# 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, 26 March 2019** 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 29 January 2019 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      Petition:  Seafield House, Ardrossan**
Submit report by the Head of Democratic Services on the terms of a petition received in respect of Seafield House, Ardrossan (copy enclosed).

**4      Planning Performance Framework**
Submit report by the Executive Director (Economy and Communities) on the feedback received from the Scottish Government on the Planning Performance Framework 7 (copy enclosed).

**5      Brexit Quarterly Update**
Submit report by the Head of Democratic Services on the work the Council is doing in preparation for Brexit and the risks to North Ayrshire associated with a Negotiated Deal and a No Deal Brexit (copy enclosed).

**6      HSCP Operational Budget Management**
Submit report by Caroline Whyte, Chief Finance and Transformation Officer on the projected financial outturn for the financial year as at December 2018 (copy enclosed).

**7      External Audit Plan**
Submit report by the Executive Director (Finance and Corporate Support) on the External Audit plan for 2017/18 (copy enclosed).

**8      Internal Audit Reports Issued**
Submit report by the Executive Director (Finance and Corporate Support) on the findings of Internal Audit work completed during January and February 2019 (copy enclosed).

**9      Internal Audit and Corporate Fraud Action Plans: Quarter 3 Follow Up**
Submit report by the Executive Director (Finance and Corporate Support) on the progress made by Council services in implementing the agreed actions from Internal Audit and Corporate Fraud reports as at 31 December 2018 (copy enclosed).

**10     Internal Audit Plan 2019/2024**
Submitted report by the Executive Director (Finance and Corporate Support) on the proposed Internal Audit Plan for 2019 – 2020 (copy enclosed).

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

**12     Exclusion of the Public - Para 1**
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**
Submit report by the Executive Director (Finance and Corporate Support) on the findings of corporate fraud investigations completed between January and February 2019 (copy enclosed).

## **Audit and Scrutiny Committee Sederunt**

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

**Audit and Scrutiny Committee**
**29 January 2019**

**IRVINE, 29 January 2019 -** 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, Tom Marshall and Donald Reid.

**Also Present**
Davina McTiernan.

**In Attendance**
C. Hatton, Chief Executive, L. Friel, Executive Director, M. Boyd, Head of Finance, P. Doak, Senior Manager (Internal Audit, Risk and Fraud), D. Miller, Complaint and Feedback Manager, R. Kennedy, Benefit Services Team Leader and A. Fox, Digital Team Manager (Finance and Corporate Support); K. Yeomans, Executive Director, C. McAuley, Head of Service (Economic Growth) and L. Kirk, Active Travel and Transport Manager (Economy and Communities); Y. Baulk, Head of Physical Environment and R. McGilvery, Housing Operations Manager (Place); A. McClelland, Head of Service (Learning, Teaching and Curriculum) (Education and Youth Employment); E. Currie, Principal Manager (Finance) (Health and Social Care Partnership); and A. Fraser, Head of Democratic Services, A. Todd, Senior Policy and Performance Officer and A. Little, Committee Services Officer (Chief Executive's Service).

**Also in Attendance**
Jim McKerrell and Amanda Connelly (TOA Taxis).

**Chair**
Councillor Burns in the Chair.

**Apologies**
Alan Hill and John Sweeney.

**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 Audit and Scrutiny Committee held on 20 November 2018 were confirmed and the Minutes signed in accordance with Paragraph 7 (1) of Schedule 7 of the Local Government (Scotland) Act 1973.

### 3.    Petition – Bus Lane, Stevenston

Submitted report by the Chief Executive on the terms of a petition of 518 signatures received in support of a request from TOA Taxis "to amend the Traffic Order to a Bus, Taxi and Cycle Lane in line with every other Scottish Council and allow Hackney Licensed Taxis to use the lane at Kilwinning Road, Stevenston".

A briefing paper, attached at Appendix A to the report, provided background information on the Quality Public Transport Corridor between Ardrossan and Kilmarnock that included the creation of a bus lane on the A738 Kilwinning Road, Stevenston between the Pennyburn and Hayocks roundabouts.  Requests from TOA Taxis to amend the Traffic Regulation Order (TRO) to enable taxis to use the bus lane were rejected in 2008 and 2018 and the reasons for this were outlined within the paper. Information on traffic surveys undertaken on 5 and 8 January 2019 was detailed at Appendix B to the report.  The briefing paper also outlined the options available to the Council, namely (a) to uphold the previous decisions and reject the request or (b) pursue the inclusion of taxis within the bus lane.

The principal spokesperson, Mr McKerrell (TOA Taxis) stated that the retail park at Hawkhill had grown in size, attracting more customers, and whilst the area is served by bus services, there is no direct bus service from Hayocks or the lower part of Stevenston to the retail park.  Residents from these areas who use buses therefore rely on taxis to transport them to and from the retail park.  The request to use the bus lane would not require to be for the whole bus lane corridor but for the area from the cemetery to Hawkhill roundabout.

Mr McKerrell questioned the survey results which did not match TOA records of the taxi journeys to and from the retail park during this time.  He commented that there is lower usage of taxis in January following the festive period.  He felt the general public should be asked for their views because they are meeting the cost of longer journeys to and from this area.

Ms Connelly (TOA Taxis) referred to licensing guidance provided by the Scottish Government, that stated that waiting times and peaks in demands should be taken into consideration by the local authority.  Short journeys in this area should take around 10 minutes, however due to traffic congestion, the journeys to and from the retail park can take 20 minutes.  Drivers are taking their meal/breaks at the peak times (3pm- 6pm) in order to avoid the congestion in this area, making it difficult to meet customer demand.

Taxi drivers from other areas who are not aware of the restrictions at Hawkhill, use the bus lane believing they are permitted to do so.  Mr McKerrell suggested allowing Hackney Licenced Taxis to use the bus lane from the cemetery to Hawkhill roundabout for a trial period, during which time he would monitor usage of this part of the bus lane by his drivers.

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

- TOA Taxis' provision of almost 50% of Hackney Taxis in area 2 of North Ayrshire;
- private hire cars which have to be prebooked and cannot pick up hires from the street or taxi stance;
- the terms of the petition, which did not include use of the bus lane by private hire cars;
- the visible roof sign on TOA Taxis which makes them clearly identifiable to customers, albeit roof signs were not universal to all North Ayrshire taxis; and
- customers' understanding of whether they were booking a taxi or private hire car.

The Active Travel and Transport Manager provided background information on the creation of the bus lane between the Pennyburn and Hayocks roundabouts, previous requests from TOA to amend the TRO to allow use of the bus lane, concerns and potential objections raised by SPT, objections from Stagecoach West Scotland and the reasons for refusal of these requests. The traffic survey undertaken in January 2019 detailed the number of taxis and buses that entered and exited Hawkhill Retail Park and recorded a greater number of Private Hire cars than Hackney taxis.

Options available to the Council were outlined and included (a) uphold the previous decisions and reject the request to allow taxis to use the bus lane on the basis of the previous positions and (b) pursue the inclusion of taxis within the bus lane through the promotion of a modification to the Traffic Regulation Order by (i) promoting an Experimental TRO or (ii) promoting an amendment to the existing TRO.

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

- funding provided by SPT for the creation of the bus corridor and the historic wording of the TRO to exclude taxis and cyclists; and
- concerns and potential objections highlighted by SPT to the use of the bus lane corridor and that their position on a revised proposal by TOA to only use part of the bus lane from the cemetery to Hawkhill roundabout is not known at this time.

Councillor Brahim, seconded by Councillor George moved that the Committee remit to the relevant Officers to further investigate the Experimental Traffic Regulation Order option alongside complementary measures to improve the traffic flow and ease congestion within this localised area. (The outcome of this will be reported to Cabinet for a recommendation thereafter). There being no amendment, the motion was declared carried.

4.      **Quarter 2 Performance Report**

Submitted report by the Chief Executive on the progress of the 2018/19 Directorate Plans as at 30 September 2018, including a number of highlight which underpin the key priorities and areas for focus for the next 6 months. The reports for each Directorate were set out in Appendices 1 – 6 to the report.

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

Democratic Services

- corporate communications and staff engagement surveys which show a further increase in staff satisfaction with internal communication.

Economy and Communities

- information that will be provided to Members on the attendance of the Scottish Basic Income Feasibility Study Steering Group at the Basic Income Earth Network Congress at the University of Tampere; and
- the impact of Brexit on local companies.

Education and Youth Employment

- the further flexibility which secondary schools will have to design a curriculum model, in consultation with stakeholders, that reflects their own context, curriculum rationale and meets the needs of all learners; and
- PEF funding information that will be circulated to Members of the Committee.

Health and Social Care Partnership

- the red and amber status illustration for each authority in respect of emergency admissions and delayed discharges; and
- fluctuations in the care at home capacity lost due to cancelled hospital discharges that can be as a result of seasonal factors, staff availability and changes in the health of the individual.

The Committee agreed (a) that the Executive Director (Economy and Communities) provide information to Members on the attendance of the Scottish Basic Income Feasibility Study Steering Group at the Basic Income Earth Network Congress at the University of Tampere; (b) that the Head of Service (Learning, Teaching and Curriculum) provide information on PEF funding to Members of the Committee; (c) to continue to receive a presentation from each Executive Director on their Directorate report in future; and (d) to otherwise note the report.

**5.     Internal Audit Reports Issued**

Submitted report by the Executive Director (Finance and Corporate Support) on the findings of Internal Audit work completed during November and December 2018. Appendix 1 to the report detailed the areas where internal control reviews had been undertaken and provided the executive summary and action plan for each audit.

Noted.

**6.    Operational Budget Management**

Submitted report by the Director of the Health and Social Care Partnership on the projected financial outturn for the financial year as at October 2018. Appendix A to the report provided the financial overview of the partnership position. Detailed analysis was provided in Appendix B, with full details of savings provided at Appendix C. Appendix D outlined the progress of the Recovery Plan and Appendix E highlighted the movement in the overall budget.

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

- work that is continuing to achieve a break even budget position; and
- challenges in attracting care at home staff as a result of the population demographics on Arran; and
- additional staffing required at Montrose House to meet demand.

The Committee agreed (a) that the Director (Health and Social Care Partnership) provide a presentation to the Committee on the budget for 2019/20, once funding levels have been agreed; and (b) to otherwise note the report.

**7.    Housing Services Annual Performance Update**

Submitted report by the Head of Services (Physical Environment) which provided an overview of Housing Services' performance against the Scottish Government's Social Housing Charter indicators for 2017/18. Scotland's Housing Network's Performance Analysis Report was attached at Appendix 1 to the report. Appendix 2 detailed the key findings of the 2018 Tenant Satisfaction Survey undertaken in August 2018.

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

- a range of methods to communicate with tenants and efforts to encourage paperless methods;
- further information that will be provided on whether communication by email is available to tenants; and
- clarification that will be provided on the levels recorded for rent collection and rent arrears.

The Committee agreed (a) that the Housing Operations Manager provide information to Members on (i) whether email as a paperless option is available to tenants and (ii) clarification on rent collection and rent arrears levels; and (b) to otherwise note the report.

**8.    Brexit Quarterly Update**

Submitted report by the Chief Executive on the work the Council is doing in preparation for Brexit and the risks to North Ayrshire associated with a Negotiated Deal and a No Deal Brexit. The Council's Brexit Preparedness document, detailing the main issues facing North Ayrshire and the actions or mitigations to be taken was attached at Appendix 1 to the report.

Noted.

**9.     Social Media and On Line Reporting**

Submitted report by the Executive Director (Finance and Corporate Support) on the online reporting of faults and the communication of service disruption.  The report outlined the issues that had been experienced with the Council's Report It App and Twitter and temporary and new solutions that are being developed to resolve these.

Noted.

**10.     Audit Scotland Housing Benefit Performance Audit Annual Update**

Submitted report by the Executive Director (Finance and Corporate Support) on the findings of Audit Scotland's review of Housing Benefit Performance for 2017/18.  The full report had been circulated to Members on publication.  Appendix 1 to the report outlined the key risks relating to business planning and performance reporting, accuracy levels and interventions.

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

- the calculation of the maximum deduction from a claimant's Benefit by the DWP for the recovery of overpayment of Housing Benefit, Tax Credit and Universal Credit; and
- an Affordability Test that is undertaken by the Housing Benefit Service to assess whether individuals could contribute more than the DWP assessment, towards settling the overpayment of Housing Benefit, or contribute over a longer period of time.

Noted.

**11.     2018 Half Yearly Complaint Report**

Submitted report by the Executive Director (Finance and Corporate Support) on the Council's complaint performance.  Appendix 1 to the report provided statistical data and information on the range and volume of complaints at all stages of the complaints process.

Members asked questions and were provided with further information in relation to policy complaints that are not upheld where the service has followed the policy and the complaint relates to the policy rather than the service provided.

Noted.

The meeting ended at 12.15 p.m.

**NORTH AYRSHIRE COUNCIL**

**26 March 2019**

**Audit and Scrutiny Committee**

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| **Title:** | **Petition relating to Seafield House, Ardrossan** |
| **Purpose:** | To advise the Committee of the terms of a petition requesting the Council to take actions to protect Seafield House, Ardrossan. |
| **Recommendation:** | That the Committee considers the terms of the petition and agrees, or otherwise, to make a recommendation to Cabinet. |

## 1. Executive Summary

1.1 In terms of the Scheme of Administration, the Audit and Scrutiny Committee has a remit:-

"To receive all petitions and deputations submitted to the Council except those relating to the Council's planning functions, which shall be considered by the Planning Committee. The arrangements for receiving petitions are as set out in Appendix B to the Standing Orders relating to Meetings and Proceedings of the Council and Committees".

1.2 This report sets out the background to a petition supported by 200 signatories, which urges the Council and other public bodies to take action to protect Seafield House, Ardrossan.

## 2. Background

2.1 The petition is detailed below:-

"We petition North Ayrshire Council and other Public Bodies to take action to ensure the fire damage to Seafield House (School) building is repaired soon by the owners where insured, following the recent fire, and it be determined whether there is a reliable commitment by owners to save, restore and convert the building for a future use including possible, sub division as flats, or otherwise that the listed building be made available with minimal garden ground and an unrestricted free access to be restored by a party willing and able to restore it as a single dwelling, and that it under no circumstances be allowed to be demolished now or in the future, even if the land around it is sympathetically developed for housing."

2.2 The following areas of the petition were determined not to be competent as they were outwith the powers of the Council:-

- That the listed building be made available with minimal garden ground and an unrestricted free access to be restored by a party willing and able to restore it as a single dwelling.

   *Response: This is outwith the powers of the Council as the Council does not own the site.*

- That it under no circumstances be allowed to be demolished now or in the future, even if the land around it is sympathetically developed for housing.

   *Response: The Council cannot pre-determine how it would deal with any application for demolition*

2.3 The Petitioner agreed that the remaining areas be forwarded for consideration by the Committee:-

- To take action to ensure the fire damage to Seafield House (School) building is repaired soon by the owners where insured, following the recent fire; and

- It be determined whether there is a reliable commitment by owners to save, restore and convert the building for a future use including possible, sub division as flats, or otherwise.

2.4 The Head of Service (Economic Growth) has provided a briefing note on the background to this matter, which is set out as an appendix to the report.

2.5 In terms of the procedure for petitions and deputations set out in Standing Orders, representatives of the petitioners have been invited to attend the meeting and to address the Committee. Spokespersons should be restricted to addressing the specific points raised in their petition.

2.6 The spokespersons have, collectively, 10 minutes to address the Committee. This may be extended at the discretion of the Chair.

2.7 Once the Committee has heard from the spokespersons for the petitioners, the Chair will invite Members of the Committee to ask questions of the spokespersons.

2.8 While it is for the Chair to decide the stage at which officers should speak to their briefing, previous Committee practice has been for the Cabinet Member or Officer to speak to this after the Committee has heard from the petitioners. The Cabinet Member or Officer will then respond to any questions that Members of the Committee may have.

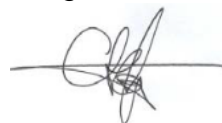2.9 The Committee will then deliberate and determine the matter.

## 3. Proposals

3.1 It is proposed that the Committee considers the terms of the petition and agrees, or otherwise, to make a recommendation to Cabinet.

## 4. Implications

| Financial: | None at this stage of consideration of the petition. |
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| Human Resources: | None at this stage of consideration of the petition. |
| Legal: | The powers available to the Council, as Planning Authority are outlined at Section 2.7 - 2.13 of the Appendix. |
| Equality: | None at this stage of consideration of the petition. |
| Environmental & Sustainability: | None at this stage of consideration of the petition. |
| Key Priorities: | None at this stage of consideration of the petition. |
| Community Benefits: | None at this stage of consideration of the petition. |

## 5. Consultation

5.1 The Executive Director (Economy and Communities) and Head of Service (Economic Growth) was made aware of the terms of the petition and provided a briefing note which is attached as an appendix.

CRAIG HATTON
CHIEF EXECUTIVE

For further information please contact **Angela Little, Committee Services Officer** on **01294 324132**.

**Background Papers**
Briefing paper by Head of Service (Economic Growth)

1.1     The following petition, as amended by the Head of Democratic Services, has been submitted in respect of the former Seafield School, Ardrossan:

"We petition North Ayrshire Council and other Public Bodies to take action to ensure the fire damage to Seafield House (School) building is repaired soon by the owners where insured, following the recent fire, and it be determined whether there is a reliable commitment by owners to save, restore and convert the building for a future use including possible subdivision as flats."

1.2     The property is a Category B Listed Building. It was formerly a school but is understood to have been vacant since approximately June 2015 when the current owner bought the property. Planning Services has been in contact with the owner, about the property, since July 2016. The owner has been made aware of the concerns about the condition of the building and has been advised on how to make the site secure.

1.3     The property was subject of a fire in October 2017. This fire was largely contained in the eastern most wing. The structure of the external walls of the wing is understood to be reasonably sound but proper inspection by a qualified engineer would be needed to fully assess the condition.

1.4     There are powers available to a Planning Authority, in respect of Listed Buildings where the condition is considered to be of concern. However, there are no powers which can compel an owner to develop a site. The power which directly requires repair can be of significant financial risk to the Council.

## 2.    Background

2.1     The property was listed Category B as a building of special architectural or historic interest 26th February 1980. The listing includes the boundary gates, piers and railings. The former stable block within the grounds of the property is listed Category B under its own designation.

2.2     The property would have originally been built as a private residence. However, it was latterly used as a residential school. It is understood the property was owned by North Ayrshire Council until it was sold to Quarriers.  Quarriers was the last organisation to operate the property as a school. The property was bought by D McLaughlin & Sons Limited, a building company, in June 2015 and has been vacant since at least that time.

2.3     Planning Services first received complaints regarding the condition of the building in the summer of 2016. The complaints related to vandalism of the building, including smashing of windows. The owner was contacted and advised to secure the property. The property was also attracting anti-social behaviour. As such the owner was advised to demolish the modern extensions of the building which would have provided less cover for unauthorised entry and provide better surveillance across the site. The owner was also advised to secure all door and window openings. The modern extensions were demolished in Spring/Summer 2017.

2.4    In April 2017 Planning Services arranged a meeting with the owner regarding this site, and other similar sites in the company's ownership, to discuss any proposals for development. The owner advised that it was planned to develop the grounds of the property for housing and convert the Listed Buildings to flats. However, the owner did not consider that there was demand for housing in the area but would reconsider the matter in two years, and seek planning permission in principle for the site. The owner was advised that the Council's Local Development Plan policies would support the principle of appropriate residential development and the conversion of the Listed Buildings. Planning Services would be willing to provide advice on any proposals brought forward. To date an application for planning permission has not been made and the owner has indicated no willingness to develop the site. The Council has no powers to compel a land owner to develop their site.

2.5    In October 2017 a fire damaged the eastern wing of the property. Planning Services contacted the owner at that time advising of the need to secure the site, including boarding of all ground floor windows. These actions were undertaken and Planning Officers have visited the site regularly since that date to review the window boarding. Where the boarding has been removed or otherwise damaged, Planning Officers have contacted the owner to seek replacement. The owner has also been advised to consider metal security shutters. When contacted the owner has generally replaced/re-paired the boards where necessary.

2.6    As stated above, a Planning Authority cannot compel a land owner to develop their site. The powers available to the Council, as Planning Authority, in respect of a Listed Building are as follows;

2.7    S.42 of the Planning (Listed Buildings and Conservation Areas) (Scotland) Act allows a Planning Authority to compulsory purchase a Listed Building in need of repair. Compensation is payable for such action. However, the Council can seek to pay the minimum if it is considered the listed building has been deliberately left derelict, which is for the Scottish Government to decide. Compulsory purchase can be appealed to a Sheriff on the grounds that reasonable steps to preserve the building have been taken. A 'Repair Notice' is required to be served on the owner first, which gives the owner the opportunity to carry out specified works or repair.

2.8    The building now undoubtedly requires repair. However, it may be difficult to determine that the site has been deliberately left derelict, because the owner has taken action the Council has requested up to this point - removing the modern extensions, and boarding the windows. The owner purchased the site in 2015 for £847,500.

2.9    S.49 of the Planning (Listed Buildings and Conservation Areas) (Scotland) Act allows a Planning Authority to carry out any works it considers to be urgently necessary for the preservation of an unoccupied listed building, which can include works for temporary support or shelter. 7 days' notice must be given to the land owner. The Council can seek to recover its expenses from the owner.

The owner can challenge any expenses claim to the Scottish Government who will decide what amounts should be recovered.

2.10 It is not known at this point exactly what condition the building is in although it appears sound to the point where urgent works are not necessary. Building Standards advise that the structural integrity of the easternmost section of the building has been compromised as a result of fire damage and the owner has, at the time of the incident, taken action to remove or reduce the danger. The owner continues to take action when requested by Building Standards. It should be noted that any further damage as result of fire, or indeed wind/weather damage etc, may further compromise the structure to a point where total or partial demolition may be the only feasible option to control any risks presented at that time.

2.11 S.179 of the Town and Country Planning (Scotland) Act allows a Planning Authority to take action against a site which is of a condition held to cause harm to amenity. A formal notice can be issued on the owner requiring steps be taken to abate the adverse effect. If the steps are not carried out the Council can enter the land, carry out the steps and attempt to recover its expenses. There is a right of appeal against such a notice, including on the grounds that the condition does not harm amenity, the requested works go too far, or the condition is attributable to permitted works.

2.12 The steps to be taken must be the minimum necessary to abate any harm to visual amenity i.e. this power could not be used to require the rebuilding of the roof. This power is normally restricted to works such as the clearance of refuse from a site or the boarding of smashed windows. As stated above, the windows have been boarded and generally have been re-boarded on request following site inspections. The rubble in the exterior of the site is attributable to the permitted demolition of the modern extensions.

2.13 As stated above none of the powers available to the Council, as Planning Authority, can compel the owner to restore the property and convert it to residential use. This work would require applications for and the grant of planning permission and Listed Building consent. However, the Council's planning policies would be supportive of such proposals. The power outlined at Para. 2.7 above would potentially allow the Council to take control of the site but this would have significant financial implications. The power outlined at Para. 2.9 would allow the Council to undertake works to try and preserve the building, if required, which would have potential ongoing cost implications and would not achieve the restoration or conversion of the building. The power outlined at Para. 2.11 would allow the Council to seek the works to overcome any visual harm from the building, which again would have cost implications and would not necessarily help preserve the building.

## 3.    Proposals

3.1    That the Committee note Planning Services actions to date in respect of the property.

3.2    That Planning Services again contact the owner to seek assurances regarding the long term condition of the building and any proposals to develop the property.

3.3    That Planning Services continue to inspect the property as necessary to ensure that the minimum steps have been taken to prevent further deterioration of the building.

3.3    That Planning Services seek authority from the Planning Committee for the issue of notices available under the powers available to the Planning Authority, as considered necessary, should it be considered expedient to do so.

**NORTH AYRSHIRE COUNCIL**

**26 March 2019**

**Audit & Scrutiny Committee**

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| **Title:** | **Planning Performance Framework** |
| **Purpose:** | To report on feedback from the Scottish Government on the Planning Performance Framework 7. |
| **Recommendation:** | To consider and note the feedback from the Scottish Government on PPF 7 contained in Appendix 1. |

## 1. Executive Summary

1.1 In June 2018, the Planning Performance Framework 7 (PPF7) was submitted to the Scottish Government. PPF7 sets out the planning service performance for 2017-18.

1.2 Feedback on PPF7 from the Scottish Government was received on 10th January 2019. The overall rating was green and the positive feedback reflects the high level of performance and customer service which is delivered by the Planning Service for North Ayrshire, and approved an Action Programme. (see Appendix 1).

1.3 The Scottish Government feedback on PPF7 notes a very successful performance from North Ayrshire Council Planning Service and includes feedback points which can be addressed through proposed actions in the next PPF.

1.4 The feedback report recognises that the Council's Local Development Plan remains up-to-date with LDP2 on course for adoption during 2019. The report also notes a range of positive achievements in service delivery throughout 2017/18. It recognises that timescales for the determination of Major applications in North Ayrshire was 9.5 weeks in comparison with the national average of 33.6 weeks.

1.5 In the category for local (non-householder) applications, North Ayrshire timescales were 5.9 weeks, similar to the previous year but still considerably below the Scottish average of 10.7 weeks.

1.6 In the category for householder applications, North Ayrshire Council performed slightly slower than in previous years. However, the average processing time of 4.7 weeks remains faster than the Scottish average of 7.3 weeks against a statutory requirement to reach decisions within 8 weeks.

## 2. Background

2.1 The Planning Performance Framework (PPF) was developed in response to the Scottish Government's reform agenda and an annual return is required from each planning authority. The PPF provides the planning system with a balanced score card approach to

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performance, which enables each planning authority to demonstrate its achievements, successes and individuality.  The PPF was introduced to provide a broader picture of performance than that offered by the Statutory Performance Indicators (SPI) by Audit Scotland.

2.2 By letter dated 10th January 2019, the Minister for Local Government and Housing notes that the Planning Bill has recently passed through the second stage of parliamentary consideration, during which the Local Government and Communities Committee voted to remove the proposed provisions on planning performance. Stage 3 of the process will begin in the near future.

2.3 The preparation of the next PPF (PPF8) is underway and could be submitted to the Audit & Scrutiny Committee for consideration in the summer of 2019.

2.4 Of the 15 'Performance Markers' the Service has been assessed to have, for the first time, all 13 markers rated as green (2 are not applicable). This performance compares to the previous year's report which had 12 rated as green and 3 as amber. This represents a further improvement on the previous PPF, which again is significant, given that the Service has one of the smallest number of Planning Officers, per head of population, when compared with other Planning Authorities in Scotland.

2.5 The 'not applicable markers' related to early engagement of elected members in advance of preparing a Local Development Plan Main Issues Report. However, as North Ayrshire is not at that stage in the plan-making cycle, these two markers were not relevant to PPF7. In effect, this means that every marker covered by PPF7 relevant to North Ayrshire Council was given at the highest possible rating of green. This welcome audit should also be viewed in a year when the Service was yet again the highest performing authority in terms of the determination of planning applications; and received commendation from the housing building industry's representative body, Homes for Scotland, on the approach to housing land audit.

2.6 The Report notes that all processing agreements met agreed timescales, and supports the Council's use of such agreements to reduce the need for legal agreements, which generally delay the determination timescales. In addition the report notes that the Council's LDP, Development Scheme and Enforcement Charter are up to date, with LDP2 making progress towards adoption in 2019.

2.7 Further improvements to the pre-application advice service was noted, as were the positive results from the customer survey. Interdisciplinary working across Council services, such as ongoing collaboration and engagement with Housing Services, was also noted as being an example of good practice.

## 3. Proposals

3.1 As noted above, the action points arising from the feedback report will be addressed within the next PPF.

3.2    The Audit & Scrutiny Committee is invited to note the welcome feedback contained with Appendix 1.


## 4.    Implications

| Financial: | There are no financial implications arising from this report. |
|---|---|
| Human Resources: | There are no staffing implications arising from this report. |
| Legal: | There are no legal implications arising from this report. |
| Equality/Socio-economic Duty: | There are no equality or socio/economic duty implications arising from this report. |
| Children and Young People: | There are no implications for Children and Young People associated with this report. |
| Environmental & Sustainability: | There are no environmental implications arising from this report. |
| Key Priorities: | PPF contributes to the Council core objective for "operating more efficiently and effectively" by increasing the levels of accountability and transparency within Planning Services and by introducing annual service improvement commitments. |
| Community Benefits: | N/A |

## 5.    Consultation

5.1    None required


Karen Yeomans
Executive Director Economy & Communities


For further information please contact James Miller Senior Manager Planning Services on 01294 324315.

**Background Papers**
Planning Performance Framework Feedback 2017/18


Appendix 1

Minister for Local Government and Housing
Kevin Stewart MSP

Scottish Government
Riaghaltas na h-Alba
gov.scot

T: 0300 244 4000
E: scottish.ministers@gov.scot

Mr Craig Hatton
Chief Executive
North Ayrshire Council
10 January 2019

Dear Mr Hatton

**PLANNING PERFORMANCE FRAMEWORK FEEDBACK 2017/18**

I am pleased to enclose feedback on your authority's 7th PPF Report for the period April 2017 to March 2018. Considerable progress has been made since the introduction of the Planning Performance Framework and key markers, although performance still remains variable over some authorities and markers.

As you may be aware, the Planning Bill has recently passed through the second stage of parliamentary consideration, during which the Local Government and Communities Committee voted to remove the proposed provisions on planning performance, provisions to make training for elected members mandatory, and the existing penalty clause provisions. We expect Stage 3 of the bill process to begin in the new year.

Whatever the outcome of the Planning Bill, I believe now is the time to look again at how we measure the performance of the planning system. The High Level Group on Planning Performance recently met to discuss performance measurement and other improvements. I very much hope that we can continue to support ongoing improvements in our planning service and further demonstrate the value which the planning system can add to people's lives. Ministers see an important connection between performance and fees and I am aware that any proposals to increase fees will raise applicants' expectations of an efficient and effective service.

We need to be able to measure performance to provide that crucial evidence to support any increases in fees, to help ensure that authorities are appropriately resourced to deliver on our ambitions. With this in mind, we will continue to liaise with COSLA, SOLACE and Heads of Planning Scotland on matters of the Bill's implementation and planning performance measures going forward.

If you would like to discuss any of the markings awarded below, please email chief.planner@gov.scot and a member of the team will be happy to discuss these with you.

Kind Regards

**KEVIN STEWART**

CC: Mr James Miller, Senior Planning Manager

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# PERFORMANCE MARKERS REPORT 2017-18

| Name of planning authority: | **North Ayrshire Council** |
|---|---|

The High Level Group on Performance agreed a set of performance markers. We have assessed your report against those markers to give an indication of priority areas for improvement action. The high level group will monitor and evaluate how the key markers have been reported and the value which they have added.

The Red, Amber, Green ratings are based on the evidence provided within the PPF reports. Where no information or insufficient evidence has been provided, a 'red' marking has been allocated.

| No. | Performance Marker | RAG rating | Comments |
|---|---|---|---|
| 1 | **Decision-making**: continuous reduction of average timescales for all development categories [Q1 - Q4] | Green | **Major Applications**<br>Your timescales of 9.5 weeks are than the Scottish average of 33.6 weeks.<br>**RAG = Green**<br><br>**Local (Non-Householder) Applications**<br>Your timescales of 5.9 weeks are the same as the previous year and are faster than the Scottish average of 10.7 weeks.<br>**RAG = Green**<br><br>**Householder Applications**<br>Your timescales of 4.7 weeks are slower than the previous year but are faster than the Scottish average of 7.3 weeks. However, this is within the statutory timescale of 8 weeks.<br>**RAG = Green**<br><br>**Overall RAG = Green** |
| 2 | **Processing agreements**:<br><br>• offer to all prospective applicants for major development planning applications; and<br>• availability publicised on website | Green | While the number of processing agreements dropped from 2016/17, your report notes that they are offered for all major applications, and for complex local applications.<br>**RAG = Green**<br><br>Processing agreement information is publicised on your website.<br>**RAG = Green**<br><br>**Overall RAG = Green** |
| 3 | **Early collaboration** with applicants and consultees<br><br>• availability and promotion of pre-application discussions for all prospective applications; and<br>• clear and proportionate requests for supporting information | Green | Your report contains a number of examples of positive pre-application engagement. It also notes that pre-application discussions are advertised through your website and Twitter.<br>**RAG = Green**<br><br>Case studies are used to illustrate examples of clear and proportionate requests for supporting information.<br>**RAG = Green**<br><br>**Overall RAG = Green** |
| 4 | **Legal agreements**: conclude (or reconsider) applications after resolving to grant permission | Green | You processed one major application with a legal agreement which was faster the Scottish average. |

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| | | | |
|---|---|---|---|
| | • reducing number of live applications more than 6 months after resolution to grant (from last reporting period) | Green | |
| 5 | **Enforcement charter** updated / re-published within last 2 years | Green | Your enforcement charter was 9 months old at the end of the reporting period. |
| 6 | **Continuous improvement**:<br><br>• progress/improvement in relation to PPF National Headline Indicators; and<br>• progress ambitious and relevant service improvement commitments identified through PPF report | Green | Your key decision making timescales are faster than last year and your LDP and enforcement charter are both up-to-date. Your timescales, including legal agreements, are faster overall. Elsewhere, you have made progress on maintaining a low number of stalled sites.<br>**RAG = Green**<br><br>You have completed all 7 of your service improvement commitments with some to be continued into the next reporting year. You identified a range of tangible improvements commitments.<br>**RAG = Green**<br><br>**Overall RAG = Green** |
| 7 | **Local development plan** less than 5 years since adoption | Green | Your LDP was 3 years and 10 months old at the end of the reporting period. |
| 8 | **Development plan scheme** – next LDP:<br><br>• on course for adoption within 5 years of current plan(s) adoption; and<br>• project planned and expected to be delivered to planned timescale | Green | Your LDP and your enforcement charter are up-to-date. Local and householder decision making timescales are faster than the national average. Your major decision making timescales are slower than last years but progress has been made elsewhere, including on stalled sites.<br>**RAG = Green**<br><br>You have a project plan in place to ensure your replacement remains on track.<br>**RAG = Green**<br><br>**Overall RAG = Green** |
| 9 | **Elected members engaged early** (pre-MIR) in development plan preparation – *if plan has been at pre-MIR stage during reporting year* | N/A | |
| 10 | **Cross sector stakeholders\* engaged early** (pre-MIR) in development plan preparation – *if plan has been at pre-MIR stage during reporting year*<br>\**including industry, agencies and Scottish Government* | N/A | |
| 11 | **Regular and proportionate policy advice** produced on information required to support applications. | Green | Your report notes that an automatic response email outlining policy, guidance and contacts was implemented in response to our assessment of your 2016/17 report. Case studies also provides examples of proportionate advice offered in practice. |
| 12 | **Corporate working across services** to improve outputs and services for customer benefit (for example: protocols; joined-up services; single contact arrangements; joint pre-application advice) | Green | Positive results from the customer survey carried out are contained in your report. In addition one of your case studies highlights interdisciplinary working across other North Ayrshire Council services. Ongoing collaboration and engagement with Housing Services is also discussed at various points throughout your report. |

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| 13 | **Sharing good practice, skills and knowledge** between authorities | Green | Your report highlights participation in the West of Scotland Planning Benchmarking Group and the topics discussed. Joint training is also highlighted in your report. You shared good practice on digital innovation at the 2017 Scottish Young Planners Conference. |
|---|---|---|---|
| 14 | **Stalled sites / legacy cases**: conclusion or withdrawal of old planning applications and reducing number of live applications more than one year old | Green | You have cleared 2 cases during the reporting year, with 2 cases still awaiting conclusion. Based on this and last year's figures, no cases reached legacy status during the reporting year. This shows a commitment to reducing the number of stalled sites in your area. Your report notes that cases are proactively managed, and that you have resolved stalled cases through actively negotiating with applicants. |
| 15 | **Developer contributions**: clear and proportionate expectations<br><br>• set out in development plan (and/or emerging plan); and<br>• in pre-application discussions | Green | Your report notes a group was established to consider developer contributions to inform your next LDP. Examples of developer contributions are also included in case studies.<br>**RAG = Green**<br><br>A case study highlights where education capacity and infrastructure constraints were discussed at the pre-application stage. However there is no evidence that this practice consistently happens.<br>**RAG = Amber**<br><br>**Overall RAG = Green** |

**Performance against Key Markers**

| | Marker | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 2017-18 |
|---|---|---|---|---|---|---|---|
| 1 | Decision making timescales | Amber | Green | Green | Amber | Amber | Green |
| 2 | Processing agreements | Amber | Amber | Amber | Amber | Green | Green |
| 3 | Early collaboration | Amber | Amber | Amber | Green | Amber | Green |
| 4 | Legal agreements | Red | Green | Green | Amber | Green | Green |
| 5 | Enforcement charter | Green | Green | Green | Green | Green | Green |
| 6 | Continuous improvement | Amber | Amber | Green | Green | Green | Green |
| 7 | Local development plan | Red | Red | Green | Green | Green | Green |
| 8 | Development plan scheme | Red | Red | Green | Amber | Green | Green |
| 9 | Elected members engaged early (pre-MIR) | N/A | N/A | N/A | Red | Green | N/A |
| 10 | Stakeholders engaged early (pre-MIR) | N/A | N/A | N/A | Red | Green | N/A |
| 11 | Regular and proportionate advice to support applications | Amber | Amber | Amber | Green | Green | Green |
| 12 | Corporate working across services | Green | Green | Green | Green | Green | Green |
| 13 | Sharing good practice, skills and knowledge | Green | Green | Green | Amber | Green | Green |
| 14 | Stalled sites/legacy cases | Amber | Green | Green | Green | Green | Green |
| 15 | Developer contributions | Amber | Amber | Green | Green | Amber | Green |

**Overall Markings (total numbers for red, amber and green)**

| | Red | Amber | Green |
|---|---|---|---|
| 2012-13 | 3 | 7 | 3 |
| 2013-14 | 2 | 5 | 6 |
| 2014-15 | 0 | 3 | 10 |
| 2015-16 | 2 | 5 | 8 |
| 2016-17 | 0 | 3 | 12 |
| 2017-18 | 0 | 0 | 13 |

**Decision Making Timescales (weeks)**

| | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 2017-18 | *2017-18 Scottish Average* |
|---|---|---|---|---|---|---|---|
| Major Development | 30.9 | 21.5 | 12.6 | 90.3 | - | 9.5 | *33.6* |
| Local (Non-Householder) Development | 8.7 | 6.8 | 6.2 | 5.8 | 5.9 | 5.9 | *10.7* |
| Householder Development | 6.6 | 5.7 | 5.1 | 4.7 | 4.6 | 4.7 | *7.3* |

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**NORTH AYRSHIRE COUNCIL**

**26 March 2019**

**Audit and Scrutiny Committee**

| | |
|---|---|
| **Title:** | **Brexit Risks Update** |
| **Purpose:** | To update the Committee on risks from Brexit and work of the Council to mitigate such risks. |
| **Recommendation:** | To note the report and receive a further quarterly report. |

## 1. Executive Summary

1.1 This report provides an update to Committee on the planning and steps in place to mitigate the risks from Brexit.

## 2. Background

2.1 Following the UK's vote to leave the EU, the UK Government triggered Article 50 in March 2017, starting a two year negotiation on a Withdrawal Agreement. In the absence of agreement by the UK and EU to extend the negotiation period, on 29 March 2019 the UK will leave the EU and all EU law will transfer into UK law. Whilst negotiations are ongoing there remains the potential risk for the UK to leave the EU in March 2019 with no deal, moving to World Trade Organisation (WTO) rules. The UK Parliament on 14 March voted to reject the Prime Minister's deal for a second time, backed plans to rule out leaving the EU without a deal and voted in favour of an extension to the process - either until 30 June, if the deal is supported before 20 March; or a longer one that could include taking part in European elections if MPs reject her plan again. All 27 EU member states would have to agree to an extension.

2.2 The risks to North Ayrshire depend on what form Brexit takes. In broad terms there are three scenarios which have been considered from a risk perspective:-

- A negotiated deal which retains free trade between the UK and the EU. As free trade is based on principles which involve open procurement, free movement of labour etc. many existing EU rules, such as those on procurement, state aid, employment protection and data protection will continue to apply.

- A 'no deal' - As a member of the EU, the UK currently participates in around 40 free trade agreements with over 70 countries. These would no longer have effect in a no-deal and the UK would move to World Trade Organisation (WTO) rules, and then try

to negotiate bespoke trading deals. In terms of risk, this has the greatest impact and is considered in more depth later in this report.

- An extension to the Brexit timetable is agreed. This extends the period of uncertainty, and could result in a further slowdown in business investment and a reduction in productivity and economic growth. Unless a short extension which results in the UK leaving the EU before 1 July 2019, this will trigger an election to the European Parliament on 23 May 2019.

2.3   There are other constitutional scenarios. At this time, as a no-deal is the scenario with the greatest risk, no further planning has been done around a further referendum or General Election.

Negotiated Deal Risks

2.4   At the time of the report to the Audit and Scrutiny Committee in September 2018, the risks considered largely related to those of a negotiated deal which retained free trade. The risks and actions identified in Appendix 1 to that report still remain valid for that scenario, Should a deal be agreed these will be updated to reflect the actual agreement.

2.5   EU Settlement Scheme- The settlement scheme will go live from 30 March 2019. Libraries have registered with We Are Digital (the Government approved supplier) to provide assisted on-line support for Settled Status applications.

2.6   A full assessment of the workforce has been undertaken. North Ayrshire Council employs 38 Non-UK EU workers, with 14 working within Educational roles. There are approximately 2000 EU nationals in North Ayrshire.

2.7   Impact on contractual arrangements- In terms of impact on existing procurement and contractual processes within the Council, it is unlikely that significant issues will emerge in the short term, if a deal which maintains free trade can be agreed. However this will require to continue to be assessed on an ongoing basis. In the longer term, future trade arrangements agreed could have an impact on contract renewals and negotiations.

2.8   UK Shared Prosperity Fund -The UK Government has indicated that it intends to establish a UK Shared Prosperity Fund to replace the EU Structural Funds. The key objective of the new fund will be to tackle inequalities between communities, by "strengthening the foundations of productivity". A number of issues still remain unresolved in relation to this Fund, regardless of the exit scenario. Specific issues include how much funding will be available through this route, how it will be allocated and what it will be used to fund.

2.9   Investment and Growth- Fraser of Allander Institute estimate that the long-term impact of Brexit will be a reduction in Scottish economic output of between 2 to 10%, depending on the form of Brexit. Other commentators estimate that Brexit has wiped £40bn off Britain's annual economic growth since the 2016 referendum, equating to £800m per week of income locating outside the UK every week. Even a negotiated deal in the form proposed by the Prime Minister prolongs the uncertainty until final trade arrangements are agreed. Regardless of the outcome implemented, the current uncertainty is a disincentive to investment.

2.10    Both the Chancellor and the Scottish Cabinet Secretary for Finance have noted that an emergency budget may be required should the UK leave the EU without a deal. The Fraser of Allander Institute in its "Scotland's Budget 2018" report reiterated a view that a "no-deal" withdrawal outcome would represent a significant shock to the UK economy with slower growth anticipated and the requirement potentially for intervention by the Bank of England to take measures to stabilise the economy. Alternatively if a 'positive' deal is reached whereby a favourable trade agreement and an appropriate transition period is agreed, the report notes the view of the Chancellor that resulting higher growth levels and the unlocking of the reserves held for Brexit would be a significant boost to the economy, with forecasters having mixed views as to the speed at which this will feed into the economy.

No Deal Risks

2.11    Resilience Planning arrangements, at a UK, Scottish, West of Scotland and Local Resilience Partnership (LRP) level are being activated. The UK Government's approach has been entitled Operation Yellowhammer.  It has produced a set of planning assumptions based on a Reasonable Worst Case Scenario (RWCS) 'No Deal' Brexit. The emergency impacts of a 'No Deal' Brexit are expected to last for a period of 12 weeks, known as the Yellowhammer period, albeit other impacts will last far longer. Those UK Government Planning Assumptions have been given a Scottish context as detailed in Scottish Planning Assumptions prepared by the Scottish Government. The Scottish Resilience Partnership (SRP) has established an EU Exit Sub Group chaired by Police Scotland. From 25th March a facility located at Police Scotland, Bilston Glen will be established for the purpose of co-ordinating the consequence management response to Brexit in Scotland.

2.12    At an Ayrshire LRP level, representatives from Police, Fire, NHS and Councils have met to identify the local context, risk and mitigation of Brexit. The Council and its partners already have a range of well-developed and regularly tested contingency plans for incidents that address the 'consequences not causes' of disruptive events. The impact of a no deal Brexit could however be that a number of these consequences might happen together or in quick succession– requiring the Council and national partners to respond effectively. From 25th March it will be expected that all responders, including the Council will submit a daily on-line update to the National Multi - Agency Co-ordination Centre (MACC) at Bilston Glen.

2.13    The Head of Democratic Services has been identified as the Council's Strategic Lead on Brexit and the Head of Economic Growth has been identified as the Tactical Lead. Brexit is considered as a standard item on the agenda of the Executive Leadership Team and an officers group has been formed to ensure that services are fully sighted on the risks and steps required.

2.14   Currently the priorities are as follows:-

2.14.1 Environmental Health Certificates- environmental health officers will be responsible for issuing of export certificates for foodstuffs or products of animal origin leaving the UK. To date, 6 North Ayrshire food exporters have been identified as requiring certificates..

2.14.2   Business Support and Advice.

2.14.3   Election/referendum.

2.14.4   Support for EU Workers within North Ayrshire- through Libraries providing assisted application support and through communication around this.

2.14.5   Supply Chains – Corporate Procurement have identified key contacts and Procurement Board representatives are ensuring that services approach key suppliers to complete a questionnaire around EU-Exit risks. Further information on over 400 separate sub-category headings is available from Scotland Excel and IBISWorld to inform current and future procurement strategies.

2.14.6   Knock-on impact on NHS staff- HSCP are liaising with NHS Ayrshire and Arran.

2.14.7   Hardship - Scottish Government have given £0.5m to Fairshare for foodbanks and contact is being made with Fairshare.

2.14.8   One foreign school trip has been identified as using ports over the Easter period. Insurance have confirmed that cover includes unlimited medical expenses, even if no longer able to rely on the European Health Insurance Card (EHIC) or other reciprocal medical agreements.

2.14.9   Funding- English local authority organisations have received funding to assist with the extra costs of Brexit, albeit they have expressed concern that monies provided by the UK Government are insufficient to meet the costs arising from Brexit. In Scotland, no consequentials from the UK Government have yet been passed to Scottish local authorities. COSLA continue to press the Scottish Government regarding this matter. However currently there are no extra monies to deal with the costs of Brexit.

2.14.10 Identification of vulnerable individuals who require food as a medicine.

2.15   As regards the remaining risks, the position detailed in the report to the Committee on 29 January still remains the case. Long term the biggest risk is to the economy, whether in terms of lack of investment, reduced productivity, higher costs for business, supply chain and export difficulties, business failure, greater unemployment, and rising prices. Recession or lower growth is likely to result in less funding for the public sector at a time of increased demand and greater cost'.

2.16 Council officers will continue to be involved in planning for Brexit through joint working with the Scottish Government, COSLA, and the West of Scotland Regional Resilience Partnership.

## 3. Proposals

.3.1 It is recommended that the Committee notes the contents of this report and agrees to receive a further quarterly report.

## 4. Implications

| Financial: | A no-deal Brexit has potential implications for the Council, in terms of increasing demand for services, while reducing finance, and increasing borrowing and other costs. |
|---|---|
| Human Resources: | There are limited human resources implications. |
| Legal: | There are no current legal implications for the Council. |
| Equality:<br><br>Children and Young People: | A key issue is whether the UK remain signatories to the European Convention on Human Rights, and if not, what will replace it.<br>The financial impact of a no-deal Brexit in reducing Council funding is likely to result in less services to support children and young persons. |
| Environmental & Sustainability: | Much of our environmental legislation comes from Europe. In the short term this will continue, but the longer term impact is more uncertain. |
| Key Priorities: | A no-deal Brexit is likely to result in increased demand, e.g. support for businesses, in the care sector and through higher unemployment. It is also likely to result in less funding and higher borrowing costs, all of which will have a detrimental impact on the Council's key priorities. |
| Community Benefits: | There are no community benefit implications. |

## 5. Consultation

5.1 The Executive Leadership Team were consulted.

Craig Hatton
Chief Executive

For further information please contact Andrew Fraser, Head of Democratic Services on **01294 324125**.

**Background Papers**
None.

**NORTH AYRSHIRE COUNCIL**

**26 March 2019**

**Audit & Scrutiny Committee**

| | |
|---|---|
| **Title:** | **HSCP – Budget Monitoring Report** |
| **Purpose:** | To provide an update on the projected financial outturn for the financial year as at December 2018. |
| **Recommendation:** | It is proposed that the Committee note the attached report. |

## 1. Executive Summary

1.1 The attached report provides an overview of the financial position for the partnership and outlines the projected year-end outturn position informed by the projected expenditure and income commitments, these have been prepared in conjunction with relevant budget holders and services.

## 2. Background

2.1 The Audit and Scrutiny Committee agreed to receive regular reports on the financial performance of the Health & Social Care Partnership. The Budget Monitoring report presented to the IJB on 14 February 2019 outlined the projected financial outturn for the financial year as at December 2018 and is attached as an appendix.

## 3. Proposals

3.1 It is proposed that the Committee note the report.

## 4. Implications

| | |
|---|---|
| **Financial:** | The implications are outlined in the attached report. |
| **Human Resources:** | The implications are outlined in the attached report. |

| | |
|---|---|
| **Legal:** | The implications are outlined in the attached report. |
| **Equality:** | The implications are outlined in the attached report. |
| **Environmental & Sustainability:** | The implications are outlined in the attached report. |
| **Key Priorities:** | The implications are outlined in the attached report. |
| **Community Benefits:** | The implications are outlined in the attached report. |

## 5. Consultation

5.1 The attached report outlines the consultation that has taken place.


Stephen Brown
Director Health & Social Care Partnership


For further information please contact **Caroline Whyte** on **01294 324954**.

**Background Papers**
None

**Integration Joint Board**
**14 February 2019**

| | |
|---|---|
| **Subject:** | **Budget Monitoring – Month 9 (December 2018)** |
| **Purpose:** | To provide an update on the projected financial outturn for the financial year as at December 2018. |
| **Recommendation:** | It is recommended that the IJB:<br><br>a) Note the projected year-end overspend of £0.227m;<br>b) Approve the changes in funding as detailed in section 2.11 and Appendix E;<br>c) Note the impact of the financial recovery plan and the progress being made in delivering financial balance; and<br>d) Note the potential impact of the Lead Partnerships. |

| Glossary of Terms | |
|---|---|
| NHS AA | NHS Ayrshire and Arran |
| HSCP | Health and Social Care Partnership |
| MH | Mental Health |
| CAMHS | Child & Adolescent Mental Health Services |
| BRAG | Blue, Red, Amber, Green |
| UNPACS | UNPACS, (UNPlanned Activities) – Extra Contractual Referrals |
| ARG | Allocation of Resources Group |
| CRES | Cash Releasing Efficiency Savings |
| NES | NHS Education Scotland – education and training body |
| NRAC | NHS Resource Allocation Committee |

| | |
|---|---|
| **1.** | **EXECUTIVE SUMMARY** |
| 1.1 | The report provides an overview of the financial position for the partnership and outlines the projected year-end outturn position informed by the projected expenditure and income commitments, these have been prepared in conjunction with relevant budget holders and services.   It should be noted that although this report refers to the position at the December period end that further work is undertaken following the month end to finalise projections, therefore the projected outturn position is as current and up to date as can practically be reported. |
| 1.2 | The projected outturn is a year-end overspend of £0.227m for 2018-19, taking account a number of mitigating actions outlined in the report and the improvement from implementation of the financial recovery plan.  There is scope for this position to fluctuate due to in-year cost and demand pressures and assumptions in relation to funding and the achievement of savings.  This risk reduces as we approach the end of the financial year. The projection has been adjusted to reflect the potential impact of Lead Partnership services.  The projected underspend of £0.335m in relation to North Lead Partnership services will not be fully attributed to the North HSCP as a share will need to be allocated to East and South HSCPs.  North will also be liable for |

| | |
|---|---|
| | a share of the projected overspend on East Lead Partnership services. Further clarity is required on the impact of this, for the purpose of reporting at period 9 an NRAC share of the projected position has been assumed as this would be in line with the allocation in previous years. |
| 1.3 | The position as at October (month 7) was a projected overspend of £0.481m therefore an improvement in the position is now reported. The projected outturn provides confidence that the scale of the projected overspend is reducing to a level whereby financial balance is possible by the year-end. There are further actions on the financial recovery plan which will potentially further improve the position and services will continue to deploy tight financial management controls. |
| 1.4 | Overall the main areas of pressure continue to be care homes, looked after children, learning disability care packages, elderly and adult in-patients within the lead partnership and the unallocated NHS CRES savings.<br><br>The main adverse movements from period 7 are in relation to purchased homecare, LD care packages and residential placements for children. The main favourable movement was in relation to the lead partnership for mental health, care home placements and the change programme. |
| 1.5 | It is essential that the IJB operates within the delegated budget and commissions services from the Council and Health Board on this basis as financial balance has not been delivered in previous years. More is being done to ensure the financial sustainability of the partnership and to deliver financial balance for the current year and significant progress is being made to work towards this. The service transformation programme and the delivery of the those service changes will be at the forefront as this will have the greatest impact on the delivery of financial balance and the ongoing sustainability and safety of services. |
| **2.** | **CURRENT POSITION** |
| 2.1 | The report includes an overview of the financial position including commitments against the available resource, explanations for the main budget variances, an update on progress in terms of savings delivery, actions required to work towards financial balance and progress with delivery of the recovery plan. |
| | **FINANCIAL PERFORMANCE** |
| 2.2 | Against the full-year budget of £235.368m there is a projected overspend of £0.227m (0.1%). An integrated view of the financial position should be taken, however it is useful to note that this overall position consists of a projected overspend of £0.514m in social care services offset by a projected underspend of £0.287m in health services.<br><br>The Integration Scheme outlines that there is an expectation that the IJB takes account of the totality of resources available to balance the budget in year.<br><br>Appendix A provides the financial overview of the partnership position. The sections that follow outline the significant variances in service expenditure compared to the approved budgets with detailed analysis provided in Appendix B. |
| 2.3 | **Health and Community Care Services** |
| | Against the full-year budget of £65.629m there is a projected overspend of £0.308m (0.5%). The main reasons for the projected overspend are: |

|   |   |
|---|---|
|   | a) Care home placements including respite placements – projected to overspend by £0.718m. This is a favourable movement of £0.167m from period 7 mainly due to reduced number of permanent placements. |
|   | b) Independent Living Services are projected to overspend by £0.390m which is an adverse movement of £0.008m. This is mainly due to an overspend on physical disability care packages. |
|   | c) Over-recovery of Charging Order income of £0.100m which is an adverse movement of £0.100m based on income received to date. |
|   | d) Equipment and Adaptations are projected to underspend by £0.200m in line with the mitigation approved in period 4. |
|   | e) Packages of care are projected to overspend by £0.218m due to the use of supplementary staffing and one additional package planned from early 2019 onwards. |
|   | f) Care at home (purchased and in house) projected underspend of £0.400m. The projected underspend has reduced by £0.212m due to increased demand for purchased care. |
|   | g) Long Term Conditions (Ward 1), projected overspend of £0.395m which is mainly due to an overspend in employee costs to ensure staffing levels are at a safe level. This is a recurring pressure for which funding requires to be identified, this will be addressed as part of the 2019-20 budget process. |
|   | h) District Nursing is projected to underspend by £0.212m due to vacant posts. |
| 2.4 | **Mental Health Services** |
|   | Against the full-year budget of £72.982m there is a projected underspend of £0.207m (0.3%). The main reasons for the projected underspend are: |
|   | a) Learning Disabilities – projected overspend of £0.893m (adverse movement of £0.208m) of which £0.723m is in relation to care packages and £0.270m for direct payments. These overspends are partially offset by vacant posts. |
|   | b) Community Mental Health – is projected to underspend by £0.676m mainly due to vacancy savings and an underspend in care packages. The projected underspend for care packages has increased by £0.345m due to funding that was set aside for patients being discharged from hospital into the community not being required in 2018/19. These patients will be discharged in 2019/20. |
|   | c) Lead Partnership – overall projected underspend of £0.341m which consists of: |
|   | *Overspends:* |
|   | • Adult inpatients £0.588m - mainly due to the delay in generating income from other areas in respect of forensic beds. All of the beds are expected to be sold and in use by the end of February 2019. The recovery plan assumes a fifth bed will be sold prior to the end of the financial year. This is dependent |

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| | |
|---|---|
| | on ensuring delayed discharges in ward 6 are discharged to the community. This is a risk as some of the delayed discharges are South partnership patients and would require SAHSCP to provide funding to facilitate the discharge.<br><br>• Psychiatry £0.129m - primarily due to locum costs, an unfunded EMH liaison post and a reduction in funding for trainee psychiatrists.  There is an increased use of locum staff in the absence of being able to recruit permanent posts.<br><br>• Elderly Inpatients £0.256m – due to the use of supplementary staffing which has reduced substantially since month 7.<br><br>• CRES £0.986m - lead partnership share of the unachieved CRES carried forward, this element of the historic CRES will remain aligned to the Mental Health lead partnership and will be addressed as part of the budget planning for 2019-20.<br><br>*Underspends:*<br><br>• UNPACS £0.309m – due to the delay in the two new care packages assumed in year.  The underspend is partially attributable to the availability and use of beds in ward 6 which have prevented more costly external placements.<br><br>• Learning Disabilities £0.231m - due to a delay in the transfer of an UnPACs patient, this transfer has now taken place.<br><br>• CAMHS £0.382m – due to vacancies and delays with recruitment.<br><br>• Psychology £0.528m – due to vacancies.<br><br>• Adult Community Mental Health £0.280m due to vacancies and the allocation of the Crisis Response Team to Action 15 funding. |
| 2.5 | **Children Services & Criminal Justice** |
| | Against the full-year budget of £35.260m there is a projected underspend of £0.151m (0.4%). The main reasons for the projected underspend are:<br><br>a)  Residential Schools and Community Placements – projected overspend of £0.967m. The projection is based on the current number of placements and estimated discharge dates for each placement based on the support from the Challenge Fund investment.  The overspend has increased by £0.155m due to a delay in the planned discharge dates, the delivery of further planned discharges continues to be a risk to the projected outturn position.<br><br>b)  Looked After Children Placements – projected underspend of £0.429m due to the current demand for fostering, adoption and kinship payments.<br><br>c)  Early Years – are projected to underspend by £0.462m mainly due to the level of vacancies in heath visiting. |
| 2.6 | **Projected Outturn Movement** |

The movement in the projected outturn position is illustrated in the chart below:

**Movement in Projected Outturn**
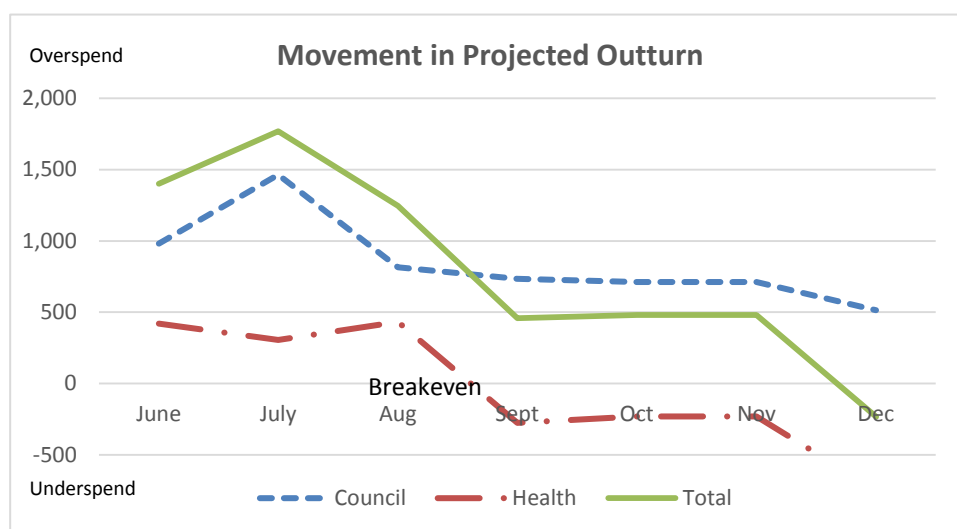


The position has fluctuated over the year to date which is reflective of the demand driven nature and high cost of some services. The position has significantly improved and become more stable period 5 mainly because the adverse movements caused by demand increases have been offset by favourable variances across the service. The position will continue to be closely monitored.

There are a number of high risk areas that may impact on the movement in the projected outturn position in future months:

- Children's Residential School Placements
- Remand Placements within Children's Services
- Learning Disability Care Packages
- Local Government pay award settlement
- Impact of any delays in discharge of South Ayrshire patients
- Impact of Lead Partnership services

In addition there is a comprehensive review of the projections for month 10 planned by the NHS finance team, this review may result in a more significant movement in the projected outturn for health delivered services, this will be reflected in the next monitoring report.

| 2.7 | **Primary Care and Prescribing** |

Against a full year budget of £49.308m primary care prescribing and general medical services are projected to be underspend by £0.086m, this is in relation to an underspend in enhanced services.

| 2.8 | **CRES update** |

|  | Permanent or Temporary | £ 000's |
|---|---|---|
| CRES Saving brought forward |  | 2.557 |
| Additional Workforce savings | P | 0.055 |
| **TOTAL** |  | **2.612** |
| Arrol Park employee costs | T | (0.250) |
| Payroll turnover target increase | T | (0.215) |
| Addictions | P | (0.364) |

| | | |
|---|---|---|
| Children's services employee costs | P | (0.060) |
| **Balance still to be achieved in 2018-19** | | **1.723** |

Of the £1.723m still to be achieved £0.986m is allocated to the Lead Partnership for Mental Health and the balance of £0.737m remains to be allocated across other services and is reported against Management and Support costs.

Given that overall there is a projected underspend in the Health element of the budget the unidentified CRES savings are being offset on a non-recurring basis for 2018-19. There is a requirement to formally identify these savings as part of the 2019-20 budget process.

The £0.986m aligned to the Lead Partnership against Mental Health services should remain aligned to those services. The service are developing plans to re-design Elderly Mental Health beds, this will deliver significant savings to contribute to this target.

| 2.9 | **Savings Progress** |
|---|---|

a) The 2018-19 budget included £4.003m of savings plus £2.557m of carried forward NHS CRES savings (total £6.560m). A further workforce saving of £0.055m was approved in period 6 taking the total to £6.615m.

| BRAG Status | Position at Budget Approval £m | Position at Period 9 £m |
|---|---|---|
| Red | 3.148 | 2.424 |
| Amber | 0.519 | 0.649 |
| Green | 2.893 | 0.226 |
| Blue | 0.000 | 3.316 |
| **TOTAL** | **6.560** | **6.615** |

b) The projected year-end outturn position assumes that the Red savings will not be delivered as planned and this is reflected in the overall projected outturn position, these are:

    i. Reduction in care home places £0.391m
    ii. Challenge Fund – physical disability care packages £0.200m
    iii. Capping of respite £0.070m
    iv. NHS CRES savings £1.723m
    v. Reduction in mileage - £0.040m

If progress is made to deliver the savings this would improve the overall outturn position. It is encouraging that the level of savings with red status has reduced since the budget was approved, recognising a greater level of confidence of delivery and the progress made so far with identifying savings against the CRES target.

The focus in the final quarter will be to focus on ensuring that the 18/19 savings are achieved in 19/20 to minimise the impact on the projections for next year.

The projected financial position assumes that all remaining savings on the plan will be delivered. Progress with savings delivery requires to be closely monitored to ensure the impact on the financial position can be assessed and corrective action taken where necessary. Appendix C provides full detail on the savings.

| | |
|---|---|
| | The Transformation Board is in place to provide oversight and governance to the programme of service change. A focus of the Board is to ensure plans are in place to deliver savings and service change, with a solutions focussed approach to bringing programmes back on track. |
| 2.10 | **Financial Recovery Plan** |
| | The IJB approved the recovery plan in August and progress against this is provided in appendix D. The impact of the plan so far has been to improve the financial position by £0.765m.

There are a number of additional actions noted on the plan for which the financial impact cannot be quantified at this stage but these actions are expected to contribute positively to the financial position in 2018/19 and moving forward into 2019/20. |
| 2.11 | **Budget Changes** |
| | The Integration Scheme states that "*either party may increase it's in year payment to the Integration Joint Board. Neither party may reduce the payment in-year to the Integration Joint Board nor Services managed on a Lead Partnership basis…..without the express consent of the Integration Joint Board*".

Appendix E highlights the movement in the overall budget position for the partnership following the initial approved budget.

*Reductions Requiring Approval:*

The specific reductions that the IJB are required to approve are:

- AHP Workforce Saving £0.033m – reallocation of the target from South HSCP.

It is recommended that the IJB approve the budget reductions outlined above.

*Increases For Noting:*

The part year North Ayrshire share of the Intermediate Care and Rehab (ICR) investment £0.303m is now included in the budget.

*Future Planned Changes:*

Further areas which are outstanding and will be included in future reports include:
- The disaggregation of some mental health wards from the lead partnership arrangement. |
| 2.12 | **Lead Partnerships** |
| | *North Ayrshire HSCP*
Services managed under Lead Partnership arrangements by North Ayrshire Health and Social Care Partnership are projected to be £0.335m underspent, this includes the allocation of the unachieved CRES target carried forward. Full detail on the underspend is given in section 2.4 above. |
| | *South Ayrshire HSCP*
Services hosted and/or led by the South Partnership are forecast to be online as there was further investment in the Community Equipment Store. |

The month 9 position for service led or hosted by South HSCP is given below:

| Cost Centre Name | Annual Budget | YTD Budget | YTD Actuals | YTD Variance |
|---|---|---|---|---|
| Community Equip Store | £201,919 | £151,440 | £151,440 | £0 |
| Continence Team | £313,242 | £234,932 | £198,265 | £36,667 |
| Family Nurse Partnership | £828,765 | £468,890 | £460,953 | £7,938 |
| Incontinence Advisors | £117,378 | £88,034 | £107,293 | (£19,260) |
| Mpower | £0 | £27,779 | £27,779 | (£0) |
| Tec | £156,791 | £113,696 | £111,415 | £2,281 |
| Tec – Diabetes | £0 | £0 | £2,281 | (£2,281) |
| **South Hosted Services** | **£1,618,096** | **£1,084,771** | **£1,059,426** | **£25,345** |

*East Ayrshire HSCP*

Services managed under Lead Partnership arrangements by East Ayrshire Health and Social Care Partnership are projected to overspend by £0.697m. This represents adverse movement of £0.402m from month 7.

The overall Primary Care Lead Partnership projected overspend is £0.758m and this variance mainly relates to additional payments (£1m to date, £1.2m projected to year end) within Primary Medical Services to GP practices currently experiencing difficulty.

It is worthwhile noting that the highest proportion of costs in the current year have been incurred on GP practices located in North Ayrshire however costs have been incurred on practices across all three Partnership areas.

This pressure was offset in the previous financial year by non-recurring slippage on the Primary Care Transformation Fund, as well as non-recurring Dental Services savings. A non-recurring allocation of funding for Out of Hours services £0.305m which has been applied to Ayrshire Urgent Care Services (AUCS) has assisted in reducing the projected overspend. The overspend for AUCS is £0.165m which has improved due to a redesign of appointment allocation and better control of rates through positive management action.

Dental Services is projected to underspend by £0.451m however it should be noted that recruitment is ongoing for specialist posts which may impact in the final quarter of the current financial year.

Prison and Police Healthcare is projected to underspend by £0.053m predominately as a result of staffing savings which have resulted from vacancies within the service.

The following table provides a summary of services managed by East Ayrshire Health and Social Care Partnership under Lead Partnership arrangements:

| | East Annual Budget £m |
|---|---|
| Community Prescribing | 1.790 |
| Dental | 4.447 |
| Family Health Services | 45.279 |
| PMS | 12.065 |

| | | |
|---|---|---|
| Primary Care Development Director | 12.551 | |
| **Sub total: Primary Care** | **76.132** | |
| Guardianship patients - AWI | 0.200 | |
| Standby Services | 0.238 | |
| Prison and Police Healthcare | 3.069 | |
| Marie Curie Cancer Care | 0.088 | |
| War Pensioner | 1.424 | |
| **Sub total: East hosted** | **5.019** | |
| **Total** | **81.151** | |

| | |
|---|---|
| | Further work is being taken forward to develop a framework to report the financial position and impact of risk sharing arrangements across the 3 partnerships in relation to hosted or lead service arrangements.  This is to ensure the IJB are fully sighted on the impact for the North Ayrshire partnership.  The IJB will be kept informed of progress with this work which is being progressed by the Ayrshire Partnership Finance Leads.<br><br>At month 9 the impact of the Lead Partnerships has been calculated based on the average NRAC share which is the method that was used in previous years.<br><br>The NRAC shares are: North 36.8%, South 30.6% and East 32.6% |
| 2.13 | Set Aside<br><br>The Integration Scheme makes provision for the Set Aside Budget to be managed in-year by the Health Board with any recurring over or under spend being considered as part of the annual budget setting process.<br><br>The 2018-19 set aside budget for North HSCP is £28.055m, based on expenditure in 2017-18.  The acute directorate, which includes the areas covered by the set aside budget, is projected to overspend of circa £9.3m.<br><br>129 additional and unfunded beds were open at the 31st March 2018. This had reduced to 58 by the 31st December 2018. There are clear plans in place to reduce these in a phased manner ensuring continuation of service and patient safety.<br><br>During 2017-18 the North Partnerships use of the set aside resources was £28.055m against the NRAC 'fair share' of £26.563m which is £1.492m above the 'fair share'. There is an expectation that the North Partnership will move towards its 'fair share'. The Models of Care programmes including the Intermediate Care and Rehab investment and the Palliative End of Life proposals being developed represent agreed or potential investment by NHS A&A to invest in community services with a view to reducing acute beds.  This is in effect a mechanism to reduce the set aside resources. |
| **3.** | PROPOSALS |
| 3.1 | **Anticipated Outcomes** |
| | Continuing to closely monitor the financial position will allow the IJB to take corrective action where required to ensure the partnership can deliver services in 2018-19 from within the available resource, thereby limiting the financial risk the funding partners, i.e. NAC and NHS AA. |

| 4. | The transformational change programme will have the greatest impact on the financial sustainability of the partnership, the IJB require to have a clear understanding of progress with plans and any actions that can be taken to bring the change programme into line. |
|---|---|
| 3.2 | **Measuring Impact** |
| | Updates to the financial position will be reported to the IJB throughout 2018-19. |
| **4.** | **IMPLICATIONS** |

| **Financial:** | The financial implications are as outlined in the report. <br><br> Against the full-year budget of £235.368m there is a projected overspend of £0.227m (0.1%). The report outlines the action being taken and proposed action to reduce the projected overspend. <br><br> The recovery plan totals £1.255m with £0.765m delivered to date. There are a number of other actions are being progressed to reduce the overspend further. <br><br> The main areas of financial risk which may impact on this position are highlighted in the report. |
|---|---|
| **Human Resources:** | None |
| **Legal:** | None |
| **Equality:** | None |
| **Children and Young People** | None |
| **Environmental & Sustainability:** | None |
| **Key Priorities:** | None |
| **Risk Implications:** | If the financial recovery plan does not deliver the required improvement to the financial position there is a risk that further actions will require to be identified and service quality and performance may be compromised to achieve financial balance. |
| **Community Benefits:** | None |

| **Direction Required to Council, Health Board or Both** | Direction to :- | |
|---|---|---|
| | 1. No Direction Required | |
| | 2. North Ayrshire Council | |
| | 3. NHS Ayrshire & Arran | √ |
| | 4. North Ayrshire Council and NHS Ayrshire & Arran | |

| **4.** | **CONSULTATION** |
|---|---|
| 4.1 | This report has been produced in consultation with relevant budget holders and the Partnership Senior Management Team. |

| | | |
|---|---|---|
| | The report is shared with the Director of Finance for NHS Ayrshire and Arran and the Executive Director Finance and Corporate Support for North Ayrshire Council. | |
| **5.** | **CONCLUSION** | |
| 5.1 | It is recommended that the IJB:<br><br>a) Note the projected year-end overspend of £0.227m;<br>b) Approve the changes in funding as detailed in section 2.11 and Appendix E;<br>c) Note the impact of the financial recovery plan and the progress being made in delivering financial balance; and<br>d) Note the potential impact of the Lead Partnerships | |

**For more information please contact:**

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# 2018-19 Budget Monitoring Report–Objective Summary as at 31 December 2018      Appendix A

| Partnership Budget - Objective Summary | 2018/19 Budget | | | | | | | | | 2018/19 | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| | Council | | | Health | | | TOTAL | | | Over/ (Under) Spend Variance at Period 7 | Movement in projected budget variance from Period 7 |
| | Budget | Projected Outturn | Projected Over/ (Under) Spend Variance | Budget | Projected Outturn | Projected Over/ (Under) Spend Variance | Budget | Projected Outturn | Projected Over/ (Under) Spend Variance | | |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| **COMMUNITY CARE AND HEALTH** | **53,628** | **53,844** | **216** | **12,001** | **12,093** | **92** | **65,629** | **65,937** | **308** | **137** | **171** |
| : Locality Services | 24,679 | 25,416 | 737 | 4,178 | 4,221 | 43 | 28,857 | 29,637 | 780 | 862 | (82) |
| : Community Care Service Delivery | 25,828 | 25,473 | (355) | 0 | 0 | 0 | 25,828 | 25,473 | (355) | (562) | 207 |
| : Rehabilitation and Reablement | 1,046 | 948 | (98) | 1,750 | 1,569 | (181) | 2,796 | 2,517 | (279) | (265) | (14) |
| : Long Term Conditions | 1,737 | 1,658 | (79) | 4,315 | 4,630 | 315 | 6,052 | 6,288 | 236 | 149 | 87 |
| : Integrated Island Services | 338 | 349 | 11 | 1,758 | 1,673 | (85) | 2,096 | 2,022 | (74) | (47) | (27) |
| **MENTAL HEALTH SERVICES** | **23,549** | **24,118** | **569** | **49,433** | **48,657** | **(776)** | **72,982** | **72,775** | **(207)** | **133** | **(340)** |
| : Learning Disabilities | 18,037 | 19,063 | 1,026 | 477 | 344 | (133) | 18,514 | 19,407 | 893 | 685 | 208 |
| : Commmunity Mental Health | 4,131 | 3,708 | (423) | 1,631 | 1,378 | (253) | 5,762 | 5,086 | (676) | (524) | (152) |
| : Addictions | 1,381 | 1,347 | (34) | 1,226 | 1,177 | (49) | 2,607 | 2,524 | (83) | (84) | 1 |
| : Lead Partnership Mental Health NHS Area Wide | 0 | 0 | 0 | 46,099 | 45,758 | (341) | 46,099 | 45,758 | (341) | 56 | (397) |
| **CHIDREN'S AND JUSTICE SERVICES** | **31,737** | **31,931** | **194** | **3,523** | **3,178** | **(345)** | **35,260** | **35,109** | **(151)** | **(275)** | **124** |
| : Intervention Services | 3,803 | 3,685 | (118) | 303 | 319 | 16 | 4,106 | 4,004 | (102) | (62) | (40) |
| : Looked After & Accomodated Children | 16,236 | 16,806 | 570 | 0 | 0 | 0 | 16,236 | 16,806 | 570 | 451 | 119 |
| : Fieldwork | 4,588 | 4,597 | 9 | 0 | 0 | 0 | 4,588 | 4,597 | 9 | (16) | 25 |
| : CCSF | 302 | 254 | (48) | 0 | 0 | 0 | 302 | 254 | (48) | (53) | 5 |
| : Justice Services | 2,661 | 2,661 | 0 | 0 | 0 | 0 | 2,661 | 2,661 | 0 | 0 | 0 |
| : Early Years | 321 | 226 | (95) | 2,847 | 2,480 | (367) | 3,168 | 2,706 | (462) | (472) | 10 |
| : Policy & Practice | 3,826 | 3,702 | (124) | 0 | 0 | 0 | 3,826 | 3,702 | (124) | (110) | (14) |
| : Lead Partnership NHS Children's Services Area Wide | 0 | 0 | 0 | 373 | 379 | 6 | 373 | 379 | 6 | (13) | 19 |
| **PRIMARY CARE** | 0 | 0 | 0 | 49,308 | 49,222 | (86) | 49,308 | 49,222 | (86) | (86) | 0 |
| **ALLIED HEALTH PROFESSIONALS** | | | | 4,637 | 4,511 | (126) | 4,637 | 4,511 | (126) | (153) | 27 |
| **MANAGEMENT AND SUPPORT COSTS** | 5,150 | 4,769 | (381) | 460 | 1,069 | 609 | 5,610 | 5,838 | 228 | 737 | (509) |
| **CHANGE PROGRAMME** | 658 | 574 | (84) | 1,284 | 1,169 | (115) | 1,942 | 1,743 | (199) | (12) | (187) |
| **TOTAL** | **114,722** | **115,236** | **514** | **120,646** | **119,899** | **(747)** | **235,368** | **235,135** | **(233)** | **481** | **(714)** |
| Remove the East (32.6%) and South (30.6%) Element of the North Lead Partnership Services | 0 | 0 | 0 | | | 204 | | | 204 | | |
| Add the North (36.8%) element of the East Lead Partnership Services | 0 | 0 | 0 | | | 256 | | | 256 | | |
| **REVISED POSITION** | **114,722** | **115,236** | **514** | **120,646** | **119,899** | **(287)** | **235,368** | **235,135** | **227** | | |

## 2018-19 Budget Monitoring Report - Detailed Variance Analysis per service

| | Budget £000's | Projected Outturn £000's | Projected Over/ (Under) Spend Variance £000's | |
|---|---|---|---|---|
| **COMMUNITY CARE AND HEALTH** | 65,629 | 65,937 | 308 | |
| Locality Services | 28,857 | 29,637 | 780 | **Older People permanent care homes** - permanent placements are projected overspend of £0.712m based on 806 placements (557 Nursing and 249 Residential) and an assumption that placements are on a one in one basis to the end of the year. This is a reduction of 35 places from month 7. Respite care projected overspend of £0.006m, favourable movement of £0.039m based on the spend to date. This also reflects the £0.300m of agreed funding from the Carers allocation which was agreed as part of the recovery plan in period 4.<br><br>**Independent Living Services :**<br>* Direct Payment packages projected underspend of £0.103m on 59 current packages.<br>* Indirect Payment packages no charges to date, projected underspend £0.045m based on prior year spend.<br>* Adult respite care projected overspend £0.050m based on current spend to date.<br>* Residential Packages projected overspend of £0.073m which is an adverse movement of £0.031m based on 40 current packages and an expected net decrease in packages of 1.<br>* Community Packages (physical disability) overspend of £0.415m based on 62 current packages, and an expected decrease of 1 package.<br><br>**Equipment Budge**t - £0.318m budget for equipment- projected £0.100m underspend in line with approved mitigation.<br>**Employee costs** - projected £0.212m underspend: Money Matters structure approved resulting in part year vacancies.<br>**NHS Packages of Car**e - projected overspend of £0.218m due to high use of supplementary staffing.<br>**District Nursing** - projected underspend of £0.212m assuming Band 6 vacancies are filled.<br>**Income from Charging Orders** - over recovery of £0.100m expected per income received to date and projected income receivable (adverse movement £0.100m). |
| Community Care Service Delivery | 25,828 | 25,473 | (355) | **Care at home**<br>- in house service - projected underspend of £0.335m based on current costs. The cost of recruiting 30 staff in October and November is funded by a reduction in casual and overtime costs.<br>- Purchased Care at home - projected underspend of £0.065m based on current level of spend continuing to end of year. This is an adverse movement of £0.205m. This follows a review of the projection and use of more accurate data from the business unit.<br><br>**Direct Payments** - projected underspend of £0.068m based on 31 current package less 10% expected recovery from underspent balances.<br><br>**Transport costs** - projected overspend of £0.076m due to increase in staff mileage within care at home and ferry charges.<br>**Admin costs** - projected overspend of £0.102m mainly due to mobile phone equipment.<br>**Voluntary Organisations** - projected overspend £0.080m (CLASP HOPE £0.020m and Alzheimer £0.060m).<br>**Income** - projected over recovery £0.102m base+F7d on current receipts and an increase in Community Alarm income. |

| | Budget £000's | Projected Outturn £000's | Projected Over/ (Under) Spend Variance £000's | |
|---|---|---|---|---|
| Rehabilitation and Reablement | 2,796 | 2,517 | (279) | **Employee costs -** projected underspend £0.178m due to vacancies.<br>Adaptations Budget - £0.487m - projected £0.100m underspend in line with approved mitigation. |
| Long Term Conditions | 6,052 | 6,288 | 236 | **Carers Centres** - projected £0.100m underspend based on additional funding for the Carers Strategy.<br>**Ward 1 -** projected overspend of £0.395m assuming current staffing levels continue.<br>**Ward 2 -** projected underspend of £0.035m, assuming funding from East HSCP for Kirklandside Ward.<br>**Elderly CMHT -** projected underspend of £0.073m assuming current staffing levels continue. |
| Integrated Island Services | 2,096 | 2,022 | (74) | **Patient Transport** - is projected to underspend as the project commenced later than budgeted. |
| **MENTAL HEALTH SERVICES** | **72,982** | **72,775** | **(207)** | |
| Learning Disabilities | 18,514 | 19,407 | 893 | **Residential Packages-** projected underspend of £0.008m based on current 38 packages £2.434m less 2% invoice variances. Adverse movement as 3 projected discharges did not take place<br><br>**Community Packages -** projected overspend of £0.723m based on current 337 packages less 9.75% invoice variances and a net movement in year of 1 new package. Challenge Fund savings of £0.256m expected to be achieved.<br><br>**Direct Payments -** projected overspend of £0.270m based on 41 current packages less 10% underspent balances and an expected increase of 1 package in year.<br><br>**Employee costs -** projected underspend £0.198m mainly due to vacant posts<br><br>**Income -** projected under recovery of £0.080m based on current receipts and no income from other local authorities for use of Taigh Mor respite service as this is being fully utilised to meet the respite needs of North service users. |
| Community Mental Health | 5,762 | 5,086 | (676) | **Community Packages -** projected underspend of £0.272m based on 98 packages less assumed invoice differences between planned and actual service delivered plus a net increased of 4 packages. This underspend includes £0.150m in relation to additional funding projected for hospital discharges.<br>**Employee costs** - projected underspend £0.247m mainly due to vacant posts |
| Addictions | 2,607 | 2,524 | (83) | **Addictions Team -** projected underspend of £0.083m due to in year vacancies. Assumes that any ADP underspend will require to be carried forward for use in future years. |

| | Budget £000's | Projected Outturn £000's | Projected Over/ (Under) Spend Variance £000's | |
|---|---|---|---|---|
| Lead Partnership (MHS) | 46,099 | 45,758 | (341) | **Adult Community** - projected underspend of £0.280m due to vacancies and the cost of the crisis team being met by Action 15 funding.<br>**Adult Inpatients**- projected overspend of £0.558m due to a delay in bed sale income and use of supplementary staff. The projection assumes all of the beds will be sold by the end of February.<br>**UNPACs** - projected to underspend by £0.309m. Assumption that there will be no change to NHS GG&C charge and there will be 2 new care packages in-year.<br>**LDS -** projected to underspend by £0.231m due to delay in UNPACs transfer.<br>**Elderly Inpatients** - projected to overspend by £0.256m due to use of supplementary staff.<br>**CAMHS** - projected underspend is £0.382m based on projected staffing levels.<br>**MH Admin** - projected underspend of £0.105m. This is after the transfer of services to East and South.<br>**Psychiatry** - projected to overspend by £0.129m, primarily due to locums and a reduction in Dean funding. EMH Liaison post remains unfunded.<br>**MH Pharmacy** - projected to underspend by £0.155m mainly within substitute prescribing due to the benefit on over-accrual in 2017-18.<br>**Psychology**- projected to underspend by £0.528m based on projected staffing levels.<br>**CRES target** - projected overspend of £0.986m in relation to savings still to be identified.<br>**Projected underspends in other areas -** include Associate Nurse Director budgets £0.068m, slippage on mental health allocations of £0.070m and resource transfer reserve £0.023m. |
| **CHIDREN'S SERVICES AND CRIMINAL JUSTICE** | **35,260** | **35,109** | **(151)** | |
| Intervention Services | 4,106 | 4,004 | (102) | **Employee costs -** projected underspend £0.185m mainly due to vacant posts.<br>**Care Leavers -** projected overspend 0f £0.054m based on current number of service users. |

| | Budget £000's | Projected Outturn £000's | Projected Over/ (Under) Spend Variance £000's | |
|---|---|---|---|---|
| Looked After & Accom Children | 16,236 | 16,806 | 570 | **Looked After Children placements - projected underspend of £0.429m based on the following:-**<br>**Kinship - p**rojected overspend of £0.193m. Budget for 302 placements, currently 320 placements and projecting 325 by the year end.<br>**Adoption -** projected underspend of £0.041m. Budget for 78 placements, currently 67 placements and projecting 70 by the year end.<br>**Fostering** - projected underspend of £0.334m. Budget for 140 placements, currently 120 placements and projecting 130 placements by the year end.<br>**Fostering Xtra** - projected underspend of £0.144m. Budget for 32 placements, currently 26 placements and projecting 26 by the year end.<br>**Private fostering - p**rojected underspend of £0.102m. Budget for 16 placements, currently 11 placements and projecting 12 by the year end.<br>**Fostering respite-** projected overspend of £0.010m.<br>**IMPACCT carers** - projected underspend of £0.010m based on 3 carers providing support for full year.<br><br>**Adoption Fees** - projected overspend of £0.070m due to external agency fees and 2 placements from other Councils.<br><br>**Residential School placements including community packages -** projecting an overspend of £0.967m. Projection based 1 current secure placement projected to March. 20 residential and community placements projected to leave as 1 in January and 1 from February with 18 placements remaining at March 2019.<br>Remand budget of £100k, at present projection assumes this will be spent<br>**Employee Costs - p**rojected underspend of £0.099m due to vacancies. |
| Fieldwork | 4,588 | 4,597 | 9 | **Outwith the threshold for reporting** |
| CCSF | 302 | 254 | (48) | **Outwith the threshold for reporting** |
| Criminal Justice | 2,661 | 2,661 | 0 | **Assumed to come in line with budget** |
| Early Years | 3,168 | 2,706 | (462) | **Employee costs -** projected underspend of £0.406m due to vacancies.<br>**CAMHS budget** - projected underspend of £0.056m |
| Policy & Practice | 3,826 | 3,702 | (124) | **Children with a disability care packages** - projected underspend of £0.150m based on current placements. |
| Lead Partnership (CS & CJ) | 373 | 379 | 6 | **Outwith the threshold for reporting** |

| | Budget £000's | Projected Outturn £000's | Projected Over/ (Under) Spend Variance £000's | |
|---|---|---|---|---|
| PRIMARY CARE | 49,308 | 49,222 | (86) | **Prescribing -** projected underspend of £0.086m based on activity to date. |
| ALLIED HEALTH PROFESSIONALS | 4,637 | 4,511 | (126) | **Employee costs -** projected underspend due to vacancies. |
| Management & Support Services | 5,610 | 5,838 | 228 | **CRES savings -** projected overspend of £0.682m relating to CRES savings still to be identified and £0.055m in relation to workforce savings. This is partially offset by an underspend in contract inflation of £0.150m. |
| CHANGE PROGRAMME and challenge Fund | 1,942 | 1,743 | (199) | **ICF -** slippage on some projects. |
| TOTAL | 235,368 | 235,135 | (233) | |

*Threshold for reporting is + or - £50,000*

**Council Commissioned Services**

| Service | Description | RAG Status at budget setting | Updated Rag Status | Gross Saving 2018/19 £000's | Net Saving 2018/19 £000's | Net Saving Projected to be Achieved at Period 9 £000's | Projected Shortfall |
|---|---|---|---|---|---|---|---|
| Children & Criminal Justice | Children & Criminal Justice Challenge Fund Projects - Investment in Universal Early Years | Green | Amber | 100 | 47 | 47 | - |
| Children & Criminal Justice | Children & Criminal Justice Challenge Fund Projects - School-based Approach to Reducing Looked After (LAC)/Looked After and Accommodated Numbers(LAAC) | Green | Amber | 200 | 106 | 106 | - |
| Children & Criminal Justice | Children & Criminal Justice Challenge Fund Projects - Reduction in Needs for Residential School placements enhancing our community supports with a new team. | Green | Amber | 536 | 340 | 340 | - |
| Children & Criminal Justice | Children & Criminal Justice Challenge Fund Projects - Expansion of the Multi Agency Assessment and Screening Hub (MAASH ) | Green | Amber | 37 | 26 | 26 | - |
| Children & Criminal Justice | Reallocation of Partnership Forum budget with associated savings | Green | Blue | 40 | 40 | 40 | - |
| Children & Criminal Justice | To reduce the Learning and Development team | Amber | Blue | 75 | 75 | 75 | - |
| Children & Criminal Justice | Reduction in Staffing | Green | Blue | 25 | 25 | 25 | - |
| Children & Criminal Justice | To discontinue the mentoring project for young people | Green | Blue | 25 | 25 | 25 | - |
| Community Care & Health | Community Care & Health Challenge Fund Projects - Physical Disabiliites | Green | Red | 200 | 200 | - | 200 |
| Community Care & Health | Community Care & Health Challenge Fund Projects - Reablement | Green | Blue | 228 | 181 | 181 | - |
| Community Care & Health | Reduction in staff from the Arran social work team | Amber | Blue | 13 | 13 | 13 | - |
| Community Care & Health | Withdrawl of funding to Crossroads, Largs | Green | Blue | 14 | 14 | 14 | - |
| Community Care & Health | Additional projected income | Green | Blue | 155 | 155 | 155 | - |
| Community Care & Health | WRVS saving | Green | Blue | 8 | 8 | 8 | - |
| Community Care & Health | Reduction in Care Home Placements - proposal to reduce 25 placements. | Red | Red | 391 | 391 | - | 391 |
| Community Care & Health | Reduction in Care at Home | Red | Blue | 200 | 200 | 200 | - |

| Service | Description | RAG Status at budget setting | Updated Rag Status | Gross Saving 2018/19 £000's | Net Saving 2018/19 £000's | Net Saving Projected to be Achieved at Period 9 £000's | Projected Shortfall |
|---|---|---|---|---|---|---|---|
| Mental Health | Mental Health - Challenge Fund Projects | Green | Green | 226 | 226 | 226 | - |
| Mental Health | Redesign and recommission a mental health support service at a reduced cost. | Amber | Blue | 30 | 30 | 30 | - |
| Mental Health | Reduction in Caley Court Learning Disability Team. | Amber | Blue | 48 | 48 | 48 | - |
| Mental Health | Reduction in staff at Hazeldene Day service | Amber | Blue | 35 | 35 | 35 | - |
| Management & Support | Review all support secondments/posts which could be provided by parent organisations to the HSCP. | Amber | Blue | 50 | 50 | 50 | - |
| Management & Support | Operational savings generated by the business support review. | Amber | Blue | 150 | 150 | 150 | - |
| Management & Support | Planning and Performance Team - reduction in staffing | Green | Blue | 37 | 37 | 37 | - |
| Cross Service | Pilot Sickness Absence Taskforce within the HSCP | Green | Blue | 100 | 75 | 75 | - |
| Cross Service | Staff Mileage - 10% reduction across the partnership | Green | Red | 40 | 40 | - | 40 |
| Cross Service | Bring forward phase 2 Challenge Fund savings from 2019/20 to 2018/19 | Green | Blue | 250 | 250 | 250 | - |
| Cross Service | Cap respite across all services to 35 days | Green | Amber | 200 | 200 | 130 | 70 |
| Change and Improvement | Change Team Restructure | Green | Blue | 108 | 108 | 108 | - |
| Change and Improvement | Integrated Care Fund - reduction in spend and discontinued projects | Green | Blue | 218 | 218 | 218 | - |
| | | | TOTAL | 3,739 | 3,313 | 2,612 | 701 |

| Service | Description | RAG Status at budget setting | Updated Rag Status | Gross Saving 2018/19 £000's | Net Saving 2018/19 £000's | Net Saving Projected to be Achieved at Period 7 £000's | Projected Shortfall |
|---|---|---|---|---|---|---|---|
| Change and Improvement | Integrated Care Fund - reduction in spend and discontinued projects | Green | Blue | 242 | 242 | 242 | - |
| Planning and Performance | Change Team Restructure | Green | Blue | 108 | 108 | 108 | - |
| Mental Health | Review of Psychology Services - Phase 2 | Green | Blue | 47 | 47 | 47 | - |
| Mental Health | Prescribing - Secondary 1% | Amber | Blue | 7 | 7 | 7 | - |
| Mental Health | Add UNPACS 1% | Amber | Blue | 23 | 23 | 23 | - |
| Mental Health | Psychiatry 1% | Amber | Blue | 55 | 55 | 55 | - |
| Mental Health | Addictions 1% | Amber | Blue | 13 | 13 | 13 | - |
| Community Care & Health | Arran | Amber | Blue | 20 | 20 | 20 | - |
| Community Care & Health | Delayed Discharge Funding | Green | Blue | 53 | 53 | 53 | - |
| Community Care & Health | District Nursing Supplies | Green | Blue | 7 | 7 | 7 | - |
| Community Care & Health | Reduction in staffing - Arran | Green | Blue | 30 | 30 | 30 | - |
| Cross Service | Supplies | Green | Blue | 80 | 80 | 80 | - |
| Cross Service | Transport | Green | Blue | 5 | 5 | 5 | - |
| Cross Service | Savings carried forward from 2017/18 | Red | Red | 2,557 | 2,557 | 889 | 1,668 |
| Cross Service | Workforce saving allocation | Red | Red | 55 | 55 | - | 55 |
| | **TOTAL** | | | **3,302** | **3,302** | **1,579** | **1,723** |
| | **GRAND TOTAL** | | | **7,041** | **6,615** | **4,191** | **2,424** |

**Financial Recovery Plan (IJB approved Sept 2018)**

| Ref | Service Area | Recovery Action Proposed | Status: Complete In Progress Delayed | Estimated Benefit £ 000's | Achieved (included in the projected outturn) £ 000's | Remaining Balance £ 000's | Responsible Officer |
|---|---|---|---|---|---|---|---|
| 1 | Care Homes | Phased reduction in care home numbers as more people will be supported at home. This would focus on a reduction in residential care placements by utilising the capacity in community services (eg care at home, district nursing) to support people to remain supported in their own homes. | Complete | 200 | 200 | - | Stephen Brown |
| 2 | Learning Disability | From September there will be a full time care manager seconded to a dedicated learning disability review team. This will assist in achieving the planned Challenge Fund savings and contribute to the financial recovery plan. | In Progress | 100 | - | 100 | Thelma Bowers |
| 3 | Learning Disability | Sleepovers - the current sleepovers are being reviewed to assess which could be provided using the existing out of hours responder service. There is not currently a savings target aligned to sleepover services. | In Progress | 100 | - | 100 | Thelma Bowers |
| 4 | Learning Disability | Review of all 2:1 supports for clients, from reviews already undertaken a reduction has been delivered, plan to review remaining supports. | In Progress | 75 | 25 | 50 | Thelma Bowers |
| 5 | Cross Service | Review of all transition cases (e.g. LD adults aged 65+) to ensure the appropriate care is provided (saving is estimate net of alternative care provision). | In Progress | 150 | - | 150 | Thelma Bowers |
| 6 | Cross Service | Audit of compliance with the charging policy to ensure consistency of application across services. | In Progress | 50 | - | 50 | Caroline Whyte |
| 7 | Carers | Increased demand for Respite services, contributing to overall overspend, use element of Carers Act funding for support for respite. Non recurring basis for 2018-19, reviewed as part of 2019-20 budget in line with plan for Carer's Act funding and implementation. | Complete | 300 | 300 | - | Stephen Brown |
| 8 | Equipment | Temporary reduction (2018-19 only) in the equipment budget due to the Challenge Fund investment being used to clear the waiting list. This will be kept under review together with any waiting lists and impact on delivery of community based services. | Complete | 100 | 100 | - | Stephen Brown |
| 9 | Adaptations | Temporary reduction (2018-19 only) in the adaptations budget. This will be kept under review together with any waiting lists and impact on delivery of community based services. | Complete | 100 | 100 | - | Stephen Brown |
| 10 | MH Inpatients | Current plans assume 4 bed sales to support service costs, actively market a 5th bed. | In Progress | 40 | - | 40 | Thelma Bowers |
| 11 | Learning Disability | Cease payment of Resource Transfer for a historic arrangement in relation to one patient moving outwith NHS A&A. | Complete | 40 | 40 | - | Thelma Bowers |
| | | **TOTAL** | | **1,255** | **765** | **490** | |

## Other actions being taken:

| Ref | Service Area | Action | Responsible Officer |
|---|---|---|---|
| 1 | Learning Disability | Extension of CM2000 to adult services which will enable payment to care providers based on actual service delivered.  Greatest potential impact will be from 2019-20. | Thelma Bowers |
| 2 | Learning Disability | Developing alternative approaches to personal assistant provision to accompany service users to social events | Thelma Bowers |
| 3 | Learning Disability | Developing alternative approaches to transport for service users to social events. | Thelma Bowers |
| 4 | Cross Service | The partnership vacancy scrutiny group continues to review all vacant posts which leads to non-recurring savings.  This has been added to by the NHS also undertaking a workforce management review group. | Stephen Brown |
| 5 | Cross Service | The absence pilot approved by the IJB in August may lead to reduced sickness rates and associated reduced absence related costs. | Julie Davis |
| 6 | Mental Health | A review and redesign of Elderly Mental Health wards is being undertaken.   There will be no savings in 2018-19 but outcome may reduce the projected overspend. | Thelma Bowers |
| 7 | Commissioned services | Review all outstanding contractual uplifts | Caroline Whyte |

## 2018/19 Budget Reconciliation

| COUNCIL | Period | Permanent or Temporary | £ |
|---|---|---|---|
| Initial Approved Budget | 2 | | 92,353 |
| Resource Transfer | 2 | P | 22,317 |
| ICF Procurement Posts - Transfer to Procurement | 2 | T | (89) |
| Additional Pension Costs | 4 | P | (9) |
| Reduction in CJ Settlement for 1819 | 4 | P | (243) |
| Budget from Education  - Activity Agreements (Rosemount) | 6 | T | 29 |
| Transfer of Finance staff from Corporate to HSCP (part year budget) | 9 | P | 308 |
| Increase in Commercial Refuse Collection | 9 | T | 56 |
| **Period 9 reported budget** | | | **114,722** |

| HEALTH | Period | Permanent or Temporary | £ |
|---|---|---|---|
| Initial Approved Budget (includes estimated pay award) | 2 | | 137,142 |
| Resource Transfer | 2 | P | (22,317) |
| Girfec-HV S-Bar | 3 | P | 47 |
| Specialist Pharmacist Upgrade | 4 | T | 11 |
| Pay Award | 4 | P | 1,462 |
| MH Admin – transfer to East and South | 5 | P | (1,198) |
| NES junior doctor funding | 5 | P | (80) |
| HD424 - NMAHP Clinical Lead | 5 | P | 16 |
| Allocation of the AHP budget | 6 | P | 4,570 |
| Mental Health Strategy - Action 15 | 6 | P | 571 |
| ADP | 6 | P | 462 |
| Medical Pay Award | 6 | P | 204 |
| Medical Training Grade Adjustment | 6 | P | 49 |

| | | | |
|---|---|---|---:|
| Band 3 Admin funding transferred from East | 6 | P | 14 |
| Breast Feeding Programme - Health Visitor | 6 | P | 9 |
| Mental Health Admin Split to South/East(Supplies) | 6 | P | (72) |
| Prescribing Reduction | 6 | P | (567) |
| Biggart Ward Closure 2017 - North Split | 7 | P | 10 |
| Medical Pay Award Correction | 7 | P | (64) |
| Ailsa Hairdressing transferred to South | 7 | P | (11) |
| Medical Training Grade Adjustment | 7 | P | (9) |
| Workforce saving allocation | 7 | P | (55) |
| Models of Care Funding | 8 | P | 316 |
| Split out of AHP Vacancies and Salaries | 8 | P | 99 |
| Health & Wellbeing Post and Veterans First to North | 8 | P | 29 |
| V1P Allocation Split East | 8 | P | 27 |
| Redistribution of AHP workforce saving allocation | 8 | P | (33) |
| Medical Training Grade Adjustment | 9 | P | 15 |
| Models of Care - Turnover Adj | 9 | T | (13) |
| Integrated Care Fund | 9 | P | 12 |
| **Period 9 reported budget** | | | **120,646** |

| | | | |
|---|---|---|---:|
| **GRAND TOTAL** | | | **235,368** |

| | NORTH AYRSHIRE COUNCIL | Agenda Item 7 |
|---|---|---|

**NORTH AYRSHIRE COUNCIL**

Agenda Item 7

**26 March 2019**

**Audit and Scrutiny Committee**

| **Title:** | **External Audit Plan 2018/19** |
|---|---|
| **Purpose:** | To inform the Committee of the External Audit Plan for 2018/19. |
| **Recommendation:** | That the Committee notes the External Audit Plan for 2018/19. |

## 1. Executive Summary

1.1 Deloitte LLP are the Council's external auditors for the five-year period 2016-2021 with 2018/19 being the third year of this appointment.

1.2 This report provides the Audit and Scrutiny Committee with the external audit plan for the 2018/19.

1.3 The annual audit report will be presented to the Committee in September 2019.

## 2. Background

2.1 Deloitte LLP are the Council's external auditors for the five-year period 2016-2021. They are also the auditors for the North Ayrshire Integration Joint Board, East Ayrshire and South Ayrshire Councils and IJBs, as well as NHS Ayrshire and Arran. 2018/19 is the third year of this appointment.

2.2 The audit plan is attached as Appendix 1 to this report with a representative of Deloitte in attendance to present the plan to Committee.

2.3 In planning the audit work Deloitte has identified recognition of grant income and management override of controls as being key risks and will carry out specific testing in relation to these.

2.4 The Code of Audit Practice has four audit dimensions which set a common framework for all public sector audits in Scotland. Deloitte will consider how the Council is addressing these:

- financial sustainability including the risks associated with the financial performance of the IJB, the long term financial outlook and the impact of transformation on the future funding gap;
- financial management and budget setting;
- governance and transparency including the IJB and senior management restructure;
- value for money and performance.

2.5    Other areas which will be considered include;

- Impact of EU withdrawal;
- Changing landscape of public finance management;
- Care income, financial assessment and financial guardianship;
- Dependency on key suppliers;
- Openness and transparency.

2.6    Deloitte will integrate its Best Value audit work into its overall plan. The five strategic audit priorities which are updated annually by the Accounts Commission are set out below:

- Clear priorities with a focus on outcomes supported by effective long-term planning;
- Effective options appraisal;
- Members and officers having the right knowledge, skills and support to shape future service delivery;
- Empowering and involvement of local communities in service design and delivery;
- Quality of public performance reporting.

2.7    Core audit work includes:

- providing the Independent Auditor's Report and annual report on the audit;
- preparing and submitting fraud returns to Audit Scotland;
- certifying grant claims;
- discharging responsibilities in relation to the Council's published performance indicators;
- leading the shared risk assessment process leading to preparation of the Local Scrutiny Plan if required.

## 3.    Proposals

3.1    It is proposed that the Committee notes the External Audit Plan for 2018/19.

## 4. Implications

| | |
|---|---|
| **Financial:** | The fee which will be charged by Deloitte LLP for the 2018/19 audit work will be £296,860. This represents an increase of £1,800 (0.6%) against the 2017/18 fee. A breakdown of this fee is provided at page 38 of the audit plan. |
| **Human Resources:** | None. |
| **Legal:** | None. |
| **Equality/Socio-economic Duty:** | None. |
| **Children and Young People:** | 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.

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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 2019

Issued 8 March 2019 for the meeting on 26 March 2019

# Contents

# Introduction

## The key messages in this report

We have pleasure in presenting our planning report to the Audit and Scrutiny Committee of North Ayrshire Council (the Council) for the year ending 31 March 2019 audit. We would like to draw your attention to the key messages of this 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.

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.

**Key Risks**

We have taken an initial view as to the significant audit risks the Council faces. These are presented as a summary dashboard on page 17.

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) 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 2017/18, the total grant income received excluding the General Revenue Grant and Housing Benefit Subsidy was £77,910k.

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

Valuation of property assets was classed as a significant risk in previous years' audits due to the degree of judgement and complexity involved and its material impact on the financial statements. From our conclusions in 2017/18 and initial planning work we have assessed that this is no longer an area of significant audit risk. We will update the Audit and Scrutiny Committee if there are any changes to this assessment.

# Introduction (continued)

## The key messages in this report (continued)

**Audit Dimensions**

The Code of Audit Practice sets out 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 2019. In particular, our work will focus on:

*Financial sustainability* – The Council continues to face significant financial challenges. The overall 2018/19 forecast position as at January 2019 projects an underspend of £1,107k against the revenue 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. The IJB is currently projecting an overspend in the year of £227k, of which £514k relates to Council commissioned services.

As at March 2018, the Council had £6,624k of unearmarked general fund reserves (2.0% of annual budgeted expenditure) to help alleviate future financial pressures. The Long-Term Financial Outlook 2018-2028 (LTFO) was updated during 2017 and identified a potential funding shortfall of £156,000k. Savings of £7,072k have been identified for 2018/19 as part of the Medium Term Financial Plan 2017-2020 (MTFP) and further savings of £11,721k identified as part of the updated MTFP 2019/20 to 2021/22.

The Council is currently refreshing its Council and Transformation Plans as it acknowledges that it currently doesn't have a clear plan to demonstrate how its transformational activity will achieve the required financial benefits to address the significant funding gap over the medium to longer term.  The next phase Transformation is expected to be presented to Council in March 2019.

We will monitor the Council's actions in respect of its MTFP and the work being done as part of the Transformation Plan review to assess how the Council plans to achieve long-term financial sustainability. Currently, there is a risk around how benefits are realised from service redesign projects and how this impacts on achieving financial targets.

*Financial management* – We will review the budget and monitoring reports to the Council during the year as well as review internal audit reports in relation to their work on the financial control environment to assess whether financial management and budget setting is effective.

From our audit work in 2017/18 we found that the Council had robust financial management procedures in place, however, there remains a risk that a lack of appropriate financial management could result in the Council not achieving its financial targets.

# Introduction (continued)

## The key messages in this report (continued)

**Audit Dimensions (continued)**

*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 IJB. The IJB has not achieved short-term financial balance since its inception and continues to face significant financial challenges for 2018/19. As outlined on page 4, the IJB is projecting an overspend in the year of £227k. Whilst it is the IJB's responsibility to commission services within the funding available, there is a risk that governance arrangements between the Council, NHS Board and IJB are not effective.

There has been a change to the senior management structure in place at the Council. The Chief Executive retired in September 2018 and was replaced by the former Executive Director of Place. The Council are currently operating with three Executive Directors, with plans in place to review the overall senior management structure early in 2019. We will review the Business Case for the early retirement of the former Chief Executive, monitor how the senior management restructure is progressing and any impact on service delivery.

*Value for money* – From our 2017/18 audit work we concluded that the Council has a well established performance management framework in place, with performance regularly considered by management and the Council. During 2018/19 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, in the context of reducing resources, the Council's approach to focused performance improvement in specific areas is not effective.

Our audit work on the four audit dimensions incorporates the specific risks highlighted by Audit Scotland, in particular, the impact of EU withdrawal, the changing landscape for public financial management, dependency on key suppliers, care income and increased focus on openness and transparency.

*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 Council's performance established from our audit work over the last two years against these priorities.

# Introduction (continued)
## The key messages in this report (continued)

**Regulatory Change**

New accounting standards on revenue and financial instruments will apply for 2018/19, and for leases from 2020/21. While we do not expect these standards to have a significant impact on Councils, we recommend that the Council review the impact of IFRS 9 and 15, including calculating any adjustments that will be required as at 31 March 2018 for transition. We would suggest that the Audit and Scrutiny Committee receive reporting in year from management on the implementation of the new standard, and we will report specifically on the findings from our audit work in this area.

We have reported on other regulatory changes in our sector updates in our separate report.

**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.
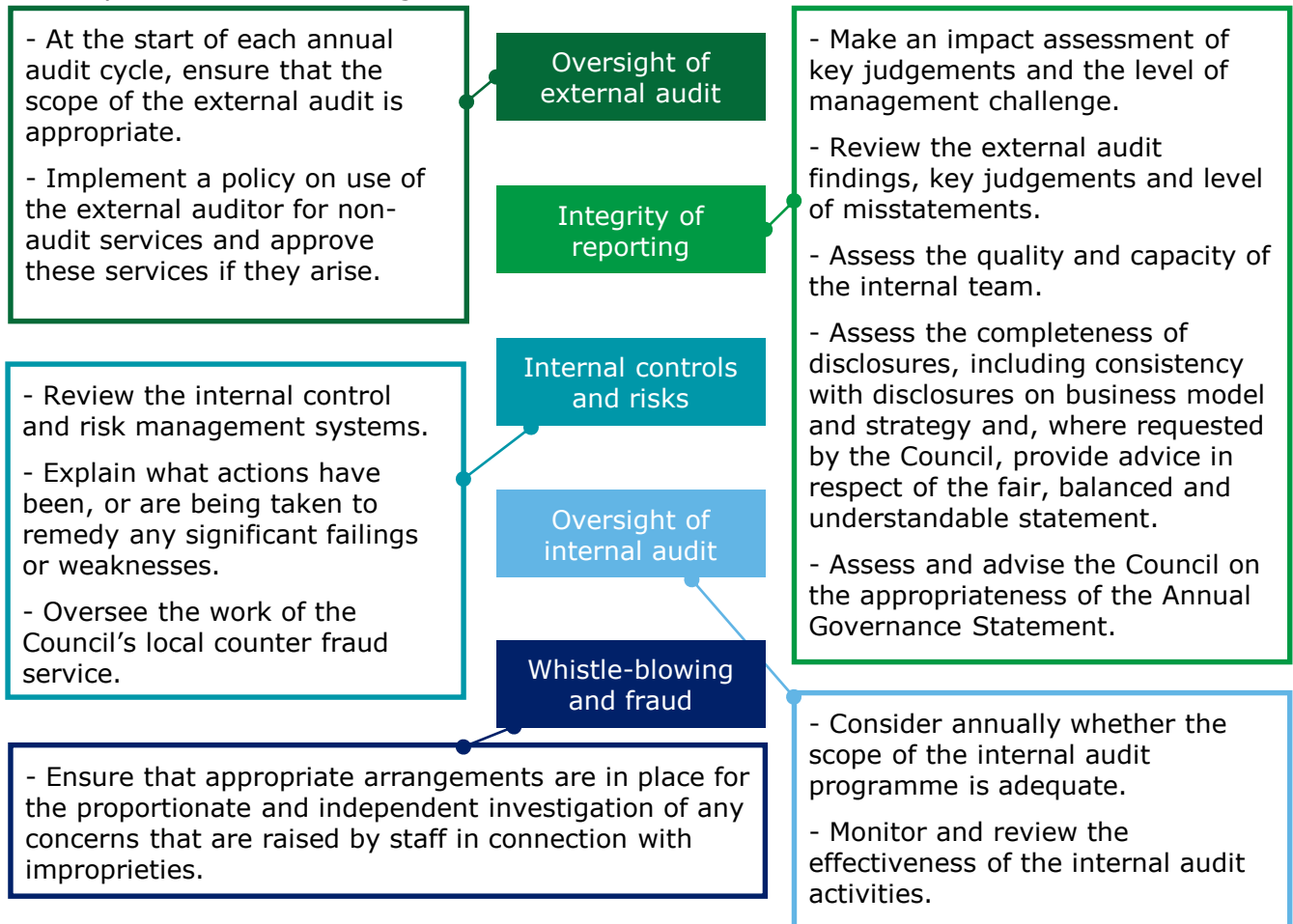
# Responsibilities of the Audit and Scrutiny Committee

## 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

We use this symbol throughout this document to highlight areas of our audit where the Audit and Scrutiny Committee need to focus their attentions.

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 these services if they 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.

- Assess and advise the Council on the appropriateness of the Annual Governance 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.

# 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 Council are also refreshing its transformation programme to address its medium-to-long term financial challenges.

The Chief Executive retired in September 2018 and was replaced by the former Executive Director of Place.

The integration of health and social care also continues to be a challenge, as discussed in pages 10-11.

**Scoping**

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

More detail is given on pages 13-15.

**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 |

**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.

**Determine materiality**

We have determined a group materiality of £9,632k (2017/18: £10,555k) with a performance materiality of £7,224k (2017/18: £7,916k). This is based on gross expenditure adjusted for net contributions made to the IJB in line with prior year. For the audit of North Ayrshire Council (Council only) a materiality of £9,535k (2017/18: £8,699k) has been determined, with performance materiality of £7,151k (2017/18: £6,524k).

We will report to you any misstatements above £250k (2017/18: £250k). More detail given on page 12.
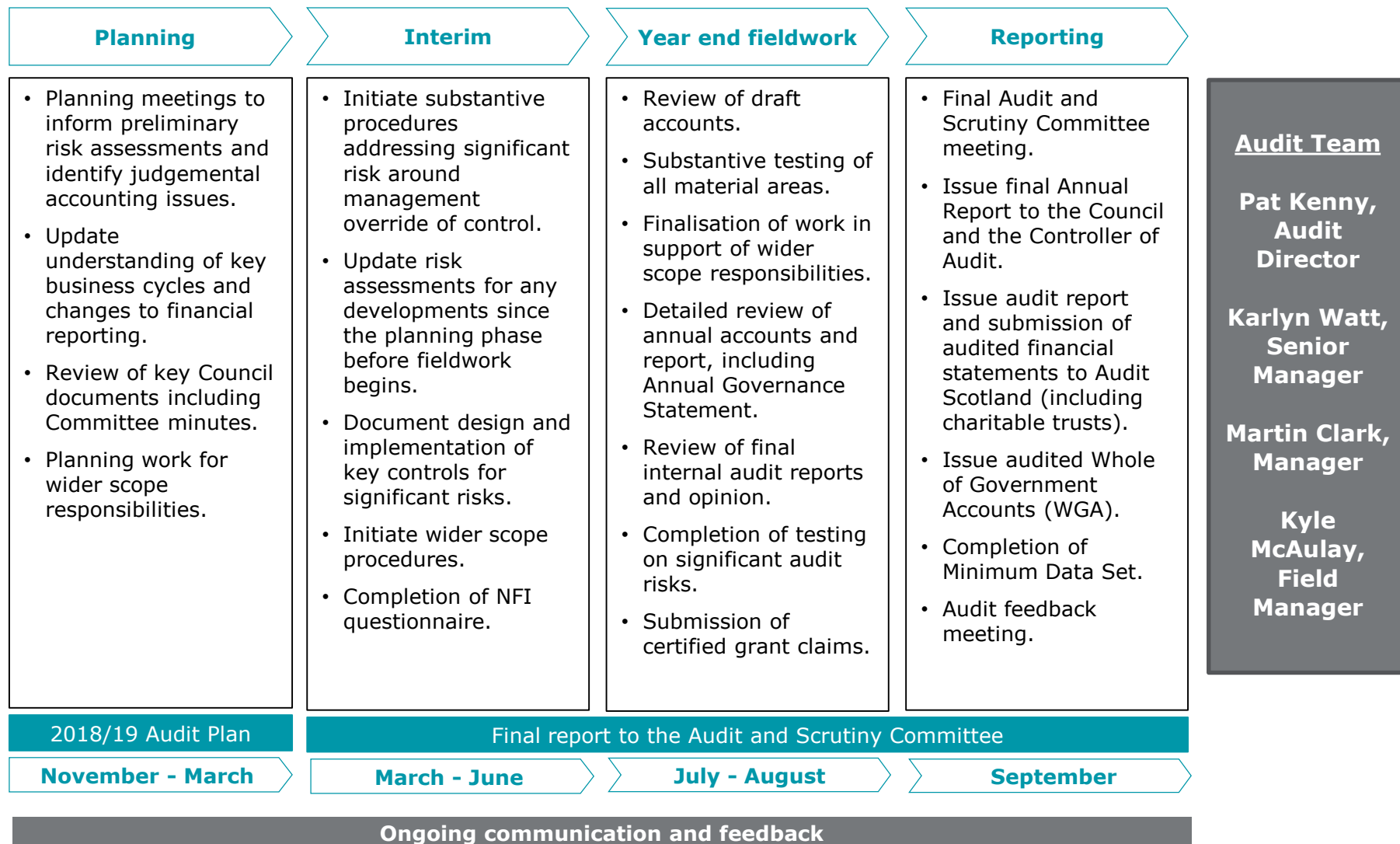
**Significant risk assessment**

We have identified significant audit risks in relation to the Council. More detail is given on pages 16-20. These significant risks are consistent with those identified in our prior year audit.

# Continuous communication and reporting
## Planned timing of the audit

| Planning | Interim | Year end fieldwork | Reporting |
|---|---|---|---|
| • Planning meetings to inform preliminary risk assessments and identify judgemental accounting issues.<br><br>• Update understanding of key business cycles and changes to financial reporting.<br><br>• Review of key Council documents including Committee minutes.<br><br>• Planning work for wider scope responsibilities. | • Initiate substantive procedures addressing significant risk around management override of control.<br><br>• Update risk assessments for any developments since the planning phase before fieldwork begins.<br><br>• Document design and implementation of key controls for significant risks.<br><br>• Initiate wider scope procedures.<br><br>• Completion of NFI questionnaire. | • Review of draft accounts.<br><br>• Substantive testing of all material areas.<br><br>• Finalisation of work in support of wider scope responsibilities.<br><br>• Detailed review of annual accounts and report, including Annual Governance Statement.<br><br>• Review of final internal audit reports and opinion.<br><br>• Completion of testing on significant audit risks.<br><br>• Submission of certified grant claims. | • Final Audit and Scrutiny Committee meeting.<br><br>• Issue final Annual Report to the Council and the Controller of Audit.<br><br>• Issue audit report and submission of audited financial statements to Audit Scotland (including charitable trusts).<br><br>• Issue audited Whole of Government Accounts (WGA).<br><br>• Completion of Minimum Data Set.<br><br>• Audit feedback meeting. |

**Audit Team**

**Pat Kenny, Audit Director**

**Karlyn Watt, Senior Manager**

**Martin Clark, Manager**

**Kyle McAulay, Field Manager**

| 2018/19 Audit Plan | Final report to the Audit and Scrutiny Committee |
|---|---|

| November - March | March - June | July - August | September |
|---|---|---|---|

**Ongoing communication and feedback**

# An audit tailored to you
## Focusing on your business and strategy

| Impact on our audit |
|---|

Future financial strategy and sustainability

🏳

North Ayrshire Council continues to face significant financial challenges. The overall 2018/19 forecast position as at January 2019 is an underspend of £1,107k against revenue budget for the year. This is based on the assumption that total expenditure incurred by the IJB in the year will be within budget and that the Council will not fund any overspend.  The IJB is currently projecting an overspend in the year of £227k, of which £514k relates to Council commissioned services. The Council services element of the £514k overspend primarily relates to the increased cost of care packages. A financial recovery plan has been implemented by the IJB; however, if this does not deliver the required savings, further actions will require to be identified.

As at March 2018, the Council had £6,624k of unearmarked general fund reserves to help alleviate future financial pressures. The Council are projecting an estimated cumulative funding gap of £30,162k between 2019/20 to 2021/22. The LTFO was also updated during 2017 to assess the financial challenges and potential funding gap faced over the next 10 years (2018-2028), and identified a potential funding shortfall of £156,000k over the 10 year period. 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.

As part of the Council's efforts to address its medium-to-long term financial challenges, the 'T2' transformation programme was established. The Council is currently refreshing its Council and Transformation Plans as it acknowledges that it currently doesn't have a clear plan to demonstrate how its transformational activity will achieve the required financial benefits to address the significant funding gap over the medium to longer term. It is essential that the transformation activity delivers financial benefits to address the anticipated significant funding gap over the medium to long term.

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

# An audit tailored to you (continued)

## Focusing on your business and strategy (continued)

| | Impact on our audit |
|---|---|
| Health and social care integration | 2017/18 was the third full financial year of Health and Social Care Integration between North Ayrshire Council and NHS Ayrshire & Arran through the IJB. As reported in our 2017/18 Annual Audit Report to the IJB, the biggest risk it faces is the projected overspend in 2018/19 and the efficiencies required over the medium term to achieve a balanced budget. The IJB is yet to maintain a balanced budget since its inception and is forecast to overspend in 2018/19.<br><br>The Council and NHS contribution towards the IJB's transformation efforts is crucial for the financial sustainability of the IJB. The IJB carried forward a deficit of £5,808k payable to the Council at the end of 2017/18 as a result of cumulative overspend in the last two years, presenting a recoverability risk to the Council. Whilst it is the IJB's responsibility to commission services within the funding available, it is critical that the Council works closely with the IJB and NHS Ayrshire & Arran to focus on implementing recurring savings through efficiencies or service redesign.<br><br>We will continue to review the work being done both at the Council and the IJB to address these funding issues. |

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

# Materiality
## Our approach to materiality

**Basis of our materiality benchmark**

- The Audit Director has determined materiality for the group as £9,632k (2017/18: £10,555k) and a performance materiality of £7,224 (2017/18: £7,916k), 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.

- We have used 1.6% of the 2018/19 forecast gross expenditure, adjusted for net contributions to the IJB as the benchmark for determining materiality and applying 75% as performance materiality.

- For the audit of North Ayrshire Council (Council only) a materiality of £9,535k (2017/18:£8,699k) has been determined, and performance materiality of £7,151k (2017/18: £6,524k).

**Reporting to those charged with governance**

- We will report to you all misstatements found in excess of our clearly trivial threshold which is £250k (2017/18: £250k) for both the group and Council only.

- Our approach to determining the materiality benchmark is consistent with Audit Scotland guidance which states that the threshold for clearly trivial above which we should accumulate

misstatements for reporting and correction to audit committees must not exceed £250k.

**Our annual audit report**

We will:

- report the group materiality, Council only materiality and the range we use for component materialities;

- 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.

**Group scoping**

- In addition to performing full audit procedures for North Ayrshire Council, we will also perform a full audit to component materiality as auditors of the Integration Joint Board. The Strathclyde Partnership for Transport and the North Ayrshire Ventures Trust are the only other material components and we will liaise with their auditors to gain assurance over the balances consolidated. All other components are immaterial and will be covered by desktop reviews at the group level.



Materiality

2018/19 Forecast Gross Expenditure £602,011k

Materiality £9,632k

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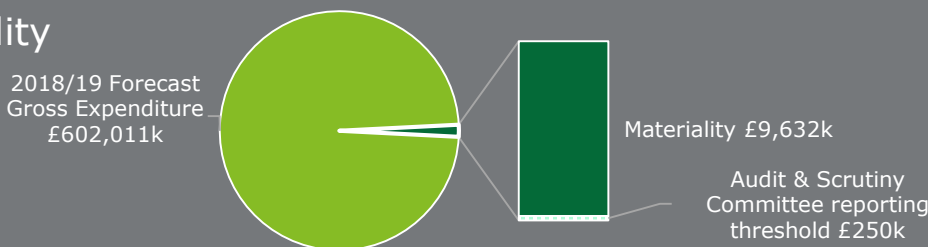
Although materiality is the judgement of the Audit Director, the Audit and Scrutiny Committee must satisfy themselves that the level of materiality chosen is appropriate for the scope of the audit.

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

| Core audit work | Planned output | Timeline |
|---|---|---|
| Perform an ISA (UK) compliant audit of the annual accounts | • Annual audit plan<br>• Independent auditor's report | • March 2019<br>• September 2019 |
| Audit and report on the audit dimensions | • Annual audit plan<br>• Interim report<br>• Annual audit report | • March 2019<br>• June 2019<br>• September 2019 |
| Contribute to performance audits (including performance audit reports, overview reports and impact reports) | • Minimum datasets<br>• Data returns | • September 2019<br>• As required |
| Share audit intelligence with Audit Scotland including highlighting potential statutory reports | • Current issues returns | • January, March, August and October 2019 |
| Provide assurance on Whole of Government Accounts (WGA) | • Assurance statement on WGA returns | • September 2019 |
| Carry out preliminary enquiries into referred correspondence | • None | • N/A |
| Provide information on cases of fraud | • Fraud returns | • November 2018, February, May and August 2019 |
| Provide information on cases of money laundering | • Audit Scotland to advise | • As required |
| Contribute to National Fraud Initiative (NFI) report | • NFI audit questionnaire<br>• Reference, if necessary, in annual audit report | • June 2019 |
| Contribute to technical guidance notes | • Consultation comments on draft technical guidance notes | • As required |
| Contribute to technical databases | • Database returns | • July 2019 |

# Scope of work and approach (continued)
## Our key areas of responsibility under the Code of Audit Practice (continued)

| Core audit work | Planned output | Timeline |
|---|---|---|
| Audit and report on Best Value | • Annual audit report | • September 2019 |
| Consider and report on the Strategic Audit Priorities | • Annual audit plan<br>• Annual audit report | • March 2019<br>• September 2019 |
| Lead the Shared Risk Assessment | • Any locally agreed output | • As required |
| Carry out Statutory Performance Information work | • Annual audit plan<br>• Annual audit report | • March 2019<br>• September 2019 |
| Certify grant claims | • Certificate in support of grant claims | • As required |
| Liaise with housing benefit performance auditor | • None | • N/A |

# 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 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.

### 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.

Audit Scotland has published good practice guides in relation to the expenditure and funding analysis and the Governance Statement to support the Council in preparing high quality drafts of the Annual Report and financial statements, which we would recommend the Council consider during drafting.

| 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. |

# Significant risks
## Our risk assessment process

We consider a number of factors when deciding on the significant audit risks. These factors include:

- the significant risks and uncertainties previously reported in the annual report and financial statements;
- the IAS 1 critical accounting estimates previously reported in the annual report and financial statements;
- our assessment of materiality;
- the changes that have occurred in the business and the environment it operates in since the last annual report and financial statements; and
- the Council's actual and planned performance on financial and other governance metrics compared to its peers.

**Principal risk and uncertainties**

- Financial Environment
- Inequality and Poverty
- Financial Sustainability of Health and Social Care Partnership

**IAS 1 Critical accounting estimates**

- Pension Liability
- Collection Level of Arrears
- Property, Plant and Equipment

**Changes in your business and environment**

- New Chief Executive
- New Senior Management structure
- New transformation programme

The next page summarises the significant risks that we will focus on during our audit. All the risks mentioned in the prior year Audit and Scrutiny Committee report are included as significant risks in this year's audit plan.

# 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 | ⚠ | 18 |
| Management override of controls | ✓ | ✓ | Design and implementation | ⚠ | 19 |

⚠ Some degree of management judgement

⚠ Limited management judgement

# 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.

Key components of income for the Council are summarised in the table below. The general revenue grant and non-domestic rates income 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%. Council tax 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.

The significant risk is pinpointed to the recognition of grant income, comprising capital grants and contributions and service specific grants.

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.

| Type of income | 2017/18 (£m) | Significant risk |
|---|---|---|
| **Taxation and Non-Specific Grant Income** | | |
| Council tax income | 51.6 | |
| Non domestic rates | 40.6 | |
| General revenue grant | 225.1 | |
| Capital grants and contributions | 38.4 | ✓ |
| **Service Income** | | |
| Service specific grant income | 39.6 | ✓ |
| Housing benefit | 52.9 | |
| Housing revenue account | 46.6 | |
| IJB commission income (book entry) | 95.8 | |
| Other service income | 76.1 | |

**Planned audit challenge**

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.

# 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 of controls

| | |
|---|---|
| **Risk identified** | In accordance with ISA 240 (UK) management override of controls 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.<br><br>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 of controls, we plan to perform the following audit procedures that directly address this risk:<br>**Journal testing**<br>• We will test the design and implementation of controls over journal entry processing.<br>• Using our Spotlight data analytics tool, we will risk assess journals and select items for detailed follow-up testing. The journal entries will be selected using computer-assisted profiling based on areas which we consider to be of increased interest.<br>• We will test the appropriateness of journal entries recorded in the general ledger, and other adjustments made in the preparation of financial reporting.<br>**Accounting estimates**<br>• We will test the design and implementation of controls over key accounting estimates and judgements.<br>• We will review accounting estimates for biases that could result in material misstatements due to fraud. This will include both a retrospective review of 31 March 2018 estimates and a review of the corresponding estimates as at 31 March 2019.<br>**Significant and unusual transactions**<br>• 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. |

# Area of audit focus
## Valuation of property assets

We will engage Deloitte Real Estate specialists to assist our testing of the revaluation of the £915m property asset portfolio.

| | |
|---|---|
| **Risk identified** | The Council held £914,562k of land and property assets at 31 March 2018. The financial year to 31 March 2019 will represent year three of a five year rolling programme in which 20% of the portfolio will be revalued along with 100% of Council dwellings. |
| | 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. |
| | Valuation of property assets was classed as a significant risk in previous years' audits due to the degree of judgement and complexity involved and its material impact on the financial statements. In 2017/18, we concluded that the net book value of the property assets was materially correct and no audit adjustments were identified from our testing.  The Council's valuation assumptions were in line with other councils and fell within the expected range highlighted by our internal valuations specialist.  From our initial planning work, we understand that the type of assets to be valued in 2018/19 are in line with those reviewed in previous years, therefore we have concluded that this is no longer an area of significant audit risk. However, given the change in the Council's valuation team during 2018/19, the year-end processes are currently being reviewed and updated. This will therefore remain a key area of audit focus and we will update the Audit and Scrutiny Committee if there are any changes to this assessment. |
| **Planned audit challenge** | We will engage early with the Council, using our valuation specialists to challenge the assumptions applied by management in the valuations. |
| | We will use our valuation specialists, Deloitte Real Estate, to review and challenge the appropriateness of the assumptions used in the year-end valuation of the Council's Land and Buildings, including considering movements compared to those of other Council's performing valuations for 2018/19. |
| | For valuations performed prior to the year end, where the valuer confirms to the Council that there are no significant differences between the valuation date and 31 March 2019, we will challenge whether any potential impact of a "Brexit shock" (depending on the final deal outcome) has been included in the estimates and judgements, owing to the timing of the Brexit date and year end date. |

# Wider scope requirements
## Audit dimensions

The Code of Audit Practice sets out four audit dimensions which set a common framework for all public sector audits in Scotland. We will consider how the Council is 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 2018/19 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.<br>• The arrangements to address any identified funding gaps.<br>• The affordability and effectiveness of funding and investment decisions made.<br>• Workforce planning. | As at March 2018, the Council had £6,624k of unearmarked general fund reserves to help alleviate future financial pressures. As discussed further on page 10, whilst the Council is projecting a breakeven position for 2018/19, it is projecting a significant funding shortfall in the medium to longer term. There is also the associated risk of overspends in the IJB which are not reflected in the Council projected financial position.<br><br>The Council is currently refreshing its Council and Transformation Plans as it acknowledges that it currently doesn't have a clear plan to demonstrate how its transformational activity will achieve the required financial benefits to address the significant funding gap over the medium to longer term.   We will assess the progress made in refreshing the Transformation Plans and the impact on reducing the funding shortfall.<br><br>**Audit Risk:** The Transformation Plans are not appropriately progressed, resulting in benefits not being realised and financial balance not being achieved.<br><br>In view of the Scottish Government's Medium-Term Financial Strategy (MTFS) (discussed further on page 25) we will consider the extent to which the Council has reviewed the potential implications of the MTFS for its own financial planning and whether it is taking these into account in its arrangement for financial management and financial sustainability.<br><br>**Audit Risk:** The Council's long-term financial planning is inconsistent with the Scottish Government's five-year plan. |

# Wider scope requirements (continued)

## Audit dimensions (continued)

| Audit dimension | Areas to be considered | Impact on the 2018/19 Audit |
|---|---|---|
| **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.<br>• Budgetary control system.<br>• Financial capacity and skills.<br>• Arrangements for the prevention and detection of fraud. | Our 2017/18 audit did not identify any issues with the Council's financial management arrangements. However, we will continue to review the budget and monitoring reporting to the Council during the year to assess whether financial management and budget setting are effective.<br><br>**Audit Risk:** A lack of appropriate financial management could result in the Council not achieving its financial targets.<br><br>In view of the Scottish Government's new budget process (discussed further on page 25) we will confirm that underlying financial performance including any in-year changes to funding agreed with the Scottish Government, is transparently presented.<br><br>**Audit Risk:** The underlying financial performance of the Council is not transparently reported.<br><br>Our fraud responsibilities and representations are detailed on pages 36 and 37. |
| **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.<br>• Scrutiny, challenge and transparency on decision making and financial and performance reports.<br>• Quality and timeliness of financial and performance reporting. | 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.<br><br>The Chief Executive retired in September 2018 and was replaced by the former Executive Director of Place. The Council are currently operating with three Executive Directors, with plans in place to review the overall senior management structure early in 2019. We will review the Business Case for the early retirement of the former Chief Executive and monitor how the senior management restructure is progressing and any impact on service delivery.<br><br>**Audit Risk:** There is a risk that changes to the management structure may have an adverse impact on service delivery. |

# Wider scope requirements (continued)

## Audit dimensions (continued)

| Audit dimension | Areas to be considered | Impact on the 2018/19 Audit |
|---|---|---|
| **Governance and transparency** (continued) | | We will also review the governance arrangements in relation to the Integrated Joint Board (IJB).<br><br>**Audit Risk:** Whilst it is the IJB's responsibility to commission services within the funding available, there is a risk that the governance arrangements between the Council, NHS Board and IJB are not effective.<br><br>In view of the increased focus on how public money is used and what is achieved (as discussed further on page 25), we will consider how the Council has reviewed its approach to openness and transparency.<br><br>**Audit Risk:** The Council's approach is not keeping pace with public expectation and good practice. |
| **Value for money** is concerned with using resources effectively and continually improving services. | • Value for money in the use of resources.<br>• Link between money spent and outputs and the outcomes delivered.<br>• Improvement of outcomes.<br>• Focus on and pace of improvement. | From our 2017/18 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.<br><br>During 2018/19 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.<br><br>**Audit Risk:** There is a risk that, in the context of reducing resources, the Council's approach to focused performance improvement in specific areas is not effective.<br><br>In view of the Scottish Government's new budget process (discussed further on page 25) we will consider the extent to which the Council performance report provides an accessible account of the Council's overall performance and impact of its public spending.<br><br>**Audit Risk:** The Council does not clearly report on its contribution towards the national outcomes. |

# Wider scope requirements (continued)
## Specific risks

As part of the 2018/19 planning guidance, Audit Scotland have identified the following areas as significant risks faced by the public sector. Any specific risks in relation to these areas for the Council have been included in our audit risk under the audit dimensions, discussed on the previous pages. We will continue to monitor these areas as part of our audit work.

| Risk | |
|---|---|
| **EU withdrawal** | There are uncertainties surrounding the terms of the UK's withdrawal from the European Union in March 2019. Some arrangements have been provisionally agreed, such as a transition period to the end of 2020, although they are dependent on a final deal being reached between the UK Government and the remaining EU countries. The outcome of negotiations should become clearer in the months up to March 2019.<br><br>Whatever the outcome, EU withdrawal will inevitably have implications for devolved government in Scotland and for audited bodies. Audit Scotland has identified three areas where EU withdrawal may have the most significant impact as summarised below:<br><br>• **Workforce** – Many services across the economy are dependent on workers from EU countries, including health, social care and education. A decline in migration from the EU could potentially result in vacancies and skills gaps in some areas of the public sector. There is a risk that this could impact on some public bodies' ability to deliver 'business as usual', particularly given existing workforce and service pressures.<br><br>• **Funding –** Funding from the EU makes an important contribution to the Scottish public sector. The main sources of funding provide support to farmers and rural businesses, projects to encourage economic growth and support for research and education. The UK Government has made guarantees to meet some funding commitments to the end of existing programmes, but there are uncertainties about what any replacement funding may look like.<br><br>• **Regulation –** The EU Withdrawal Bill will transpose existing EU law into UK law immediately after the UK leaves the EU. Legislation in many devolved areas will transfer to the Scottish Parliament. The UK Government has identified 24 devolved policy areas where it seeks to retain temporary control until UK-wide common legislative frameworks are developed. This is currently an area of contention between the Scottish and UK Governments and is under consideration by the Supreme Court.<br><br>In addition, some public bodies may be affected directly by changes to trade and customs rules, which could impact on supply chains and the procurement of goods or services from EU countries. This could influence the availability and cost of supplies and services (e.g. specialist medical equipment or drugs) with potential implications for public bodies' finances and their ability to deliver specific services.<br><br>While there are considerable uncertainties about the detailed implications of EU withdrawal, at a minimum by the end of 2018/19, we would expect public bodies to have assessed the potential impact of EU withdrawal on their operations and identified any specific risks and how they will respond to them. We will assess how the Council has prepared for EU withdrawal and how it continues to respond to any emerging risk after March 2019.<br><br>In addition, in accordance with the FRC guidance, the Council should consider the ***disclosure within its annual report***, and distinguish the specific and direct challenges that it faces from the broader economic uncertainties. In some circumstances this many mean ***recognising or re-measuring*** certain items in the Balance Sheet. A comprehensive **post balance sheet events review** must be reflected in accounts and disclosures. |

# Wider scope requirements (continued)
## Specific risks (continued)

| Risk | |
|---|---|
| **Changing landscape for public financial management** | Scottish public finances are fundamentally changing, with significant tax-raising powers, new powers over borrowing and reserves, and responsibility for 11 social security benefits worth over £3 billion a year. This provides the Scottish Parliament with more policy choices but also means that the Scottish budget is subject to greater volatility, uncertainty and complexity.<br><br>Parliamentary scrutiny of the public finances is increasingly important in this changing landscape. A new Scottish budget process has been introduced, which is based on a year-round continuous cycle of budget setting, scrutiny and evaluation. This involves parliamentary committees looking back to explore what public spending has achieved, looking forward to longer-term objectives and challenges, and considering what this should mean for future budgets.<br><br>As part of the new budget process, the Scottish Government published an initial five-year MTFS in May 2018. This five-year outlook for the Scottish budget provides useful context for audited bodies' financial planning. As part of our wider scope audit work on financial management and financial sustainability (discussed further on pages 21-22), we will consider how North Ayrshire Council has reviewed the potential implications of the MTFS for its own finances, including longer-term financial planning.<br><br>The new budget process places greater emphasis on assessing outcomes and the impact of spending. There is an expectation that the Scottish Government and public bodies will report on their contributions towards the national outcomes in their published plans and performance reports, including their annual reports. Increased complexity and volatility is also likely to mean that the Scottish Government will be increasingly active in managing its overall budget position in-year, engaging with public bodies closely on their anticipated funding requirements. As part of our wider scope audit work on financial sustainability and value for money (discussed further on pages 21 and 23) we will consider the extent to which North Ayrshire Council's performance report provides an accessible account of the body's overall performance and impact of its public spending. We will also confirm that underlying financial performance, including any in-year changes to funding agreed with the Scottish Government, is transparently presented. |

# Wider scope requirements (continued)
## Specific risks (continued)

| Risk | |
|------|---|
| **Care income, financial assessments and financial guardianship** | The experience of a few local government audits indicates there may be wider issues with the systems and processes for collecting care income, undertaking financial assessments on individuals receiving care and financial guardianship. |
| | In some cases, responsibility for financial assessment on those receiving care has transferred from social care to finance and this has revealed issues with backlogs of financial assessment and under-recovery of care charges over long periods. Each individual case may have different circumstances contributing to a delay and some of these delays are not within the councils' control, but there are examples where inadequate focus on this area has led to delays that are attributable to the council. After taking legal advice, Audit Scotland does not believe these statutory debts are subject to prescription periods, so are generally collectable even where delays are considerable. In some cases, the Council will take charge over property, where income is insufficient to meet care costs. |
| | We will undertake a review of the arrangements for financial assessment of those requiring care and assess whether these are subject to a significant backlog and the reporting of this. |
| | Audit Scotland has also identified that officers within the Council may be operating as financial guardians for individuals with a lack of capacity to act in their own interest. This financial guardianship role is distinct from a welfare guardian (usually the chief social work officer) and is subject to approval by a Sherriff. Financial guardianship by a council officer is the solution of last resort when no other member of a family, friend, neighbour or local solicitor is willing to act in this role. This may give risk to a potential conflict of interest when finance officers are in a senior position and the Council is issuing invoices to a person for their care and the officer is also acting as financial guardian for the individual. |
| | We will be requested to complete a questionnaire to provide intelligence on the extent to which officers undertake financial guardianship roles and the reasons for this. |
| | We understand that North Ayrshire Council's social care finance team has been transferred to the North Ayrshire Health and Social Care Partnership (HSCP) in an effort facilitate collaboration between the Council's social care and finance functions. As a result we will assess the implications of this risk for both North Ayrshire Council and North Ayrshire IJB. |

# Wider scope requirements (continued)
## Specific risks (continued)

| Risk | |
|---|---|
| **Dependency on key suppliers** | It has become clear that the collapse of Carillion has had a significant impact across the public sector. This has brought into focus the risk of key supplier failure and the risk of underperformance in suppliers that are experiencing difficult trading conditions. The risk exists on two levels:<br><br>• individual public sector bodies are dependent on key suppliers; and<br>• the Scottish public sector as a whole is subject to significant systematic risk.<br><br>We will determine as part of our detailed risk assessment the extent to which North Ayrshire Council is dependent on key supplier relationships. Where dependency is significant, we will consider this as part of our audit work and report back to the Audit and Scrutiny Committee.<br><br>We will also be requested to complete a short questionnaire to establish the extent, value and nature of key supplier dependencies that can inform the national position. |
| **Openness and transparency** | There is an increasing focus on how public money is used and what is achieved. In that regard, openness and transparency supports understanding and scrutiny. We will consider this as part of our wider scope work on governance (discussed further on page 22-23).<br><br>We would expect to see public bodies reviewing their approach to openness and transparency to ensure they are keeping pace with public expectations and good practice. Evidence of progress might include:<br><br>• increased public availability of Council papers;<br>• more insight into why some business is conducted in private; and<br>• development of the form and content of annual reports. |

# Wider scope requirements (continued)
## Other 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. 2018/19 represents year three 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 2018/19.

Our BV audit work in 2018/19 will be integrated into our audit approach, including our work on the audit dimensions discussed on pages 12 to 23, and will be reported in our annual audit report.

| 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 targeted improvements 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.

- Having clear priorities with a focus on outcomes, supported by effective long term-planning;
- Demonstrating the effective appraisal of options for changing how services are delivered in line with their priorities;
- Ensuring that members and officers have the right knowledge, skills and support to design, develop and deliver effective services in the future;
- Empowering local communities and involving them in the design and delivery of local services and planning for their local area; and
- Reporting the council's performance in a way that enhances accountability to citizens and communities, helping them contribute better to the delivery of improved outcomes.

We will consider each of these areas as part of our audit dimensions work and report within our annual audit report.

# Wider scope requirements (continued)

## Other requirements (continued)

The Accounts Commission, supported by Audit Scotland, chairs the Strategic Scrutiny Group (SSG). The SSG is made up of scrutiny bodies from across the public sector to make their work on local government more co-ordinated, better targeted and more proportionate to identified risks.

The arrangements for coordinating scrutiny at a local level include a Local Area Network (LAN) for each Council. LANs are led by each Council's appointed auditor. LANs bring together relevant scrutiny bodies, typically Audit Scotland, Care Inspectorate, Education Scotland and the Scottish Housing Regulator, to share information and intelligence on an ongoing basis and to carry out a Shared Risk Assessment (SRA). The purpose of the SRA is to inform discussions between the LAN and its Council and to inform the National Scrutiny Plan (NSP) for local government.

A number of changes have been made to the process for 2018/19, the most notable being there is no requirement for LANs to produce local scrutiny plans. LANs can produce local outputs if they determine, in consultation with the Council, that this would be useful. The new approach looks to embed a discussion about risks and responses between scrutiny bodies across the year, rather than a specific one-off approach.

**Councils' Statutory Performance Indicators**

The Accounts Commission has a statutory responsibility to define the performance information that Councils must publish to allow citizens to gauge their performance comparatively. This responsibility links with the Commission's BV audit responsibilities. In turn, Councils have their own responsibilities, under their BV duty, to report performance to the public. The 2015 Statutory Performance Information Direction published by the Commission requires Councils to report a range of information in accordance with, but not confined to, the requirements of the LGBF. The Commission has committed to reviewing its 2015 Direction after three years, this will be updating its Direction at the end of 2018.

We will assess the suitability of the arrangements for preparing and publishing the information, closely linked to our work on the Strategic Audit Priority "Reporting the council's performance in a way that enhances accountability to citizens and communities, helping them contribute better to the delivery of improved outcomes" discussed on page 23.

# Wider scope requirements (continued)

## Other requirements (continued)

**Performance Audits**

In accordance with Audit Scotland planning guidance, we will be requested to provide information to support performance audits that Audit Scotland intends to publish during 2018/19 and 2019/20, as summarised below:

| Title and planned publication date | Local auditor input |
|---|---|
| Innovative Financing: City Deals – Autumn 2019 | Evidence gathered through the routine local audit work in relation to City Deal arrangements as applicable to the audited body. The Ayrshire Growth deal which aims to drive growth across the region, boosting jobs and opportunity across Ayrshire, is progressing, with funding of £100,000k for both the UK and Scottish Governments recently announced. |
| Digital progress in local government – Spring 2020 | We will be asked to inform the performance audit team of any significant ICT and digital developments within their audited body. |
| Education outcomes – Winter 2019 | Scoping work for the audit will take place in early 2019 and will inform any specific input required from auditors. This is likely to be providing an update on governance arrangements and operation of the Regional Improvement Collaboratives. |
| Value for money of non-profit distributing models of capital financing – Summer 2019 | Scoping work for this audit is underway and it is not anticipated that a formal data return will be required from auditors.  The performance audit team will consider national data and liaise with local auditors around potential case studies as appropriate. |
| Waste management | Guidance will be provided to auditors, but would typically seek information in relation to local, regional and national waste management arrangements, including cost, investment, volume and Landfill Tax data. |

**Impact reports**

We will also be requested to provide information to support assessing the impact of previously published performance audit reports as follows:

- Supporting Scotland's economic growth (Winter 2018)
- Equal pay in Scottish Councils (Spring 2019)
- Self-directed support: 2017 progress report (Spring 2019)
- Early learning and child care (Summer 2019)
- Transport Scotland's ferry services (Summer 2019)

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# Wider scope requirements (continued)

## Other requirements (continued)

| Anti-money laundering |
| --- |

The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 came into force on 26 June 2017 and replace the Money Laundering Regulations 2007. The regulations impose an obligation of the Auditor General to inform the National Crime Agency if she knows or suspects that any person has engaged in money laundering or terrorist financing. As part of our audit work, we will ensure we are informed of any instances of money laundering at the Council so that we can advise the Auditor General.

| National Fraud Initiative (NFI) |
| --- |

All Councils are participating in the NFI 2018/19. All data was required to be submitted in October 2018 and Councils will receive matches for investigation in January 2019. Audit Scotland expects bodies to investigate all recommended matches based on findings and the risk of error or fraud. Match investigation work should be largely completed by 30 September 2019 and the results recorded on the NFI system.

We will monitor the Council's participation and progress during 2018/19 and into 2019/20 and, where appropriate, include references to the NFI in our annual audit reports for both years. We will also complete an NFI audit questionnaire and submit to Audit Scotland by 30 June 2019.

# 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 local government 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 will receive tailored learning to develop their expertise in audit skills, delivered by Pat Kenny and other sector experts. This includes sector specific matters, and audit methodology updates.

**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.

# 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; and

- 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.

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

**Pat Kenny, CPFA**

for and on behalf of Deloitte LLP

Glasgow

8 March 2019

# Appendices

# Prior year audit adjustments
## Uncorrected and disclosure misstatements

**Prior year uncorrected misstatements**

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

**Prior year disclosure misstatements**

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

# 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 recognition of grant income 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 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.

# 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 their 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.

# 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 2019 in our final report to the Audit and Scrutiny Committee. |
| **Fees** | The audit fee for 2018/19, in line with the fee range provided by Audit Scotland, is £296,860 as analysed below: |

| | £ |
|---|---|
| Auditor remuneration | 180,410 |
| Audit Scotland fixed charges: | |
|     Pooled costs | 17,490 |
|     Performance Audit and Best Value | 87,630 |
|     Audit support costs | 11,330 |
| **Total proposed fee** | **296,860** |

In addition, the audit fee for the charitable trusts audit is £1,800.

There are no non-audit services fees proposed for the period.

| | |
|---|---|
| **Non-audit services** | In our opinion there are no inconsistencies between the FRC's Ethical Standard and the Council's policy for the supply of non-audit services or any apparent breach of that policy. We continue to review our independence and ensure that appropriate safeguards are in place 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 2018 the Financial Reporting Council ("FRC") issued individual reports on each of the eight largest firms, including Deloitte, on Audit Quality Inspections which provides a summary of the findings of its Audit Quality Review ("AQR") team for the 2017/18 cycle of reviews.

We take the findings of the AQR seriously and we listen carefully to the views of the AQR and other external audit inspectors. We remediate every finding regardless of its significance and seek to take immediate and effective actions, not just on the individual audits selected but across our entire audit portfolio. We are committed to continuously improving all aspects of audit quality in order to provide consistently high quality audits that underpin the stability of our capital markets.

We have improved the speed by which we communicate potential audit findings, arising from the AQR inspections and our own internal reviews to a wider population, however, we need to do more to ensure these actions are embedded. In order to achieve this we have launched a more detailed risk identification process and our InFlight review programme. This programme is aimed at having a greater impact on the quality of the audit before the audit report is signed. Consistent achievement of quality improvements is our aim as we move towards the AQR's 90% benchmark.

All the AQR public reports are available on its website. https://www.frc.org.uk/auditors/audit-quality-review/audit-firm-specific-reports

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**The AQR's 2017/18 Audit Quality Inspection Report on Deloitte LLP**

"The overall results of our reviews of the firm's audits show that 76% were assessed as requiring no more than limited improvements, compared with 78% in 2016/17. Of the FTSE 350 audits we reviewed this year, we assessed 79% as achieving this standard compared with 82% in 2016/17. We are concerned at the lack of improvement in inspection results. The FRC's target is that at least 90% of these audits should meet this standard by 2018/19.

"Where we identified concerns in our inspections, they related principally to aspects of group audit work, audit work on estimates and financial models, and audit work on provisions and contingencies. During the year, the firm has continued to develop the use of "centres of excellence", increasing the involvement of the firm's specialists in key areas of the audit. We have no significant issues to report this year in most of the areas we reported on last year.

"The firm has revised its policies and procedures in response to the revised Ethical and Auditing Standards. We have identified some examples of good practice, as well as certain areas for improvement."

**The firm has enhanced its policies and procedures in the following areas:**

• Increased use of centres of excellence ("CoE") involving the firm's specialists, including new CoEs focusing on goodwill impairment (established in response to previous inspection findings) and corporate reporting, to address increasing complexity of financial reporting.

• Further methodology updates and additional guidance issued to the audit practice including the audit approach to pension balances, internal controls, data analytics, group audits and taxation.

• A new staff performance and development system was implemented with additional focus on regular timely feedback on performance, including audit quality.

• Further improvements to the depth and timeliness of root cause analysis on internal and external inspection findings.

**Our key findings in the current year requiring action by the firm:**
• Improve the group audit team's oversight and challenge of component auditors.

• Improve the extent of challenge of management's forecasts and the testing of the integrity of financial models supporting key valuations and estimates.

• Strengthen the firm's audit of provisions and contingencies.

**Review of firm-wide procedures. The firm should:**
• Enhance certain aspects of its independence systems and procedures.

**Deloitte.**

# North Ayrshire Council
Sector developments paper

For the Audit and Scrutiny Committee meeting on 26 March 2019

# Contents

## Our report

## Appendix

# The State of the State
## Government beyond Brexit

Now in its seventh year, **The State of the State** has once again brought together Deloitte LLP and Reform to reflect on the most pressing public sector issues along with new, exclusive research. Central to the report is our citizen survey, which provides a platform for the most important voices of all in the public sector: those of the public. Also exclusive to the report is our research with the people who know the public sector's challenges best: the people who run it.

This year, we interviewed 50 senior figures including civil servants, police leaders, NHS directors and Council Chief Executives, producing the most extensive qualitative research of its kind in the sector.

This year's The State of the State finds the UK Government amid the complex and politically-charged challenge of leaving the EU. But while Brexit may dominate daily headlines, our report finds a wider set of challenges – and opportunities – for government and the public services as they gear up for a Spending Review.

| Key findings | |
|---|---|
| **Scotland's government has now been led by the Scottish National Party for three consecutive terms in office** | In those 11 years, the administration has taken forward the possibilities of devolution to shape a Scottish public sector landscape that now differs substantially from the rest of the UK – in its public finances, its policy priorities and its ethos. |
| **Austerity has flipped public attitudes to tax and spending** | As austerity began in 2010, more than half of the public backed spending cuts to restore the public finances. In 2018, as the Prime Minister calls a formal end to the austerity years, our exclusive citizen survey finds that support has dwindled to less than one fifth of the public. |
| **People are increasingly concerned about public services and their future provision** | Our survey finds that the public is increasingly concerned about public services. It suggests that the past four years have seen a decline in the number of people who think that public bodies understand their needs, listen to their preferences and involve them in decisions – perhaps driven by perceptions of austerity. Looking to the future, the number of people who are worried that the state will provide too little support for them in the years ahead has risen from fifty per cent in 2010 to seventy per cent this year. |
| **Citizen views differ significantly across the UK's four countries** | Recent years have seen an acceleration in the public policy differences between the devolved administrations, and our survey finds that citizen attitudes also differ. For example, people in Scotland are more likely to believe that taxes should be higher to pay for more public services, people in Northern Ireland are less likely to say they have felt the effects of austerity, and people in Wales are the most likely to say that public services listen to their needs. These differing views underscore the diverging political and policy landscapes across the UK. |
| **The public back penalty fines for wasting public sector time** | Our citizen survey explored the circumstances in which the public would find charges reasonable, and found that the most acceptable would be penalty fines for wasting public sector time, like missing NHS appointments or wrongly calling out the emergency services. |

**Next steps**

The report is available at https://www2.deloitte.com/content/campaigns/uk/the-state-of-the-state/the-state-of-the-state/the-state-of-the-state.html

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# Health and social care integration

## Audit Scotland's progress report concludes that better collaboration needed to deliver health and social care integration

**Overview**

Audit Scotland issued its latest progress report on Health and Social Care Integration in November 2018 as part of its health and social care series.  It reported that while some improvements have been made to the delivery of health and social care services, Integration Authorities (IA), Councils and NHS Boards need to show a stronger commitment to collaborative working to achieve the real long term benefits of an integrated system.  While some progress was noted, the remaining challenging are significant.  It found that success will depend on long term integrated financial planning and stable and effective leadership.  All bodies involved (being IAs, Councils, NHS Boards, the Scottish Government and COSLA) need to tackles these issues as a matter of urgency in order to transform the way services are provided for Scotland's ageing population.

| Key findings | | Recommendations (for Councils) |
|---|---|---|
| **Collaborative working** | IAs have started to introduce more collaborative ways of delivering services and have made improvements in several areas, including reducing unplanned hospital activity and delays in discharging people from hospital. People at the end of their lives are also spending more time at home or in a homely setting, rather than in hospital. These improvements are welcome and show that integration can work within the current legislative framework, but IAs are operating in an extremely challenging environment and there is much more to be done. | No specific recommendations for Council.  The Scottish Government and COSLA should:<br><br>• Ensure that there is appropriate leadership capacity in place to support integration<br>• Increase opportunities for joint leadership development across the health and social care system to help leaders to work more collaboratively. |
| **Financial planning** | Financial planning is not integrated, long term or focused on providing the best outcomes for people who need support. This is a fundamental issue which will limit the ability of IAs to improve the health and social care system. Financial pressures across health and care services make it difficult for IAs to achieve meaningful change. IAs were designed to control some services provided by acute hospitals and their related budgets. This key part of the legislation has not been enacted in most areas. | The Scottish Government, COSLA, Councils, NHS Boards and IA's should work together to:<br><br>• Support integrated financial management by developing a longer-term and more integrated approach to financial planning at both a national and local level.  All partners should have greater flexibility in planning and investing over the medium to longer term to achieve the aim of delivering more community based care.<br><br>IAs, Councils and NHS bodies should work together to:<br><br>• View their finances as a collective resource for health and social care to provide the best possible outcomes for people who need support. |

# Health and social care integration (continued)

## Audit Scotland's progress report concludes that better collaboration needed to deliver health and social care integration (continued)

| Key findings | | Recommendations (for Councils) |
|---|---|---|
| **Strategic planning** | Strategic planning needs to improve and several significant barriers must be overcome to speed up change. These include: a lack of collaborative leadership and strategic capacity; a high turnover in IA leadership teams; disagreement over governance arrangements; and an inability or unwillingness to safely share data with staff and the public. Local areas that are effectively tackling these issues are making better progress | The Scottish Government, COSLA, Councils, NHS Boards and IAs should work together to:<br><br>• Agree local responsibility and accountability arrangements where there is disagreement over interpretation of the Public Bodies (Joint Working) (Scotland) Act 2014 and its underpinning principles.  Scenario or examples of how the Act should be implemented should be used which are specific to local concerns.  There is sufficient scope within existing legislation to allow this to happen.<br><br>IA's, Councils and NHS Boards should work together to:<br><br>• Ensure operational plans, including workforce, IT and organisational change plans across the system, are clearly aligned to the strategic priorities of the IA<br>• Monitor and report on the Best Value in line with the Public Bodies (Joint Working) (Scotland) Act 2014. |
| **Delivery of services** | Significant changes are required in the way that health and care services are delivered. Appropriate leadership capacity must be in place and all partners need to be signed up to, and engaged with, the reforms. Partners also need to improve how they share learning from successful integration approaches across Scotland. Change cannot happen without meaningful engagement with staff, communities and politicians. At both a national and local level, all partners need to work together to be more honest and open about the changes that are needed to sustain health and care services in Scotland. | The Scottish Government, COSLA, Councils, NHS Boards and IAs should work together to:<br><br>• Share learning from successful integration approaches across Scotland.<br>• Address data and information sharing issues, recognising that in some cases national solutions may be needed.<br>• Review and improve the data and intelligence needed to inform integration and to demonstrate improved outcomes in the future.  They should also ensure mechanisms are in place to collect and report on tis data publicly.<br><br>IAs, Councils and NHS Boards should work together to:<br><br>• Continue to improve the way that local communities are involved in planning and implementing any changes to how health and care services are accessed and delivered. |

## Next steps

The Council, in partnership with the NHS and Health and Social Care Partnership may wish to consider how these issues will be addressed as part of the development of the Partnerships.
The report is available at http://www.audit-scotland.gov.uk/uploads/docs/report/2018/nr_181115_health_socialcare_update.pdf

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# FRC areas of focus for 2018/19 Annual Reports

# Clear, concise, informative disclosures that are specific to your Council

In October 2018 the FRC sent a letter to the Audit Committee Chairs and Finance Directors of listed companies to outline the areas of reporting that the FRC would like companies to focus on for the 2018/19 reporting season, and to highlight changes in reporting requirements. It also published its annual review of corporate reporting and supporting technical findings. While not directly applicable to local government bodies, a number of the themes are relevant for consideration when drafting the Council's Annual Report and Accounts to take into account wider best practice. The key areas included in the publications are set out on this slide and the next.

## Critical judgements and estimates

Key judgements and estimates disclosures remain a key FRC focus area. The FRC expects to see:

- judgements other than those involving estimates and sources of estimation uncertainty shown separately;

- disclosure of sensitivity of carrying amounts to assumptions and estimates or the range of reasonably possible outcomes within the next year; and

- voluntary disclosure of longer-term estimation uncertainties distinguished from those required where the risk of material adjustment within the next year is significant.

## New accounting standards on revenue and financial instruments

The FRC is encouraging entities to invest sufficient time to ensure:

- explanations of the impact of transitioning to IFRS 9 and IFRS 15 are comprehensive and linked to other relevant information, including the impact on performance metrics where comparatives are not restated;

- changes to policies are clearly described and explained;

- relevant assumptions, judgements and sources of estimation uncertainty are explained;

- performance obligations are identified and explained, with a focus on how they have been determined and timing of delivery to the customer;

- the extended scope of IFRS 9 impairment requirements is taken into account, including lease receivables; and

- new disclosure requirements are properly and meaningfully addressed.

These areas are discussed further on pages 7 and 8 of this report.

## Brexit

The FRC encourages disclosures which distinguish between specific and direct challenges to a business model and broader economic uncertainties attached to Brexit. The FRC reminds entities that a comprehensive post-balance sheet review must be reflected in accounting and disclosure. **This is an area that the Council needs to consider.**

## Strategic report

The strategic report remains a frequent area for FRC challenge. For the report to be fair, balanced and comprehensive, the FRC expects the narrative to explain significant amounts in the financial statements.

6

# UK exit from the EU

## Navigating uncertainty – key questions for the Audit and Scrutiny Committee

Whilst nobody can predict the outcome of negotiations, we can be sure that Brexit will require all organisations to take some big decisions. As we have seen, some will require lengthy and complicated preparations, and we advise keeping track of the negotiations and thinking what this means for the Council sooner rather than later.

### Is the Council set up to navigate the change?

Have you assessed the impact of potential changes and identified key decision points?

Does your assessment include how Brexit could impact on your customers, supply chain and people?

Have you defined the options there are to respond? E.g. scenario or contingency planning?

Are you monitoring developments and are you ready to act proportionately at the right time?

Are all the right people involved? Does this include discussion with key stakeholders?

Are channels of communication clear, both internally and externally, and have company spokespeople been fully briefed?

### Impact on internal planning, forecasting and strategy

Is management using forward-looking indicators such as forward bookings, contact conversion rates and supplier forward pricing?

Have cash reserves, financing requirements and longer-term viability all been assessed?

Have opportunities as well as risks been considered?

### Impact on internal and external audit

Should the scope and plan for internal audit be amended to include contingency planning, or testing key risk indicators?

Should internal audit be asked to perform work on longer term viability?

Is there an impact on critical accounting judgments and areas of estimation uncertainty that need to be discussed with the external auditor?

### Impact on external reporting

Will disclosures on principal risks and uncertainties need to be reconsidered now Article 50 has been triggered and be revisited based on the current status of negotiations.

Have you developed a plan for appropriately detailed disclosure in management commentary?

"We encourage companies to provide disclosure which distinguishes between the specific and direct challenges to their business model and operations from the broader economic uncertainties which may still attach to the UK's position when they report. Where there are particular threats, for example the possible effect of changes in import/export taxes or delays to their supply chain, we expect these to be clearly identified and for management to describe any actions they are taking, or have taken, to manage the potential impact. In some circumstances this may mean recognising or remeasuring certain items in the balance sheet.

The broad uncertainties that may still attach to Brexit when companies report will require disclosure of sufficient information to help users understand the degree of sensitivity of assets and liabilities to changes in management's assumptions."

(FRC Letter to CFOs and Audit Committee Chairs, October 2018)

# Appendix: New Accounting Standards
## 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.

- HM Treasury has adopted IFRS 9 from 2018/19 onward, with a number of interpretations and adaptations for the public sector, generally simplifying the requirements.

- The key practical change in IFRS 9 for most local government bodies is the introduction of a new approach to recognising impairments of debtors and other financial instruments. In addition, the classification of investments has changed – the previous classifications do not map directly to the new classifications therefore Councils need to assess all their investments against the new criteria.

- The key change to IFRS 9 affecting Councils will be the movement from an incurred losses model for receivables to an expected credit losses (ECL) model. The move is intended to reflect that there is always a risk of late/ non-payment when granting credit and that this should be reflected in the value of receivables upon recognition. If the debt is later repaid in full, the ECL creditor can be reversed. ECL creditors should be set up on a portfolio rather than arrangement-by-arrangement basis. A further change from IAS 39 to IFRS 9 will be that all financial assets are recognised as Fair Value through Profit or Loss, unless where there are specific business cases to designate alternative treatment.

**Effective date**

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

HM Treasury have decided that on transition there will be no restatement of comparatives, and any impact of transition will be recognised as a reserves movement in 2018/19.

The 2018/19 accounting code requires bodies to disclose information in 2018/19 on the transition to IFRS 9.

**Find out more on our UK Accounting Plus website www.iasplus.com/en-gb by following the links to Standards -> IFRS 9**

**Potential impact on the Council**

IFRS 9 is expected to have relatively limited impact on most Councils but will affect the process of assessing impairment of debtors and other financial assets as noted above and the classification of investments. As part of the process of adoption, the Council will need to consider the impact on policies, processes, systems and people. This may include reviewing how entries are posted for impairment of assets, given the requirement to provide on initial recognition for lifetime expected credit losses. We would recommend that the Council review the impact of IFRS 9, including calculating any adjustments that will be required as at 31 March 2018 for transition.

# Appendix: New Accounting Standards

## IFRS 15 *Revenue from Contracts with Customers*

**In a nutshell**

- IFRS 15 establishes a new framework for revenue recognition, replacing all existing standards and interpretations, and applies to effectively all contracts with customers with very limited exceptions. This provides a single, principles-based five step model for revenue recognition. The five steps are as follows.

| 1. Identify the contract with the customer | 2. Identify the performance obligations in the contract | 3. Determine the transaction price | 4. Allocate the transaction price to the performance obligations | 5. Recognise revenue when (or as) performance obligations are satisfied |
| --- | --- | --- | --- | --- |

- IFRS 15 Introduces several new concepts, including:
  - Replacing existing distinction between provision of goods and services with a single model for determining whether revenue should be recognised at a point in time or over time.
  - Contracts are split into 'performance obligations' by considering whether different elements are capable of being distinct and also whether they are distinct in the context of the particular contract.
  - A new approach to recognising variable consideration – amounts are initially constrained so that future significant revenue reversal is highly improbable.
- It also provides significantly more detailed guidance than existing standards in many areas, including dealing with contract modifications, and introduces new disclosure requirements.
- The local government accounting code (section 2.7) requires local government bodies to recognise income from contracts with service recipients in accordance with IFRS 15.  Section 2.7 applies to a contract only if the counterparty to the contract is a 'service recipient'. The accounting code contains the following key definitions:
  - **Service recipient** – A party that has contracted with a local government body to obtain goods or services that are on an output of the body's normal operating activities in exchange for consideration.
  - **Contract** – An agreement between two or more parties that creates enforceable rights and obligations.  They can be written, oral or implied.
- Section 2.7 requires bodies to recognise revenue from contracts with service recipients in accordance with the above five steps.

**Effective date**

Periods commencing on or after 1 January 2018. HM Treasury has applied IFRS 15 for the Public Sector from 2018/19 onward.

HM Treasury have decided that on transition there will be no restatement of comparatives, and any impact of transition will be recognised as a reserves movement in 2018/19.  This is reflected in the 2018/19 accounting code.

**Find out more on our UK Accounting Plus website www.iasplus.com/en-gb  by following the links to Standards -> IFRS 15**

**Potential impact on the Council**

The changes to IFRS 15 are unlikely to have a significant impact on Councils as local authority income transactions are not normally complex and do not normally involve substantial recognition or measurement issues. We would recommend that the Council review the impact of IFRS 15 early in the year, including calculating any adjustments that will be required as at 31 March 2018 for transition.

# Appendix: New Accounting Standards

## 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 has issued a number of Local Authority Briefings to update stakeholders on the development of the approach to the adoption of the standard in the Code and assist with the implementation of the standard from both technical and practical perspectives. These are available through the following link: https://www.cipfa.org/policy-and-guidance/technical-panels-and-boards/cipfa-lasaac-local-authority-code-board/local-authority-leasing-briefings

**Effective date**

Periods commencing on or after 1 January 2019. CIPFA/LASAAC has delayed the implementation of IFRS 16 and is planning to adopt for 2020/21 in the public sector.



**Find out more on our UK Accounting Plus website www.iasplus.com/en-gb by following the links to Standards -> IFRS 16**

**Potential impact on the Council**

The changes introduced by the standard will have substantial practical implications for local authorities that currently have material operating leases, and also likely to have an effect on the capital financing arrangements of the authority. CIPFA/ LASAAC included a readiness assessment questionnaire in the consultation document which will help local authorities consider their own preparations.

We would recommend that the Council review the impact of IFRS 16 during 2018/19, so that the impact in 2020/21 can be understood and reflected in budgeting for future years. We would suggest that the Audit and Scrutiny Committee receive reporting in year from management on expected impact of the new standard, to support the disclosure in the financial statement on accounting standards not yet effective. We will report to the Audit and Scrutiny Committee on any observations on the Council's approach in 2018/19.

# Deloitte.

**NORTH AYRSHIRE COUNCIL**

26 March 2019

**Audit and Scrutiny Committee**

| | |
|---|---|
| **Title:** | **Internal Audit Reports issued** |
| **Purpose:** | To inform the Committee of the findings of Internal Audit work completed during January and February 2019. |
| **Recommendation:** | That the Committee (a) considers the outcomes from the Internal Audit work completed; 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 Internal Audit work completed during January and February 2019. 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 6 separate audit assignments are detailed at Appendix 1 to this report. The key findings are as follows:

- Only limited assurance could be obtained in relation to the controls around staff who move jobs within the Council. Improvements are required to ensure that staff only have access to systems and data required for their current role.
- Some improvements are required within the Health and Social Care Partnership to ensure that all service users are receiving a financial assessment and being correctly charged for services received.

## 3. Proposals

3.1. It is proposed that the Committee (a) considers the outcomes from the Internal Audit work completed during January and February 2019; and (b) challenges services where there are significant weaknesses in internal controls.

## 4. Implications

| Financial: | None |
|---|---|
| Human Resources: | None |
| Legal: | None |
| Equality/Socio-economic Duty: | 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.

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Laura Friel
Executive Director (Finance & Corporate Support)

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

# EXECUTIVE SUMMARY
# MOVERS PROCESS

## Background

This audit was conducted as part of the approved 2018/19 Internal Audit Plan and reviewed the controls around employees who move job within the Council, with a particular focus on access to personal and sensitive information.

## Key Objectives

The main objectives of this audit were to ensure:
- Proper controls are in place for removing/amending access to IT systems and network folders for employees moving jobs.
- Access to a sample of IT systems is restricted only to those employees requiring access as part of their current job role.
- Access to a sample of network folders is restricted only to those employees requiring access as part of their current job role.

## 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:
- There is a 3 stage process that should be completed when an employee changes jobs within the Council.  Sample testing found that the Transfer/Termination form was not completed in 7/10 cases.  In addition, this form does not cover amendment of access to network folders/drives.
- There is a separate IT movers' procedure form which should be completed when an employee moves jobs.  This form asks the line manager to provide the username of the user to clone permissions which may result in a mover being given access to personal and sensitive data that they should not have access to.
- The employee number is not automatically recorded against the Active Directory record for IT users. This would act as a unique identifier for each employee.
- Sample testing of a selection of network folders containing personal and sensitive information found that a number of employees had inappropriate access to data.
- If a review of users' access to network drives is not carried out until the move to Sharepoint, there is a risk that employees continue to have inappropriate access to personal or sensitive data.

## Audit Opinion

Overall, limited assurance was obtained with regard to the controls around employees moving job within the Council to ensure access to personal and sensitive information is amended accordingly.  In particular, there is a significant risk that employees continue to have inappropriate access to personal or sensitive data via network folders until this access is reviewed when moving to Sharepoint.

## ACTION PLAN
## MOVERS PROCESS

| Action | a |
|---|---|
| Action Description | The Council should implement a single mover's process for all employees changing jobs, which should be initiated by the current line manager and completed by the new line manager. This process should ensure HR/Payroll, IT Services and system administrators are notified when an employee is changing jobs. |
| Risk | Having separate processes increases the risk that not all relevant stages will be carried out, resulting in employees retaining access to personal and sensitive data that they no longer require. |
| Priority (1, 2, 3) | 1 |
| Paragraph Reference | 3.1,3.2, 3.3, 3.4, 3.5, 3.6 |
| Assigned to | Senior Manager (Employee Services) and Senior Manager (IT Services) |
| Due Date | 30/04/2019 |
| Management Response | A mini Project Team will be created to investigate and develop an automated process to identify and end system user access when an employee terminates employment from the Council or transfers to a new job role within the Council. The Project Team will include representation from all key Council systems. |

| Action | b |
|---|---|
| Action Description | When an employee changes jobs within the Council, access to network drives/folders should be removed and the new line manager should advise what access is required. Cloning of existing users' access should be stopped. |
| Risk | Employees retain access to personal and sensitive data that they no longer require. |
| Priority (1, 2, 3) | 1 |
| Paragraph Reference | 3.1,3.2, 3.3, 3.4, 3.5, 3.6 |
| Assigned to | Team Manager (IT Operations) and Team Manager (Customers) |
| Due Date | 30/04/2019 |
| Management Response | Complexity of current access rights has built up over many years. Removal of the ability to clone access from one user to another would incur a high level of administrative overhead when creating new user accounts and when users move within the Council and require changes to their user accounts.<br><br>Furthermore, it is the intention to replace shared drives with Microsoft Sharepoint. Access roles and rights will be reviewed as service areas are migrated to Sharepoint. However, an interim solution is required to significantly reduce the current risk of inappropriate access to shared documents and records.<br><br>Movers<br>IT Services will develop a procedure between CHRIS21 and Active Directory to ensure existing account access rights are removed when an employee changes role. |

Leavers
IT Services will develop a procedure between CHRIS21 and Active Directory to ensure Active Directory accounts are disabled when an employee leaves the Council. Disabled accounts will then be automatically removed within an agreed timescale.

Cloning
Before cloning access rights from one user to another, a public drive check will be established.

Where the user account being cloned has access to more than one public drive, e.g. IT and HR, IT Services will notify the manager to confirm this is correct. If this check highlights existing inappropriate access, then IT Services will remove this.

Cloning will only proceed if the service manager confirms the access rights are correct. Otherwise, the manager must either fully specify access rights or chose a different user account to clone (the above check will be carried out).

| Action | c |
|---|---|
| Action Description | Data Services should issue a reminder to system administrators for the Council's key IT systems containing personal and sensitive data that a periodic review of users should be carried out to ensure users' access to systems is appropriate. |
| Risk | Employees have inappropriate access to personal or sensitive data. |
| Priority (1, 2, 3) | 2 |
| Paragraph Reference | 3.7, 3.9, 3.10 |
| Assigned to | Senior Manager (Data) |
| Due Date | 15/02/19 |
| Management Response | This reminder will be issued quarterly, starting February 2019, to the Service-nominated Information Asset Register coordinators. |

| Action | d |
|---|---|
| Action Description | Written procedures should be produced for the new help desk system. These should ensure that the internal process to be followed by the Customer Solutions Technician includes a requirement that, when requests are made for access to network folders to be amended, evidence of approval from the data owner must be obtained. |
| Risk | Access is given to data held in network folders without the data owners' approval. |
| Priority (1, 2, 3) | 1 |
| Paragraph Reference | 3.11 |
| Assigned to | Team Manager (Customers) |
| Due Date | 30/04/2019 |
| Management Response | IT Services will incorporate a check requiring the requesting manager to confirm in writing (an email that will be stored on the case) that they have sought all required approvals from data owners. |

| Action | e |
|---|---|
| Action Description | The employee number should be directly linked to the employee's active directory account. |
| Risk | There is no unique identifier for IT users. |
| Priority (1, 2, 3) | 1 |
| Paragraph Reference | 3.12, 3.13 |
| Assigned to | Team Manager (IT Operations) and Senior Technology Officer (GIS & Analytics) |
| Due Date | 31/01/2020 |
| Management Response | IT Services is developing a matching process between employee records (HR and Payroll) and Active Directory. However, this development is taking place as part of the XCD HR and Payroll project and will be ongoing during this project. |

| Action | f |
|---|---|
| Action Description | Access to the Criminal Justice selected network folders should be reviewed and access removed for those employees that do not require access. |
| Risk | Employees have inappropriate access to personal or sensitive data. |
| Priority (1, 2, 3) | 1 |
| Paragraph Reference | 3.19 |
| Assigned to | Principal Manager Business Administration |
| Due Date | Complete |
| Management Response | Review carried out and action taken. |

| Action | g |
|---|---|
| Action Description | Access to the CP Administration Secretary network folder should be reviewed and access removed for those employees that do not require access. |
| Risk | Employees have inappropriate access to personal or sensitive data. |
| Priority (1, 2, 3) | 1 |
| Paragraph Reference | 3.20 |
| Assigned to | Principal Manager Business Administration |
| Due Date | Complete |
| Management Response | Review carried out and action taken. |

| Action | h |
|---|---|
| Action Description | Data Services should amend the Data Cleanse project plan and written procedure to ensure that employees with access to current network folders are reviewed as part of the move to Sharepoint. |
| Risk | Employees have inappropriate access to personal or sensitive data. |
| Priority (1, 2, 3) | 1 |
| Paragraph Reference | 3.24 |
| Assigned to | Senior Manager (Data) |
| Due Date | 31/03/19 |
| Management Response | The data cleanse project plan and procedure will be updated with this action by end-March 2019.  Implementation of the action is continuous throughout the SharePoint project duration, as each Service and team undergoes its data cleanse.  This is presently estimated to complete by Dec 2020, but subject to change depending on any subsequent business and project decisions. |

| Action | i |
|---|---|
| Action Description | Data Services should advise all Services to carry out a review of employees with access to key network folders containing personal or sensitive data. |
| Risk | Employees have inappropriate access to personal or sensitive data. |
| Priority (1, 2, 3) | 1 |
| Paragraph Reference | 3.24 |
| Assigned to | Senior Manager (Data) |
| Due Date | 31/03/19 |
| Management Response | An email requesting this review is carried out will be issued to all Services by end of March 2019. |

**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
# CHARGING FOR SOCIAL CARE SERVICES

## Background

Adults or older people receiving certain services from the Health and Social Care Partnership (HSCP) can be charged for these services. This audit focussed on certain non-residential services. Which services are charged for is determined in the Charging Policy, which is currently being reviewed following a previous audit action. However, at the time of the audit, the Charging Policy dated April 2011 was still effective.

Service users should receive a financial assessment to determine the maximum amount of charge they are required to pay in line with current policy. The Money Matters team undertake the financial assessments for non-residential services. Invoices for Older People are raised by a Business Support team within the HSCP, based in Bridgegate House. The invoices for Adults are raised by the Finance team, based in Cunninghame House. This team were part of the Council's corporate Financial Services team until October 2018, when they became part of the HSCP. It is acknowledged that there have been historic issues with processes and workload which are planned to be addressed by the HSCP.

## Key Objectives

The main objectives of this audit were to ensure that:
- Service users for Learning Disability and Mental Health services are being referred for financial assessments as required.
- Service users for Older People's day care and the Dirrans Centre are being referred for financial assessments as required.
- Service users are being billed for chargeable services.

## 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:
- Older people receiving day care on Arran were not routinely being referred for financial assessment
- A small number of other service users were not referred for a financial assessment
- 29 service users were identified who were not being billed because of resourcing issues in the Finance team
- The Carefirst report used for annual uprating of financial assessments had records missing in 2018, due to the officer who normally runs the report being absent and others not having the knowledge of the system to replicate it.

## Audit Opinion

Overall, reasonable assurance was obtained with regard to charging for non-residential social work services. A small number of service users were identified who had not been referred for a financial assessment. 29 were identified who had been assessed as able to contribute to the cost of their care, but had not been billed, due to resourcing issues in the Finance team.

## ACTION PLAN
## CHARGING FOR SOCIAL CARE SERVICES

| Action | a |
|---|---|
| Action Description | HSCP should include service users' Carefirst number in all records relating to chargeable services and financial assessments, including the records held by individual establishments and services, predominantly daycare services. |
| Risk | Increased potential for errors due to the same person not being identified or people with similar names being mismatched |
| Priority (1, 2, 3) | 2 |
| Paragraph Reference | 3.3, 3.23 |
| Assigned to | Senior Manager (Community Care Services) |
| Due Date | 30th June 2019 |
| Management Response | This relates to older people records (maintained by the business unit). These records will be reviewed to ensure the service users' Carefirst number is included on all records relating to chargeable services and financial assessments. Adult charging is already recorded on Carefirst. |

| Action | b |
|---|---|
| Action Description | HSCP management should issue a reminder to staff who assess or review care packages that they should always request a Financial Assessment in Carefirst and refer appropriate staff to the Money Matters team for training and advice. This reminder should be repeated periodically to ensure that new starters and movers are aware of this process and referred for training. |
| Risk | Loss of income to the Council. Service Users are not receiving all the state benefits they would be entitled to. |
| Priority (1, 2, 3) | 2 |
| Paragraph Reference | 3.4, 3.11,3.12, 3.21 |
| Assigned to | Chief Social Work Officer (Senior Manager (Criminal Justice Services) |
| Due Date | 31st March 2019 |
| Management Response | A reminder will be issued and repeated six monthly. Senior managers/ team leaders will be asked to identify and refer staff to Money Matters for training. Two "Assessments for Chargeable Services" workshops are planned for 15/02/19 and 15/11/19. Money Matters routinely email all HSCP staff to advertise their workshops. The social care Charging Policy is in the process of being reviewed, there will be communication and engagement undertaken which will promote the new policy and compliance. |

| Action | c |
|---|---|
| **Action Description** | Managers should review the work of the Finance team in order to consider whether there is a business case to bring in additional resources, re-design or re-prioritise other work in order to ensure that debtor's invoices are raised for chargeable services |
| **Risk** | Loss of income to the Council |
| **Priority (1, 2, 3)** | 1 |
| **Paragraph Reference** | 3.4, 3.8, 3.18, 3.19, 3.21, 3.22 |
| **Assigned to** | Principal Manager (Finance) |
| **Due Date** | 31st March 2019 |
| **Management Response** | The social care finance team transferred to the HSCP at the end of 2018, there are historic issues with workload leading to delays with processing service user requests leading to an unacceptable level of complaints. The overall workload of the team has been assessed and temporary arrangements are being progressed to tackle backlogs of work. An additional dedicated post will also be put in place for one year to redesign existing processes to make them more efficient which should assist in ensuring all debtors invoices are raised timeously. |

| Action | d |
|---|---|
| **Action Description** | Detailed procedure notes should be developed for the extraction of the annual uprating list for financial assessments, in order to ensure that the report can be run correctly in the absence of the officer who usually runs the report and that it is complete and accurate. |
| **Risk** | If service users are missed from the uprating list, additional income can be lost. Errors in the report and poor use of officer time if the person who usually runs the report is unavailable |
| **Priority (1, 2, 3)** | 1 |
| **Paragraph Reference** | 3.25 |
| **Assigned to** | Team Manager (HSCP Finance) |
| **Due Date** | 30th April 2019 |
| **Management Response** | Procedures for this area will be developed and tested. Additional licences have been allocated to Finance Team, therefore more resources available to run reports. |

| Action | e |
|---|---|
| **Action Description** | Money Matters should consider purchasing Business Objects licenses for team members and arranging training to allow them to run reports from Carefirst for themselves in future. |
| **Risk** | Reliance on other teams who have competing priorities, less control over how queries are designed |
| **Priority (1, 2, 3)** | 3 |
| **Paragraph Reference** | 3.25 |
| **Assigned to** | Team Manager (Money Matters) |
| **Due Date** | 30th June 2019 |
| **Management Response** | Business Objects licences have been requested for the Money Matters Service Manager and the Senior Welfare Rights Officer. Following confirmation of the licences training will be arranged for these officers. |

| Action | f |
|---|---|
| Action Description | The HSCP should review the stages of the charging process and which tasks sit with which teams, with a view to reducing the complexity of the processes and potentially alleviating resourcing issues |
| Risk | Increased risk of errors.  Charges are not raised or not uprated due to lack of resources. |
| Priority (1, 2, 3) | 2 |
| Paragraph Reference | 3.26 |
| Assigned to | Team Manager (HSCP Finance) |
| Due Date | 30th June 2019 |
| Management Response | An overview of the whole process will be undertaken, highlighting pressure points, with decisions made on how to streamline the process and clarity over who is responsible at each stage.  The social care finance team recently transferred to the HSCP which means full control and influence over ensuring processes are as efficient as possible. |

**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
## TRANSPORTATION

### Background

The Corporate Transport Hub delivers the Council's Transport functions in relation to mainstream school transport, Additional Support Needs (ASN) and ad hoc requirements. Mainstream school transport is carried out in conjunction with Strathclyde Partnership for Transport (SPT).

Previous audit work in relation to transportation was undertaken in the 2015-16 financial year.

Pupils living outwith a certain distance from their school are entitled to free school transport. Free transport is also provided if Health and Safety issues are identified or the pupil qualifies under the Transport for Additional Support Needs guidelines.

Transport is also provided/arranged for Health and Social Care partnership clients.

A signed Agency Agreement and Dedicated School contract with SPT was agreed in May 2018.

### Key Objectives

The main objectives of this audit were to review controls in relation to mainstream, ASN and ad-hoc transportation by ensuring:

- Policies in place reflect the service, are up to date and identify entitlements
- Controls are in place relating to contract compliance and service user safety
- Service providers have appropriate training and background checks are completed
- Invoices are correctly presented, reflect the contract, and are promptly paid

### 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:

- Procedures for school transport are available online and in schools; these are currently being reviewed and updated
- Health and Social Care policies are currently at draft stage and still to be published.
- The payment of invoices was approved appropriately, and the majority paid timeously, although there is a risk that suppliers may be paid for services that they have not supplied as cancellations have not been notified from establishments to the Transport Hub.

### Audit Opinion

Overall, reasonable assurance was obtained with regard to the provision of school and Health and Social Services client transport.

Contract performance appraisals should be introduced as these will inform future awards of contracts.

# ACTION PLAN
## TRANSPORTATION

| Action | a |
|---|---|
| Action Description | The policy review for 'Free School and ASN Transport' should be completed and then be formalised as guidance procedures. |
| Risk | There is no reference for use and allocation of resources and these are wrongly applied. |
| Priority (1, 2, 3) | 2 |
| Paragraph Reference | 3.1 |
| Assigned to | Team Manager (Admin) |
| Due Date | 31 March 2019 |
| Management Response | The policy is currently under management review and is planned to be implemented by 31 March 2019 |

| Action | b |
|---|---|
| Action Description | Social Work Resources should complete and publish the 'HSCP Eligibility for Transport Assistance' policy. |
| Risk | There is no reference for use and allocation of resources and these are wrongly applied. |
| Priority (1, 2, 3) | 2 |
| Paragraph Reference | 3.2 |
| Assigned to | Senior Manager (Learning Disability) |
| Due Date | 31 March 2019 |
| Management Response | The HSCP Eligibility for Transport Assistance Policy is currently under review and will be in place for the new Financial Year. |

| Action | c |
|---|---|
| Action Description | The Transportation Appeals process should be formalised, with clear criteria established, and time limit for and grounds to appeal. The decision panel should include a neutral member. |
| Risk | Appeals process is inconsistent. |
| Priority (1, 2, 3) | 2 |
| Paragraph Reference | 3.3 |
| Assigned to | Team Manager (Admin) |
| Due Date | 31 March 2019 |
| Management Response | The policy is currently under management review and is planned to be implemented by the new financial year. |

| Action | d |
|---|---|
| Action Description | Parameters for Variation of Contracts should be established and applied as required, taking into consideration time and effect on service users. |
| Risk | Alienation and lack of future co-operation of suppliers. |
| Priority (1, 2, 3) | 2 |
| Paragraph Reference | 3.6 |
| Assigned to | Team Manager Journey and Hires/CPU |
| Due Date | 31 March 2019 |
| Management Response | Meeting has been arranged to discuss operational requirements and agree on the parameters for contract variations. |

| Action | e |
|---|---|
| Action Description | The Transport Hub should review the employment of transport escorts, whether it is financially viable to employ independently or as part of school assistant contracts. |
| Risk | Value for money is not achieved |
| Priority (1, 2, 3) | 2 |
| Paragraph Reference | 3.7 |
| Assigned to | Team Manager Journey and Hires/CPU |
| Due Date | Complete |
| Management Response | This issue was discussed with Education with a view to accessing PEF monies to support children by providing escorts, however this was not viewed as meeting the criteria for this funding. |

| Action | f |
|---|---|
| Action Description | Contract performance should be monitored and on completion of the contract, performance relating to quality and compliance criteria should be scored. |
| Risk | Performance and contract completion is not used to inform future decisions in awarding contracts and poor performers continue to be successful in winning contracts. |
| Priority (1, 2, 3) | 2 |
| Paragraph Reference | 3.10, 3.14 |
| Assigned to | Team Manager Journey and Hires/CPU |
| Due Date | February 2020 |
| Management Response | Current contract performance will be recorded and future tender documentation will be amended to allow the evaluation criteria to include previous performance |

| Action | g |
|---|---|
| Action Description | When adding new suppliers onto Integra ensure that the record has not previously been created under the company or owners name. |
| Risk | Contractors are duplicated on the Integra system and allocated spend to suppliers is inaccurately recorded |
| Priority (1, 2, 3) | 2 |
| Paragraph Reference | 3.15 |
| Assigned to | Team Manager Journey and Hires |
| Due Date | Completed |
| Management Response | This action was completed by e-mailing Creditor Payments asking that all duplicate records be de-activated, email subsequently received on 1st October advising that this had now been completed. |

**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
# AIDS AND ADAPTATIONS

## Background

This audit was conducted as part of the 2018/19 audit plan.

An audit undertaken in this area in 2016/2017 raised significant concerns surrounding non-compliance with the Council's Standing Orders relating to Contracts, therefore detailed procurement testing was included in this audit.

## Key Objectives

The main objectives of this audit were to ensure that:

- Detailed procedures exist for the Aids and Adaptations process
- Procedures are being followed for all applications received
- Grants are being properly authorised and recorded
- Procurement rules are being followed when appointing contractors to carry out adaptations on behalf of the Council

## 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:

- Carefirst is not always being updated timeously to reflect the completion of adaptation works. This means that the follow up visit from an Occupational Therapist to ensure the equipment is being used properly and is meeting the needs of the individual, is being delayed.

## Audit Opinion

Overall, substantial assurance was obtained with regard to the Aids and Adaptations process.

## ACTION PLAN
## AIDS AND ADAPTATIONS

| | |
|---|---|
| **Action** | a |
| **Action Description** | Carefirst must be updated timeously on the completion of works. |
| **Risk** | Vulnerable individuals are being exposed to unnecessary risk as Occupational Therapists are not visiting them timeously to support them in their use of their new adaption. |
| **Priority (1, 2, 3)** | 1 |
| **Paragraph Reference** | 3.20 |
| **Assigned to** | Senior Manager - Intermediate Care & Rehabilitation Services |
| **Due Date** | Completed |
| **Management Response** | A new process to achieve this has been implemented. |

## 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
## REVENUES AND BENEFITS

### Background

Following an 'Agile' review a one stop point of contact for clients was established for the administration of Benefits and Council Tax. The One Team located in Bridgegate administers Council tax invoicing, payments, refunds, discounts and general enquiries. Early customer satisfaction reviews indicate that this service is well received.

Properties are valued by the Ayrshire Joint Valuation Board and the value assigns the property to the appropriate Council Tax banding. North Ayrshire Council agrees the Council Tax levels for each band as part of the budget setting process. System Admin administer any Council Tax rates and any Band changes.

### Key Objectives

The main objectives of this audit were to ensure that:

- Policies, procedures and training support the Council to meet statutory requirements,
- that owners and tax bandings are correctly identified,
- changes are promptly applied,
- discounts and exemptions are applied and reviewed, and
- reconciliations and management checks are adequate.

### Key Findings and Actions

There are no actions arising from this audit.

The key findings are as follows:

- policies and procedures have been amended to meet current working practices
- all of the One Team have completed Council Tax training and the team receive regular performance feedback
- changes are applied timeously

### Audit Opinion

Overall, substantial assurance was obtained with regard to administration of Council Tax accounts.

# EXECUTIVE SUMMARY
# FOOTWEAR AND CLOTHING GRANTS

## Background

This audit of the Council's Footwear and Clothing Grants was carried out as part of the 2018/19 annual audit plan.

The Scottish Government published a plan for tackling child poverty during the period 2018-2022 entitled 'Every Child Every Chance' in March 2018. This plan introduces a new minimum level for School Clothing grants. These grants ranged from £40 (in North Ayrshire) upwards to £120.  COSLA agreed that £100 would be the minimum level and this increase took effect from June 2018.

## Key Objectives

The main objectives of this audit were to ensure:
- that adequate policies and procedures are in place relating to Footwear and Clothing Grant,
- that controls are in place and grants are managed,
- that applications are properly assessed and timeously paid.

## Key Findings and Actions

There are no recommended actions arising from this audit.

The key findings are as follows:
- There is an increased take up of the footwear and clothing grant,
- Application is straightforward and can be made online, by telephone or in person,
- All online applications are completed as quickly as possible,
- All grant claims are recorded on the SEEMIS system and are directly linked to a North Ayrshire school,
- Sample testing confirmed that financial transactions were correctly recorded on Integra and that unique criteria ensured that there was only one claim per child possible.

## Audit Opinion

Overall, substantial assurance was obtained with regard to the administration of the Footwear and Clothing grants.

NORTH AYRSHIRE COUNCIL

**26 March 2019**

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 2018. |
| **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 2018.

## 2. Background

2.1. The last report to the Audit and Scrutiny Committee on 20 November 2018 highlighted that there were 21 actions outstanding at the end of September 2018: 10 that had not been started or were only partially implemented and 11 where the due date had not yet passed.

2.2. In addition to these 21 'carried forward' actions, there have been 46 new actions agreed during quarter 3, giving a total of 67 action points for review.

2.3. Services have completed 36 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 31 actions, 3 were either not started or only partially complete at 31 December and the remaining 28 were not due for completion until after that date.

2.5. Appendix 1 to this report provides the Committee with full details of the 3 actions that were not complete within the agreed timescales. One of these actions, relating to password controls on ICT devices in schools, was originally due for completion in June 2016.

## 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:** | None |
| **Children and Young People:** | 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*

Laura Friel
Executive Director (Finance & Corporate Support)

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

**Background Papers**
None

**Actions due by 31st December 2018 but not started or only partially complete**

**Generated on:** 25 February 2019

| 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 | **2018/19- Quarter Three Update:** A number of options have been explored to resolve this action. A self-service password reset tool has now been procured, installed and configured. Starting January 2019, a monthly email will be sent out to reminding staff to register for self-service password management and inform that forced password resets will be enabled on the 31st May 2019. These emails will continue monthly until May 2019. IT Services will liaise with Secondary School ICT Technicians to ensure the password management capability is full deployed to secondary school teaching devices. | |
| Progress Bar | 90% | Original Due Date | 30-Jun-2016 | Due Date | 31-Dec-2018 |
| Parent Code & Title | IA2016PA024 Education Network Controls | | Managed By | Esther Gunn-Stewart; Brendan Quigley |
| | | | Assigned To | Carolann McGill; James McNeil; Brendan Quigley |

| Code | IA2019PA007l | Description | FACS managers should arrange a disaster recovery test of Integra at a time agreed to minimise disruption to Services. | |
|---|---|---|---|---|
| Priority | 2 | Latest Note | **2018/19- Quarter Three Update**: Differences between the Integra test and production environments dating back to the original go-live and discussions with Capita regarding the details of the disaster recovery test meant the December deadline was missed. The Systems Administration Team is currently liaising with Capita and Integra service level leads to schedule the test - given other end of year and project commitments it will be scheduled between June and September. Subsequently testing will be undertaken annually. | |
| Progress Bar | 10% | Original Due Date | 31-Dec-2018 | Due Date | 31-Dec-2018 |
| Parent Code & Title | IA2019PA007 Business Continuity | | Managed By | Fiona Walker |
| | | | Assigned To | Brendan Quigley |

4

| Code | IA2019PA018b | Description | All Estates procedures should be updated. Consideration should be given to reintroducing the use of checklists. | | |
|---|---|---|---|---|---|
| Priority | 2 | Latest Note | **2018/19- Quarter Three Update**: The Estates Manual is currently being updated; however, due to staff departures and an unsuccessful recruiting exercise, this action is currently behind programme. It is anticipated that the update will be complete by the end of the financial year. | | |
| Progress Bar | 25% | Original Due Date | 31-Dec-2018 | Due Date | 31-Dec-2018 |
| Parent Code & Title | IA2019PA018 Commercial And Industrial Rents | | | Managed By | Yvonne Baulk |
| | | | | Assigned To | Laurence Cree; Aileen Johnston |

5

**NORTH AYRSHIRE COUNCIL**

**26 March 2019**

**Audit and Scrutiny Committee**

| | |
|---|---|
| **Title:** | **Internal Audit Plan 2019-2024** |
| **Purpose:** | To inform the Committee of the proposed Internal Audit plan for 2019-2020 and the indicative programme of work for the period 2020-2024. |
| **Recommendation:** | That the Committee (a) approves the Internal Audit plan for 2019-2020, (b) notes the indicative programme for 2020-2024 and (c) agrees the indicators and targets at 2.8. |

## 1. Executive Summary

1.1 This report brings forward the proposed Internal Audit Plan for 2019-20 and the indicative plan for 2020-2024. A review has been carried out, including consultation with members of the Executive Leadership Team, to identify all service areas which will be subject to audit review.

1.2 The audit plan is risk-based and fully utilises the available resource of 610 audit days.

## 2. Background

2.1 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.

2.2 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.

2.3 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;
- key issues arising from the External Audit Report on the 2017-18 annual accounts;
- review of other local authorities' Internal Audit plans; and
- knowledge and experience of Internal Audit staff.

2.4 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 2019 to March 2024. 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.

2.5 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 if the approved plan is completed or priorities change.

2.6 The total available audit time for 2018-19 is estimated at 702 days (2018-19: 721 days). Productive audit time is estimated to be 610 days (2018-19: 624 days) and non-productive time is estimated to be 92 days (2018-19: 97 days).

2.7 Appendix 2 contains the detailed audit plan for 2019-20 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. 20 of the 610 days have been set aside for contingencies.

2.8 In order to assist with tracking the performance of Internal Audit against the agreed plan during 2019-20, 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 2018-19 | Target 2019-20 |
|---|---|---|
| Percentage of auditor time spent productively | 87% | 87% |
| Training days per auditor | 2.4 days | 3.6 days |
| Audits complete in budgeted days | 40% | 75% |
| Draft reports issued within 21 days of fieldwork completion | 75% | 95% |
| Final reports issued within 14 days of agreement of action plan | 95% | 95% |

2.9 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 2018-19; other assignments which have been under budget have compensated. Most of the audits which have been over budget have been only marginally so, although significant additional time was spent on Payroll and Accounts Payable transaction testing and audits of Business Continuity and Commercial and Industrial Rents, where the budgeted time was insufficient for the audit work required. The budget has been increased in the five-year plan at Appendix 1 for the next time these audits are carried out.

### 3. Proposals

3.1 It is proposed that the Committee (a) approves the Internal Audit plan for 2019-20, (b) notes the indicative programme for 2020-2024 and (c) agrees the indicators and targets at 2.8 above.

### 4. Implications

| | |
|---|---|
| **Financial:** | None. |
| **Human Resources:** | None. |
| **Legal:** | None. |
| **Equality: /Socio-economic Duty:** | 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 Consultation has taken place on an individual basis with the Executive Leadership Team 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 | DIRECTORATE | AUDITABLE AREA | Risk or Significance | Last Audited (since 2013-14) | Audit Frequency | Days per Audit | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | APPENDIX 1 | | | AUDIT DAYS AVAILABLE | | 610 | 610 | 610 | 610 | 610 |
| | | | | | | | | | Audit Days | | |
| Key Corporate Systems | Finance and Corporate Support | HR/Payroll system | High | 2017-18 | Every 1-2 years | 15 | - | 15 | - | 15 | |
| Key Corporate Systems | Finance and Corporate Support | Customer Services (inc. CRM system) | Medium | 2017-18 | Every 3-4 years | 15 | - | - | - | 15 | |
| Key Corporate Systems | Finance and Corporate Support | Accounts Receivable | Medium | 2016-17 | Every 3-4 years | 15 | - | 15 | - | - | |
| Key Corporate Systems | Finance and Corporate Support | Procurement and Accounts Payable | High | 2017-18 | Every 1-2 years | 15 | 15 | 15 | 15 | 15 | 15 |
| Key Corporate Systems | Finance and Corporate Support | VAT | Medium | 2016-17 | Every 3-4 years | 10 | - | - | 10 | - | - |
| Key Corporate Systems | Finance and Corporate Support | Treasury Management | Medium | 2015-16 | Every 3-4 years | 10 | 10 | - | - | - | 10 |
| Key Corporate Systems | Finance and Corporate Support | General Ledger system | High | 2018-19 | Every 1-2 years | 15 | 15 | 15 | 15 | 15 | 15 |
| Key Corporate Systems | Place | Income Collection (inc. system and establishments) | Medium | 2018-19 | Every 3-4 years | 20 | - | - | 20 | - | - |
| Other Systems | Chief Executives | Licensing | Medium | 2016-17 | Every 3-4 years | 20 | 20 | - | - | - | 20 |
| Other Systems | Chief Executives | Members Allowances and Expenses | Medium | 2018-19 | Every 3-4 years | 15 | - | - | 15 | - | - |
| Other Systems | Council Wide | Social Media | Medium | 2017-18 | Every 3-4 years | 15 | - | - | 15 | - | - |
| Other Systems | Council Wide | Welfare Reform / Universal Credit | Medium | 2015-16 | Every 3-4 years | 15 | 15 | - | - | 15 | - |
| Other Systems | Council Wide | State Aid | Medium | - | Every 3-4 years | 15 | - | 15 | - | - | - |
| Other Systems | Council Wide | Transformation | Medium | - | Every 3-4 years | 20 | - | 20 | - | - | - |
| Other Systems | Economy and Communities | Museums and Heritage | Low | 2014-15 | Reserve list | 15 | - | - | - | - | - |
| Other Systems | Economy and Communities | Library and Information service | Low | | Reserve list | 15 | - | - | - | - | - |
| Other Systems | Economy and Communities | Community Facilities booking system | Low | - | Reserve list | 10 | - | 10 | - | - | - |
| Other Systems | Economy and Communities | Funding support to businesses including external compliance | Medium | 2016-17 | Every 3-4 years | 20 | - | 20 | - | - | 20 |
| Other Systems | Economy and Communities | Better Off North Ayrshire programme | Medium | - | Every 3-4 years | 20 | 20 | - | - | 20 | - |
| Other Systems | Economy and Communities | Regeneration | Medium | 2018-19 | Every 3-4 years | 15 | - | - | - | 15 | - |
| Other Systems | Economy and Communities | Planning and building control income | Low | 2013-14 | Reserve list | 10 | - | - | - | - | - |
| Other Systems | Economy and Communities | Trading Standards | Low | | Reserve list | 15 | - | - | - | - | - |
| Other Systems | Economy and Communities | Environmental Health (inc. FLARE system; FSA audit) | Low | - | Reserve list | 15 | - | - | - | - | - |
| Other Systems | Education and Youth Employment | Payments to Private Nurseries | Medium | 2013-14 | Every 3-4 years | 10 | - | - | 10 | - | - |
| Other Systems | Education and Youth Employment | Residential Placements (Education/HSCP) | Medium | 2015-16 | Every 3-4 years | 20 | 20 | - | - | - | 20 |
| Other Systems | Education and Youth Employment | Placing Requests | Low | 2017-18 | Reserve list | 10 | - | - | - | - | - |
| Other Systems | Education and Youth Employment | Music Tuition | Low | - | Every 3-4 years | 10 | 10 | - | - | - | - |
| Other Systems | Education and Youth Employment | Supply teachers | Medium | 2016-17 | Every 3-4 years | 15 | - | 15 | - | - | - |
| Other Systems | Education and Youth Employment | SEEMIS/Click and Go | Medium | 2015-16 | Every 3-4 years | 15 | 15 | - | - | 15 | - |
| Other Systems | Education and Youth Employment | Procurement of Educational supplies | Medium | 2017-18 | Every 3-4 years | 15 | - | - | 15 | - | - |
| Other Systems | Education and Youth Employment | PPP unitary charge | Low | - | Reserve list | 10 | - | - | - | - | - |
| Other Systems | Education and Youth Employment | School Funds | Low | 2015-16 | Reserve list | 10 | - | - | - | - | - |
| Other Systems | Finance and Corporate Support | Agency staff and workers | Medium | 2015-16 | Every 3-4 years | 15 | 15 | - | - | - | 15 |
| Other Systems | Finance and Corporate Support | Revenues and Benefits | High | 2018-19 | Every 1-2 years | 15 | - | 15 | - | 15 | - |
| Other Systems | Finance and Corporate Support | Risk Management | Low | | Reserve list | 10 | - | - | - | - | - |
| Other Systems | Finance and Corporate Support | Insurance | Low | 2015-16 | Reserve list | 15 | - | - | - | - | - |
| Other Systems | Finance and Corporate Support | Business Continuity | Low | 2018-19 | Reserve list | 15 | - | - | - | - | - |
| Other Systems | Finance and Corporate Support | Kelio | Low | - | Reserve list | 15 | 15 | - | - | - | - |
| Other Systems | Finance and Corporate Support | Capital Monitoring | Medium | 2015-16 | Every 3-4 years | 15 | 15 | - | - | 15 | - |
| Other Systems | Health and Social Care Partnership | Social Services Clients - financial assessments | Medium | 2017-18 | Every 3-4 years | 15 | - | 15 | - | - | 15 |
| Other Systems | Health and Social Care Partnership | Financial Intervention Orders/Corporate Appointeeships | Medium | 2016-17 | Every 3-4 years | 15 | 15 | - | - | 15 | - |
| Other Systems | Health and Social Care Partnership | Foster care/adoption/kinship carers payments | Medium | 2017-18 | Every 3-4 years | 15 | - | 15 | - | - | 15 |
| Other Systems | Health and Social Care Partnership | Criminal Justice | Low | 2014-15 | Reserve list | 15 | - | - | - | - | - |
| Other Systems | Health and Social Care Partnership | Charging for Social Care Services | Medium | 2018-19 | Every 3-4 years | 25 | - | - | 25 | - | - |

| | | | Risk or Significance | Last Audited (since 2013-14) | Audit Frequency | Days per Audit | Audit Days | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| AUDIT CATEGORY | DIRECTORATE | AUDITABLE AREA | | | | | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 |
| Other Systems | Health and Social Care Partnership | Self Directed Support | Medium | 2016-17 | Every 3-4 years | 15 | 15 | - | - | - | 15 |
| Other Systems | Health and Social Care Partnership | Community based support (including CM2000 system) | Medium | 2018-19 | Every 3-4 years | 20 | - | - | 20 | - | - |
| Other Systems | Health and Social Care Partnership | Aids and Adaptations | Medium | 2018-19 | Every 3-4 years | 20 | - | - | - | 20 | - |
| Other Systems | Health and Social Care Partnership | Throughcare payments | Medium | 2018-19 | Every 3-4 years | 15 | - | - | - | - | 15 |
| Other Systems | Health and Social Care Partnership | Blue Badge Scheme | Medium | 2017-18 | Every 3-4 years | 15 | - | 15 | - | - | 15 |
| Other Systems | Health and Social Care Partnership | Carefirst system | Medium | 2016-17 | Every 3-4 years | 20 | 20 | - | - | 20 | - |
| Other Systems | Health and Social Care Partnership | Integration Joint Board audit days | High | 2018-19 | Every 1-2 years | 15 | 15 | 15 | 15 | 15 | 15 |
| Other Systems | Place | Building Services procurement (inc. sub-conts and materials) | Medium | 2017-18 | Every 3-4 years | 15 | - | - | 15 | - | - |
| Other Systems | Place | Building Services stores controls | Medium | 2018-19 | Every 3-4 years | 15 | - | - | - | 15 | - |
| Other Systems | Place | Building services systems | Medium | 2012-13 | Every 3-4 years | 15 | - | 15 | - | - | 15 |
| Other Systems | Place | Transport Hub (inc. Fleetwave system; vehicle replacement) | Medium | 2014-15 | Every 3-4 years | 15 | 15 | - | - | 15 | - |
| Other Systems | Place | Fuel controls | Medium | 2017-18 | Every 3-4 years | 15 | - | 15 | - | - | 15 |
| Other Systems | Place | Burials and Bereavements service | Low | 2013-14 | Reserve list | 10 | - | - | - | - | - |
| Other Systems | Place | Commercial Refuse service | Medium | 2015-16 | Every 3-4 years | 15 | 15 | - | - | - | 15 |
| Other Systems | Place | Recycling and Landfill Contracts | Medium | 2017-18 | Every 3-4 years | 15 | - | - | - | 15 | - |
| Other Systems | Place | Facilities Management - procurement | Medium | 2017-18 | Every 3-4 years | 15 | - | - | 15 | - | - |
| Other Systems | Place | Parent Pay system | Medium | 2017-18 | Every 3-4 years | 15 | - | 15 | - | - | 15 |
| Other Systems | Place | FM commercial income | Medium | 2018-19 | Every 3-4 years | 15 | - | - | 15 | - | - |
| Other Systems | Place | Transportation | Medium | 2018-19 | Every 3-4 years | 15 | - | - | 15 | - | - |
| Other Systems | Place | Roads costing system | Low | 2014-15 | Reserve list | 10 | - | - | - | - | - |
| Other Systems | Place | Roads stores controls | Medium | 2018-19 | Every 3-4 years | 15 | - | - | - | 15 | - |
| Other Systems | Place | Roads procurement (inc. sub-conts; materials) | Medium | 2017-18 | Every 3-4 years | 15 | - | 15 | - | - | - |
| Other Systems | Place | Housing Rents income and arrears (inc. iWorld system) | High | 2017-18 | Every 1-2 years | 15 | 15 | - | 15 | - | 15 |
| Other Systems | Place | Property Asset Management (inc. system; maintenance + repairs) | Medium | 2016-17 | Every 3-4 years | 15 | 15 | - | - | 15 | - |
| Other Systems | Place | Property Factoring | Low | 2014-15 | Reserve list | 10 | - | - | - | - | - |
| Other Systems | Place | HRA - Planned maintenance and reactive repairs | Medium | 2015-16 | Every 3-4 years | 15 | - | 15 | - | - | 15 |
| Other Systems | Place | Procurement and performance management of term contracts | Medium | 2018-19 | Every 3-4 years | 20 | - | - | 20 | - | - |
| Other Systems | Place | Energy Efficiency and Carbon Management | Low | 2014-15 | Reserve list | 10 | - | - | - | - | - |
| Other Systems | Place | Sale of Council land and buildings | Medium | 2018-19 | Every 3-4 years | 10 | - | - | - | 10 | - |
| Other Systems | Place | Commercial and industrial rents | Medium | 2018-19 | Every 3-4 years | 20 | - | - | 20 | - | - |
| Other Systems | Place | Sustainability | Medium | - | Every 3-4 years | 15 | - | 15 | - | - | - |
| Other Systems | Health and Social Care Partnership | Housing improvement grants | Low | - | Reserve list | 15 | 15 | - | - | - | - |
| ICT Auditing | Finance and Corporate Support | Network Controls | Medium | 2017-18 | Every 3-4 years | 20 | - | - | 20 | - | - |
| ICT Auditing | Finance and Corporate Support | Internet and e-mail Controls | Medium | 2016-17 | Every 3-4 years | 20 | - | 20 | - | - | 20 |
| ICT Auditing | Finance and Corporate Support | Cyber resilience | High | 2018-19 | Every 1-2 years | 20 | - | 20 | - | 20 | - |
| ICT Auditing | Finance and Corporate Support | IT procurement and desktop support | Medium | 2017-18 | Every 3-4 years | 15 | - | - | 15 | - | - |
| ICT Auditing | Finance and Corporate Support | IT assets | Medium | 2015-16 | Every 3-4 years | 20 | 20 | - | - | - | 20 |
| ICT Auditing | Finance and Corporate Support | Telecommunications | Medium | 2016-17 | Every 3-4 years | 20 | 20 | - | - | 20 | - |
| Governance | Chief Executives | Locality Planning / CPP | Medium | - | Every 3-4 years | 15 | - | 15 | - | - | 15 |
| Governance | Council Wide | Code of Corporate Governance | Medium | 2015-16 | Every 3-4 years | 15 | 15 | - | - | - | 15 |
| Governance | Council Wide | Information Governance and Data Protection | Medium | 2016-17 | Every 3-4 years | 20 | 20 | - | - | - | 20 |
| Governance | Council Wide | Serious and Organised Crime | Low | 2015-16 | Reserve list | 15 | - | - | - | - | - |
| Governance | Finance and Corporate Support | HR Policies: Maximising Attendance | Low | 2013-14 | Reserve list | 10 | - | - | - | - | - |
| Governance | Finance and Corporate Support | HR Policies: Equalities | Low | 2014-15 | Reserve list | 10 | - | - | - | - | - |
| Governance | Finance and Corporate Support | HR Policies: Responsibility Allowances | Low | 2012-13 | Reserve list | 10 | - | - | - | - | - |
| Governance | Finance and Corporate Support | HR Policies: Health and Safety Policies | Medium | 2015-16 | Every 3-4 years | 15 | - | 15 | - | - | 15 |
| Governance | Finance and Corporate Support | Leavers process (inc. removal from corporate systems) | Medium | 2016-17 | Every 3-4 years | 15 | - | 15 | - | - | - |
| Governance | Finance and Corporate Support | Movers process (inc. access to information) | Medium | 2018-19 | Every 3-4 years | 20 | - | - | 20 | - | - |
| Governance | Finance and Corporate Support | Recruitment (inc. Talentlink) | Medium | 2017-18 | Every 3-4 years | 15 | - | - | 15 | - | - |
| Governance | Finance and Corporate Support | PVG and Disclosure checking | Medium | 2018-19 | Every 3-4 years | 15 | - | - | 15 | - | - |
| Governance | Finance and Corporate Support | Workforce Planning (inc. VER/VR schemes) | Medium | 2015-16 | Every 3-4 years | 15 | 15 | - | - | 15 | - |

| AUDIT CATEGORY | DIRECTORATE | AUDITABLE AREA | Risk or Significance | Last Audited (since 2013-14) | Audit Frequency | Days per Audit | Audit Days | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 |
| Governance | Finance and Corporate Support | Gifts and Hospitality | Medium | 2017-18 | Every 3-4 years | 10 | - | - | 10 | - | - |
| Performance Monitoring | Council Wide | Performance Indicators | High | 2018-19 | Every 1-2 years | 20 | - | 20 | - | 20 | - |
| Performance Monitoring | Council Wide | Pentana system | Low | | Reserve list | 10 | - | - | - | - | - |
| Regularity Audits | Economy and Communities | Outdoor Education | Medium | 2017-18 | Every 3-4 years | 20 | - | 20 | - | - | - |
| Regularity Audits | Economy and Communities | Eglinton Country Park | Low | 2017-18 | Reserve list | 15 | - | - | - | - | - |
| Regularity Audits | Education and Youth Employment | Special Schools | Low | - | Reserve list | 15 | - | - | - | - | - |
| Regularity Audits | Education and Youth Employment | Nursery establishments | Low | 2012-13 | Reserve list | 15 | - | - | - | - | - |
| Regularity Audits | Education and Youth Employment | Primary Schools | Medium | 2018-19 | Every 3-4 years | 30 | - | - | - | 30 | - |
| Regularity Audits | Education and Youth Employment | Secondary Schools | Medium | 2017-18 | Every 3-4 years | 30 | - | - | 30 | - | - |
| Regularity Audits | Finance and Corporate Support | CAATs testing - Payroll | High | 2018-19 | Every 1-2 years | 15 | 15 | 15 | 15 | 15 | 15 |
| Regularity Audits | Finance and Corporate Support | CAATs testing - Accounts Payable | High | 2018-19 | Every 1-2 years | 15 | 15 | 15 | 15 | 15 | 15 |
| Regularity Audits | Health and Social Care Partnership | Social Services Establishments | Medium | 2017-18 | Every 3-4 years | 20 | - | 20 | - | - | 20 |
| Following the Public Pound | Chief Executives | Community Councils | Low | 2018-19 | Every 1-2 years | 10 | 10 | 10 | 10 | 10 | 10 |
| Following the Public Pound | Education and Youth Employment | Parent Council funding | Low | - | Reserve list | 5 | - | - | - | - | - |
| Following the Public Pound | Finance and Corporate Support | Footwear and Clothing Grants | Medium | 2018-19 | Every 3-4 years | 10 | - | - | - | 10 | - |
| Following the Public Pound | Finance and Corporate Support | Education Maintenance Allowances (EMAs) | Low | 2013-14 | Reserve list | 10 | - | - | - | - | - |
| Following the Public Pound | Place | Tenants and Residents Associations | Low | 2018-19 | Every 1-2 years | 2 | 2 | 2 | 2 | 2 | 2 |
| Audits not finalised | Council Wide | Audits not finalised in previous year or started early | High | 2018-19 | Every 1-2 years | 20 | 20 | 20 | 20 | 20 | 20 |
| Audit Consultancy | Council Wide | Ad-hoc advice | High | 2018-19 | Every 1-2 years | 10 | 10 | 10 | 10 | 10 | 10 |
| Audit Consultancy | Council Wide | Project work | High | 2018-19 | Every 1-2 years | 30 | 30 | 30 | 30 | 30 | 30 |
| Other Planned Audit Work | Council Wide | Follow up of prior audit work | High | 2018-19 | Every 1-2 years | 15 | 15 | 15 | 15 | 15 | 15 |
| Other Planned Audit Work | Council Wide | Audit planning and monitoring | High | 2018-19 | Every 1-2 years | 20 | 20 | 20 | 20 | 20 | 20 |
| Other Planned Audit Work | Council Wide | Audit and Scrutiny Committee | High | 2018-19 | Every 1-2 years | 25 | 25 | 25 | 25 | 25 | 25 |
| Other Planned Audit Work | Council Wide | Review of Governance documents | High | 2018-19 | Every 1-2 years | 2 | 2 | 2 | 2 | 2 | 2 |
| Other Planned Audit Work | Council Wide | Development of the Audit Service | High | 2018-19 | Every 1-2 years | 5 | 5 | 5 | 5 | 5 | 5 |
| Other Planned Audit Work | Council Wide | Internal Audit self-assessment against PSIAS | High | 2016-17 | Every 1-2 years | 2 | 2 | 2 | 2 | 2 | 2 |
| Other Planned Audit Work | Council Wide | Internal Audit EQA (assess or being assessed) | Medium | 2017-18 | Every 3-4 years | 10 | - | - | 10 | 10 | - |
| Other Planned Audit Work | Council Wide | Grant claims | Low | 2018-19 | Every 1-2 years | 2 | 2 | 2 | 2 | 2 | 2 |
| Other Planned Audit Work | Council Wide | Year end accounts (AGS, imprests, etc) | High | 2018-19 | Every 1-2 years | 2 | 2 | 2 | 2 | 2 | 2 |
| Contingencies and Investigations | Council Wide | Non-Fraud Investigations | High | 2018-19 | Every 1-2 years | 20 | 20 | 20 | 20 | 20 | 20 |
| | | | | | | | | | | | |
| **DAYS ALLOCATED** | | | | | | | 610 | 645 | 620 | 630 | 615 |
| **DAYS REMAINING** | | | | | | | 0 | -35 | -10 | -20 | -5 |
| | | | | | | | | | | | |
| **TOTAL AUDIT DAYS AVAILABLE** | | | | | | | 610 | 610 | 610 | 610 | 610 |

| 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 |
| Treasury Management | Examine the Council's treasury management arrangements. | 10 | | ✔ | | | 2015-16 |
| General Ledger | Review controls in the new Integra GL system. | 15 | | | | ✔ | 2018-19 |
| **TOTAL AUDIT DAYS** | | **40** | | | | | |

| Other Systems | Audit Objective | Days | Q1 | Q2 | Q3 | Q4 | Last Audited |
|---|---|---|---|---|---|---|---|
| Licensing | Review processes within the Licensing section. | 20 | ✔ | | | | 2016-17 |
| Welfare Reform / Universal Credit | Examine controls in relation to Universal Credit | 15 | | ✔ | | | 2015-16 |
| Better Off North Ayrshire programme | Review the use of the Better Off North Ayrshire funding. | 20 | ✔ | | | | - |
| Residential Placements (Education/HSCP) | Review the use of placements within other authorities, residential schools or private educational establishments. | 20 | ✔ | | | | 2015-16 |
| Music Tuition | Review controls in relation to the charging for music tuition | 10 | | ✔ | | | - |
| SEEMIS/Click and Go | Examine the system controls within the SEEMIS/Click and Go system. | 15 | | ✔ | | | 2015-16 |
| Agency staff and workers | Examine the Council's use of agency staff and workers. | 15 | | ✔ | | | 2015-16 |
| Kelio | Review system controls in the Kelio time management system | 15 | | ✔ | | | - |
| Capital Monitoring | Examine the effectiveness of the Council's capital monitoring arrangements. | 15 | | | | ✔ | 2015-16 |
| Financial Intervention Orders/Corporate Appointeeships | Review the administration of Financial Intervention Orders and Corporate Appointeeships within the Health and Social Care Partnership. | 15 | | | ✔ | | 2016-17 |
| Self Directed Support | Review the use of 'Self Directed Support' to provide assurance that appropriate controls are in place and operating effectively. | 15 | ✔ | | | | 2016-17 |
| Carefirst system | Examine the use of the Carefirst system by the Health and Social Care Partnership. | 20 | | | | ✔ | 2016-17 |
| 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 | | | ✔ | | 2018-19 |
| Transport Hub (inc. Fleetwave system; vehicle replacement) | Review controls in the Transport Hub with a particular focus on the sale and replacement of vehicles. | 15 | | | | ✔ | 2014-15 |
| Commercial Refuse service | Examine controls in the commercial refuse service. | 15 | | | | ✔ | 2015-16 |
| Housing Rents income and arrears (inc. iWorld system) | Examine a range of controls within Housing. | 15 | | | ✔ | | 2017-18 |
| Property Asset Management (inc. system; maintenance + repairs) | Review the Council's property asset management arrangements. | 15 | | | ✔ | | 2016-17 |
| Housing improvement grants | Examine the use of Housing Improvement Grants | 15 | | | | ✔ | - |
| **TOTAL AUDIT DAYS** | | **285** | | | | | |

| ICT Auditing | Audit Objective | Days | Q1 | Q2 | Q3 | Q4 | Last Audited |
|---|---|---|---|---|---|---|---|
| IT assets | Review controls over a range of ICT assets. | 20 | | | ✔ | | 2015-16 |
| Telecommunications | Review a range of controls in relation to Agile Working across the Council, including remote and wireless access to networks and systems. | 20 | | | | ✔ | 2016-17 |
| **TOTAL AUDIT DAYS** | | **40** | | | | | |

| Governance | Audit Objective | Days | Q1 | Q2 | Q3 | Q4 | Last Audited |
|---|---|---|---|---|---|---|---|
| Code of Corporate Governance | Examine compliance with aspects of the Code of Corporate Governance. | 15 | | | ✔ | | 2015-16 |
| Information Governance and Data Protection | Review aspects of the Council's Information Management and Data Protection arrangements. | 20 | | | | ✔ | 2016-17 |
| Workforce Planning (inc. VER/VR schemes) | Review the Council's workforce planning arrangements. | 15 | | | | ✔ | 2015-16 |
| **TOTAL AUDIT DAYS** | | **50** | | | | | |

| Regularity Audits | Audit Objective | Days | Q1 | Q2 | Q3 | Q4 | Last Audited |
|---|---|---|---|---|---|---|---|
| Accounts Payable transaction testing | Use computer audit software to interrogate the HR/Payroll system and examine any anomolies which arise. | 15 | | ✔ | | ✔ | 2018-19 |
| Payroll transaction testing | Use computer audit software to interrogate the Accounts Payable system and examine any anomolies which arise. | 15 | ✔ | | ✔ | | 2018-19 |
| **TOTAL AUDIT DAYS** | | **30** | | | | | |

| 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 | | | 2018-19 |
| Tenants and Residents Associations | Annual audit of the accounts of various Tenants and Residents Associations. | 2 | | as required | | | 2018-19 |
| **TOTAL AUDIT DAYS** | | **12** | | | | | |

| Other Work | Audit Objective | Days | Q1 | Q2 | Q3 | Q4 | Last Audited |
|---|---|---|---|---|---|---|---|
| Other year audit work | Finalising audits from the 2018-19 audit plan that were not fully complete by the end of March 2019 or starting audits early from the 2020-21 audit plan. | 20 | ✔ | | | ✔ | 2018-19 |
| Audit consultancy: ad-hoc advice | Providing advice to council services in response to ad-hoc queries | 10 | as required | | | | 2018-19 |
| Audit consultancy: project work | Participating in project work to support developments in other council services. | 30 | as required | | | | 2018-19 |
| Follow-up | Follow up of previous audit reports to ensure that appropriate action has been taken. | 15 | as required | | | | 2018-19 |
| Audit planning and monitoring | Preparing audit plans and monitoring progress and performance against plans. | 20 | as required | | | | 2018-19 |
| 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 | | | | 2018-19 |
| Governance documents | Review of governance documents | 2 | as required | | | | 2018-19 |
| Development of the Audit service | Carry out developmental work to further enhance the efficiency of the audit section. | 5 | as required | | | | 2018-19 |
| 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 | 2 | as required | | | | 2018-19 |
| Annual Accounts | Work in relation to the Council's annual accounts, including stock counts, reviewing imprests and preparing the Annual Governance Statement. | 2 | ✔ | | | | 2018-19 |
| **TOTAL AUDIT DAYS** | | **133** | | | | | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **TOTAL PLANNED WORK** | | **590** | | | | | |

**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 | | | | | - |