2012 and 2016 Scotland Acts and the accompanying Fiscal Framework agreement are leading to fundamental changes to the Scottish public finances. New tax raising, borrowing and social security powers provide the Scottish Parliament with more policy choice, but also mean the Scottish budget is subject to greater volatility, uncertainty and complexity. There is also a stronger link between the performance of the Scottish economy (relative to the rest of the UK) and available funding. The changes are likely to impact across public sector bodies to varying degrees, both directly (for example where an organisation's activities include additional responsibilities as a result of the new powers) and indirectly (for example as a result of potential changes to the way the Scottish Government manages its overall budget).

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Wider scope requirements (continued)
Specific risks (continued)

Risk	
Ending of public sector pay cap	Pay increases in the public sector have been frozen and then capped at 1% for seven years. Politicians in both Westminster and Holyrood are talking about ending the public sector pay cap. When introducing the Programme for Government 2017-18, the First Minister confirmed that the Scottish Government will lift the 1% public sector pay cap. All public bodies need to consider the potential impact of the ending the pay cap as they prepare their budgets and consider their financial sustainability. Whilst separate pay bargaining arrangements are in place for local government, Scottish Government pay policy states that the lifting of the cap and the promise that workers earning less than £36,500 a year will receive a 3% pay increase in 2018 should act as a 'benchmark' for all major public sector workers.
Response to cyber security risks	Audit Scotland has issued further guidance in relation to this risk, setting out the risk context for public bodies, the new cyber resilience requirements being introduced by the Scottish Government and questions that auditors can pose to bodies to understand the risk and mitigating action in a local context. We will share this with management as part of our wider scope audit work.
Openness and transparency	There are signals of changing and more challenging expectations for openness and transparency in public business. In view of this direction of travel, Audit Scotland noted that 2016/17 annual audit reports highlighted the need for public bodies to keep this area under review and to consider whether there is scope to enhance transparency.

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Wider scope requirements (continued)
Local Government in Scotland: Financial Overview 2016/17

Audit Scotland published its annual overview report **Local Government in Scotland: Financial Overview 2017** in November 2017. It concluded that Council's financial challenges continue to grow and they are showing increasing financial stress. Throughout the report, Audit Scotland have identified examples of questions that councillors may wish to consider to help them better understand their council's financial position and to scrutinise financial performance. The key messages from the report are summarised below. We will evaluate North Ayrshire Council against these as part of our wider scope work. We note that the report was presented to the Council meeting on 20 December 2017 where members were asked to note the findings of the report, the current position for North Ayrshire Council and consider these as part of the budget deliberations.

Key messages

1 Councils' financial challenges continue to grow. Funding reductions are compounded by increasing costs and demands on services. In response, councils have needed to achieve ambitious savings plans, including around £524 million of savings for 2016/17.

2 Councils are showing signs of increasing financial stress. They are finding it increasingly difficult to identify and deliver savings and more have drawn on reserves than in previous years to fund change programmes and routine service delivery. Some councils risk running out of General Fund reserves within two to three years if they continue to use them at levels planned for 2017/18.

3 Debt increased by £836 million in 2016/17 as councils took advantage of low interest rates to borrow more to invest in larger capital programmes. Councils' debt levels are not currently problematic, but some are becoming concerned about affordability of costs associated with debt within future budgets.

4 Councils' budget-setting processes for 2016/17 were complicated by late confirmation of funding from the Scottish Government and the funding arrangements for integrating health and social care. Councils' expenditure and use of reserves often differed noticeably from that originally planned, indicating the need for budget-setting to become more robust and reliable.

5 All councils received an unqualified audit opinion on their 2016/17 accounts but auditors found that in several councils financial management could be improved. Councils can use their accounts to more clearly explain their financial performance over the whole year to support better scrutiny.

6 The financial outlook for councils continues to be challenging, with the need to deliver savings being increasingly critical to their financial sustainability. As such, robust medium-term financial strategies and effective leadership to deliver them are of increasing importance.

Example Questions for Councillors to consider

Part 1 - Councils' income and budget 2016/17
- Does your council have a charging policy? Is this in line with corporate plans and objectives?
- What information do you need to be able to explain increases in fees and charges to your constituent?

Part 2 - 2016/17 financial performance
- How does the Council ensure that council staff have the capacity to deliver transformational change?
- What have reserves been used for in recent years? Supporting services and bridging the funding gap or transforming services? What are the level of reserves held by your Council's IJB? Are these in line with the IJBs reserves policy?

Part 3 – Financial Outlook
- How is your Council preparing for any further real term reduction in Scottish Government funding?
- If your Council plans to raise council tax, do you know how much it will raise? How will you communicate and explain the reasons for the rise to constituents?
- Does your council have a savings plan? What are the options to close future gaps?
- What is the likely use of reserves for 2017/18? How does this compare to forecast funding gaps?
- What is your Council's financial position? What particular challenge does it face?
- Does your council have a medium term financial strategy aligned with corporate objectives?
- What impact will savings have on the delivery of services? What are the potential risks?
- What additional training would you like to receive to develop your knowledge and skills in financial scrutiny?
- What measures in the council's corporate and transformational plans are aimed at addressing the underlying demand for services.

Note: The full list of questions are available in **Supplement 1: Scrutiny tool for councillors**, available on Audit Scotland's website.

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Wider scope requirements (continued)

NFI, Performance audits and impact reports

National Fraud Initiative (NFI)

All Councils are participating in the NFI 2016/17. All data was submitted in October 2016 and Councils received matches for investigation in January 2017. Audit Scotland expects bodies to investigate all recommended matches based on findings and the risk of error or fraud. Match investigation work should have largely been completed by 30 September 2017 and the results recorded on the NFI system.

In accordance with Audit Scotland planning guidance, we are required to monitor the Council's participation and progress during 2016/17 and 2017/18 and complete an NFI audit questionnaire which was submitted on 5 March 2018. The information contained in this questionnaire will be used for Audit Scotland's NFI report to be published in June 2018. When our 2016/17 audit report was presented the NFI system recommended 1,201 matches to be investigated, this subsequently increased to 1,203 matches. As of 5 March 2018 the Council have processed all 1,203 recommended matches to be investigated and an additional 247 matches. We are satisfied that the Council is fully engaged in the NFI exercise.

Performance Audits

In accordance with Audit Scotland planning guidance, we will be requested to provide information to support performance audits on the following subjects during the year:

Performance audit title	Appointed auditor input
Digital – cross cutting	No formal return. Audit Scotland will provide information and guidance on current issues and risks to consider as part of planning process.
Health and social care integration part 2 – publication Autumn 2018	There is a requirement for a minimum data set in support of this audit. Specific requirements will be confirmed, however, it will encompass information such as: timescales for agreeing budgets; shifts in resources from acute to community-based care; progress in agreeing budgets and publishing meaningful strategic plans; governance arrangements

Impact reports

We will be requested to provide information to support Audit Scotland's Performance Audit and Best Value (PABV) team in assessing the impact of the following performance audits during 2017/18: Changing models of health and social care; roads maintenance follow-up; Social work in Scotland; and Supporting Scotland's economic growth.

Audit Quality
Our commitment to audit quality

Our objective is to deliver a distinctive, quality audit to you. Every member of the engagement team will contribute, to achieve the highest standard of professional excellence.

In particular, for your audit, we consider that the following steps will contribute to the overall quality:

We will apply professional scepticism on material issues and significant judgements identified, by using our expertise in the health sector and elsewhere to provide robust challenge to management.

We have obtained a deep understanding of your business, its environment and of your processes in income and expenditure recognition, payroll expenditure and capital expenditure enabling us to develop a risk-focused approach tailored to the Council.

Our engagement team is selected to ensure that we have the right subject matter expertise and industry knowledge. We will involve specialists to support the audit team in our work.

In order to deliver a quality audit to you, each member of the core audit team has received tailored learning to develop their expertise in audit skills, delivered by Pat Kenny, Audit Director. This is a director led programme encouraging teams from across our practice to engage and discuss current sector and audit issues, sharing best practice and expertise. This is in addition to a practice wide local government training day held prior to the end of the financial year to share key issues from across the country, to update on regulatory changes and provide early warning of issues other teams may have faced at the interim testing phase.

Engagement Quality Control Review

We have developed a tailored Engagement Quality Control approach. Our dedicated Professional Standards Review (PSR) function will provide a 'hot' review before any audit or other opinion is signed. PSR is operationally independent of the audit team, and supports our high standards of professional scepticism and audit quality by providing a rigorous independent challenge.

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Purpose of our report and responsibility statement

Our report is designed to help you meet your governance duties

What we report

Our report is designed to establish our respective responsibilities in relation to the financial statements audit, to agree our audit plan and to take the opportunity to ask you questions at the planning stage of our audit. Our report includes:

- Our audit plan, including key audit judgements and the planned scope;

- Key regulatory and corporate governance updates, relevant to you.

What we don't report

As you will be aware, our audit is not designed to identify all matters that may be relevant to the Council.

Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by management or by other specialist advisers.

Finally, the views on internal controls and business risk assessment in our final report should not be taken as comprehensive or as an opinion on effectiveness since they will be based solely on the audit procedures performed in the audit of the financial statements and the other procedures performed in fulfilling our audit plan.

Other relevant communications

We will update you if there are any significant changes to the audit plan.

This report has been prepared for the Audit and Scrutiny Committee, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose. Except where required by law or regulation, it should not be made available to any other parties without our prior written consent.

Pat Kenny, CPFA

for and on behalf of Deloitte LLP

Glasgow

9 March 2018

We welcome the opportunity to discuss our report with you and receive your feedback.

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Technical update
Information on sector developments

IFRS 9 *Financial Instruments*

In a nutshell

- In July 2014, the IASB published a final version of IFRS 9. This version supersedes all previous versions.

- IFRS 9 *Financial Instruments* will replace IAS 39 *Financial Instruments: Recognition and Measurement*, and has three main impacts

  - *Classification and measurement* - introduces new approach for the classification of financial assets driven by cash flow characteristics and the business model in which an asset is held. This classification determines how financial assets are accounted for in financial statements and, in particular, how they are measured on an ongoing basis.

  - *Amortised cost and impairment of financial assets* – introduces an "expected losses" impairment model where entities are required to account for expected credit losses from when financial instruments are first recognised.

  - *Hedge accounting* - introduces new general hedge accounting model that aligns the accounting treatment with risk management activities and allows for better reflection of the hedging activities in the financial statements.

- One of the key impacts of IFRS 9 will be that gains and losses arising from changes in the fair value of some categories of investments will be recognised in the comprehensive income and expenditure statement, with a consequent impact on the general fund. This is a particular issue for the various collective investment vehicles that form part of some local authorities' investment portfolios.

- CIFPA/ LASAAC has advised that representatives from central and devolved governments, including the Scottish Government, have confirmed that they would be willing to consider representations from local authorities for a statutory mitigation.

Effective date

The Standard has a mandatory effective date for annual periods beginning on or after 1 January 2018, with earlier application permitted.

CIPFA/ LASAAC has confirmed that it has approved the full adoption of IFRS9 into the accounting code and therefore will apply to local authority annual accounts from 2018/19.

Find out more on our website UK Accounting Plus by clicking here

Navigate to: Standards/ IFRS 9

Potential impact on the Council

IFRS 9 is expected to have relatively limited impact on most Councils, but will at least affect the process of assessing impairment of debtors and other financial assets. As part of the process of adoption, North Ayrshire Council will need to consider the impact on policies, processes, systems and people.

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IFRS 16 *Leases*

In a nutshell

- The new Standard supersedes IAS 17 *Leases* and its associated interpretative guidance.

- For lessees the distinction between operating and finance leases disappears.

- A lease conveys the right to control an identified asset for a period of time in exchange for consideration.

- The accounting for all leases is similar to finance lease accounting in IAS 17, which means all leases are recognised on the balance sheet (with some exceptions).

- The lease liability is measured at the present value of the future lease payments, using a lease term that includes periods covered by extension options if exercise is reasonably certain. Variable lease payments are only included in the liability if based on an index or rate.

- That right-of-use asset is initially measured at the amount of the lease liability, plus initial direct costs and adjustments for lease incentives, payments at or prior to commencement and dilapidations provisions.

- The right-of-use asset is subsequently accounted for by applying IAS 16 *Property, Plant and Equipment*, at cost less depreciation and impairment (unless it is an investment property that is fair valued or it belongs to a class of property, plant and equipment that is revalued).

- A lessee can elect to keep the following leases off-balance sheet and typically straight line the expense:

  - leases with a lease term of 12 months or less and containing no purchase option – this election is made by class of underlying asset; and

  - leases where the underlying asset has a low value when new, such as personal computers or small office furniture – this election is made on a lease-by-lease basis.

- Operating lease expenses, typically straight line, will be replaced with interest on the liability and depreciation of the asset, producing a front-loaded expense profile.

- Although any individual lease will have a front-loaded expense, portfolios of leases containing both new and mature leases may produce an overall expense profile similar to straight line expensing.

- HM Treasury has consulted across government and is considering specific interpretations and adaptions for consistency across the public sector, but which will follow the overall principles of IFRS 16. CIPFA/ LASAAC have recently issued a consultation paper on proposals for the accounting code's adoption of IFRS 16 from 2019/20.

Potential impact on the Council

The Council has relatively low operating lease commitments (with commitments at 31 March 2017 of £330k), mitigating the effect of the change and will have a relatively small impact.

Effective date

Periods commencing on or after 1 January 2019.

CIPFA/ LASAAC have recently issued a consultation paper on proposals for the accounting code's adoption of IFRS 16 from 2019/20.

Find out more on our website UK Accounting Plus by following the links to Standards -> IFRS 16

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General Data Protection Regulation

The EU GDPR will come into effect from 25 May 2018, and will effectively supercede the existing Data Protection Act.

The EU General Data Protection Regulation ("GDPR") will come into effect in 2018, replacing the Directive that formed the basis for the Data Protection Act. The GDPR is expected to remain in effect for the foreseeable future, notwithstanding Brexit.

The key new concept is of "accountability" – being able to **demonstrate** compliance, with specific actions required with an evidence trail.

- Data Protection Impact Assessments are required for high risk processing of data, and there are specific requirements for transparency and fair processing of data. There are tighter rules where consent is the basis for processing data.

- There are requirements to keep records of data processing activities, with the removal of most charges for providing copies of records to patients or staff who request them.

- Penalties for breaches of the regulation are significantly higher than existing arrangements (up to €10m for data breaches and up to €20m for breaches of the principles), and apply to any breach of the regulation, not just data breaches.

- All public authorities, are required to appoint a suitably qualified and experienced Data Protection Officer.

- There is a legal requirement to notify security breaches to the Information Commissioner within 72 hours.

Getting ready to comply with the GDPR can start with reducing the risk of the data breaches – and reducing that risk doesn't need to be complicated. The biggest causes of data breaches can be avoided by making sure the basics are in place: keep all operating systems and software up to date, implement encryption for sensitive data, and educate all employees about the risk of phishing and other social engineering attacks.

Your organisation might also consider the Cyber Essentials scheme and the 10 Steps to Cyber Security, both developed by Government to ensure any organisation can protect themselves from common cyber-attacks.

The Information Commissioner's Office has also developed a useful 12 step guide to help organisations consider their current data protection activities and what needs to be done to comply with the new regulations. They will be developing guidance over the coming months so keep an eye on their website for more information.

Privacy as a concept is broad and far-reaching. The GDPR impacts many areas of an organisation, and is not just a legal/compliance issue. The GDPR brings specific rights to the public, including the "right to be forgotten" and data portability.

The emphasis on organisational accountability will require proactive, robust privacy governance. A key challenge is the need to identify a suitably qualified Data Protection Officer, with an estimated need for 28,000 DPOs across Europe.

The requirements will change how information technologies are designed and managed, with a requirement for documented privacy risk assessments when implementing major new systems, with "Privacy by Design" now enshrined in law.

The requirement to notify security breaches within 72 hours will require new or enhanced incident response procedures.

Teams tasked with information management will need to provide clearer oversight on data storage, journeys and lineage. Greater clarity on what data is collected and where it is stored will make it easier to comply with the new data subject rights.

The Audit and Scrutiny Committee should consider how it is obtaining assurance over the adequacy of the Council's action plans to ensure compliance with the GDPR.

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Appendices

Prior year audit adjustments
Uncorrected and disclosure misstatements

Uncorrected misstatements

There were no uncorrected misstatements identified during the course of our prior year audit.

Disclosure misstatements

There were no uncorrected disclosure misstatements identified during the course of our prior year audit.

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Fraud responsibilities and representations
Responsibilities explained

Your Responsibilities:

The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations.

Our responsibilities:

- We are required to obtain representations from your management regarding internal controls, assessment of risk and any known or suspected fraud or misstatement.

- As auditors, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.

- As set out in the significant risks section of this document, we have identified the risk of fraud in the achievement of expenditure resource limits and management override of controls as a key audit risk for your organisation.

Fraud Characteristics:

- Misstatements in the financial statements can arise from either fraud or error. The distinguishing factor between fraud and error is whether the underlying action that results in the misstatement of the financial statements is intentional or unintentional.

- Two types of intentional misstatements are relevant to us as auditors – misstatements resulting from fraudulent financial reporting and misstatements resulting from misappropriation of assets.

We will request the following to be stated in the representation letter signed on behalf of the Council:

- We acknowledge our responsibilities for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

- We are not aware of any fraud or suspected fraud that affects the entity or group and involves:
  (i) management;
  (ii) employees who have significant roles in internal control; or
  (iii) others where the fraud could have a material effect on the financial statements.

- We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

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Fraud responsibilities and representations
Inquiries

We will make the following inquiries regarding fraud:

Management:
- Management's assessment of the risk that the financial statements may be materially misstated due to fraud, including the nature, extent and frequency of such assessments.
- Management's process for identifying and responding to the risks of fraud in the entity.
- Management's communication, if any, to those charged with governance regarding its processes for identifying and responding to the risks of fraud in the entity.
- Management's communication, if any, to employees regarding its views on business practices and ethical behaviour.
- Whether management has knowledge of any actual, suspected or alleged fraud affecting the entity.

Internal audit and Local Counter Fraud Specialist
- Whether internal audit and the Council's local counter fraud specialist has knowledge of any actual, suspected or alleged fraud affecting the entity, and to obtain its views about the risks of fraud.

Those charged with governance
- How those charged with governance exercise oversight of management's processes for identifying and responding to the risks of fraud in the entity and the internal control that management has established to mitigate these risks.
- Whether those charged with governance have knowledge of any actual, suspected or alleged fraud affecting the entity.
- The views of those charged with governance on the most significant fraud risk factors affecting the entity.

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Independence and fees

As part of our obligations under International Standards on Auditing (UK), we are required to report to you on the matters listed below:

Independence confirmation	We confirm the audit engagement team, and others in the firm as appropriate, Deloitte LLP and, where applicable, all Deloitte network firms are independent of the Council and will reconfirm our independence and objectivity to the Audit and Scrutiny Committee for the year ending 31 March 2018 in our final report to the Audit and Scrutiny Committee.
Fees	The audit fee for 2017/18, in line with the fee range provided by Audit Scotland, is £295,060 as analysed below:

	£
Auditor remuneration	179,900
Audit Scotland fixed charges:	
Pooled costs	15,670
Performance Audit and Best Value	88,290
Audit support costs	11,200
Total proposed fee	**295,060**

Details of all non-audit services fees for the period will be presented in our final report.

Non-audit services	We continue to review our independence and ensure that appropriate safeguards are in place in relation to any non-audit services provided including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.
Relationships	We have no other relationships with the Council, its directors, senior managers and affiliates, and have not supplied any services to other known connected parties.

Our approach to quality
AQR team report and findings

We maintain a relentless focus on quality and our quality control procedures and continue to invest in and enhance our overall firm Audit Quality Monitoring and Measuring programme.

In June 2017 the Financial Reporting Council ("FRC") issued individual reports on each of the six largest firms, including Deloitte, on Audit Quality Inspections which provides a summary of the findings of its Audit Quality Review ("AQR") team for the 2016/17 cycle of reviews.

The review performed by the AQR forms an important part of our overall inspection process. We perform causal factor analysis on each significant finding arising from both our own internal quality review and those of our regulators to identify the underlying cause. This provides insight which drives the developments in our quality agenda.

18 of the audits reviewed by the AQR were performed to a good standard with limited improvements required. We were disappointed that, despite the high standards we set and many areas of improvement in our quality record, the percentage of audits rated as requiring more than limited improvements has remained broadly similar to the previous year and that two reviews were identified as requiring significant improvement.

We have taken swift and decisive action to respond to the matters identified and will continue to monitor the implementation of these. We are firmly committed to achieving, and indeed exceeding, the FRC's objective that by 2019 90% of FTSE 350 audits reviewed will be assessed as requiring no more than limited improvements.

All the AQR public reports are available on its website.

The AQR's 2016/17 Audit Quality Inspection Report on Deloitte LLP

"We reviewed selected aspects of 23 individual audits in 2016/17. In selecting which aspects of an audit to inspect, we took account of those areas identified to be of higher risk by the auditors and Audit Committees, our knowledge and experience of audits of similar entities and the significance of an area in the context of the audited financial statements. The communications with the Audit Committee and the audit of revenue were reviewed on nearly all of these audits…"

"The firm has taken the actions they committed to take following our last inspection. Some of the issues driving more adverse quality assessments this year are in similar areas to those reported last year, although some audits reviewed were undertaken before these actions had been carried out. Our main concern continues to be the adequacy of audit teams' challenge of management in key areas of judgment (particularly goodwill impairment) and further immediate action is required to improve audit quality in this area.

The firm has enhanced its policies and procedures in the following areas:
- Strengthened the evidence of the Engagement Quality Control Review ("EQCR") partner and audit technical reviewer involvement.
- Updated Deloitte's audit methodology to include additional focus on risk assessment and the related audit response (effective from 31 December 2016 year-end audits).
- Introduced more focused coaching for audit teams throughout the audit process.
- Issued more timely and focused guidance and reminders to the audit practice on key audit matters, to facilitate appropriate consideration by audit teams at the key stages of the audit.
- Increased mandatory technical training for qualified staff through to partner level

Our key findings in the current year requiring action by the firm, which are elaborated further in section 2 together with the firm's actions to address them, are that the firm should:
- Improve the extent of challenge of management in key areas of judgment, in particular impairment reviews and valuation of acquired intangible assets.
- Strengthen the firm's audit of revenue recognition.
- Make further improvements to the audit of defined benefit pension scheme balances in corporate entities.
- Continue to seek to improve the consistency of the quality of communications with Audit Committees."

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Our approach to quality

Areas identified for particular attention	How we have addressed these as a firm	How addressed in our audit
Strengthen the firm's audit of revenue recognition.	A key theme of the enhancements to our methodology in 2016, (deployed after these engagements reviewed by the AQR were complete), was to enhance our risk assessment procedures and, as a result, encourage our auditors to develop more robust responses to the largest most critical account balances, with a natural focus on revenue. This included the removal of capped sample sizes for very large balances and facilitation of a combination of test of details and substantive analytical procedures to enable more comprehensive audit responses to be designed. This theme has continued in 2017 when our Summer Technical Training showcased our investment in analytic tools applied to the audit of revenue, as well as training on the accounting and auditing of revenue as we prepare to audit the implementation of the new revenue standard IFRS 15 'Revenue from Contracts with Customers' which is effective for periods beginning on or after 1 January 2018.	This is a significant audit risk and is addressed in page 19 of this paper.
Continue to seek to improve the consistency of the quality of communications with Audit and Scrutiny Committees.	We take our responsibilities for reporting to the Audit and Scrutiny Committee very seriously. There is a natural follow on that if there is a failure in the underlying audit work we will inevitably fall short in our reporting on those areas. The majority of issues noted in the report linked directly to the review findings. We continue to stress the critical importance of reporting matters to the Audit Committee in the training we deliver and in the enhanced procedures we have established, in particular around key management estimates and judgments. We have issued refreshed Audit Committee reporting templates to the practice reflecting the observations of the reviews to ensure audit practitioners continue to focus on this critical aspect of our role.	We have reported to you in pages 16-17 of this paper the scope of work and the planned approach to the audit. We would welcome any feedback on our approach to communicating with you.

Our approach to quality

Areas identified for particular attention	How we have addressed these as a firm	How addressed in our audit
Improve the extent of challenge of management in key areas of judgment, in particular impairment reviews and valuation of acquired intangible assets.	We have developed an Impairment Centre of Excellence and have mandated its involvement in all public interest entity audits with a material goodwill or intangibles balance for years ending on or after 15 December 2016. The specialists within the Impairment Centre of Excellence, in addition to having significant experience auditing complex impairment issues, have had specialist training to be able to identify and respond to the issues raised in the AQR report. Our Summer Technical Training in 2017 included interactive workshops on this area including sharing anonymised findings from internal and external review to illustrate the types of challenge and extent of audit evidence that teams should seek to achieve in this area.	The Council does not have a goodwill balance or a material intangible asset balance, and so this is not applicable for the Council's audit.
Make further improvements to the audit of defined benefit pension scheme balances in corporate entities.	We have improved our procedures to ensure confirmations are obtained from asset custodians where appropriate. In December 2015 we introduced a detailed practice aid dedicated to all areas of corporate pension balance auditing together with increased training. We have also mandated consultation with our Pension Audit Centre of Excellence for years ending on or after 15 December 2016 and refreshed the practice aid. This ensures our corporate audit teams have access to our experts in the audit of pension balances.	The Council is a member of the Strathclyde Pension Fund. We will consult with our Pension Audit Centre of Excellence in advance of our year-end work.

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NORTH AYRSHIRE COUNCIL

27 March 2018

Audit and Scrutiny Committee

Title:	**Internal Audit Reports issued**
Purpose:	To inform the Committee of the findings of Internal Audit work completed between 1 January and 28 February 2018.
Recommendation:	That the Committee (a) considers the outcomes from the Internal Audit work carried out; and (b) challenges services where there are significant weaknesses in internal controls.

1. Executive Summary

1.1 The Council's local Code of Corporate Governance requires effective arrangements to be put in place for the objective review of risk management and internal control. Internal Audit is an important element in this framework as it reviews internal controls and offers Elected Members and officers an objective and independent appraisal of how effectively resources are being managed.

1.2 The remit of the Audit and Scrutiny Committee includes the monitoring of Internal Audit activity. The submission and consideration of regular reports assists the Committee in fulfilling this remit.

2. Background

2.1 This report provides information on the Internal Audit reports published between 1 January and 28 February 2018. Internal control reviews have been completed in respect of the areas detailed in Appendix 1 to this report. The aim of these reviews is to provide assurance that the internal control framework within the areas examined is appropriate and operating effectively.

2.2 The findings from each audit assignment have been notified in writing to the Chief Executive, the Executive Director (Finance and Corporate Support) and the relevant Executive Director and service managers on the completion of each assignment. Where appropriate, this has included an action plan detailing recommendations for improving internal control. Appendix 1 includes the executive summary and action plan from each audit.

2.3   Full copies of all Internal Audit reports are provided to all Elected Members, in confidence, through the Council's intranet site. Reports are held within the dedicated 'Members' information' area at:

http://naconnects.north-ayrshire.gov.uk/elected-members/audit-reports/audit-reports.aspx

2.4   The findings from five separate audit assignments are detailed at Appendix 1 to this report. The key findings are as follows:

- Limited assurance was obtained with regard to the controls around the BACS payments process, with a number of urgent actions being identified for Finance and Corporate Support to ensure that system users only have the access they require to carry out their job roles.
- An audit of key controls within all of the Council's secondary schools obtained substantial assurance at three of the schools and reasonable assurance at the other six; each of these six schools had some controls identified for improvement.
- A review of procurement processes within Roads identified a significant improvement in controls since the previous audit in this area in 2015.

3.   Proposals

3.1   It is proposed that the Committee (a) considers the outcomes from the Internal Audit work carried out during the period; and (b) challenges services where there are significant weaknesses in internal controls.

4.   Implications

Financial:	None.
Human Resources:	None.
Legal:	None.
Equality:	None.
Children and Young People:	None.
Environmental & Sustainability:	None.
Key Priorities:	The work of Internal Audit helps to support the efficient delivery of the strategic priorities within the Council Plan 2015-2020.
Community Benefits:	None.

5.   Consultation

5.1 The relevant Services are consulted on Internal Audit findings during each audit assignment.

Leummel

Laura Friel
Executive Director (Finance and Corporate Support)

For further information please contact **Paul Doak, Senior Manager (Internal Audit, Risk and Fraud)** on **01294-324561**.

Background Papers
N/A

EXECUTIVE SUMMARY
CONTROLS AROUND BACS PAYMENTS

Background

Integra is the new financial management system that went live in June 2017. As a result of a significant fraud in another Scottish local authority, a review of the controls around BACS payments was requested to be carried out.

Key Objectives

The main objectives of this audit were to:

- Review the controls around BACS payments from all relevant source systems and provide assurance that the Council is not exposed to a risk of fraud due to internal control weaknesses.
- Ensure that adequate segregation is in place for each system between those who can create suppliers and add or amend bank details, those who can process payments and those who can transfer BACS files.

Key Findings and Actions

All the recommended actions arising from this audit are detailed in the action plan which follows this Executive Summary. The key findings are as follows:

- Access to the screens used to process the accounts payable payment run, key trade supplier bank details and key sundry supplier bank details is not restricted to only those staff involved in this process.
- Spreadsheets containing bank details for income paid by direct debit are being emailed without the proper security and protection.
- Four Business Support staff have unrestricted access to one of the main servers.
- Generic usernames and passwords are being used by the four Business Support staff to transfer BACS files from the Council servers to the BACS system.
- The process to automatically reconcile the general income bank account on Integra is not working and has not been working since Integra went live, therefore potential missing lodgements and cash differences are not being identified in a timely manner.

Audit Opinion

Overall, limited assurance was obtained with regard to the controls around the BACS payments process.

Access controls identified in this audit should be addressed as a matter of urgency to ensure users only have access required to carry out their job roles.

ACTION PLAN
CONTROLS AROUND BACS PAYMENTS

Action	a
Action Description	Access to the payment run screens should be reviewed to ensure it is restricted to a small number of key users.
Risk	Users' access has not been restricted to the job role so users could carry out unauthorised activities.
Priority (1, 2, 3)	1
Paragraph Reference	3.1
Assigned to	Senior Manager (Corporate Procurement) Senior Manager (Revenues and Benefits)
Due Date	Complete (Finance) Complete (C&DS)
Management Response	The users have been reviewed and limited as requested. (Finance). Finance System Admin have completed a review of user access and relevant changes have been made to screens in order to restrict access accordingly. (C&DS)

Action	b
Action Description	Finance should liaise with Capita to tighten the access controls for the BACS system used by Capita to process Accounts Payable BACS files.
Risk	Unable to trace any unauthorised or erroneous actions to a specific Capita user.
Priority (1, 2, 3)	1
Paragraph Reference	3.2
Assigned to	Senior Manager (Revenues and Benefits)
Due Date	Complete.
Management Response	A letter has been issued to Capita highlighting this matter.

Action	c
Action Description	Application of the leavers' process should be reviewed and updated to ensure users are deactivated from the system as soon as they leave.
Risk	The system is not secure as leavers still have access.
Priority (1, 2, 3)	2
Paragraph Reference	3.4
Assigned to	Senior Manager (Corporate Procurement) Senior Manager Revenues and Benefits
Due Date	Complete (Finance) Complete (C&DS)
Management Response	The existing IT Leavers form has been reviewed by the eProcurement Team and it has been confirmed that it has already been updated to include Integra. (Finance) A process is already in place where system administration are emailed by services when a person leaves the Council or changes

	jobs and Integra is updated. A message has been added to the Integra noticeboard to remind line managers to inform system administration every time a person leaves the Council or changes job. A review of Integra users will be carried out quarterly to ensure our records are completely up to date. (C&DS)

Action	d
Action Description	Access to trade suppliers' bank details screen should be reviewed to ensure it is restricted to a small number of key users.
Risk	Users' access has not been restricted to the job role so users could carry out unauthorised activities.
Priority (1, 2, 3)	1
Paragraph Reference	3.7
Assigned to	Senior Manager (Corporate Procurement) Senior Manager Revenues and Benefits
Due Date	Complete (Finance) Complete (C&DS)
Management Response	Procurement have reviewed the list of 9 users within the AP and APO teams and confirm that all 9 users should retain access. (Finance) Finance System Admin have completed a review of user access and relevant changes have been made to screens in order to restrict access accordingly. (C&DS)

Action	e
Action Description	Users within Procurement should be reminded to use the diary functionality when checking bank details and supplier request forms and verification paperwork should be attached to the supplier to provide a full audit trail.
Risk	No evidence the check has been carried out and no supporting paperwork for the changes made.
Priority (1, 2, 3)	2
Paragraph Reference	3.8
Assigned to	Senior Manager (Corporate Procurement)
Due Date	Complete
Management Response	A new supplier request form was developed and rolled out during Q4 2017. The new process is used for requests to add or change bank details – the process is very clear that if the verification paperwork is not attached then the form is returned to the requestor. In addition an email communication reminding users within Procurement to use diary notes was sent 8th Jan 18.

Action	f
Action Description	The Check Sundry Transaction Bank Details report should be amended to show who keyed the sundry supplier invoice.
Risk	More efficient than the user checking the system for this information.
Priority (1, 2, 3)	3
Paragraph Reference	3.9
Assigned to	Senior Manager (Corporate Procurement)
Due Date	28/02/18
Management Response	A new report will be developed that identifies who keyed the sundry payment invoice.

Action	g
Action Description	Access to the screen used to process sundry supplier invoices should be reviewed and restricted to a small number of key users.
Risk	Users' access has not been restricted to the job role so users could carry out unauthorised activities.
Priority (1, 2, 3)	1
Paragraph Reference	3.10
Assigned to	Senior Manager (Corporate Procurement) Senior Manager (Revenues and Benefits)
Due Date	Complete (Corporate Procurement) Complete (Revenues and Benefits)
Management Response	There are only 3 individuals within the Council that currently process Sundry Supplier Invoices, these 3 people are within the Accounts Payable Team. Individuals within the System Admin Team will also need access. An email has been sent (12/01) to System Admin asking for all non-essential individuals to have access to the Sundry Supplier Screens removed. (Procurement) Finance System Admin have completed a review of user access and relevant changes have been made to screens in order to restrict access accordingly. (Revenues and Benefits)

Action	h
Action Description	The AP team should be reminded to use the diary entry functionality when checking sundry supplier bank details and to ensure that the person carrying out the check is different from the person keying the details.
Risk	No evidence the check has been carried out.
Priority (1, 2, 3)	3
Paragraph Reference	3.11
Assigned to	Senior Manager (Corporate Procurement)
Due Date	Complete
Management Response	An email communication reminding the AP team to use diary notes and to ensure a segregation of duties when checking the bank details was sent on 8th Jan 18.

Action	i
Action Description	Finance System admin should provide Business Support with the number of records in the Council Tax file and they should check the reports saved in their network folder on a daily basis to ensure the file has been sent, to reconcile the figures and to ensure errors are passed to the relevant person to rectify.
Risk	Missing records are not being identified and errors are not being dealt with.
Priority (1, 2, 3)	2
Paragraph Reference	3.16
Assigned to	Senior Manager Revenues and Benefits
Due Date	Complete (C&DS)
Management Response	This process has now been implemented. (C&DS)

Action	j
Action Description	Advice should be sought from IT Services for securely sending direct debit income spreadsheets showing the users bank details. Bank detail cells should be protected to ensure they cannot be changed during transmission.
Risk	Bank details could be accidentally or deliberately changed and sensitive data is sent insecurely.
Priority (1, 2, 3)	1
Paragraph Reference	3.18
Assigned to	Senior Manager (Financial Services)
Due Date	31/01/18
Management Response	Procedures to be updated to ensure that all bank details are password protected prior to transmission. The DD income spreadsheets and bank details info will be password protected and so additional IT security is not required.

Action	k
Action Description	Consideration should be given to the person maintaining the direct debit income spreadsheets completing the BACS transmission form and getting it authorised by an appropriate member of staff before sending directly to Business Support.
Risk	Current process is more time consuming and has no added value.
Priority (1, 2, 3)	3
Paragraph Reference	3.19
Assigned to	Senior Manager (Financial Services)
Due Date	31/01/18
Management Response	Procedures to be updated to send BACS files directly to Business Support with copies to Treasury for information

Action	l
Action Description	Business Support should be reminded to complete the totals checked by section of the form for all BACS files sent.
Risk	The wrong file could be sent in error if check not carried out and no audit trail if the check has been carried out.
Priority (1, 2, 3)	2
Paragraph Reference	3.20
Assigned to	Team Manager (Customer Services and Business Support)
Due Date	Complete
Management Response	Process has been re-iterated to all staff and Team Leader will carry out regular spot checks.

Action	m1
Action Description	Written procedures should be produced for Services to follow and written procedures for Business Support should be further developed.
Risk	Inconsistent and incomplete approach by Services and lack of business continuity if key staff were not available.
Priority (1, 2, 3)	2
Paragraph Reference	3.21
Assigned to	Senior Manager (Financial Services)
Due Date	31/03/18
Management Response	A generic BACS sending procedure will be jointly developed, for both income and payments, to ensure that a single approach is used across all teams involved with sending BACS.

Action	m2
Action Description	Written procedures should be produced for Services to follow and written procedures for Business Support should be further developed.
Risk	Inconsistent and incomplete approach by Services and lack of business continuity if key staff were not available.
Priority (1, 2, 3)	2
Paragraph Reference	3.16, 3.21
Assigned to	Team Manager (Customer Services and Business Support)
Due Date	Complete
Management Response	Current Business Support procedure manual to be reviewed and updated before being created and stored electronically.

Action	n
Action Description	IT Services should review the access Business Support have to the application servers and restrict this access to only those tasks related to the BACS process.
Risk	Unauthorised actions could deliberately or accidentally be carried out by the user.
Priority (1, 2, 3)	1
Paragraph Reference	3.24
Assigned to	IT Manager
Due Date	09/02/2018
Management Response	In order to restrict access, IT Services have created a new secure server and a copy of all BACS files will be sent to this server ready to be processed by the BACS team. Each person tasked with processing BACS files will have an individual logon to this server and will only get access to those files required. In order to complete this action work is underway to change jobs in a number of systems (IWORLD, NDR and CHRIS) and rewrite the BACS scripts. This will then be fully tested before a handover is completed.

Action	o
Action Description	Individual usernames and passwords should be allocated to Business Support users for transferring BACS files from the server to the network drive.
Risk	Unable to trace any unauthorised or erroneous actions to a specific user.
Priority (1, 2, 3)	1
Paragraph Reference	3.25
Assigned to	IT Manager
Due Date	09/02/2018
Management Response	Individual accounts have been created for Business Support staff on the existing UNIX application servers. These accounts have been generated based on who has access to the BACS network folder. The list of users has to be verified with Business Support before ensuring documentation is updated to reflect individual accounts which should then be used going forward. Once this is complete the generic account will be disabled.

Action	p1
Action Description	The Accounts Payable and Education Maintenance Allowances BACS files should also be reconciled to the BACS reports in the cashiers' folder.
Risk	Control total differences are not highlighted in a timely manner.
Priority (1, 2, 3)	2
Paragraph Reference	3.28
Assigned to	Senior Manager (Corporate Procurement)
Due Date	28/02/18
Management Response	A new process and filing structure will be implemented to ensure that Account Payable BACS files are reconciled to the BACS reports in the cashiers folder

Action	p2
Action Description	The Accounts Payable and Education Maintenance Allowances BACS files should also be reconciled to the BACS reports in the cashiers' folder.
Risk	Control total differences are not highlighted in a timely manner.
Priority (1, 2, 3)	2
Paragraph Reference	3.28
Assigned to	Team Manager (Customer Services and Business Support)
Due Date	Complete
Management Response	Business Support have implemented new process to check the cashiers' folder to ensure the BACS files reconcile with the Education Maintenance files.

Action	q
Action Description	Resources should be allocated as a matter of urgency to allow the general income bank reconciliation process within Integra to be brought up to date and going forward to allow this reconciliation to be carried out in a timely manner. Any system issues with this process should be reported to Capita as a high priority.
Risk	Fraudulent activity is not being highlighted in a timely manner.
Priority (1, 2, 3)	1
Paragraph Reference	3.30
Assigned to	Senior Manager (Financial Services)
Due Date	31/03/18
Management Response	Additional resources will be allocated and staff priorities realigned to ensure that all bank reconciliations are completed on a monthly basis.

Priority Key used in Action Plan

1 (High)	Control weakness where there is a material impact on the achievement of the control objectives, generally requiring prompt attention.
2 (Medium)	Control weakness which needs to be rectified, but where there is no material impact on the achievement of the control objectives.
3 (Low)	Minor weakness or points for improvement.

EXECUTIVE SUMMARY
SECONDARY SCHOOLS

Background

This audit was conducted as part of the 2017/18 audit plan.

The audit was performed by requiring each school to complete a self-assessment questionnaire, which was reviewed and then followed up as part of detailed on site testing.

Key Objectives

The objective of this audit was to review financial controls within the Council's secondary schools.

The questionnaire and detailed testing were designed to gain assurance that:-

- Staff are aware of all relevant Council governance procedures.
- All cash is being held securely and is being properly managed.
- Cash withdrawals made via the Procurement Card are being used for appropriate types of expenditure, and all transactions are being properly recorded.
- A full audit trail exists for all school fund income and expenditure transactions.
- Income from school meals is being securely stored prior to banking.
- Accurate inventory records are being kept.
- Pupil Equity Funding (PEF) is being spent appropriately.

Key Findings and Actions

All the recommended actions arising from this audit are detailed in the action plan which follows this Executive Summary. The key findings are as follows:-

- Arran High School need to ensure that cash is stored in a locked safe at all times
- Kilwinning Academy must remind staff that cash should always be counted prior to being accepted and receipted
- A number of schools need to ensure that regular cash counts are being performed to ensure physical cash balances match financial records.

Audit Opinion

Overall, substantial assurance was obtained with regard to the financial controls in place at Garnock, Greenwood and Largs secondary schools.

Reasonable assurance was obtained at Ardrossan, Arran, Auchenharvie, Irvine Royal, Kilwinning and St Matthew's secondary schools. These schools have financial controls in place, although each had some areas which could be improved to strengthen these controls further.

ACTION PLAN
SECONDARY SCHOOLS

Action	a
Action Description	Insurance limits for all safes in secondary schools must be agreed with the Council's insurers.
Risk	Cash in excess of insured limits is not covered in the event of loss or theft.
Priority (1, 2, 3)	2
Paragraph Reference	1.13
Assigned to	Senior Manager (Resources and Infrastructure)
Due Date	1 March 2018
Management Response	Provide limits for safes and agree with the Council's Insurers.

Action	b1
Action Description	All Head Teachers/Acting Head Teachers should attend the Council's training course covering Financial Regulations and Standing Orders Relating to Contracts.
Risk	A lack of awareness of these procedures may result in unacceptable financial transactions being entered into, which could put the Council at risk.
Priority (1, 2, 3)	2
Paragraph Reference	3.1
Assigned to	Head Teacher
Due Date	20 Sept 2018
Management Response	Ardrossan Academy - The Head Teacher is booked onto the appropriate training course.

Action	b2
Action Description	All Head Teachers/Acting Head Teachers should attend the Council's training course covering Financial Regulations and Standing Orders Relating to Contracts.
Risk	A lack of awareness of these procedures may result in unacceptable financial transactions being entered into, which could put the Council at risk.
Priority (1, 2, 3)	2
Paragraph Reference	3.9
Assigned to	Head Teacher
Due Date	20 Sept 2018
Management Response	Garnock Academy - The Head Teacher is booked onto the appropriate training course.

Action	c
Action Description	Cash should be stored in a locked safe at all times
Risk	The risk of theft is increased by cash not being stored securely at all times.
Priority (1, 2, 3)	1
Paragraph Reference	3.4
Assigned to	Education Business Officer (Arran High)
Due Date	Completed
Management Response	Arran High - process changed immediately following Internal Audit visit. All cash now held in office safe overnight, with only school fund and lunch money imprest being held in locked cupboard during the school day.

Action	d
Action Description	Cash should always be counted prior to being accepted and receipted by office staff
Risk	Incorrect amount is recorded.
Priority (1, 2, 3)	1
Paragraph Reference	3.14
Assigned to	Education Business Officer (Kilwinning Academy)/ Education Assistant
Due Date	Completed
Management Response	Kilwinning Academy - since our audit, cash received is counted at point of transfer. Large cash deposits will be signed for by person depositing cash, and person receiving, and secured until counting can take place. Amount will be entered and person depositing cash will be informed.

Action	e
Action Description	Regular cash counts should be performed to ensure physical cash balances match the financial records.
Risk	Cash overs or unders are not identified timeously.
Priority (1, 2, 3)	1
Paragraph Reference	3.19
Assigned to	Head Teacher
Due Date	Completed
Management Response	St Matthews Academy - individual spreadsheets are now kept and updated each time cash is received or given out for both ties and school meals. The spread sheet balances are checked against the physical cash balance in the relevant tin each time a transaction takes place. At the end of each week a further reconciliation between the spreadsheet balances and the physical cash takes place and is noted on the spreadsheet. Each transaction includes the name of the office staff member conducting the transaction.

Action	f
Action Description	Staff must record who hands each bank bag over to G4S.
Risk	Full audit trail of cash movements isn't available.
Priority (1, 2, 3)	2
Paragraph Reference	3.19
Assigned to	Head Teacher
Due Date	Completed
Management Response	St Matthews Academy - the log book now includes the signature of the office staff member who passes the bank bags to G4S, thus completing the audit trail of cash movements.

Action	g
Action Description	Spreadsheets must be uploaded onto the Procurement Card system (SDOL) as evidence of how cash withdrawals via the procurement card have been spent.
Risk	Purchases are being approved without the approver having a detailed breakdown of the spend.
Priority (1, 2, 3)	2
Paragraph Reference	3.1
Assigned to	Head Teacher/ Education Business Officer (Ardrossan Academy)
Due Date	Completed
Management Response	Ardrossan Academy - spreadsheets and petty cash vouchers are currently issued to Head Teacher to sign/approve all cash expenditure. Spreadsheets will be loaded into SDOL.

Action	h
Action Description	Approvers must ensure that cash expenditure is appropriate by reviewing the spreadsheet uploaded onto the Procurement Card system (SDOL).
Risk	Inappropriate use of Council funds; procurement rules are circumvented.
Priority (1, 2, 3)	2
Paragraph Reference	3.14
Assigned to	Education Business Officer (Kilwinning Academy)/ Head Teacher
Due Date	Completed
Management Response	Kilwinning Academy - The Head Teacher and Education Business Officer diary a time on the 28th of each month (or closest date) to ensure expenditure has been coded correctly and dates for imprest claims are checked.

Action	i1
Action Description	School fund records must be reconciled to the bank statement monthly – either using software, or manually.
Risk	Errors are not identified timeously.
Priority (1, 2, 3)	2
Paragraph Reference	3.1
Assigned to	Education Business Officer (Ardrossan Academy)
Due Date	Completed
Management Response	Ardrossan Academy - school fund records are now fully up to date and will continue to be reconciled monthly using Carn Software.

Action	i2
Action Description	School fund records must be reconciled to the bank statement monthly – either using software, or manually.
Risk	Errors are not identified timeously.
Priority (1, 2, 3)	2
Paragraph Reference	3.12
Assigned to	Head Teacher
Due Date	Completed
Management Response	Irvine Royal Academy - due to staff sickness the normal process for school fund reconciliation was not able to be adhered to. As soon as the fund's Year End account was audited and returned, office staff were able to record expenditure and record on Carn Software.

Action	i3
Action Description	School fund records must be reconciled to the bank statement monthly – either using software, or manually.
Risk	Errors are not identified timeously.
Priority (1, 2, 3)	2
Paragraph Reference	3.14
Assigned to	Education Assistant (Kilwinning Academy)
Due Date	Completed
Management Response	Kilwinning Academy - normal practice in Kilwinning was to reconcile fund to bank statement every month. This was problematic from Aug 17 to Oct 17 due to several delays in closing off previous years fund, moving software from one to PC to another (software licence only covers one PC) and due to staff remits changing the person working on school fund had to be trained. Fund is now reconciled on a monthly basis.

Action	j
Action Description	A paperwork trail must exist for all withdrawals from the school fund. This should include details such as who is requesting the cash/cheque, the reason for the withdrawal and have some form of back up attached.
Risk	Inappropriate items could be paid for using school fund cash.
Priority (1, 2, 3)	2
Paragraph Reference	3.6
Assigned to	Education Business Officer (Auchenharvie Academy) / Education Assistant (Auchenharvie Academy)
Due Date	Completed
Management Response	Auchenharvie Academy - since being audited we have implemented a withdrawal slip for each request. Withdrawal slips are now signed by person requesting funds, the fund treasurer and the fund secretary in line with the school fund constitution. A reminder has been issued to all staff to ensure that no withdrawal will be authorised without a receipt. In addition the points noted during the audit have been addressed: Keyholder registers for each cash tin completed; cash meal float updated, additional cash tin purchased and income book signed at time of deposit.

Action	k1
Action Description	Inventory records must be kept up to date
Risk	Loss or theft of Council property is not easily identified.
Priority (1, 2, 3)	2
Paragraph Reference	3.1
Assigned to	Education Business Officer
Due Date	16 April 2018
Management Response	Ardrossan Academy - furniture inventory will be updated by Easter and annually thereafter.

Action	k2
Action Description	Inventory records must be kept up to date
Risk	Loss or theft of Council property is not easily identified.
Priority (1, 2, 3)	2
Paragraph Reference	3.4
Assigned to	Depute Head Teacher
Due Date	Completed
Management Response	Arran High - inventory records fully reviewed in weeks following Internal Audit visit. Will be updated as an ongoing task, Depute Head Teacher has confirmed that a further review will be completed at the end of March.

Action	k3
Action Description	Inventory records must be kept up to date
Risk	Loss or theft of Council property is not easily identified.
Priority (1, 2, 3)	2
Paragraph Reference	3.14
Assigned to	Education Assistant/ ICT Technician
Due Date	31 March 2018
Management Response	Kilwinning Academy - due to staff changes this requires updating. We have implemented a new system where departments themselves continually update a database held on a central network.

Action	l
Action Description	Separate inventory records must be created for assets purchased using school fund money. Consideration should be given to arranging insurance for such assets as these wouldn't be covered via the Council's insurance policy.
Risk	Loss or theft of school fund assets is not easily identified. This risk is not being mitigated via an insurance policy.
Priority (1, 2, 3)	2
Paragraph Reference	3.4
Assigned to	Education Business Officer (Arran High)
Due Date	Completed
Management Response	Arran High - It has come to light since the completion of the audit that the assets discussed during the internal audit visit were not purchased using school fund money. They belong to the Arran High School Mountain Bike Club, who has been registered as a charity, and is funded predominantly by grants. The club is currently obtaining quotes for trails that they are building, so will include this equipment.

Action	m
Action Description	Furniture and fittings inventory records need to be expanded to give greater detail.
Risk	Loss or theft of Council property is not easily identified.
Priority (1, 2, 3)	2
Paragraph Reference	3.12
Assigned to	Education Business Officer (Auchenharvie Academy), Education Assistant (Auchenharvie Academy)
Due Date	29 June 2018
Management Response	Irvine Royal Academy - the information held centrally is of large items of furniture in each of the rooms in the school. Departments may well have more detailed inventories for their own areas but the Depute Head Teacher with responsibility for health and safety does not have a copy of this information. We will ask Principal Teacher's to complete a more detailed inventory and store it in a central location for the summer term.

Priority Key used in Action Plan

1 (High)	Control weakness where there is a material impact on the achievement of the control objectives, generally requiring prompt attention.
2 (Medium)	Control weakness which needs to be rectified, but where there is no material impact on the achievement of the control objectives.
3 (Low)	Minor weakness or points for improvement.

<p style="text-align:center">**EXECUTIVE SUMMARY**
HSCP COMPLAINTS HANDLING PROCEDURE</p>

Background

This audit was undertaken as part of the Audit Plan of the Integration Joint Board (IJB) Performance and Audit Committee. The audit relates to complaints handling by the IJB and also Health and Social Care Partnership (HSCP) complaints which follow the Council's complaints procedure (rather than those handled under NHS procedures, which are outside the scope of the audit).

The IJB has its own Complaints Handling Procedure for complaints specifically relating to policies, decisions and administration in relation to the decision making process of North Ayrshire IJB. Other complaints about the activities of the HSCP will be handled under one of the partner organisations' existing procedures. As at 1st April 2017, the HSCP introduced a new 2-stage Complaints Handling Procedure for Social Work Complaints, bringing them into line with the corporate procedure for the Council. Previously there was a separate 3-stage procedure for Social Work Complaints. If a complainant is dissatisfied with the handling of their complaint, they can refer it to the Scottish Public Services Ombudsman (SPSO).

Key Objectives

The main objectives of this audit were to:
- Obtain background information and ensure required procedures are in place
- Ensure that there are adequate arrangements in place to disseminate procedures to staff and service users
- Ensure that there are adequate arrangements in place to record complaints and their outcomes
- Ensure that there are appropriate arrangements to give managers and board members oversight of complaints handling and ensure that lessons are learnt from complaints

Key Findings and Actions

All the recommended actions arising from this audit are detailed in the action plan which follows this Executive Summary. The key findings are as follows:
- Complaints statistics should be presented to the Health and Care Governance Group and thereafter the IJB, but this has not yet been done due to changes in group membership and cancelled meetings of the Health and Care Governance Group
- Lessons learnt from complaints are not always recorded centrally in the Lagan system, although they are generally disseminated within the affected teams
- Around 20% of complaints recorded in the period April-September 2017 were not resolved within the set timescales.

Audit Opinion

Overall, reasonable assurance was obtained with regard to complaints handling in the Health and Social Care Partnership. Around 20% of the complaints received by the HSCP during the first 6 months of 2017/18 were not resolved within the set timescales. Lessons learnt from complaints are generally disseminated well within the teams immediately affected but they are not always being recorded centrally which would allow other parts of the partnership to benefit from any relevant learning points.

ACTION PLAN
HSCP COMPLAINTS HANDLING PROCEDURE

Action	a
Action Description	The HSCP should ensure that complaints statistics are presented to the Health and Care Governance Group and thereafter the IJB on at least a 6-monthly basis
Risk	Lack of oversight of complaints from the IJB. Board members are unaware of issues affecting the service received by users of partnership services
Priority (1, 2, 3)	1
Paragraph Reference	3.10
Assigned to	Team Manager (Governance)
Due Date	Complete
Management Response	It has been agreed to produce complaints statistics on a quarterly basis to the Health and Care Governance Group. The Health and Care Governance Group will produce a flash report for the IJB which will include complaints.

Action	b
Action Description	The HSCP should remind managers to record lessons learnt from complaints in Lagan
Risk	Lessons learnt are not disseminated more widely than the team immediately involved in the complaint. Management information on the effectiveness of the process is not captured
Priority (1, 2, 3)	2
Paragraph Reference	3.13
Assigned to	Governance Officer
Due Date	Complete
Management Response	Governance Officer has emailed all managers / investigating officers to remind them that outcomes and improvement plans arising from investigated complaints must be recorded on Lagan.

Action	c
Action Description	The HSCP should consider presenting any action plans arising from complaints to the PSMT
Risk	Managers are not aware of actions arising from complaints. Opportunity for cross-service learning is missed. Action plans are not fully implemented.
Priority (1, 2, 3)	3
Paragraph Reference	3.14
Assigned to	Governance Officer
Due Date	Complete
Management Response	Any Action plans arising from complaints will be circulated across all areas of Service.

Action	d
Action Description	The HSCP should remind officers to apply for an extension for a Stage 1 or Stage 2 complaint where it is anticipated the complaint will not be resolved within the set timescale
Risk	Complainants are not receiving the level of service they are entitled to. Criticism from the SPSO if the complaint is eventually referred to them.
Priority (1, 2, 3)	1
Paragraph Reference	3.16
Assigned to	Governance Officer
Due Date	Complete
Management Response	Governance Officer has emailed all managers / investigating officers reminding them of the process, whereby extensions to complaints at both Stage 1 and 2 are possible, if the final response is going to be delayed, and that approval for extensions must be requested from the Director.

Priority Key used in Action Plan

1 (High)	Control weakness where there is a material impact on the achievement of the control objectives, generally requiring prompt attention.
2 (Medium)	Control weakness which needs to be rectified, but where there is no material impact on the achievement of the control objectives.
3 (Low)	Minor weakness or points for improvement.

EXECUTIVE SUMMARY
ROADS PROCUREMENT

Background

An audit of Roads' Use of Contractors was undertaken in 2015/16. The Corporate Fraud Team also undertook an investigation relating to procurement processes in Roads in the same year. These both led to a number of improvement actions being recommended.

Key Objectives

The main objectives of this audit were to:
- Extract and analyse details of Roads expenditure on contractors and other supplies
- Ensure that procedures are in place so that contracts are awarded in accordance with the Council's Standing Orders relating to Contracts, represent best value for money and include sufficient separation of duties
- Ensure that controls with respect to payments, performance monitoring and segregation of duties are being applied when using sub-contractors
- Ensure that purchases other than sub-contractors are appropriate and the Council is only paying for goods and services that are ordered and received.

Key Findings and Actions

All the recommended actions arising from this audit are detailed in the action plan which follows this Executive Summary. The key finding is as follows:
- Testing identified a payment which had been made on a payment request rather than a VAT invoice which would have prevented the Council from claiming back £2,889 of VAT.

Audit Opinion

Overall, substantial assurance was obtained with regard to procurement processes in Roads.

There has been a significant improvement in controls with regards to procurement in Roads since the last audit.

ACTION PLAN
ROADS PROCUREMENT

Action	a
Action Description	Roads management should remind their employees to ensure that they obtain a valid VAT invoice wherever applicable. If advice is required regarding VAT issues, Financial Services should be contacted.
Risk	The Council is unable to reclaim VAT on the expenditure.
Priority (1, 2, 3)	2
Paragraph Reference	3.7
Assigned to	Team Manager – Structures, Flooding & Design
Due Date	Complete
Management Response	This was an isolated incident where an invoice submitted wasn't a valid VAT invoice. Roads employees and appropriate Business Support employees have been reminded of the need to ensure a VAT invoice has been obtained when authorising and administering payments.

Priority Key used in Action Plan

1 (High)	Control weakness where there is a material impact on the achievement of the control objectives, generally requiring prompt attention.
2 (Medium)	Control weakness which needs to be rectified, but where there is no material impact on the achievement of the control objectives.
3 (Low)	Minor weakness or points for improvement.

EXECUTIVE SUMMARY
PLACING REQUESTS

Background

The school placing request process makes provision for parents who are unsuccessful in a placing request to lodge an appeal against the decision. This appeal is heard by the Education Appeals Committee. The process and timescales which must be followed are governed by statute.

In 2014 there was a failure in the appeals process and a special investigation identified some process weaknesses and recommendations to correct these.

Key Objectives

The main objectives of this audit were to ensure that:

- policies and procedures meet prescribed legal requirements
- Information regarding placement numbers is timeously and accurately identified
- Guidance provided supports an informed decision making process
- The Appeals Committee process is robust
- Appellants are informed of decisions and their rights

Key Findings and Actions

All the recommended actions arising from this audit are detailed in the action plan which follows this Executive Summary. The key findings are as follows:

- Policies and procedures were in place and a timetable for completion of the registration process allowed time for management decisions to be made.
- School class sizes are published annually by the Scottish Government and trends were identified in some, but not all school handbooks available online. Trend analysis identifying changes in housing and birth spikes is undertaken but should be reported to committee, to allow long term plans to be formulated.
- Guidance to parents and carers on the appeals process is clear and concise.
- The Appeals Committee process is robust.
- Appellants were informed of their rights at all stages of the placement process.

Audit Opinion

Overall, substantial assurance was obtained with regard to the administration of placing requests.

Guidance to parents and carers in relation to the appeals process is comprehensive and easy to understand.

The majority of requests were resolved prior to implementing the appeals process.

ACTION PLAN
PLACING REQUESTS

Action	a
Action Description	Update links to placing requests forms on the Council's internet site.
Risk	Applicants will be less able to complete placing requests timeously
Priority (1, 2, 3)	2
Paragraph Reference	3.1
Assigned to	Administrative Officer Education and Youth Employment
Due Date	Completed.
Management Response	The website information was reviewed and updated following the pre-meeting with the auditor. The team's Annual Checklist has also been updated to include a 3 monthly check of website data.

Action	b
Action Description	Regular reports showing trend changes in local population such as housing developments and birth rates should be provided to assist long term decision making.
Risk	Long term trend changes in local population are not recognised timeously and management are unaware of resource implications. Schools do not have sufficient capacity to meet their catchment area population, incur extra expense adapting to greater numbers and the recruitment of more teachers.
Priority (1, 2, 3)	2
Paragraph Reference	3.11
Assigned to	Senior Manager (Property and Infrastructure)
Due Date	30 September 2018
Management Response	Education and Youth Employment are continuously assessing the learning estate to ensure fit for purpose learning environments for our children and young people. This work is ongoing with other internal and external services. Education and Youth Employment work with colleagues in Property Management and Investment to report on the condition of the School Estate. This **Core Fact** on condition is part of a suite of **Core Facts** for which data is collected annually as part of the performance management regime for the School Estate Strategy. A main condition included in this suite of Core Fact is Capacity – one of the major challenges for local authorities in managing their school estate is to match the evolving demand for space to deliver education and other services, with supply. This core fact focuses on one major aspect of sufficiency: pupil places. An assessment of sufficiency provides a means for the local authority to determine which of its schools are under or over-occupied by looking at physical space available and type of use. This, along with data on local pupil projections, helps us to achieve sufficiency or occupancy objectives in the short to medium term and plan for the long term. The primary aim of a sufficiency

	assessment is to offer an objective and consistent method of identifying any surplus or deficit of pupil places in relation to current and projected future demand. This Core Facts information is collected on the extent, condition and sufficiency of the school estate. Information is used at both national and local level to inform targets, spending decisions, support monitoring and evaluation of progress over time and support assessments of value for money. The results are included in the December education statistics compendia published by the Scottish Government. EYE will make arrangements to report this data to Elected Members in September each year, ahead of the Scottish Government publishing.

Priority Key used in Action Plan

1 (High)	Control weakness where there is a material impact on the achievement of the control objectives, generally requiring prompt attention.
2 (Medium)	Control weakness which needs to be rectified, but where there is no material impact on the achievement of the control objectives.
3 (Low)	Minor weakness or points for improvement.

NORTH AYRSHIRE COUNCIL

27 March 2018

Audit and Scrutiny Committee

Title:	Internal Audit and Corporate Fraud action plans: Quarter 3 update
Purpose:	To advise the Audit and Scrutiny Committee on the progress made by Council Services in implementing the agreed actions from Internal Audit and Corporate Fraud reports as at 31 December 2017.
Recommendation:	That the Committee (a) notes the current position with the implementation of Internal Audit and Corporate Fraud actions; and (b) challenges those Services that have not implemented actions within the previously agreed timescales.

1. **Executive Summary**

1.1 The CIPFA document 'Audit Committee Principles in Local Authorities in Scotland' highlights that Audit Committees should monitor and review the progress made in implementing audit recommendations.

1.2 Service managers are responsible for ensuring that agreed actions arising from Internal Audit and Corporate Fraud reviews are implemented. This provides assurance that identified control weaknesses have been addressed and are being managed effectively.

1.3 All actions are monitored on the Pentana system and service managers are responsible for updating Pentana as they progress each action. This enables Internal Audit to monitor progress on a 'real-time' basis and address any delays in implementation.

1.4 This report details the position at 31 December 2017.

2. **Background**

2.1 The last report to the Audit and Scrutiny Committee on 14 November 2017 highlighted that there were 36 actions outstanding at the end of September 2017: 9 that had not been started or were only partially implemented and 27 where the due date had not yet passed.

2.2 In addition to these 36 'carried forward' actions, there have been 62 new actions agreed during quarter 3, giving a total of 98 action points for review.

2.3 Services have completed 58 actions since the last report. All services are required to retain evidence of work carried out in completing their actions and Internal Audit carries out 'spot-checks' on a sample of completed actions on an ongoing basis.

2.4 Of the remaining 40 actions, 11 were either not started or only partially complete at 31 December 2017 and the remaining 29 were not due for completion until after that date.

2.5 Appendix 1 to this report provides the Committee with full details of the 11 actions that were not complete within the agreed timescales.

3. Proposals

3.1 It is proposed that the Committee (a) notes the current position with the implementation of Internal Audit and Corporate Fraud actions; and (b) challenges those services that have not implemented actions within the previously agreed timescales.

4. Implications

Financial:	None.
Human Resources:	None.
Legal:	None.
Equality: **Children and Young People:**	None. None.
Environmental & Sustainability:	None.
Key Priorities:	The effective implementation of agreed Internal Audit and Corporate Fraud actions helps to support the efficient delivery of the strategic priorities within the Council Plan 2015-2020.
Community Benefits:	None.

5. Consultation

5.1 Council Services are consulted during the completion of each Internal Audit and Corporate Fraud review and have also provided updates on progress made in implementing action points.

Laura Friel
Executive Director (Finance and Corporate Support)

For further information please contact **Paul Doak, Senior Manager (Internal Audit, Risk and Fraud)** on **01294-324561**.

Background Papers
N/A

Actions due by 31st December 2017 but not yet started or partially complete

Generated on: 28 February 2018

Code	IA2015PA031d	Description	The Information Governance Manager should review the arrangements for destroying confidential waste at all locations across the Council, with a view to ensuring that there are established arrangements for confidential waste at all locations, whilst also raising awareness of confidential waste disposal policies.		
Priority	1	Latest Note	2017/18 Quarter Three Update: The Confidential Waste policy was created under the GDPR Project, and submitted for review to Executive Leadership Team in January. ELT requested an additional review of current council status, gaps, and requirements to deliver compliance. This is being progressed as a sub-project under GDPR, with resource assigned. During February a questionnaire has been developed and issued across the Council to gather information on the existing set-ups, equipment and processes. The new overall target date to deliver the outcome report and recommendations / next steps is 30th April 2018.		
Progress Bar	90%	Original Due Date	30-Jun-2015	Due Date	31-Mar-2017
Parent Code & Title	IA2015PA031 Information Management and Data Protection			Managed By	Esther Gunn
				Assigned To	Angela MacDonald; Elizabeth Quinn

1

Code	IA2016PA001c	Description	Employment Services should ensure that password rules are updated within CHRIS so that a mixture of upper and lower case letters, numbers and special characters are used.
Priority	1	Latest Note	**2017/18- Quarter Three Update**: Frontier software have yet to release some required fixes. Some are due for release between December 2017 and March 2018. Implementation of Version 8 will not take place prior to March 2018. New implementation date of approximately August 2018 dependant on testing outcomes of the newest releases.
Progress Bar	75%	Original Due Date	30-Sep-2016	Due Date	31-Oct-2017

Parent Code & Title	IA2016PA001 HR/Payroll System		Managed By	Fiona Walker
			Assigned To	Karen Clarke

Code	IA2016PA021a	Description	The Corporate Transport Hub, supported by Legal Services, should continue to liaise with SPT to finalise a mutually acceptable Agency Agreement and have this signed at the earliest opportunity.
Priority	1	Latest Note	**2017/18- Quarter Three Update**: Another draft of the main Agency Agreement has been sent to SPT. In spite of repeated chasing, progress is slow. Anticipated completion date 31st August 2018.
Progress Bar	96%	Original Due Date	31-Mar-2016	Due Date	01-Dec-2017

Parent Code & Title	IA2016PA021 Transportation		Managed By	Andrew Fraser; Russell McCutcheon
			Assigned To	Susan Adamson; Gordon Mitchell; Nicola Shearer

2

Code	IA2016PA024d	Description	Passwords controls for staff in the schools accessing the Education network should be tightened in line with best practice.
Priority	2	Latest Note	**2017/18- February Update** **Progress**: The self-service password reset tool has been procured and is scheduled to be installed on 1 March 2018. The product will push out to devices on the Education IT Network. **Next Steps:** Teachers and teaching staff should setup their questions and answers as aids for resetting passwords. IT Services will force the password change at a time agreed by Education HQ to avoid disruption in schools. This will be before the end of June 2018 however it is hopeful that this can be undertaken in March, still avoiding Education's peak exam period.

Progress Bar	90%	Original Due Date	30-Jun-2016	Due Date	30-Nov-2017
Parent Code & Title	IA2016PA024 Education Network Controls			Managed By	Esther Gunn; Brendan Quigley
				Assigned To	Iain Chisholm; Lorna Morley; Brendan Quigley

Code	IA2016PA029g	Description	The Head of Democratic Services should consider renewing the Data Sharing Protocol for procurement with the Police
Priority	2	Latest Note	**2017/18- Quarter Three Update**: Last Ayrshire Prevent meeting when document was to have been available for signature was cancelled. There is an issue as to whether it should be a wider agreement involving all partners, not just Police and North Ayrshire Council. This action is with the Police and is outwith our control. Anticipated completion date 31st August 2018.

Progress Bar	95%	Original Due Date	31-Mar-2017	Due Date	01-Dec-2017
Parent Code & Title	IA2016PA029 Serious Organised Crime			Managed By	Andrew Fraser
				Assigned To	Andrew Fraser

3

Code	IA2017PA018b	Description	PMI should review the retention of records within the K2 system with advice from the Council's Information Governance team and establish a clear policy for how they will deal with this issue.		
Priority	1	Latest Note	**2017/18- Quarter Three Update**: The Council's document retention/disposals schedule has been obtained and actions noted for the retention of asset management information. The Council's Information Governance Team are in discussions to review and ensure the retention procedures are correct. The review will be complete by the end of March 2018.		
Progress Bar	40%	Original Due Date	30-Sep-2017	Due Date	31-Dec-2017
Parent Code & Title	IA2017PA018 Asset Management System			Managed By	Yvonne Baulk
				Assigned To	Laurence Cree

Code	IA2018PA014b	Description	Whilst details of how framework should operate is part of the detailed tender document, the Corporate Procurement Unit (CPU) should assist Services by providing additional support in the form of a step by step, plain English, guidance note. This note should be expanded to cover, not only frameworks, but also mini competitions, tenders, contract refresh options etc. This document should spell out the Services roles, responsibilities and indicate when guidance should be sought from the CPU.		
Priority	1	Latest Note	The procurement manual is under review and has a revised target completion date of Mar 2018		
Progress Bar	75%	Original Due Date	21-Dec-2017	Due Date	21-Dec-2017
Parent Code & Title	IA2018PA014 Recycling And Landfill			Managed By	Head of Finance
				Assigned To	Anne Lyndon

4

Code	IA2018PA024a	Description	Update the Centre's website, and all printed literature to show the prices approved by cabinet.
Priority	1	Latest Note	**2017/18- Quarter Three Update**: The revised business model and cost structure will be presented to Cabinet in March 2018.
Progress Bar	75%	Original Due Date	31-Dec-2017	Due Date	31-Dec-2017

Parent Code & Title	IA2018PA024 Arran Outdoor Education Centre	Managed By	Audrey Sutton
		Assigned To	Ian Staples

Code	IA2018PA024f	Description	All customers must be charged the full rates approved by Cabinet. If staff feel that offering discount rates for larger bookings and/or repeat customers would be beneficial for business, then approval must be sought from Cabinet to offer such incentives - and the criteria for qualifying for a discount must be clearly stated (e.g. 20% discount parties over 20, 10% for return customers etc.)
Priority	1	Latest Note	**2017/18- Quarter Three Update**: The revised business model will be presented to Cabinet in March 2018.
Progress Bar	75%	Original Due Date	31-Dec-2017	Due Date	31-Dec-2017

Parent Code & Title	IA2018PA024 Arran Outdoor Education Centre	Managed By	Audrey Sutton
		Assigned To	John McKnight

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Code	IA2018PA024l	Description	Perform a review of data security procedures within the centre, paying particular attention to those surrounding the use and storage of the photographic images of children. Advice should be sought form the council's data protection team, but the review should include:- -Amending the wording within the parent/guardian consent form. This needs to include a statement that images will be shared with other parties (i.e. copy of photos will be passed to school/group who organised the trip) -Parental consent must be requested on an 'opt in' basis , rather than an 'opt out' -The centre's website should include a link to its 'privacy policy'		
Priority	2	Latest Note	**2017/18- Quarter Three Update**: The Council Data Protection Officer has advised on changes required to centre paperwork. This is in the process of being addressed amongst other issues within the centre's website. This action forms part of the larger body of work to comply with GDPR. It will be complete alongside the service's similar actions by 25th May 2018.		
Progress Bar	50%	Original Due Date	30-Nov-2017	Due Date	30-Nov-2017
Parent Code & Title	IA2018PA024 Arran Outdoor Education Centre			Managed By	Audrey Sutton
				Assigned To	Ian Staples

Code	IA2018PA028h3	Description	The establishment should raise and receipt goods/services via the Integra system directly		
Priority	2	Latest Note	Manager to discuss this with line managers. Meeting arranged for 6th March 2018.		
Progress Bar	22%	Original Due Date	30-Sep-2017	Due Date	30-Sep-2017
Parent Code & Title	IA2018PA028 HSCP Establishment Visits			Managed By	Thelma Bowers
				Assigned To	Brian Fitzpatrick

6

NORTH AYRSHIRE COUNCIL

27 March 2018

Audit and Scrutiny Committee

Title:	**Internal Audit Plan 2018-2023**
Purpose:	To inform the Committee of the proposed Internal Audit plan for 2018-2019 and the indicative programme of work for the period 2019-2023.
Recommendation:	That the Committee (a) approves the Internal Audit plan for 2018-2019, (b) notes the indicative programme for 2019-2023 and (c) agrees the indicators and targets at 2.6.

1. Executive Summary

1.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) / Institute of Internal Auditors (IIA) Public Sector Internal Audit Standards (PSIAS) require the preparation of a risk-based audit plan. This should be fixed for a period of no more than one year.

1.2 The PSIAS also requires that the plan should be based on a clear understanding of the organisation's functions and the scale of potential audit areas. The plan should be partly informed by consultation with key stakeholders. The Audit and Scrutiny Committee should approve the Internal Audit plan.

2. Background

2.1 A review has been carried out to identify all areas within the Council that could potentially be subject to Internal Audit work. A number of sources of evidence have been used to identify all the auditable areas and to assess the risk or significance of each one:

- consultation with members of the Executive Leadership Team (ELT);
- review of the strategic and service risk registers;
- review of the Council Plan 2015-2020;
- key issues arising from the External Audit Report on the 2016-17 annual accounts;
- review of other local authorities' Internal Audit plans; and
- knowledge and experience of Internal Audit staff.

2.2 Appendix 1 to this report contains the full list of auditable areas and provides an indicative programme of work for Internal Audit for the 5-year period from April 2018 to March 2023. In the later years, the allocated days vary slightly from the available resources; this will allow greater flexibility in finalising the detailed audit plan each year. The indicative programme of work will be reviewed each year and may change to reflect the priorities at that time.

2.3 The risk or significance of each area has been assessed as high, medium or low. Where an area has been identified as having high risk or significance to the Council, Internal Audit will aim to review either all or part of this every 1 to 2 years. Areas of medium risk or significance will be reviewed every 3-4 years. Areas of low risk or significance are no longer routinely audited but are included in 'reserve lists' each year to be audited in the event that the approved plan is completed or priorities change.

2.4 The total available audit time for 2018-19 is estimated at 721 days (2017-18: 673 days). Productive audit time is estimated to be 624 days (2017-18: 586 days) and non-productive time is estimated to be 97 days (2017-18: 87 days). There is a small increase in the audit days available due to staffing changes within the team.

2.5 Appendix 2 contains the detailed audit plan for 2018-19 and indicates which quarter of the financial year it is intended to commence each audit. This may be subject to some change depending on available resources and any requirement to carry out ad-hoc investigation work throughout the year. 22 of the 624 days have been set aside for possible investigation work.

2.6 In order to assist with tracking the performance of Internal Audit against the agreed plan during 2018-19, it is proposed that the undernoted indicators will be used. Performance against these indicators will be monitored quarterly and reported to the Audit and Scrutiny Committee as part of the Annual Report, together with a summary of feedback received from customer surveys:

Indicator	Actual Q3 2017-18	Target 2018-19
Percentage of auditor time spent productively	86%	87%
Training days per auditor	4.3 days	3.6 days
Audits complete in budgeted days	47%	75%
Draft reports issued within 21 days of fieldwork completion	89%	100%
Final reports issued within 14 days of agreement of action plan	94%	100%

2.7 Actual performance against the 'audits complete in budgeted days' indicator is significantly below target. This reflects the completion of individual audit assignments rather than the audit plan as a whole which is on track for completion at the end of 2017-18; other assignments which have been under budget have compensated. Most of the audits which have been over budget have only been marginally so, although two audits relating to Arran Outdoor Centre and Secondary Schools had budgets which were insufficient for the audit work required.

3. Proposals

3.1 It is proposed that the Committee (a) approves the Internal Audit plan for 2018-2019, (b) notes the indicative programme for 2019-2023 and (c) agrees the indicators and targets at 2.6 above.

4. Implications

Financial:	None.
Human Resources:	None.
Legal:	None.
Equality:	None.
Environmental & Sustainability:	None.
Key Priorities:	The work of Internal Audit helps to support the efficient delivery of the strategic priorities within the Council Plan 2015-2020.
Community Benefits:	None.

5. Consultation

5.1 Consultation has taken place with the Executive Directors and the Director of the Health and Social Care Partnership during the preparation of the Internal Audit plan.

Laura Friel
Executive Director (Finance and Corporate Support)

For further information please contact **Paul Doak, Senior Manager (Internal Audit, Risk and Fraud)** on **01294-324561**.

Background Papers
N/A

AUDIT CATEGORY	AUDITABLE AREA	Risk or Significance	Last Audited (since 2012-13)	Audit Frequency	Days per Audit	AUDIT DAYS AVAILABLE 624 / Audit Days 2018-19	624 2019-20	624 2020-21	624 2021-22	624 2022-23
Key Corporate Systems	CHRIS HR/Payroll system	High	2017-18	Every 1-2 years	15	-	15	-	15	-
Key Corporate Systems	Customer Services (inc. Lagan CRM system)	Medium	2017-18	Every 3-4 years	15	-	-	15	-	-
Key Corporate Systems	Accounts Receivable	Medium	2016-17	Every 3-4 years	15	-	-	15	-	-
Key Corporate Systems	Procurement and Accounts Payable	High	2017-18	Every 1-2 years	15	15	15	15	15	15
Key Corporate Systems	VAT	Medium	2016-17	Every 3-4 years	10	-	-	-	10	-
Key Corporate Systems	Treasury Management	Medium	2015-16	Every 3-4 years	10	-	-	10	-	-
Key Corporate Systems	General Ledger system	High	2014-15	Every 1-2 years	15	15	15	15	15	15
Key Corporate Systems	Income Collection (inc. system and establishments)	High	2016-17	Every 1-2 years	20	20	-	20	-	20
Other Systems	Licensing	Medium	2016-17	Every 3-4 years	20	-	20	-	-	20
Other Systems	Members Allowances and Expenses	Medium	2015-16	Every 3-4 years	15	15	-	-	15	-
Other Systems	Social Media	Medium	2017-18	Every 3-4 years	15	-	-	-	15	-
Other Systems	Museums and Heritage	Low	2014-15	Reserve list	15	-	-	-	-	-
Other Systems	Library and Information service	Low	-	Reserve list	15	-	-	-	-	-
Other Systems	Community Facilities booking system	Low	-	Reserve list	10	-	-	-	-	-
Other Systems	Funding support to businesses including external compliance	Medium	2016-17	Every 3-4 years	20	-	20	-	-	-
Other Systems	Regeneration	Medium	2015-16	Every 3-4 years	15	15	-	-	-	15
Other Systems	Planning and building control income	Low	2013-14	Reserve list	10	-	-	-	-	-
Other Systems	Trading Standards	Low	-	Reserve list	15	-	-	-	-	-
Other Systems	Environmental Health (inc. FLARE system; FSA audit)	Low	-	Reserve list	15	-	-	-	-	-
Other Systems	Payments to Private Nurseries	Low	2013-14	Reserve list	10	-	-	-	-	-
Other Systems	Education Placements with non-Council establishments	Medium	2015-16	Every 3-4 years	15	-	15	-	-	-
Other Systems	Placing Requests	Low	2017-18	Reserve list	10	-	-	-	-	-
Other Systems	Supply teachers	Medium	2016-17	Every 3-4 years	15	-	-	15	-	-
Other Systems	SEEMIS/Click and Go	Medium	2015-16	Every 3-4 years	15	-	15	-	-	15
Other Systems	Procurement of Educational supplies	Medium	2017-18	Every 3-4 years	15	-	-	-	15	-
Other Systems	PPP unitary charge	Low	-	Reserve list	10	-	-	-	-	-
Other Systems	School Funds	Low	2015-16	Reserve list	10	-	-	-	-	-
Other Systems	Agency staff and workers	Medium	2015-16	Every 3-4 years	10	-	10	-	-	10
Other Systems	Revenues and Benefits (inc. Welfare Reform)	High	2016-17	Every 1-2 years	15	15	-	15	-	15
Other Systems	Risk Management	Low	-	Reserve list	10	-	-	-	-	-
Other Systems	Insurance	Medium	2015-16	Reserve list	10	-	-	-	-	-
Other Systems	Business Continuity	Medium	-	Every 3-4 years	10	10	-	-	-	-
Other Systems	Revenue Budget Monitoring	High	2017-18	Every 1-2 years	20	-	20	-	20	-
Other Systems	Capital Monitoring	Medium	2015-16	Every 3-4 years	15	-	15	-	-	15
Other Systems	Social Services Clients - financial assessments	Medium	2017-18	Every 3-4 years	15	-	-	15	-	-
Other Systems	Financial Intervention Orders/Corporate Appointeeships	Medium	2016-17	Every 3-4 years	15	-	15	-	-	15
Other Systems	Foster care/adoption/kinship carers payments	Medium	2017-18	Every 3-4 years	15	-	-	15	-	-
Other Systems	Residential Schools	Medium	2015-16	Every 3-4 years	10	-	10	-	-	-
Other Systems	Criminal Justice	Low	2014-15	Reserve list	15	-	-	-	-	-
Other Systems	Charging for Social Care Services	Medium	-	Every 3-4 years	25	25	-	-	25	-

AUDIT CATEGORY	AUDITABLE AREA	Risk or Significance	Last Audited (since 2012-13)	Audit Frequency	Days per Audit	Audit Days				
						2018-19	2019-20	2020-21	2021-22	2022-23
Other Systems	Self Directed Support	Medium	2016-17	Every 3-4 years	15	-	15	-	-	-
Other Systems	Community based support (including CM2000 system)	Medium	2015-16	Every 3-4 years	20	20	-	-	20	-
Other Systems	Aids and Adaptations	Medium	2014-15	Every 3-4 years	20	20	-	-	-	-
Other Systems	Throughcare payments	Medium		Every 3-4 years	15	15	-	-	-	-
Other Systems	Blue Badge Scheme	Medium	2017-18	Every 3-4 years	15	-	-	15	-	-
Other Systems	Carefirst system	Medium	2016-17	Every 3-4 years	20	-	20	-	-	20
Other Systems	Integration Joint Board audit days	High	2017-18	Every 1-2 years	15	15	15	15	15	15
Other Systems	Building Services procurement (inc. sub-conts and materials)	Medium	2017-18	Every 3-4 years	15	-	-	15	-	-
Other Systems	Building Services stores controls	Medium	2013-14	Every 3-4 years	10	10	-	-	10	-
Other Systems	Building services systems	Medium	2012-13	Every 3-4 years	15	-	15	-	-	15
Other Systems	Transport Hub (inc. Fleetwave system; vehicle replacement)	Medium	2014-15	Every 3-4 years	15	-	15	-	-	15
Other Systems	Fuel controls	Medium	2017-18	Every 3-4 years	10	-	-	10	-	-
Other Systems	Burials and Bereavements service	Low	2013-14	Reserve list	10	-	-	-	-	-
Other Systems	Commercial Refuse service	Medium	2015-16	Every 3-4 years	15	-	15	-	-	-
Other Systems	Recycling and Landfill Contracts	Medium	2017-18	Every 3-4 years	15	-	-	-	-	15
Other Systems	Facilities Management - procurement	Medium	2017-18	Every 3-4 years	15	-	-	15	-	-
Other Systems	School meals income (inc. IMPACT cashless catering)	Medium	2017-18	Every 3-4 years	15	-	-	15	-	-
Other Systems	FM commercial income	Medium		Every 3-4 years	15	15	-	-	15	-
Other Systems	Transportation	Medium	2015-16	Every 3-4 years	15	15	-	-	15	-
Other Systems	Roads costing system	Low	2014-15	Reserve list	10	-	-	-	-	-
Other Systems	Roads stores controls	Medium	2013-14	Every 3-4 years	10	10	-	-	10	-
Other Systems	Roads procurement (inc. sub-conts; materials)	Medium	2017-18	Every 3-4 years	15	-	-	15	-	-
Other Systems	Housing Rents income and arrears (inc. iWorld system)	High	2017-18	Every 1-2 years	15	-	15	-	15	-
Other Systems	Asset Management (inc. Asset Register system K2)	Medium	2016-17	Every 3-4 years	15	-	-	15	-	-
Other Systems	Property Factoring	Low	2014-15	Reserve list	10	-	-	-	-	-
Other Systems	Planned maintenance and reactive repairs	Medium	2015-16	Every 3-4 years	15	-	15	-	-	15
Other Systems	Procurement and performance management of term contracts	Medium	2014-15	Every 3-4 years	20	20	-	-	20	-
Other Systems	Energy Efficiency and Carbon Management	Low	2014-15	Reserve list	10	-	-	-	-	-
Other Systems	Sale of Council land and buildings	Medium		Every 3-4 years	10	10	-	-	-	10
Other Systems	Commercial and industrial rents	Medium	2013-14	Every 3-4 years	15	15	-	-	-	15
Other Systems	Housing improvement grants	Low		Reserve list	15	-	15	-	-	-
ICT Auditing	Network Controls	Medium	2017-18	Every 3-4 years	20	-	-	-	20	-
ICT Auditing	Internet and e-mail Controls	Medium	2016-17	Every 3-4 years	20	-	20	-	-	20
ICT Auditing	Cyber resilience	High		Every 1-2 years	20	20	-	20	-	20
ICT Auditing	IT procurement and desktop support	Medium	2017-18	Every 3-4 years	15	-	-	-	15	-
ICT Auditing	IT assets	Medium	2015-16	Every 3-4 years	20	-	-	20	-	-
ICT Auditing	Telecommunications	Medium	2016-17	Every 3-4 years	20	-	20	-	-	20
Governance	Locality Planning / CPP	Medium		Every 3-4 years	15	-	-	15	-	-
Governance	Code of Corporate Governance	Medium	2015-16	Every 3-4 years	15	-	15	-	15	-
Governance	Information Governance and Data Protection	Medium	2016-17	Every 3-4 years	15	-	-	15	-	-
Governance	Serious and Organised Crime	Medium	2015-16	Every 3-4 years	15	-	15	-	-	15
Governance	Community Association accounts	Low	2017-18	Every 1-2 years	5	5	5	5	5	5
Governance	Community Benefits (planning process)	Medium		Every 3-4 years	15	15	-	-	15	-
Governance	HR Policies: Maximising Attendance	Low	2013-14	Reserve list	10	-	-	-	-	-
Governance	HR Policies: Equalities	Low	2014-15	Reserve list	10	-	-	-	-	-
Governance	HR Policies: Responsibility Allowances	Low	2012-13	Reserve list	10	-	-	-	-	-
Governance	HR Policies: Health and Safety Policies	Medium	2015-16	Every 3-4 years	10	-	10	-	-	10

AUDIT CATEGORY	AUDITABLE AREA	Risk or Significance	Last Audited (since 2012-13)	Audit Frequency	Days per Audit	Audit Days				
						2018-19	2019-20	2020-21	2021-22	2022-23
Governance	Leavers process (inc. removal from corporate systems)	Medium	2016-17	Every 3-4 years	15	-	-	15	-	-
Governance	Movers process (inc. access to information)	Medium		Every 3-4 years	20	20	-	-	20	-
Governance	Recruitment (inc. Talentlink)	Medium	2017-18	Every 3-4 years	10	-	-	-	10	-
Governance	PVG and Disclosure checking	Medium	2013-14	Every 3-4 years	15	15	-	-	15	-
Governance	Workforce Planning (inc. VER/VR schemes)	Medium	2015-16	Every 3-4 years	15	-	15	-	-	15
Governance	Gifts and Hospitality	Medium	2017-18	Every 3-4 years	10	-	-	-	10	-
Performance Monitoring	Performance Indicators	High	2016-17	Every 1-2 years	15	15	-	15	-	15
Performance Monitoring	Covalent system	Low		Reserve list	10	-	-	-	-	-
Regularity Audits	Outdoor Education	Medium	2017-18	Every 3-4 years	20	-	-	-	-	20
Regularity Audits	Eglinton Country Park	Low	2017-18	Reserve list	15	-	-	-	-	-
Regularity Audits	Special Schools	Low		Reserve list	15	-	-	-	-	-
Regularity Audits	Nursery establishments	Low	2012-13	Reserve list	15	-	-	-	-	-
Regularity Audits	Primary Schools	Medium	2014-15	Every 3-4 years	30	30	-	-	30	-
Regularity Audits	Secondary Schools	Medium	2017-18	Every 3-4 years	30	-	-	30	-	-
Regularity Audits	CAATs testing - Payroll	High	2017-18	Every 1-2 years	10	10	10	10	10	10
Regularity Audits	CAATs testing - Accounts Payable	High	2017-18	Every 1-2 years	10	10	10	10	10	10
Regularity Audits	Social Services Establishments	Medium	2017-18	Every 3-4 years	20	-	-	20	-	-
Following the Public Pound	Community Councils	Low	2017-18	Every 1-2 years	10	10	10	10	10	10
Following the Public Pound	Parent Council funding	Low		Reserve list	5	-	-	-	-	-
Following the Public Pound	Footwear and Clothing Grants	Medium	2012-13	Every 3-4 years	10	10	-	-	-	-
Following the Public Pound	Education Maintenance Allowances (EMAs)	Low	2013-14	Reserve list	10	-	-	-	-	-
Following the Public Pound	Tenants and Residents Associations	Low	2017-18	Every 1-2 years	2	2	2	2	2	2
Audits not finalised	Audits not finalised in previous year or started early	High	2017-18	Every 1-2 years	20	20	20	20	20	20
Audit Consultancy	Ad-hoc advice	High	2017-18	Every 1-2 years		12	10	10	10	10
Audit Consultancy	Project work	High	2017-18	Every 1-2 years		30	30	30	30	30
Other Planned Audit Work	Follow up of prior audit work	High	2017-18	Every 1-2 years	15	15	15	15	15	15
Other Planned Audit Work	Audit planning and monitoring	High	2017-18	Every 1-2 years	20	20	20	20	20	20
Other Planned Audit Work	Audit and Scrutiny Committee	High	2017-18	Every 1-2 years	25	25	25	25	25	25
Other Planned Audit Work	Review of Governance documents	High	2017-18	Every 1-2 years	5	5	5	5	5	5
Other Planned Audit Work	Development of the Audit Service	High	2017-18	Every 1-2 years	5	5	5	5	5	5
Other Planned Audit Work	Internal Audit self-assessment against PSIAS	High	2016-17	Every 1-2 years	2	2	2	2	2	2
Other Planned Audit Work	Internal Audit EQA (assess or being assessed)	Medium	2017-18	Every 3-4 years	10	-	-	-	10	10
Other Planned Audit Work	Grant claims	Low	2017-18	Every 1-2 years		8	5	5	5	5
Other Planned Audit Work	Year end accounts (AGS, imprests, etc)	High	2017-18	Every 1-2 years	3	3	3	3	3	3
Contingencies and Investigations	Non-Fraud Investigations	High	2017-18	Every 1-2 years		22	25	25	25	25
DAYS ALLOCATED						624	622	617	627	622
DAYS REMAINING						0	2	7	-3	2
TOTAL AUDIT DAYS AVAILABLE						624	624	624	624	624

Key Corporate Systems	Audit Objective	Days	Q1	Q2	Q3	Q4	Last Audited
Procurement and Accounts Payable	Review controls within the Procurement and Accounts Payable section.	15		✔			2017-18
General Ledger system	Review controls in the new Integra GL system.	15		✔			2014-15
Income Collection	Carry out a review of the controls within the PARIS income collection system and within a range of income collection locations.	20		✔			2016-17
TOTAL AUDIT DAYS		**50**					

Other Systems	Audit Objective	Days	Q1	Q2	Q3	Q4	Last Audited
Members Allowances and Expenses	Consider the controls that are in place around the payment of allowances and expenses to the Council's elected members.	15	✔				2015-16
Regeneration	Carry out a review within the Regeneration section.	15				✔	2015-16
Revenues and Benefits	Review a range of controls within the Revenues and Benefits teams.	15			✔		2016-17
Business Continuity	Consider the adequacy of the Council's Business Continuity arrangements.	10	✔				-
Charging for Social Care Services	Carry out a detailed review of the application of the Council's Charging Policy for Social Care Services.	25		✔			-
Community based support	Review controls in relation to Community based support, with a particular focus on the use of the CM2000 system.	20				✔	2015-16
Aids and Adaptations	Review controls in relation to Aids and Adaptations within the Health and Social Care Partnership.	20		✔			2014-15
Throughcare payments	Examine the controls around Throughcare payments within Finance and the Health and Social Care Partnership.	15	✔				-
Integration Joint Board audit days	Carry out audit work within the Health and Social Care Partnership as agreed by the Performance and Audit Committee of the Integration Joint Board.	15				✔	2017-18
Building Services stores controls	Examine the controls within the Building Services materials store.	10				✔	2013-14
Facilities Management Commercial Income	Consider the controls around the collection of commercial income by Facilities Management.	15				✔	-
Transportation	Review controls in the Transport Hub in relation to transportation, with a particular focus on the use of taxis.	15	✔				2015-16
Roads stores controls	Examine the controls within the Roads materials store.	10		✔			2013-14
Procurement and performance management of term contracts	Review the procurement and performance management of contracts by Property Management and Investment.	20			✔		2014-15
Sale of Council land and buildings	Review the sale of land and buildings by the Council.	10				✔	-
Commercial and industrial rents	Review the governance arrangements and processes around commercial and industrial property rentals.	15	✔				2013-14
TOTAL AUDIT DAYS		**245**					

ICT Auditing	Audit Objective	Days	Q1	Q2	Q3	Q4	Last Audited
Cyber resilience	Review the Council's cyber resilience arrangements.	20			✔		-
TOTAL AUDIT DAYS		**20**					

Governance	Audit Objective	Days	Q1	Q2	Q3	Q4	Last Audited
Community Association accounts	Review the accounts and monitoring information submitted by a sample of Community Associations.	5				✔	2017-18
Community Benefits (planning process)	Consider the use of community benefits within the planning application process.	15			✔		-
Movers process	Review the controls around employees who move job within the Council, with a particular focus on access to personal and sensitive information.	20	✔				-
PVG and Disclosure checking	Carry out a review of the controls which are in place in relation to PVG and Disclosure checking.	15				✔	2013-14
TOTAL AUDIT DAYS		**55**					

Performance Monitoring	Audit Objective	Days	Q1	Q2	Q3	Q4	Last Audited
Performance indicators	Provide assurance on the robustness and accuracy of a sample of indicators.	15		✔			2016-17
TOTAL AUDIT DAYS		**15**					

Regularity Audits	Audit Objective	Days	Q1	Q2	Q3	Q4	Last Audited
Primary Schools	Review financial controls within the Council's primary schools using self-assessment audit questionnaires and investigate any concerns which arise.	30			✔		2014-15
Accounts Payable transaction testing	Use computer audit software to interrogate the HR/Payroll system and examine any anomolies which arise.	10		✔		✔	2017-18
Payroll transaction testing	Use computer audit software to interrogate the Accounts Payable system and examine any anomolies which arise.	10	✔		✔		2017-18
TOTAL AUDIT DAYS		**50**					

Following the Public Pound	Audit Objective	Days	Q1	Q2	Q3	Q4	Last Audited
Community Councils	Annual audit of Community Councils accounts' to ensure Council funding is used in accordance with the Council's Scheme of Administration.	10		as required			2017-18
Footwear and Clothing Grants	Review the new electronic Footwear and Clothing Grants process.	10				✔	2012-13
Tenants and Residents Associations	Annual audit of the accounts of various Tenants and Residents Associations.	2		as required			2017-18
TOTAL AUDIT DAYS		**22**					

Other Work	Audit Objective	Days	Q1	Q2	Q3	Q4	Last Audited
Other year audit work	Finalising audits from the 2017-18 audit plan that were not fully complete by the end of March 2018 or starting audits early from the 2019-20 audit plan.	20	✔			✔	2017-18
Audit consultancy: ad-hoc advice	Providing advice to council services in response to ad-hoc queries	12	as required				2017-18
Audit consultancy: project work	Participating in project work to support developments in other council services.	30	as required				2017-18
Follow-up	Follow up of previous audit reports to ensure that appropriate action has been taken.	15	as required				2017-18
Audit planning and monitoring	Preparing audit plans and monitoring progress and performance against plans.	20	as required				2017-18
Audit and Scrutiny Committee	Supporting the Council's Audit and Scrutiny Committee by preparing reports, attending meetings and delivering training for elected members as required.	25	as required				2017-18
Governance documents	Review of governance documents	5	as required				2017-18
Development of the Audit service	Carry out developmental work to further enhance the efficiency of the audit section.	5	as required				2017-18
Internal Audit self-assessment against PSIAS	Undertake a quality assurance programme for Internal Audit in line with the requirements of the Public Sector Internal Audit Standards (PSIAS).	2	as required				2017-18
Grant claims	Certification of expenditure funded by specific grants from external funding bodies	8	as required				2017-18
Annual Accounts	Work in relation to the Council's annual accounts, including stock counts, reviewing imprests and preparing the Annual Governance Statement.	3	✔				2017-18
TOTAL AUDIT DAYS		**145**					

TOTAL PLANNED WORK	**602**

INTERNAL AUDIT RESERVE LIST

	Audit Objective	Days	Q1	Q2	Q3	Q4	Last Audited
Library and Information service	Review a range of controls within the Library and Information service.	15					-
Burials and Bereavements	Review a range of controls within the Burials and Bereavements team.	10					2013-14
Additional Special Needs schools	Review controls within the Council's additional special needs schools establishments.	15					-

AYRSHIRE VALUATION JOINT BOARD

Minutes of the meeting held on Tuesday 5 September 2017 at 10.30 a.m. within
Cunninghame House, Bridgegate, Irvine

Item 1 - Sederunt

Present:

East Ayrshire	Councillors:	Gordon Jenkins, John McFadzean (Chair), Jim McMahon and Maureen McKay
North Ayrshire	Councillors:	Margaret George, Jean McClung, Donald Reid, and Donald L Reid
South Ayrshire	Councillors:	Siobhian Brown, and Chris Cullen

In Attendance:	Helen McPhee, Assessor and Electoral Registration Officer (ERO); John McConville, Head of Valuation Services and Assistant ERO; Tim Baulk, Head of Finance and ITC, South Ayrshire Council; Tom Simpson, Corporate Accounting Manager, South Ayrshire Council; Wynne Carlaw, Democratic Governance Manager (Clerk), South Ayrshire Council; Steven Hill, Senior Accountant, East Ayrshire Council; Gwyneth McKinlay, Finance, North Ayrshire Council; Nick Rayner, External Auditors and Alison Nelson, Co-ordinator, Democratic Services.
Apologies:	Councillors Jim Roberts EAC, John Easdale and John Glover NAC, Andy Campbell, Iain Campbell and Martin Dowey, SAC. Harry McCormick, Principal Admin and ICT Officer, AVJB.

Item 1 – Sederunt

As detailed above.

Item 2- Declaration of Interests

There were no declarations of interest by Members in terms of the Councillors' Code of Conduct

Item 3 - Minutes of Previous Meeting

It was noted that on the Minutes of the 15 June 2017 under Item 2 Councillor George Jenkins should have read Councillor Gordon Jenkins. Thereafter the Minutes of the meeting of the AVJB held on 15 June 2017 were submitted and approved as a correct record.

Proposed by Councillor Chris Cullen and seconded by Councillor Siobhian Brown.

1

Item 4 – Matters Arising

There were no matters arising.

Item 5 – 2016/17 Annual Audit Report to Members and the Controller of Audit

There was submitted (circulated) a report dated 1 September 2017 by the Treasurer to the Board presenting to the Members of the Board the 2016/17 Annual Audit Report to Members and the Controller of Audit.

Tom Simpson, Corporate Accounting Manager introduced Nick Rayner, Deloitte, External Auditors to the Board who subsequently went through the key findings of the 2016/17 audit.

Councillor Donald Reid raised the issue of financial planning in the medium to longer term and how challenging this was for the Board when central government dictated when parliamentary elections/referendums took place. Nick Rayner accepted this was a difficult area however every effort should be made to try and anticipate when elections/by elections are likely to take place and incorporate this into the budget planning process.

Decided: to accept the contents of Deloitte LLP's annual audit report.

Item 6 – AVJB – Annual Accounts for period ended 31 March 2017

There was submitted (circulated) a report dated 1 September 2017 by the Treasurer to the Board advising Members of the Board of the Annual Accounts for period ended 31 March 2017.

Discussion ensued and the Board agreed to the recommendations contained within the Report, Proposed by Councillor Cullen and Seconded by Councillor Gordon Jenkins as detailed below:

Decided:

    (1) approve the Annual Accounts for the year ended 31 March 2017.

    (2) authorise the Chair, Assessor and Electoral Registration Officer and Treasurer to sign and issue the Annual Accounts by 30 September; and

    (3) note that the accumulated General Fund surplus as at 31 March 2017 of £483,095 will be utilised to fund expenditure in future years, as previously approved by the Board.

Item 7 – Revenue Budget Monitoring Report 2017/18 Position Statement at 31 July 2017

There was submitted (circulated) a report dated 23 August 2017 by the Treasurer to the Board advising Members of the Board of income and expenditure for the period ended 31 July 2017 (monitoring period 4) as compare with the approved revenue budget.

This was the standard report presented to the Board for Period 4 – Position Statement at 31 July 2017.   No significant variances from budget were identified.

Decided: to approve the Revenue Budget Monitoring Report 2017/18 as at 31 July 2017.

2

Item 8 – 2018/19 Revenue Budget

There was submitted (circulated) a report of 23 August 2017 by the Treasurer to the Board updating Members of the Board regarding the 2018/19 revenue budget.

The Board had experienced a 2.5% reduction in the level of requisitions provided by each authority, net expenditure of £2,317,280 was approved, to be funded by total requisitions of £2,092,409. The balance of £224,871 was funded from the Board's reserves.

It was recognised that a similar level of support from reserves would not be sustainable beyond 2017/18 if reserves were to be held at the preferred level of at least 2% of annual net expenditure (approximately £50,000).

Given the pressures expected to face local government budgets, the Assessor and Treasurer would shortly begin discussions with the constituent authorities in order to ascertain their positions regarding future requisition levels and to outline the consequences for service delivery and performance of further reductions.

The Assessor and ERO and Treasurer had also started to review existing budgets in order to identify potential savings. Options under review included reducing existing service contracts and identifying potential new income streams. However, with employee costs accounting for 73% of budgeted gross expenditure, these budgets will inevitably also come under review.

The Chair enquired as to what could be an income stream. The Assessor and ERO advised that at the moment they occupy 9 Wellington Square, Ayr which comprises two parts, the front building which looks onto Wellington Square and the back building which looks onto Mews Lane. One option might be to move all staff front the front building into the rear building and lease the front of the building. The AVJB may also be in a position to provide reception services for another organisation if the agreement was in the form of a serviced office agreement.. Selling the building, renting and moving out of Ayr are all options to be considered. The Assessor and ERO would investigate all options available to her and report back to future meetings of the Board.

Decided:

    (1) to request that the Assessor and the Treasurer progress discussions with the three constituent authorities, in order to bring forward proposals for the two year period 2018/19 and 2019/20 that will address the Board's projected funding gap on a sustainable basis and ensure that uncommitted reserves remain at an appropriate level and;

    (2) to request that the Assessor and ERO write to each constituent Chief Executive, on behalf of the Board, expressing concern about the projected funding gap should a 2.5% reduction in the level of requisitions continue in 2018/19 and 2019/20.

Proposed by Councillor Siobhian Brown and seconded by Councillor Jim McMahon

Item 9 – Service Plan 2017-2020

There was submitted (circulated) a report dated 7 August 2017 by the Assessor and Electoral Registration Officer (ERO). The Report presented to the Board the revised Service Plan for 2017-2020.

Appendix 2 of the report contained the proposed Service Plan for 2017/20. The changes to the Service Plan reflected where the AVJB were in the Revaluation cycle and the challenges and statutory deadlines which have to be met over the coming three years.

Decided: to note the contents of the Report.

Item 10 – Valuation and Performance

There was submitted (circulated) a report of 25 August 2017 by the Head of Valuation Services and Assistant ERO advising Members of the Board on the progress achieved in Valuation and Council Tax for the period 1 April 2017 – 31 July 2017.

The Head of Valuation Services and Assistant ERO highlighted the key areas within the report, Appendix 1 reported on Valuation and Performance in both Council Tax and Non-Domestic Rates for the first four months of the financial year 2017/2018. Appendix 1 also detailed the outstanding Council Tax and Non Domestic Valuation Appeals as at 31 July 2017.

Decided: to note the contents of the Report.

Item 11 – Electoral Registration

There was submitted (circulated) a report of 25 August 2017 by the Principal Admin and IT Development Officer updating members on the current position with regard to the Board's function concerning Electoral Registration.

The ERO advised that letters would be issued shortly to permanent postal voters whose vote was not counted due to their security statement failing. This is a legislative requirement that requires to be undertaken within 3 months of an electoral event.

The ERO intimated that to date there had been a 47% response rate to the canvass, this would be followed up by door to door canvassing, for non- responders, during October and November.

Councillor Reid commented on the 36.5% return in Ward 4 Stevenson which was particularly low and enquired if press releases had been used. The ERO advised that radio adverts had been used this time.

The ERO also informed the Board that the new Electoral Management System was now in place and working well however there were minor addressing issues still to be resolved.

Decided: to note the contents of the Report.

4

Item 12 – Revaluation 2017

There was submitted (circulated) a report of 24 August 2017 by the Head of Valuation Services and Assistant ERO advising Board Members on issues relating to Revaluation 2017.

The report attempted to highlight the main issues encountered during the very early stages of the introduction of Revaluation 2017. Appeals were now being received.

Decided: to note the contents of the Report.

Item 13 – Corporate Risk Register

There was submitted (circulated) a report of 15 May 2017 by the Assessor and ERO updating Board Members on the risks currently faced by the Board.

The report outlined the current corporate risks; the potential effects of these and the control measures in place to mitigate the risks.

The Assessor and ERO advised that she was currently working on a Data Sharing Agreement but was unclear, at the moment, as to whether it would require to be one document encompassing all three local authorities or three individual documents.

The recommendations included in the Barclay Review had been included.   These recommendations would be updated to take into account any guidance issued by the Scottish Government.

Decided: to note the contents of the Report

Item 14 –Staffing

There was submitted (circulated) a report of 24 August 2017 advising Board Members of current staffing issues.

Decided:

(1)   to approve the closure of the office in the period between Christmas and New Year, subject to staff using their annual leave and/or flexi time.

(2)   to note the contents of the remainder of the Report.

Proposed by Councillor Gordon Jenkins and Seconded by Councillor Donald L Reid.

Item 15 – Any Other Competent Business

The Clerk updated the Board on Indemnity Insurance for the Assessor and ERO in relation to a future data breach.

The Clerk advised insurance cover has been arranged under, a recently extended, Directors', Trustees' and Officers' Liability Policy which would include cover for civil fines or penalties imposed by the Information Commissioner's Office.

Item 16 – Date and Time of Next Meeting

The Board noted that the next meeting would be held on **Tuesday 9 January 2018 at** 10.30 a.m. within the County Buildings, Wellington Square, Ayr.

The meeting ended at 12.15   p.m.

AYRSHIRE VALUATION JOINT BOARD

Minutes of the meeting held on Tuesday 9 January 2018 at 10.30 a.m. within County Buildings, Wellington Square, Ayr

Item 1 - Sederunt

Present:

East Ayrshire	Councillors:	Gordon Jenkins, John McFadzean (Chair), Elena Whitham and Maureen McKay. Councillor McKay left the meeting at 11.20am and return again at 11.45am
North Ayrshire	Councillors:	John Easdale, Donald Reid and Donald Lees Reid
South Ayrshire	Councillors:	Siobhian Brown, Iain Campbell, Chris Cullen, and Martin Dowey

In Attendance:	Helen McPhee, Assessor and Electoral Registration Officer (ERO); John McConville, Head of Valuation Services and Assistant ERO; Harry McCormick, Principal IT and Administration Officer; Tim Baulk, Head of Finance and ICT, South Ayrshire Council; Tom Simpson, Corporate Accounting Manager, South Ayrshire Council; Wynne Carlaw, Democratic Governance Manager (Clerk), South Ayrshire Council; Amanda Laing, Finance, East Ayrshire Council; and Alison Nelson, Co-ordinator, Democratic Services.
Apologies:	Councillors Margret George, John Glover, Jean McClung EAC and Councillor Andy Campbell, SAC.

Item 1 – Sederunt

As detailed above.

Item 2- Declaration of Interests

There were no declarations of interest by Members in terms of the Councillors' Code of Conduct

Item 3 - Minutes of Previous Meeting

The Minutes of the meeting of the AVJB held on 5 September 2017 were submitted and approved as a correct record.

Proposed by Councillor Donald Lees Reid and seconded by Councillor Gordon Jenkins.

Item 4 – Matters Arising

The Assessor and ERO referred to the discussion, under Item 8 of the Agenda, regarding the property currently occupied by the Board and intimated that she had not finalised the Property Report and would report back to a future meeting regarding options available.

Under Item 13 of the Agenda the Assessor and ERO advised that a draft Data Sharing Agreement, with respect to the three local authorities, had been prepared and had been forward to the Clerk.

Item 5 – Revenue Budget Monitoring Report- Position Statement at 30 November 2017

There was submitted (circulated) a report dated 18 December 2017 by the Treasurer to the Board advising Members of the Board of income and expenditure for period ended 30 November 2017 (monitoring period 8) as compared with the approved revenue budget.

The Corporate Accounting Manager explained the main variances from the budget which were:-

Employee Costs – a year-to-date underspend of £18,000 which was attributed to vacancies, offset by overtime costs. A full year underspend of £14,000 was projected.

Supplies and Services Costs – a full year underspend of £99,000 was projected, of which £90,000 was attributed to slippage in the implementation of the new electoral management system (EMS)as a result of the General Election in June 2017.

Administrative Costs – a year-to-date overspend of £9,000 was attributed to the lease of mobile tablet devices to help improve the efficiency of the annual canvass (funded from the IER budget). This was expected to be offset by compensatory underspends and a full year underspend of £48,000 was projected. This underspend related to postage (£50,000) and training (£10,000), offset by a number of small projected overspends. The projected underspend on postage was due to improved rates from a new supplier, as well as being permitted to issue more correspondence than before by email. As IER progresses, expenditure on postage was expected to reduce; however it was anticipated that this would be reflected in the level of IER funding made available by the Cabinet Office. The training underspend was due to the slippage in the project as outlined at 4.2.2 of the report.

Support Services Costs – a full year underspend of £7,000 was projected based on estimated support charges from South Ayrshire Council.

Third Party Payments – a full year underspend of £18,000 was projected, mainly attributed to the costs of valuation appeals. This budget was increased by £10,000 in 2017/18 in anticipation of additional Council Tax banding appeals following legislative changes but these have not materialised to the extent anticipated.

Financing Costs – a full year overspend of £2,000 was projected based on estimates of interest due from South Ayrshire Council.

At monitoring period 8, the Board's net expenditure was underspent by £15,000 against budget, as outlined in Section 4 of the report. At the year end, net expenditure was projected to underspend by £184,000 of which £100,000 was due to slippage in the project to implement a new operating system.

The impact of the full year underspend would be to reduce the Board's contribution from reserves in the current financial year, set at £224,871 in the approved budget to approximately £41,000.

Councillor Easdale sought clarity on the slippage figure, the Corporate Accounting Manager confirmed that £90,000 was the cost associated with the new system and £10,000 was for training.

The Chair enquired as to whether the £100,000 should be clearly identifed in the accounts as a 'one-off' spend, although it would not be spent in 2018, it would in 2019. The Corporate Accounting Manager intimated that this was a valid point however this issue would be further explained in the financial report to the Board at the March meeting.

Decided: to approve the Report.

Item 6 – 2018/19 Revenue Report

There was submitted (circulated) a report dated 18 December 2017 by the Treasurer to the Board updating Members of the Board regarding the 2018/19 revenue budget.

The Assessor, supported by the Treasurer, had briefed the three constituent authority Chief Executives on the projected future financial position of the Board as outlined in the report. The Assessor was requested, through the Treasurer, to write to the chief finance officers of each constituent authority setting out proposals designed to address the Board's future funding issues.

The two proposals for consideration were:-

  (a) to maintain the Board's requisition level of financial years 2018/19 and 2019/20 at the level agreed for 2017/18; and

  (b) that the constituent authorities provide capital funding for financial years 2018/19 and 2019/20 to support the Board's modernisation programme instead of utilising the Board's revenue reserves.

Maintaining the existing requisition level will result in a real terms reduction in available funding. However, permanent savings of approximately £20,000 had been identified that would, subject to Board approval, be achieved during 2018/19.

The Board's modernisation programme was underway with the implementation of the new electoral management system (EMS). Annual maintenance costs for the new system of approximately £11,500 would be funded from the Board's existing resources. The Board also leased mobile devices in order to improve the Individual Electoral Registration (IER) canvass at a cost of £20,700 for three years, which has been funded from the UK Cabinet Office grant for IER.

As a consequence of the delay in the implementation of the new electoral management system (EMS) the new core operation system project and the Digitisation Phase 1 project would now commence in 2018/19 and 2019/20 respectively. Following the EMS implementation a new core windows-based system, would be procured, to replace the existing outdated, character-based system. This project would be central to delivering future efficiencies as it would facilitate the streamlining of key processes and would eradicate double-handling of data. The Board also recognised the need to digitise manual records (200,000) in order to improve efficiencies.

The above projects were originally being funded from the Board's reserves, as part of the revenue budget. Both projects had subsequently been identified as capital projects and it was proposed that the constituent authorities fund them from their capital programmes over the two year period. This would require a contribution of between £21,000 - £25,000 per constituent authority for each of the two years.

Support for these proposals would have a significant positive impact on the Board's reserves as detailed in 4.9 of the Report. This revised position would be further improved by future efficiency measures which would complement the modernisation programme without significantly impacting on service delivery. These measures would further reduce annual net expenditure and reduce reliance on the Board's reserves. Without these proposals and with reserves consequently exhausted, significant savings would require to be made before efficiencies could be realised, which would result in reduced service delivery and performance.

No decision had been taken regarding either funding or potential savings. The proposals were with the three constituent local authorities for their consideration. The Corporate Accounting Manager believed the proposals to be fair, reasonable and a sustainable way to go forward. Discussions would be concluded shortly and a proposed 2018/19 budget would be provided to the next Board meeting.

Councillor Easdale enquired as to when the scanning project would commence, the Principal Administration and IT Development Officer advised that it would be towards the end of March 2019.

Councillor Donald Reid referred to discussions relating to Item 8, of the previous meeting, when discussions took place regarding the options for the building (9 Wellington Square) and if reserves would be sufficient to meet these demands. The Corporate Accounting Manager suggested that there were no firm plans yet for the building and funding for any approved options would be addressed at the time.

In terms of the Core System Councillor Dowey enquired as to whether an in-house system would be developed or would a system be procured externally. The Principal Administration and IT Development Officer advised that systems currently used within other local authorities and external suppliers were being considered.

The Chair raised concerns about the level of reserves for 2019/20 (£17,000) particularly if there were any major issues with the property at 9 Wellington Square. The Assessor and ERO advised that she would be considering current vacancies and consequently staff re-structures in order to increase this figure, the introduction of new IT systems could also generate savings.

The Chair asked if selling the building to the three Ayrshire authorities and renting it back would be an option. The Head of Finance and IT advised that this would be a capital receipt and this funding could not be used to pay rent. Councillor Donald Reid intimated that he had hoped that selling the building maybe an option that would be considered in the Property Report that the Assessor and ERO was preparing for the Board.

Decided:

(1) note the progress made in identifying budget proposals for consideration by the three constituent authorities; and

(2) request that the Assessor and Treasurer bring forward final budget proposals to the next meeting for the two year period 2018/19 and 2019/20 that will address the Board's projected funding gap on a sustainable basis and ensure that uncommitted reserves remain at an appropriate level.

Item 7 – Valuation and Performance

There was submitted (circulated) a report of 18 December 2017 by the Head of Valuation Service and Assistant ERO advising Members on the progress achieved in Valuation and Council Tax for the period 1 April 2017 to 30 November 2017.

The Head of Valuation Service and Assistant ERO informed the Board that substantial progress had been made relating to the number of appeals referred to the Lands Tribunal for Scotland, 114 was reported to the September Board meeting, as at 30 November 2017 this figure had been reduced to 40. Discussions would continue with regard to these appeals in an effort to resolve them.

With regard to outstanding appeals not referred to the Lands Tribunal for Scotland, there were 34, 2010 Running Roll appeals which remained outstanding. The figure previously reported was 240.

As at 30 November 2017, 161 (previously reported 185) valid Council Tax appeals remained outstanding, in addition a total of 69 (previously 128) invalid appeals were currently outstanding.

46 appeals were listed for Hearing by the Ayrshire Valuation Appeal Panel on 21 September 2017 and a further 50 were listed for Hearing by the Appeal Panel on 23 November 2017.

The Ayrshire Valuation Appeal Panel would sit in late March to hear valid and invalid proposals and would sit in mid-April to clear outstanding 2010 non-Domestic Running roll appeals.

The tables at 4.1 and 4.2 of the report relating to Alterations to the Council Tax List and Non-Domestic Rates – Time taken to make statutory amendments to the Valuation Roll for the period 1 April 2017 until 30 November 2017 appeared favourable.

The table at 4.3 of the report outlined performance in Domestic Alterations with Sales for period 1 April to 30 November 2017 when dealing with band increases when a dwelling had been altered and sold. A total of 353 bands had been considered for review resulting in 73 bands being increased.

Councillor Easdale sought clarity on the remaining 280 bands, the Assessor and ERO advised that these bands remained the same. Councillor Brown enquired if there was any dialogue with the Planning Service once planning applications had been approved in order to take account of the resultant alterations to the property. The Assessor and ERO informed the meeting that she did not have the resources to implement such a process; bands were only re-assessed when a house was sold.

Decided: to note the contents of the Report.

Item 8 – Electoral Registration

There was submitted (circulated) a report of 14 December 2017 by the Principal Administration and IT Development Manager updating Members on the current position with regard to the Board's functions relating to Electoral Registration.

The Principal Administration and IT Development Manager advised that the new ███████ ███████████ Electoral Management System had been installed and tested. The first test of the new system would be the Canvass.

338,000 HEF forms were issued with 39,000 property visits. 70,000 of those that responded used the Freephone or Internet Service with 97.2% stating that they found the website easy to use.

Appendix 1 of the report detailed a full ward breakdown, as at December 2017, of the Canvass response rates compared with 2016. Appendix 2 displayed the electorate figures and Appendix 3 detailed the additions and deletions to the Electoral Register throughout 2017.

The Principal Administration and IT Development Officer also advised that an exercise was about to commence to refresh the signatures of absent voters whose signature had been held for over 5 years.

Councillor Jenkins noted that for his ward there was a 75% response rate to the canvass. He asked if the remaining 25% would be disenfranchised.   The Principal Administration and IT Development Office advised that there were several processes, over a period of approximately 2 years, which would require to be exhausted before that would happen.

Decided: to note the contents of the Report.

Item 9 – Revaluation 2017

There was submitted (circulated) a report dated 18 December 2017 by the Head of Valuation Services and Assistant ERO advising Members on issues relating to Revaluation 2017.

A substantial number of revaluation appeals were submitted prior to 30 September 2017, the last date for lodging a Revaluation appeal. These figures however do not include Shooting Rights and Deer Forests. Plans were underway to ensure that the statutory timetable for dealing with all revaluations appeals, 30 December 2020, was met.

Councillor Donald L Reid enquired if there was a cost associated with lodging an appeal; he was advised that there was not.

Decided: to note the contents of the Report.

Item 10 – Unacceptable Actions Policy

There was submitted (circulated) a report of 14 December 2017 by the Assessor and ERO to present a new policy to the Board, the Unacceptable Actions Policy.

The Policy sets out Ayrshire Valuation Joint Board's (AVJB) approach to the service users whose actions or behaviour the AVJB considers unacceptable. The Board believe that service users have the right to be heard, understood and respected. Occasionally, the behaviour or actions of service users makes it difficult for staff to deal with other service priorities due to the time and effort required to deal with a few service users.

The Policy at Appendix 2 of the Report details how the Board would approach these types of situations.

Councillor Jenkins intimated that it was good policy and was aware that local authorities had implemented similar policies.

Decided: to note and implement the contents of the Report.

Item 11 – Staffing

There was submitted (circulated) a report of 18 December 2017 by the Head of Valuation Services and Assistant ERO advising Members of current staffing issues.

One Chartered Valuation Surveyor had tendered their resignation. This change would allow for a review of the vacant post and the vacant Trainee Valuer post with a view to creating two Trainee Valuer posts.

The ███████████████████████ was retiring on 31 January after ██ years local government service. This would again allow for a review of the post and the overall clerical structure.

As at November 2017 short term absence was 0.21 % and long term absence was 2.04%

Resource was being committed to meet various corporate governance obligations i.e. Data Protection, Freedom of Information and Records Management.

Decided: to note the contents of the Report.

Item 12 – Leadership PDR – Assessor and ERO

There was submitted (circulated) a report of 15 December 2017 by the Assessor and ERO setting out the key work objectives for the Assessor and ERO, for period 1 April 2018 until 31 March 2019, in her Leadership Performance and Development Review which was contained in Appendix 2 of the Report.

Decided:

   (1) to note the contents of the Report

   (2) to agree an annual review with a Panel consisting of the Assessor and ERO, a Board Member, still to be decided, and a member of staff from Employee and Customer Services.

Item 13 – Any Other Competent Business

There were no further items of business.

Item 14 – Date and Time of Next Meeting

The Board noted that the next meeting would be held on **Tuesday 6 March 2018 at** 10.30 a.m. within the **County Buildings, Wellington Square, Ayr**.

The meeting ended at 12.20   p.m.