



**North Ayrshire Council**  
Comhairle Siorrachd Àir a Tuath

## **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, 30 May 2023** at **10:00** to consider the undernoted business.

### **Meeting Arrangements - Hybrid Meetings**

This meeting will be held on a predominantly physical basis but with provision, by prior notification, for remote attendance by Elected Members in accordance with the provisions of the Local Government (Scotland) Act 2003. Where possible, the meeting will be live-streamed and available to view at <https://north-ayrshire.public-i.tv/core/portal/home>.

#### **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 28 March 2023 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 Code of Corporate Governance Statement 2022/23**

Submit report by the Head of Service (Democratic) (copy enclosed).

#### **4 Annual Governance Statement 2022/23**

Submit report by the Head of Service (Finance) on the Council's Annual Governance Statement for 2022/23 which will be included within the draft Annual Accounts (copy enclosed).

- 5 Accounting Policies 2022/23**  
Submit report by the Head of Service (Finance) seeking approval of the accounting policies which will be adopted in the preparation of the Council's Annual Accounts for the year to 31 March 2023 (copy enclosed).
- 6 Strategic Risk Register 2023/24**  
Submit report by the Head of Service (Finance) on the Council's agreed Strategic Risk Register for 2023/24 (copy enclosed).
- 7 Internal Audit Annual Report 2022/23**  
Submit report by the Head of Service (Finance) on the work of Internal Audit during 2022/23 and providing an opinion on the governance, risk management and internal control environment of the Council (copy enclosed).
- 8 Corporate Fraud Team Annual Report 2022/23**  
Submit report by the Head of Service (Finance) on the work of the Corporate Fraud Team during 2022/23 (copy enclosed).
- 9 Internal Audit and Corporate Fraud Action Plans: Quarter 4 Update**  
Submit report by Head of Service (Finance) on the progress made by Council Services in implementing the agreed actions from Internal Audit and Corporate Fraud reports as at 31 March 2023 (copy enclosed).
- 10 Internal Audit Reports Issued**  
Submit report by the Head of Service (Finance) on the findings of Internal Audit work completed between March and April 2023 (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 21 (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.
- 13 Internal Audit Report Issued (exempted part)**  
Submit report by the Head of Service (Finance) on the findings of Internal Audit work conducted during 2022/23 (copy enclosed).

**14 Investigation Reports Issued**

Submit report by the Head of Service (Finance) on investigation reports finalised since the last meeting (copy enclosed).

**15 Internal Audit and Corporate Fraud Action Plans: Quarter 4 Update (exempted part)**

Submit report by Head of Service (Finance) on the progress made by Council Services in implementing the agreed actions from Internal Audit and Corporate Fraud reports as at 31 March 2023 (copy enclosed).

**Webcasting**

Please note: this meeting may be filmed/recorded/live-streamed to the Council's internet site and available to view at <https://north-ayrshire.public-i.tv/core/portal/home>, where it will be capable of repeated viewing. At the start of the meeting, the Provost/Chair will confirm if all or part of the meeting is being filmed/recorded/live-streamed.

You should be aware that the Council is a Data Controller under the Data Protection Act 2018. Data collected during the webcast will be retained in accordance with the Council's published policy, including, but not limited to, for the purpose of keeping historical records and making those records available via the Council's internet site.

Generally, the press and public seating areas will not be filmed. However, by entering the Council Chambers, using the press or public seating area or (by invitation) participating remotely in this meeting, you are consenting to being filmed and consenting to the use and storage of those images and sound recordings and any information pertaining to you contained in them for webcasting or training purposes and for the purpose of keeping historical records and making those records available to the public. If you do not wish to participate in a recording, you should leave the meeting. This will constitute your revocation of consent.

If you have any queries regarding this and, in particular, if you believe that use and/or storage of any particular information would cause, or be likely to cause, substantial damage or distress to any individual, please contact [dataprotectionofficer@north-ayrshire.gov.uk](mailto:dataprotectionofficer@north-ayrshire.gov.uk).

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## Audit and Scrutiny Committee Sederunt

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John Bell (Chair)  
Donald Reid (Vice Chair)  
Eleanor Collier  
Cameron Inglis  
Tom Marshall  
Matthew McLean  
Davina McTiernan  
Ian Murdoch  
John Sweeney

Chair:

Apologies:

Attending:

At a Meeting of the Audit and Scrutiny Committee of North Ayrshire Council at 10.00 a.m. involving participation by remote electronic means and physical attendance within the Council Chambers, Irvine.

**Present (Physical Participation)**

John Bell, Donald Reid, Eleanor Collier, Cameron Inglis, Matthew McLean, and John Sweeney.

**Present (Remote Participation)**

Tom Marshall and Davina McTiernan.

**In Attendance (Physical Participation)**

R. McCutcheon, Executive Director, D. Hammond, Head of Service (Sustainability, Corporate Property & Transport), T. Reaney, Head of Service (Neighbourhood Services), L. Kirk, Interim Head of Service (Economic Development and Regeneration), N. McIlvanney, Interim Head of Service (Growth, Investment and Employability) and A. Elliot, Senior Manager (Housing and Public Protection) (Place); A. Sutton, Executive Director, A. McClelland, Head of Service (Education), R. Leith, Head of Service (Connected Communities), and L. Taylor, Senior Manager (Communities & Education); P. Doak, Head of Service (Finance and Transformation) A. Sutherland, Head of Service and M. Henderson, Senior Manager (Children, Families and Justice) (Health and Social Care Partnership); M. Boyd, Head of Service (Finance), F. Walker, Head of Service (People & ICT); L. Miller, Senior Manager, K. Gray, Team Supervisor, D. Perrit and G. McMaster, Fraud Investigators, (Audit, Fraud, Safety and Risk) (Finance); and A. Craig, Head of Service (Democratic), I. Hardy, Team Manager (Policy and Performance), D. McCaw and H. Clancy, Committee Services Officers (Chief Executive's Service).

**Also in Attendance (Physical Participation)**

D. Jamieson and C Foster (Audit Scotland).

**Chair**

Councillor Bell in the Chair.

**Apologies**

Ian Murdoch.

**1. Declarations of Interest**

In terms of Standing Order 11 and Section 5 of the Code of Conduct for Councillors, Eleanor Collier declared a non-pecuniary interest, as a previous member of the environmental group, in relation to Agenda Item 3 Petition: West Kilbride Glen Extension Grass Cutting and withdrew from the meeting for that item of business, taking no part in discussion thereon.

## 2. Minutes

The Minutes of the Meeting of the Audit and Scrutiny Committee held on 31 January 2023 were confirmed and the Minutes signed in accordance with Paragraph 7 (1) of Schedule 7 of the Local Government (Scotland) Act 1973.

Councillor Collier left the meeting at this point.

## 3. Petition: West Kilbride Glen Extension Grass Cutting

Submitted report by the Head of Democratic Services on the terms of a petition, in the form of 251 individual letters, received in respect of grass cutting at the West Kilbride Glen Extension and requesting the continuation of 100% grass cutting in the 2023 season. The report outlined the terms of each individual letter as detailed below:

*“Would you please, for one **final** time, instruct your senior members of staff in Streetscene to continue the 100% grass cutting schedule in the Glen Extension, as it is their intention to begin another 50% cut in 2023 season.*

*It is only **2 years** since this was last attempted, with the result the whole field was in such an unsightly/unacceptable state local residents no longer used the facility.*

*It took over 150 letters of objection to address the issue.”*

In response to a request for supporting information, the lead petitioner had also indicated that a previous approach had been made by West Kilbride Community Council in 2020 to the Council's Streetscene section to cut only paths through the extension, to allow wild flowers to grow, but that, by Autumn of that year, the whole area was overgrown with three-foot high dock weeds, ragwort etc. This resulted in 150 letters of objection being submitted. The lead petitioner advised in her written submission that the then Head of Service, gave instruction to have the whole area cleared and normal maintenance restored. However, in Autumn 2022, the Council was again intending to cut 50% and let wild flowers grow in uncut area, which prompted the current petition.

The Committee was advised that the petitioners were unable to attend in person (or via the remote meeting platform) but had provided additional information in the form of two pictures of the Glen area. This was circulated to Members of the Committee.

The Committee considered that it had enough information to proceed to consider the terms of the petition in the absence of the petitioners.

A briefing note by the Head of Neighbourhood Services was detailed as an Appendix to the report and advised the Committee that the community was divided in terms of maintenance of the Glen, with Environmental Groups wishing to see more relaxed grass cutting/re-wilding, and others wanting the status quo to remain with grass cut as usual. Historic maintenance duties at West Kilbride Glen were also detailed in the briefing note. The Head of Service outlined the plan for a pilot to be undertaken for the 2023 grass cutting season with approximately 50% cut/uncut and on how this would be achieved. The pilot would only involve the hillside area at the Glen and all

other maintenance would be delivered as per the existing scheduled. Following the summer season, there would be an opportunity for review, feedback and evaluation of the pilot. An assessment from the North Ayrshire Biodiversity Officer was also contained in the briefing note and highlighted by the Head of Neighbourhood Services.

Members asked questions of the Head of Neighbourhood Services and received responses in relation to:

- the plan to introduce wild flowers to the pilot area with signage highlighting biodiversity benefits;
- engagement with local schools in terms of wild flower seed planting;
- methods of evaluation at the conclusion of the pilot period;
- measures to tackle weeds within the area and ensure maintenance of public amenity areas;
- the success of a similar project at Lochshore Park, Kilbirnie; and
- the importance of ensuring a consistent approach across North Ayrshire in terms of biodiversity.

Councillor Sweeney seconded by Councillor Inglis moved that the Committee (a) note the proposal for a pilot on only the hill area of the Glen, with a review of success or otherwise at the end of the season; and (b) agree to dismiss the petition. As there was no amendment, the motion was declared carried.

Councillor Collier re-joined the meeting at this point.

#### **4. Accounts Commission's Report: Local Government in Scotland: Financial Bulletin 2021-22**

Submitted report by the Head of Service (Finance) on the findings of the recent Accounts Commission Local Government in Scotland Financial Bulletin 2021/22, a link to which was provided within the report. The report provided an independent analysis of the performance of Local Authorities during 2021/22 and set out some longer-term challenges facing Councils.

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

- ongoing work in terms of business case development and considerations around value engineering;
- updates to Members on future improvements to the B714; and
- the challenges in terms of discretionary elements of the Council budget.

The Head of Service (Finance) undertook to circulate to the Committee information in relation to a number of areas within the Council budget which were tied to some form of condition or limitation.

The Committee agreed to note (i) the findings of the recent Accounts Commission report; and (ii) the current position of North Ayrshire Council in relation to the findings.

## **5. External Audit Plan 2022/23**

Submitted report by the Head of Service (Finance) on the External Audit Plan for 2022/23. Audit Scotland have been appointed as the Council's external auditors for the period 2022/23 to 2027/28, with 2022/23 being the first year of the appointment. Audit Scotland's Annual Audit Plan for the 2022/23 audit was attached at Appendix 1 to the report.

David Jamieson of Audit Scotland provided an update on the Appendix to the report including highlighting the identification of key risks in relation to management override of controls and the valuation of non-current assets and further audit procedures which would be performed to gain assurance over these risks. In addition, further areas of risk had been identified in relation to pension liabilities and the accounting for service concession arrangements. Although not considered significant risks, these areas would be kept under review.

In relation to the consideration of the Council's Group accounts, the Committee was advised that Audit Scotland had reviewed the assessments of the group entities and recommended that North Ayrshire Leisure Limited should be classified as a subsidiary of North Ayrshire Council and should be consolidated within the 2022/23 Group accounts on that basis.

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

- timeous presentation of the annual audit to Committee prior to 30 September 2023;
- the reason for audit focus on management override of controls;
- any implications arising from the change to the classification of North Ayrshire Leisure Limited as a subsidiary of North Ayrshire Council; and
- the service concession risk being reviewed as part of the accounts process.

The Head of Service (Finance) undertook to provide information to the Committee in terms of any implications arising from the change to the classification of North Ayrshire Leisure Limited as a subsidiary of North Ayrshire Council.

The Committee agreed to note the External Audit Plan for 2022/23 set out in the appendix to the report.

## **6. Council Plan Mid-Year Progress Report 2022-23**

Submitted report by the Head of Service (Democratic) on progress with Council Plan priorities. The Council Plan 2022-23 Progress Update (Mid-Year 2021-22) was attached at Appendix 1 to the report. Appendix 2 detailed the Performance Indicators from the Council Plan Performance Framework with Appendix 3 providing information on the actions from the Council Plan Delivery Plan.

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

- funding confirmation in terms of Mental Health Practitioners within GP Practices;



- the mid-year progress update covering the period 1 April to 13 September 2022; and
- the next progress report which was due for submission to Cabinet just prior to summer recess

The Committee agreed to note (i) the Council Plan Mid-Year Progress Report as set out at Appendix 1 to the report and (ii) the status of the Council's performance indicators and actions at Appendices 2 and 3 to the report.

## **7. Internal Audit Plan 2023/24**

Submitted report by the Head of Service (Finance) on the proposed Internal Audit Plan for 2023/24. The detailed audit plan for 2023/24 was set out at Appendix 1 to the report.

Members asked questions and were provided with further information in relation to the number of planned audit days for 2023/24 being comparable to previous years.

The Committee agreed (a) to approve the Internal Audit plan for 2022-23 as detailed at Appendix 1 to the report.

## **8. Internal Audit and Corporate Fraud Action Plans: Quarter 3 Update**

Submitted report by the Head of Service (Finance) on the progress made by Council Services in implementing the agreed actions from Internal Audit and Corporate Fraud reports as at 31 December 2022. Appendix 1 to the report provided full details of the eight actions which were not completed within the agreed timescales.

Members asked questions and were provided with further information on the length of time taken to complete the action in relation to email controls in education.

The Committee agreed to (a) note the current position with the implementation of Internal Audit and Corporate Fraud actions; and (b) challenge those Services that had not implemented actions within the previously agreed timescales.

## **9. Internal Audit Reports Issued**

Submitted report by the Head of Service (Finance) on the findings of Internal Audit work completed between January and February 2023. The findings from two audit assignments were detailed at Appendix 1 to the report, together with the respective executive summaries and actions plans.

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

### Financial Controls within ASN and Primary Schools

- the importance of audit trails in relation to expenditure;
- findings presented being relative to the period covered by the audit;
- the need for establishments to maintain detailed inventory records; and
- detailed inventory records being essential for insurance purposes.

The Committee agreed to note the outcomes from the Internal Audit work completed as set out in the report and detailed in Appendix 1 to the report.

#### **10. Internal Audit Charter 2023**

Submitted report by the Head of Service (Finance) on the updated Internal Audit Charter. A copy of the revised Charter was detailed at Appendix 1 to the report.

The Committee agreed (a) to approve the Internal Audit Charter attached at Appendix 1 to the report; and (b) that future amendments to the Charter would be made where a need was identified.

#### **11. Exclusion of the Public – Para 1**

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

#### **12. Investigation Reports Issued**

Submitted report by the Head of Service (Finance) on investigation reports finalised since the last meeting.

Following questions and discussion, the Committee agreed note the reports and to receive information to a future meeting on updated procedures.

The meeting ended at 12.20 p.m.

30<sup>th</sup> May 2023**Audit and Scrutiny Committee**

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<b>Title:</b>	<b>Code of Corporate Governance Statement 2022/23</b>
<b>Purpose:</b>	To seek approval of Code of Corporate Governance Statement.
<b>Recommendation:</b>	That the Audit and Scrutiny Committee agrees to: (a) Review and approve the Code of Corporate Governance Statement 2022/23.

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**1. Executive Summary**

- 1.1 This report provides details of how we are ensuring good governance, including clear accountability for delivering the desired outcomes for service users and communities. Appendix 1 provides our 'Code of Corporate Governance Statement 2022/23'.

**2. Background**

- 2.1 All local authorities have a statutory requirement to report publicly on the extent to which they comply with their own Code of Governance on an annual basis, including how they have monitored and evaluated the effectiveness of their governance arrangement in the year and considered planned changes in the coming period.
- 2.2 The 'Delivering Good Governance in Local Government Framework' (CIPFA/Solace 2016) applies to annual governance statements. It helps local government take responsibility for developing and shaping an informed approach to governance and aims to achieve the highest standards in a measured and proportionate way. The Framework is intended to assist authorities individually in reviewing and accounting for their own unique approach.
- 2.3 The overall aims are to ensure that:
- Requisite governance arrangements are in place.
  - Resources are directed in accordance with agreed policy and according to priorities.
  - There is sound and inclusive decision making.
  - There is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities.
- 2.4 Appendix 1 contains our Code of Corporate Governance Statement 2022/23 which aligns to the Framework and demonstrates how we have ensured good governance and transparent accountability for 2022/23.

**3. Proposals**

- 3.1 The Committee is requested to review and approve the Code of Corporate Governance Statement 2022/23.

#### **4. Implications/Socio-economic Duty**

##### **Financial**

4.1 None

##### **Human Resources**

4.2 None

##### **Legal**

4.3 None

##### **Equality/Socio-economic**

4.4 None

##### **Environmental and Sustainability**

4.5 None

##### **Key Priorities**

4.6 Effective governance is key to delivering our priorities outlined within our Council Plan 2019-24.

##### **Community Wealth Building**

4.7 None

#### **5. Consultation**

5.1 The Executive Leadership Team were involved in the creation of the Code of Corporate Governance.

Aileen Craig  
Head of Democratic Services

For further information please contact Isla Hardy, Team Manager, (Corporate Policy and Performance) on 01294 324 035

#### **Background Papers**

None



# Code of Corporate Governance 2022/23

## **Delivering Good Governance in Local Government – 2022/23**

The [Delivering Good Governance in Local Government: Framework](#) (CIPFA/Solace, 2016) applies to annual governance statements prepared for the financial year 2016/17 onwards.

The concept underpinning the Framework is that it is helping local government to take responsibility for developing and shaping an informed approach to governance, aimed at achieving the highest standards in a measured and proportionate way. The Framework is intended to assist authorities individually in reviewing and accounting for their own unique approach. The overall aims are to ensure that:

- Resources are directed in accordance with agreed policy and according to priorities.
- There is sound and inclusive decision making.
- There is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities.

North Ayrshire Council's compliance with the framework is the pages below.

**For further information please contact:**

**The Corporate Policy, Performance and Elections Team**  
**North Ayrshire Council**  
Tel: 01294 324648  
Email: NorthAyrshirePerforms@north-ayrshire.gov.uk



## A. Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law

### Demonstrating strong commitment to ethical values

- New Elected Members are provided with a full Induction Programme which includes all aspects of conduct. There is an extensive programme of inductions at the outset of the new Council Administration. Thereafter, sessions are provided on a regular basis.
- All Elected Members have access to Continuing Professional Development discussions and the opportunity to participate in self/360 assessments to review and support their ongoing development. In addition to this, a series of development events are provided to further support Elected Members' Development. A calendar of events on a variety of topics is arranged and promoted to Elected Members. Online guides and e-learning are also available.
- All employees including Chief Officers participate in 'Our Time to Talk' personal performance discussions which provide the opportunity to discuss the focus of work, how this will be done (behaviours linked to our Staff Values) and what development is required to support this. This is an annual discussion which can be supported throughout the year by 121/supervision discussions and a mid-year review as required.
- The Council invests in leadership and management development by hosting a Leadership Academy. This provides aspiring, first, middle and strategic leaders, including Chief Officers and Elected Members, with a variety of development interventions which enhance, refresh and develop their skills, knowledge and behaviour.
- There is a [Code of Conduct for employees](#).
- [The Code of Conduct for Councillors](#) sets out the minimum standards of conduct that are expected from Councillors and provides advice and guidance on registerable interests and on the declaration of interests. The Code also sets out the sanctions that can be applied by the Standards Commission where a breach of the Code occurs. Elected Members are provided with quarterly updates from the Standards Commission.
- The Local Government Act 2000 and the Code of Conduct for Councillors set out the categories of interests, financial or otherwise, that Councillors of Scottish Local Authorities must register. This register is available for inspection by members of the public. In compliance with the Act and relevant Regulations, the 33 Elected Members of North Ayrshire Council have registered interests with the Proper Officer of the Council. The Register of Interests and notifications of Declarations of Interest are available for inspection. Reports on Elected Member Training are submitted to the Executive Leadership Team.
- The Council also has approved Guidelines for Member-Officer Relations (incorporating the Protocol on Member/Officer Relations from the Councillors' Code of Conduct). This is subject to annual review as part of the Council's review of Governance documents.
- Declaration of Interest is a set item on all Committee Meeting Agendas. This is to be completed by all Elected Members, informing of any issues in which they may benefit.

	<ul style="list-style-type: none"> <li>— There is a Whistle Blowing policy in place for employees, this was reviewed in 2020 and again in 2022 in line with accessibility requirements.</li> <li>— A Media Protocol is in Place.</li> <li>— The People Strategy, “Our People Connect”, was designed by our employees for our employees. This outlines priorities that will engage and support the transformation of the Council to be a leaner, more efficient and higher performing organisation where people can develop and thrive.</li> <li>— Our Staff Values of Focus, Passion and Inspiration are key to our People Strategy “Our People Connect”. They are now fully embedded in everything we do each day and visible via PC desktops, posters/wall displays, lanyards etc. In addition to this they are embedded in our recruitment process and throughout our development interventions (such as courses and Our Time To Talk discussions).</li> </ul>
<b>Respecting the rule of law</b>	<ul style="list-style-type: none"> <li>— Strategic decision-making is governed by the Council’s key constitutional documents which are subject to regular review. The governance documents were approved by Council in May 2022 and are scheduled for review again in May 2023. The key documents are the Scheme of Administration, The Standing Orders for Meetings and Proceedings of the Council, the Standing Orders relating to Contracts and Contract Procedure Rules and the Scheme of Delegation to Officers.</li> <li>— The Council’s Cabinet is the key strategic decision-making committee, comprising the Leader of the Council, the Depute Leader and five Members of the Administration.</li> <li>— The roles and responsibilities of the Council’s Audit and Scrutiny and Appeals Committee are set out in the approved Scheme of Administration.</li> <li>— The Head of Service (Finance) is appointed as the “Section 95 Officer” who is responsible to the authority for the proper administration of financial affairs as stated within the Local Government (Scotland) Act 1973.</li> <li>— The Head of Service (Democratic Services) is appointed as the Monitoring Officer.</li> <li>— The Chief Social Work Officer is appointed in accordance with section 3 of the Social Work (Scotland) Act 1968.</li> <li>— The Council has appointed a Chief Planning Officer in anticipation of the commencement of section 50 of the Planning (Scotland) Act 2019.</li> <li>— The Head of Service (Education) is appointed as Chief Education Officer in anticipation of the commencement of section 25 of the Education (Scotland) Act 2016.</li> </ul>



	<ul style="list-style-type: none"> <li>— The Revised Remuneration Policy Guidance is in place.</li> <li>— The Counter Fraud and Corruption Strategy is in place.</li> <li>— A Data Protection Officer (DPO) is appointed. The DPO ensures compliance with the General Data Protection Regulation (2018) and the Data Protection Act (2018) legislation.</li> </ul>
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## B. Ensuring openness and comprehensive stakeholder engagement

<b>Openness</b>	<ul style="list-style-type: none"> <li>— The Council Plan 2019/24 was approved by Cabinet on the 26<sup>th</sup> June 2019 and sets out our strategic approach to making North Ayrshire a fairer and more equal society. This sets out our vision and priorities up to 2024. A new Council Plan is in development.</li> <li>— We have 31 Council Plan Performance Indicators to ensure that progress on the Council Plan can be managed and scrutinised. Targets have been set where appropriate for each of the indicators to ensure we can monitor progress of our priorities. Progress on the Council Plan is also scrutinised through the half yearly Council Plan Progress Reports sent to the Executive Leadership Team (ELT), Cabinet and the Audit and Scrutiny Committee. These are published on the performance pages of our website (<a href="http://www.north-ayrshire.gov.uk/performance">www.north-ayrshire.gov.uk/performance</a>). In addition summary reports are sent to the ELT at Quarter 1 and Quarter 3.</li> <li>— Council Plan Delivery Plan actions are reviewed at least annually depending on when actions are completed. Action timescales are aligned to activity rather than financial years to ensure accurate performance management.</li> <li>— The Council's Annual Performance Report provides a summary of our performance during the year and is available on our <a href="#">website</a>.</li> <li>— Financial information including annual accounts is published on the performance section of our website.</li> <li>— Our Annual Governance Statement is approved annually by the Audit and Scrutiny Committee and published on our website.</li> <li>— Our Performance Strategy 2021-24 is published on our website and outlines current procedures and planned activities to drive continuous improvement for the people of North Ayrshire.</li> <li>— Our Children's Services Planning includes our Children's Rights Report and our Child Poverty Action Plan, all of which are being redeveloped for the next three years (2023-26). Our Children's Services Plan outlines our aims and priorities to safeguard, support and promote the well-being of children and to make North Ayrshire the best place in Scotland to grow up. Our Children's Rights Report emphasises our commitment to promote and protect children and young people's rights in line with the UN Convention on the Rights of the Child (UNCRC).</li> </ul>
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Our Child Poverty Action Plan takes account of the initial analysis of the economic impact of the Covid-19 pandemic. Progress is reported to the Childrens Services Strategic Partnership (CSSP), Integrated Joint Board and North Ayrshire Council Cabinet.

- Links to [My Local Council website](#) are published which provide the public with Local Government Benchmarking Framework (LGBF) performance information and comparisons to other local authorities. Information on our performance within the LGBF is included within our suite of public performance reporting.
- There is a presumption that all committee business is open to public except where required by law to be in private. Council/Committee meetings which are open to the public are also live streamed to the internet and/or available to view as a recording following the meeting. Owing to the pandemic, Committee meetings resumed on a remote basis from June 2020 and since then both Council and Committee meetings have been streamed live with recordings available for viewing thereafter. The Council meeting in September 2022 agreed that “hybrid meetings” should be the default position for meetings whereby some Members attend the meeting in person and others may join remotely. This improves accessibility and participation.
- Through our commitment to the Community Empowerment (Scotland) Act 2015, the Council’s [Community Planning website](#) has been developed to share information and research about the work of the Community Planning Partnership, Locality Planning, our key aims and objectives and align with the requirements of the Act.
- The Council has separate schemes for reporting complaints, compliments and customer feedback.
- Two complaint reports are submitted to the Audit Scrutiny Committee each year and trends or issues fed back to services to identify improvements. Complaint handling performance is also recorded regularly in Pentana. The Council has a dedicated Complaints Manager who supports Chief Officers, Senior Managers, Elected Members, complaint handlers and acts as liaison with the Scottish Public Services Ombudsman.
- All inspection reports are reviewed by Cabinet and the Audit and Scrutiny Committee.
- The Council’s Publication Scheme and guidance on submitting Freedom of Information and Environmental Information requests are available on the Council’s website.
- Guidance on submitting Subject Access Requests is available on the Council’s website.
- Open Data is published on the Council’s Open Data Portal, allowing members of the public information on various council services ranging from information such as location of libraries to performance related matters such as contact centre call performance.

	<ul style="list-style-type: none"> <li>— Elected Members have access to data on Pentana allowing them to view progress of the Council Plan indicators and Local Government Benchmarking Framework.</li> </ul>
<b>Engaging comprehensively with institutional stakeholders</b>	<ul style="list-style-type: none"> <li>— The Council is committed to engaging in a meaningful way with its communities so that it can understand and respond effectively to local needs and it is committed to the principles of the National Standards on Community Engagement.</li> <li>— The Community Planning Partnership works closely with the Consultation Institute. Accredited training on best practice in community engagement and consultation has been given to a range of Council and partner employees. This led to North Ayrshire being the first council in Scotland to be awarded The Consultation Institute's Quality Accreditation of Best Practice for the Locality Partnership Consultation.</li> <li>— The Council is committed to supporting the establishment and work of Community Councils and their role in Locality Partnerships as well as supporting Locality Planning in its own right as the Council's scheme of decentralisation.</li> <li>— The Community Planning Partnership website contains The Engagement Hub and a consultation calendar which brings all partner consultations together in a searchable format and gives feedback on consultations.</li> <li>— The Community Engagement Network of the Community Planning Partnership has been refocused and aims to ensure partners meet the revised National Standards for Community Engagement.</li> <li>— The North Ayrshire Health and Social Care Partnership Integration Joint Board (IJB) is the governing body of the North Ayrshire Health and Social Care Partnership. It has delegated responsibilities from North Ayrshire Council and NHS Ayrshire and Arran.</li> </ul>
<b>Engaging with individual citizens and service users effectively</b>	<ul style="list-style-type: none"> <li>— The Community Planning Partnership's People's Panel is issued to obtain the public's views on a range of issues. The People's Panel is a sample of 1,000 people living in more deprived areas and 1,000 residents out with these areas. This survey is carried out every two years to obtain views on the Community Planning Partnership's three key priorities, in addition to surveys on particular issues. Engagement and consultation is at the heart of the Community Planning Partnership and is driven through the Engagement Centre of Excellence Programme which includes training, digital resources, and links to key strategies and approaches. For example, the Youth Participation and Citizenship Strategy, Older Peoples Forum and Community Engagement Network are all key examples of this work.</li> <li>— The Council routinely engages with our residents on our services. This is also achieved through a range of groups such as Parents Councils, Tenants Associations, Ayrshire Ethnic Minority Community Association and the Access Panel.</li> <li>— The establishment of Locality Partnerships has made Community Planning more accessible to local people.</li> </ul>

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|  | <ul style="list-style-type: none"> <li>— Increased use of social media through Locality Facebook pages, the Community Planning Partnership Twitter account and partner use of Community Planning hashtag supports communication with a wider audience.</li> <li>— Participatory Budgeting is an approach to deepening engagement with residents which delivers real influence for individuals and communities and the Council has made significant commitment and investment in this work.</li> <li>— The North Ayrshire Community and Locality Planning Model extends and deepens engagement with individuals and participation by communities by using the following process: co-defining the issues; co-producing the responses; and co-delivering the solutions.</li> <li>— We currently use the Consul application to run Shaping North Ayrshire, our online participation forum allowing residents the opportunity to provide us with feedback on current topics.</li> <li>— Application of the Place Standard allows individuals and communities to express how it feels to live in local communities and to shape the development of community and spatial planning in their area.</li> <li>— Customer satisfaction surveys are carried out by Customer Services on a regular basis to measure satisfaction levels and receive comments in relation to the service provided. A report is produced and analysed by our Complaints Manager in conjunction with our Senior Manager (Customer Services) and is used to form an improvement action plan.</li> </ul> |
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## C. Defining outcomes in terms of sustainable economic, social, and environmental benefits

### Defining outcomes

- The Council's mission and vision outlined in the Council Plan 2019/24 links strongly to the North Ayrshire Community Planning Partnership's (CPP's) shared vision of 'North Ayrshire – A Better Life'.
- The Council's mission and vision in its Council Plan are:
  - Mission: 'Working together to improve well-being, prosperity and equity in North Ayrshire'
  - Vision: 'A North Ayrshire that is 'Fair For All''
- The Council Plan 2019/24 was approved by Cabinet in June 2019. The new Council Plan is in preparation following engagement with our communities, Administration and officers and is expected to be adopted by Council in June 2023.
- The role of the Audit and Scrutiny Committee and Executive Leadership Team/ Chief Officers Leadership Team is to scrutinise the findings from the various performance reports. We regularly report on the following to ensure effective scrutiny:
  - Locality Outcome Improvement Plan (LOIP) Progress Reports.
  - Locality Partnership progress reports.
  - Council Plan Progress Reports - six monthly reports to Cabinet and the Audit & Scrutiny Committee.
  - Council Plan Annual Performance Report.
  - Local Government Benchmarking Framework
- We utilise the Pentana online performance management system to track and manage Council priorities and measures.
- The Council Plan performance framework (PIs) are reviewed regularly. The Council Plan Delivery Plan (actions) is reviewed at least once per year depending on when actions are completed.
- Operational Plans are reviewed on an annual basis.
- Strategic risks are managed within Pentana.

<p><b>Sustainable economic, social and environmental benefits</b></p>	<ul style="list-style-type: none"> <li>— The Community Wealth Building Strategy was approved in 2020, the first in Scotland. It is central to our Council Plan.</li> <li>— The ‘Fair For All’ Strategy has been merged with the Local Outcomes Improvement Plan. Clear focus has been agreed by Community Planning partners across themes of Wellbeing, Work and World. There is strong overarching focus on addressing child poverty and reducing inequalities, with the second North Ayrshire Joint Child Poverty Action Plan published in October 2020 including a focus on reducing the Cost of the School Day.</li> <li>— Environmental Sustainability &amp; Climate Change Strategy 3 is in place, with preparation of a fourth iteration currently underway.</li> <li>— Local Biodiversity Action Plan in place.</li> <li>— Climate Change Steering Group established, comprising senior management representatives from each Council Directorate, Community Planning Partners, private sector and other agencies, with meetings taking place every four months.</li> <li>— Annual Climate Change Reporting Duty submitted to Scottish Government.</li> <li>— Council Plan includes performance indicators in relation to carbon emissions and amount of energy generated from low carbon sources.</li> <li>— Committee report template includes requirement for evaluation of climate change impacts to ensure sustainability impacts are embedded within our decision-making processes.</li> <li>— The Council has a balanced range of cost-based indicators which are reported on an annual basis through our Council Plan Progress reporting. In addition, the Council is committed to using the Local Government Benchmarking Framework (LGBF) Performance Indicators to scrutinise performance against all local authorities within Scotland.</li> <li>— The Housing and Public Protection Service complies with the Scottish Regulators Strategic Code of Practice. The integrated regulatory functions within the service (Building Standards, Environmental Health and Trading Standards) can demonstrate an effective contribution towards the Council’s approach to sustainable economic growth as well as maintaining and promoting a prosperous, fair and safe society.</li> </ul>
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## D. Determining the interventions necessary to optimise the achievement of the intended outcomes

<b>Determining interventions</b>	<ul style="list-style-type: none"> <li>— The information submitted to Committees is discussed in detail at pre-Agenda meetings (except in the case of regulatory committees) that are held one week prior to the formal meetings. This enables any additional information to be sought to allow a fully informed decision to be taken at the Committee.</li> <li>— Each report should indicate the justification for each action proposed and consultations undertaken in its development, together with feedback from consultees. Reports also contain separate sections on a range of implications (financial, socio-economic duty, human resources, legal, equality, children and young people, sustainability, Community Wealth Building, the Council's key priorities and Community Benefit). Guidance for Report Authors provides information on the completion of these elements within these required fields in a committee report.</li> </ul>
<b>Planning interventions</b>	<ul style="list-style-type: none"> <li>— Council Plan six monthly progress reports.</li> <li>— Operational Plan reports to Heads of Service and Executive Directors.</li> <li>— Use of Pentana online performance management system allows us to ensure we are achieving acceptable levels of performance, identify opportunities for continuous improvement and ensure we have plans in place to improve underperforming areas.</li> <li>— Strategic risks are managed within Pentana.</li> <li>— Council and Operational Plan performance reports contain trend information on Performance Indicators.</li> <li>— Risk Management Strategy is in place and available on our website.</li> <li>— The Community Planning Partnership Risk Register has been reviewed to reflect the refreshed Local Outcomes Improvement Plan 2022-30.</li> <li>— The Workforce Strategy, 'our approach to workforce planning', sets out how our workforce will support the delivery of the council's ambitions within the available financial resources and builds on workforce planning approach carried out at a service level. 'A Workforce for the Future' HR guide sets out our Workforce Planning approach and is published on our intranet to support managers and Heads of Service in shaping their current and future workforce to ensure delivery of efficient and effective services and is a significant factor in how we transform our Council to deliver our financial challenges. Our workforce planning approach is live and organic and utilises a variety of tools and techniques to ensure our workforce requirements for the future in terms of skills and capabilities are planned. In order to be successful, it is key for workforce planning to flow from the Council Plan and link to both people management and operational processes.</li> </ul>

	<ul style="list-style-type: none"> <li>— Long Term Financial Outlook – The Council’s Long-Term Financial Outlook outlines the financial challenges facing the Council over the next 10 years. This was reported to Cabinet on 16 December 2020.</li> <li>— Medium Term Financial Plan – The Council’s Medium-Term Financial Plan provides an overview of the Council’s anticipated financial position for the next three financial years. This is approved by Council annually with the most recent being approved by Council on 1 March 2023. A copy of the budget book is published on our website each year. (<a href="https://www.north-ayrshire.gov.uk/council/performance-and-spending/budgets-and-finance.aspx">https://www.north-ayrshire.gov.uk/council/performance-and-spending/budgets-and-finance.aspx</a>)</li> <li>— Capital Investment Programme – The Council’s Capital Investment programme provides an overview of the capital projects the Council is investing in over the 10-year period to 2030/31 and the associated funding sources. The 10-year Capital Investment Programme was approved by Council on 4 March 2021 and is reviewed and approved by Council annually. (A review of the 10-year General Services Capital Investment Programme 2023/24 to 2030/31 was presented to Council on 1 March 2023.)</li> <li>— Capital Investment Strategy – The Council’s Capital Investment Strategy provides an overview of how capital investment plans, financing and treasury management activity contribute to the infrastructure and provision of services for the benefit of North Ayrshire communities and citizens. (The refreshed Capital Investment Strategy 2023 – 2031 was approved by Council on 1 March 2023. Our Capital Investment Programme can be found on our <a href="#">website</a>)</li> <li>— Asset Management Plans are in place.</li> </ul>
<b>Optimising achievement of intended outcomes</b>	<ul style="list-style-type: none"> <li>— Regular reporting of financial performance to Cabinet.</li> <li>— Production of annual accounts and publication on our <a href="#">website</a>.</li> <li>— Local Financial Returns.</li> </ul>



## E. Developing the entity's capacity, including the capability of its leadership and the individuals within it

<b>Developing the entity's capacity</b>	<ul style="list-style-type: none"> <li>— The Leadership Academy provides skills, knowledge and behavioural development for leaders at all levels. Managers regardless of grade can, if committed to their continuous learning and supported by their Manager, progress through the levels of the Leadership Academy from First to Strategic utilising development opportunities and accessing tailored interventions for career progression. This provides an opportunity to build leadership capacity and grow our own talent.</li> <li>— The Connected Leadership Network is an active Teams channel which provides an opportunity for senior managers to gain support from others as well as sharing knowledge, ideas and suggestions. This has been a successful addition to the Leadership Academy and supports the digital agenda.</li> <li>— The Chief Executive hosts a Connected Leadership Conference three times per year. This provides an opportunity for sharing of information and increased engagement and collaboration opportunities with managers from across the Council.</li> </ul>
<b>Developing the capability of the entity's leadership and other individuals</b>	<ul style="list-style-type: none"> <li>— Each employee has a Role Profile which provides information on the expectations of the job. This supports the development of skills, knowledge and behaviours of our employees.</li> <li>— All governance documents including the Scheme of Delegation to Officers and the Financial Regulations documents are reviewed annually and published on our website.</li> <li>— All employees throughout the Council participate in 'Our Time To Talk' which provides the opportunity to discuss the focus of work. It ensures managers and employees take some time out, at least once per year, to check-in, reflect and most importantly 'TALK' about how the employee is getting on at work. This is an annual discussion which can be supported throughout the year by 121/supervision discussions and a mid-year review as required.</li> <li>— New Elected Members are provided with a full Induction programme which includes all aspects of Council business, such as overview of Council meetings, introduction to the Executive Leadership Team and the role of the councillor.</li> <li>— A series of development events are provided to further support Elected Members Development. A calendar of events on a variety of topics is arranged and promoted to Elected Members, in addition to online guides and e-learning.</li> <li>— Elected Members are invited to participate in an annual development discussion in addition to an opportunity to participate in self/360 assessment. This allows identification of development activity to support their role and provides feedback on their individual performance utilising the 360 tool.</li> <li>— The Community Planning Partnership's Learning &amp; Development Plan contains leadership development.</li> </ul>

## F. Managing risks and performance through robust internal control and strong public financial management

<b>Managing risk</b>	<ul style="list-style-type: none"> <li>— Risk Management Strategy approved by Cabinet and published.</li> <li>— Strategic Risk Register refreshed annually and approved by Cabinet, and subject to a six-month progress update. A Corporate Risk Register is refreshed annually and approved by the Executive Leadership Team, and also subject to a six-month progress update. Operational Risk Registers are updated by services six-monthly. There are escalation and de-escalation processes in place between the registers.</li> <li>— Corporate Risk Management Group, with senior representation from all Directorates, meets six-monthly to review and update risks and their associated risk management action plans. Other related business will also be considered where this could enhance the organisational risk posture.</li> <li>— Community Planning Partnership Risk Register (revised in 2022 to tie in with Local Outcomes Improvement Plan 2022-30).</li> </ul>
<b>Managing performance</b>	<ul style="list-style-type: none"> <li>— Council Plan Progress Reports are scrutinised by the Executive Leadership Team, Cabinet and the Audit and Scrutiny Committee. The reports are produced in a ‘magazine style’ format to make the information as engaging and accessible as possible.</li> <li>— Performance indicators (including targets where appropriate) and actions are included within the Council Plan Performance Framework. This is updated regularly with actions aligned to activity rather than financial year. All updates to the framework are detailed within the six monthly Progress Reports and reported to ELT, Cabinet and Audit and Scrutiny for full transparency.</li> <li>— The six-monthly Council Plan Progress Reports focus on outcomes as well as ongoing activity and outputs. Case studies are included as well as feedback from our residents (sourced from Complaints and Compliments data). ‘Best In Class’ information is included to show how we benchmark with others – recognition such as accreditations as well as learning from or leading other organisations to ensure continuous improvement. Links are provided to additional information where appropriate. This holistic approach provides a well-rounded view of performance within our Council that includes valuable context.</li> <li>— The six-monthly Council Plan Progress Reports (Q2 and Q4) as well as the Annual Performance Report and update on Local Government Benchmarking Framework (LGBF) performance are published on our website. Scrutiny is invited from residents and contact information is contained in the reports.</li> <li>— Operational Plans within services align directly to the Council Plan and are scrutinised by relevant Senior Managers and Heads of Service.</li> <li>— Benchmarking activity is undertaken based on the Local Government Benchmarking Framework (LGBF) as well as through specific groups. In addition to quantitative comparisons, outcome-based benchmarking also takes place.</li> <li>— Performance Management Strategy 2021-24 is published on our <a href="#">website</a>. (Due to be updated following development of new Council Plan.)</li> </ul>

<b>Robust internal control</b>	<ul style="list-style-type: none"> <li>— The Council has a framework of Internal Controls embedded within services, underpinned by Financial Regulations and Codes of Financial Practice which are approved by the Council.</li> <li>— Internal Audit establishes an annual risk-based plan of work to review controls across the Council. This is approved by the Audit and Scrutiny Committee and is subject to a mid-year review process.</li> <li>— All audit findings are reported to the Council's Audit and Scrutiny Committee.</li> <li>— The Council has a Corporate Fraud Team which investigates all allegations of fraud and error against the Council. Six monthly update reports are provided to the Audit and Scrutiny Committee. Regular review of the Counter Fraud and Corruption Strategy is undertaken, with the most recent review taking place in September 2022.</li> <li>— An annual report and assurance statement is provided by the Chief Internal Auditor to the Audit and Scrutiny Committee.</li> </ul>
<b>Managing data</b>	<ul style="list-style-type: none"> <li>— The Council's Records Management Plan (RMP) was approved by the Keeper of the Records of Scotland in 2015 and a successful interim assessment conducted in 2018, with the outcome report published on the Council website. A further successful interim assessment has been conducted in 2022/23 and the outcome will be uploaded to the Council website once released by the National Records for Scotland.</li> <li>— The Council maintains an Information Asset Register (IAR).</li> </ul>

## G. Implementing good practices in transparency, reporting and audit to deliver effective accountability

<b>Implementing good practice in transparency</b>	<ul style="list-style-type: none"> <li>— We publish our public facing reports on our website.</li> <li>— Committee Reports and webcasting on our website.</li> <li>— Presumption that all committee business is open to public except where required by law to be in private.</li> <li>— Open datasets.</li> </ul>
<b>Implementing good practices in reporting</b>	<ul style="list-style-type: none"> <li>— Annual Governance Statement.</li> <li>— Six monthly Council Plan Progress reports and Annual Performance Reports produced, with updates to accompanying Performance Management Framework reported in detail to the Executive Leadership Team (ELT), Cabinet and the Audit and Scrutiny Committee.</li> <li>— Community Planning Partnership Annual Performance Report.</li> </ul>

	<ul style="list-style-type: none"> <li>— Health and Social Care Partnership Annual Performance Report.</li> <li>— Annual Accounts demonstrates best practice according to external auditors.</li> </ul>
<b>Assurance and effective accountability</b>	<ul style="list-style-type: none"> <li>— Annual Governance Statement is approved by the Audit and Scrutiny Committee prior to inclusion within the annual accounts.</li> <li>— Any recommendations by External Audit are reported to the Audit and Scrutiny Committee and progress with implementation is monitored by Internal Audit and also report to the Committee on a bi-annual basis.</li> <li>— Internal Audit work is reported to the Audit and Scrutiny Committee on a quarterly basis.</li> <li>— The Council's Internal Audit Team received an independent External Quality Assessment in July 2022 which demonstrates conformance with the Public Sector Internal Audit Standards. This needs to be carried out at least every five years, with period self-assessments also carried out by the Chief Internal Auditor.</li> <li>— The Chief Auditor has rights of access to the Chief Executive and the Chair of the Audit and Scrutiny Committee in relation to any audit matter.</li> <li>— The Data Protection Officer has rights of access to the Chief Executive and the highest management in relation to any personal/sensitive data protection matters.</li> </ul>

## NORTH AYRSHIRE COUNCIL

30 May 2023

### Audit and Scrutiny Committee

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**Title:** Annual Governance Statement 2022/23

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**Purpose:** To seek approval of the Council's Annual Governance Statement for 2022/23 which will be included within the draft Annual Accounts.

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**Recommendation:** That the Committee approves the draft Annual Governance Statement which is attached at Appendix 1.

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#### 1. Executive Summary

- 1.1 The Council's Annual Governance Statement outlines the governance framework which is in place and changes which have been made to strengthen the framework during 2022/23.
- 1.2 Approval of the Statement will ensure that the Council complies with the requirements of the Local Authority Accounts (Scotland) Regulations 2014.

#### 2. Background

- 2.1 North Ayrshire Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and used economically, efficiently, and effectively to achieve Best Value.
- 2.2 The Council is also responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
- 2.3 The Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE framework 'Delivering Good Governance in Local Government'.
- 2.4 The Local Authority Accounts (Scotland) Regulations 2014 require that local authorities prepare an Annual Governance Statement, in accordance with proper practices in relation to internal control, and that this Statement should be approved by the Audit Committee or equivalent.

- 2.5 Following approval of the Annual Governance Statement, it requires to be signed by the Leader of the Council and the Chief Executive prior to its inclusion within the Council's draft annual accounts.
- 2.6 The Annual Governance Statement, which is attached in full at Appendix 1 to this report, explains how the Council complies with the Code of Corporate Governance. It identifies the main components of the Corporate Governance Framework which are in place, including the system of internal control, and details the changes which have taken place to the framework during 2022/23.
- 2.7 The Statement also identifies improvement actions which are planned to the governance framework during 2023/24. It concludes with an assurance statement by the Leader of the Council and the Chief Executive.

### **3. Proposals**

- 3.1 It is proposed that the Committee approves the draft Annual Governance Statement which is attached at Appendix 1.

### **4. Implications/Socio-economic Duty**

#### **Financial**

- 4.1 None.

#### **Human Resources**

- 4.2 None.

#### **Legal**

- 4.3 Approval of the Annual Governance Statement will ensure that the Council complies with the requirements of the Local Authority Accounts (Scotland) Regulations 2014.

#### **Equality/Socio-economic**

- 4.4 None.

#### **Climate Change and Carbon**

- 4.5 None.

#### **Key Priorities**

- 4.6 Good governance arrangements help to underpin the delivery of the Council's key priorities.

#### **Community Wealth Building**

- 4.7 None.

## **5. Consultation**

- 5.1 No consultation has been required during the preparation of the Annual Governance Statement.

Mark Boyd  
Head of Service (Finance)

For further information please contact **Laura Miller, Senior Manager (Audit, Fraud, Safety and Risk)**, on **01294 324524**.

### **Background Papers**

None.

# Annual Governance Statement

## Scope of Responsibility

North Ayrshire Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively to achieve Best Value.

The Council is also responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

The Council has approved and adopted a Local Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government' (2016). A copy of the local code is available on the Council's website, or a copy can be obtained from the Chief Executive's Service, North Ayrshire Council, Cunninghame House, Irvine KA12 8EE.

This statement explains how North Ayrshire Council complies with the Code of Corporate Governance and meets the requirements of the 'Code of Practice for Local Authority Accounting in the UK: A Statement of Recommended Practice', in relation to the Statement on the System of Internal Financial Control.

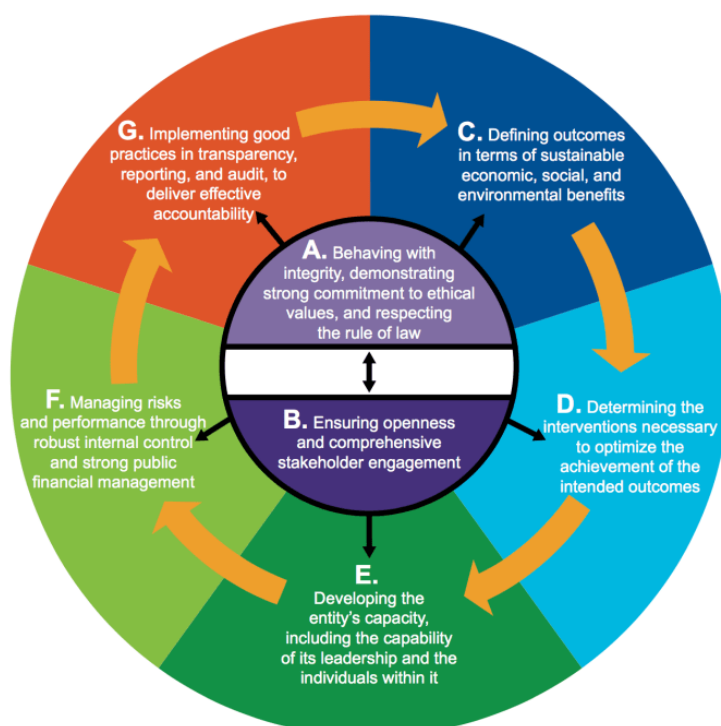
## The Purpose of the Governance Framework

The governance framework comprises the systems and processes, and culture and values by which the authority is directed and controlled. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services and the achievement of key outcomes.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them effectively.

## The Governance Framework

The Council's Framework is built around the seven core principles and 21 sub-principles that set out the key building blocks of good governance.





The key features of the governance framework that were in place during 2022/23 are below:

- The Cabinet was the key decision-making Committee, comprising the Leader of the Council, the Depute Leader and four members of the Administration, each with a specific portfolio of duties. An Education Cabinet comprised the same members and included church and teaching profession representatives. The Audit and Scrutiny Committee, which is chaired by the Depute Leader of an Opposition party, was in place to consider all matters in relation to Internal and External Audit, Risk Management, Scrutiny and Performance, as well as receiving reports on the findings of external scrutiny bodies. A cross-party Policy Advisory Panel assists in the development of policy proposals for consideration and approval by Cabinet.
- Strategic decision-making is governed by the Council's key constitutional documents including standing orders, scheme of administration, scheme of delegation to officers and financial regulations and associated codes of financial practice. These were refreshed and approved by the Council following the local government elections in May 2022.
- The Council has six Locality Partnerships, covering Irvine, Kilwinning, the Three Towns, Arran, the North Coast and the Garnock Valley. Chaired by a local Elected Member, the Partnerships provide the opportunity for Elected Members, Community Planning Partners and local community representatives to consider the priorities for each area.
- The integrated Health and Social Care Partnership (HSCP) has established a governance framework and an integrated senior management structure to support delivery of its key objectives.
- The Council's mission, vision and key priorities are outlined in the Council Plan 2019-2024 which is underpinned by a delivery plan and a range of performance indicators. Regular interim reports are provided to both Cabinet and the Audit and Scrutiny Committee on progress towards meeting the Council Plan priorities.
- Progress with the Council's Change and Transformation programme continues to be governed and monitored through the Transformation Board which is chaired by the Chief Executive.
- A people strategy entitled 'Our People Connect' is in place to support the delivery of the Council Plan and its strategic priorities by focussing on developing the right culture and helping the Council transform to be a leaner, more efficient and higher performing organisation where people can develop and thrive.
- The Performance Management Strategy 2021-24 demonstrates how the Council supports a culture of continuous improvement and how the work of every employee is crucial to the achievement of the overall vision of a North Ayrshire that is Fair For All. Regular reporting to Elected Members takes place, and a wide range of performance information is available on the North Ayrshire Performance Dashboard.
- The Council has adopted a 'Code of Conduct' for all its employees. Elected Members adhere to the national 'Code of Conduct for Councillors' and a register of interests is in place.
- The approach to risk management is set out in the Risk Management Policy and Strategy: "Risk Focus". The Council's strategic risk register is refreshed annually and for 2022/23 was approved by Cabinet in June 2022.
- Each Head of Service has a Workforce Plan in place for their portfolio of services which considers challenges and issues, the transformation agenda and to support career development and succession planning.
- The Council has in place a development programme for all Elected Members. Leadership and Development programmes are also established for strategic leaders and first line and middle managers across the Council, through the Leadership Academy approach. A full Member's induction programme took place during May 2022 for all recently Elected Members.
- The 'Our Time to Talk' approach is in place to ensure that managers and employees take time to discuss how each employee is getting on at work; this focusses on the employee's contribution to their team and the Council, their wellbeing, and any development needs that contribute towards meeting the team's objectives or the employee's career aspirations.
- The ICT Asset Management Approach 2021-2024 is linked to the ICT Technology Strategy and depicts the impact on hardware, software and application assets. The Council's approach to asset management planning is based on CIPFA guidance which covers six core classes of assets: property, open space, housing, roads, fleet, and ICT.

- A Capital Programme and Assets Group (CPAG), consisting of senior officers from across Council services and chaired by the Head of Finance, is in place. This group monitors the delivery of the Council's capital programme, helping to ensure that projects are delivered on time and within budget. The work of this group is supported by Service Project Boards.
- The Council has a long-term financial outlook, which covers the period 2021/22 to 2030/31. This sets out the scale of the potential financial challenge and the approach to pro-actively address it, ensuring financial sustainability of the Council.
- The Council has Internal Audit and Corporate Fraud teams to carry out independent and objective reviews of governance and internal control arrangements and investigate allegations of fraud and error both within and against the authority.
- An Information Governance framework is in place which complies with the General Data Protection Regulation (GDPR), supported by a central team of staff within Democratic Services. This is further supported through an Information Governance Procurement Framework. A corporate training module is in place to support ongoing training, development and awareness which is completed on an annual basis.
- The Council has a robust Corporate Health, Safety and Wellbeing Policy to help ensure it complies with health and safety legislation. This was updated in January 2023.
- An annual report is prepared for Cabinet by the Council's statutory Chief Social Work Officer.
- The Council has a two-stage Complaints Procedure, which provides a transparent and standardised process for customers who wish to complain and enables the Council to manage complaints more effectively and to identify any service improvements which may be required.

The governance framework has been in place at North Ayrshire Council throughout the year ended 31st March 2023.

### **The System of Internal Financial Control**

The system of internal financial control is based on a framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management supervision, and a system of delegation and accountability. Development and maintenance of the system is undertaken by Chief Officers within the Council. In particular, the system includes:

- Financial regulations and codes of financial practice.
- Comprehensive budgeting systems.
- Regular reviews of periodic and annual financial reports that indicate financial performance against the forecasts.
- Setting targets to measure financial and other performance.
- Clearly defined capital expenditure guidelines.
- Formal project management disciplines.

The Council's financial management arrangements conform to the governance requirements of the CIPFA statement on 'The Role of the Chief Financial Officer in Local Government (2016)'.

Regarding the entities incorporated into the Group Accounts, the Council is not aware of any weaknesses within their internal control systems and has placed reliance on the individual Statements of Internal Financial Control where appropriate.

### **Review of Effectiveness of the Governance Framework**

North Ayrshire Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of the effectiveness of the framework is informed by the work of the Executive Leadership Team who have responsibility for development and maintenance of the governance environment, the annual report by the Senior Manager (Audit, Fraud, Safety and Risk) and reports from the Council's external auditors, Audit Scotland, and other review agencies.

The Section 95 Officer has overall responsibility for Internal Audit in North Ayrshire Council. The Senior Manager (Audit, Fraud, Safety and Risk) is responsible for the management of the section and reports directly to the Section 95 Officer on all audit matters, with the right of access to the Chief

Executive and Chair of the Audit and Scrutiny Committee. The Internal Audit section is fully resourced to deliver its planned activity and complies with the Public Sector Internal Audit Standards (PSIAS) in conducting its audit work. Regular reports were made to the Council's Audit and Scrutiny Committee throughout 2022/23.

As detailed in the 'Internal Audit Charter', most recently approved by the Audit and Scrutiny Committee in March 2023, the Internal Audit function has independent responsibility for examining, evaluating, and reporting on the adequacy of internal control. The Senior Manager (Audit, Fraud, Safety and Risk) prepares an annual report, including an assurance statement containing a view on the adequacy and effectiveness of the governance, risk management and internal control frameworks. This was reported to the Audit and Scrutiny Committee on 30 May 2023.

The Internal Audit Annual Report 2022/23 highlights a number of findings by the Council's Internal Audit section which indicate some weaknesses in the internal control environment. Action plans are put in place to address control weaknesses on conclusion of each audit and implementation of audit actions is tracked on a quarterly basis by the Council's Audit and Scrutiny Committee. None of these are considered material enough to have a significant impact on the overall control environment and it is the opinion of the Senior Manager (Audit, Fraud, Safety and Risk) that the Council's systems of internal control continue to provide reasonable assurance against loss.

The Council's internal audit arrangements conform to the governance requirements of the CIPFA statement on 'The Role of the Head of Internal Audit (2019)'.

### **Significant Governance Developments during 2022/23**

The North Ayrshire (Electoral Arrangements) Regulations 2021 were agreed by Scottish Ministers in October 2021 and resulting in the election of 33 Elected Members across 9 Electoral Wards in May 2022. The election saw a Scottish National Party minority leadership of the Council, with the Scottish Conservative and Unionist Party forming the main opposition.

In June 2022, Council approved the hybrid approach to meetings of Council and Committees. Meetings are predominantly held on a physical basis but with provision for remote attendance by Elected Members. The Council has full openness and transparency and therefore meetings are filmed, recorded and live streamed to the Council's internet site and available for repeated viewing.

During Covid-19, in-person community engagement events were restricted. In May 2022, following the easing of restrictions, the Audit and Scrutiny Committee approved the recommended diverse range of engagement methods for use at future events.

In November 2022, Cabinet approved the establishment of a refreshed cross-party Policy Advisory Panel chaired by the Depute Leader of the Council. The aim of the Panel is to assist in the development of strategic policy proposals being prepared for consideration by Cabinet. The Policy Advisory will meet on a quarterly basis, with the ability to be flexible around timing depending on the level of substantive business.

A Long-Term Financial Outlook (covering the period 2021/22 to 2030/31) was approved by the Council in December 2020. This is underpinned by a Medium-term Financial Outlook (MTFO) which is updated annually. The most recent MTFO, covering 2023/24-2025/26, was approved by the Council in November 2022. These documents note the scale of the financial challenge which the Council faces and underpin the development of a balanced budget. The General Services Revenue Estimates 2023/24-2025/26 and Capital Investment Programme 2023/24-2030/31 were approved by Council in March 2023.

The Audit and Scrutiny Committee approved a revision to the Council's Counter Fraud and Corruption Strategy in September 2022. The strategy sets out the Council's zero tolerance approach to fraudulent or corrupt activity, and how the Council aims to address the fraud risk it faces.

A management restructure took place in January 2023 to align Growth and Investment with Economy and Regeneration, with those services being incorporated within the Place Directorate. This supports the vast amount of connected regeneration activity across the Council and provides better strategic alignment to the Council's political structure.

Plans were announced by the UK Government in April 2022 to replace European Union funding with the UK Shared Prosperity Fund (SPF). Cabinet has approved the North Ayrshire Shared Prosperity Fund Business Plan for 2022-25. The plan includes arrangements for good governance with lead officers identified for the four thematic groups of Community & Place, People & Skills, Supporting Local Business, and Multiply. The SPF Governance Group will meet on a monthly basis.

The Community Planning Partnership has recently developed a new Local Outcomes Improvement Plan (LOIP) 2022-30 focussed on three key themes of Wellbeing, Work and World. The plan sets out

a strategic plan of what the partners in North Ayrshire want to achieve when they work together. This also brings together key partnership plans and strategies including: community wealth building, child poverty duties, public health priorities, Caring for Ayrshire, The Promise, Islands Plans, Community Justice Ayrshire Outcomes Improvement Plan, and Safer North Ayrshire Strategy. An annual report is produced at the end of each year to show the progress towards achieving the outcomes.

Open, transparent, and participatory government is fundamental to democracy, and the Council is committed to involving local people and communities in taking decisions which affect their lives. The key democratic means for increasing the direct influence of local people in how they are governed is Locality Planning. In November 2022, Council approved the updated Terms of Reference and Standing Orders which regulate the operation of Locality Partnerships (LPs). In addition, enhanced guidance has been developed for chairs, vice-chairs and members of LPs to ensure that focus, intended impact and visibility of Locality Planning is clear and promoted within communities.

A need was identified nationally to better align and integrate an employability support system, and this was outlined in 'No One Left Behind'. As a result of this, Local Employability Partnerships (LEPs) were established with responsibility for integration and alignment of local services. The LEP has developed a delivery plan to deliver transformational changes which follow the national framework principles. The North Ayrshire No One Left Behind Delivery Plan 2022-26 was approved by Cabinet in June 2022. This includes partnership structures and governance arrangements which will deliver transparency and accountability.

In June 2022, Cabinet approved the North Ayrshire Child Poverty Report 2021/22 and Action Plan for 2022/23. This work also includes the development of strategy to tackle child poverty, covering the period 2023-26. This is underpinned by the introduction of a "Tackling Child Poverty" Board to agree, monitor and deliver the local strategy. North Ayrshire has also been proposed as a "Pathfinder" local authority in tackling child poverty, which will seek to commence work on a new phased approach to whole system change.

### **Planned Actions for 2023/24**

The Council has a number of planned actions for 2023/24 which will help to further strengthen the governance framework:

- Development of the new Council Plan covering the period 2023 to 2028.
- Develop the Council's fourth Environmental Sustainability & Climate Change Strategy (ESCCS 4).
- Major review of the Council's 10 Year capital investment programme.
- Early progression of the Council's Medium Term Financial Plan covering the period 2024/25 to 2026/27 to address the significant financial challenges facing the Council. This includes the planned delivery of a major Workforce Planning programme as well as the identification of further Transformation and Change activity.
- Production of an updated Digital Strategy to reflect lessons learned from the pandemic.
- Working with the newly appointed external auditors (Audit Scotland) to support all Audit and Best Value work through the course of the year and beyond.
- Relaunch of the Council's Procurement Board to further strengthen procurement compliance arrangements across the Council and to deliver Best Value with procurement activity.

### **Assurance**

Subject to the above, and based on the assurances provided, we consider the governance and internal control environment operating during 2022/23 to provide reasonable and objective assurance that any significant risks impacting on the achievement of our actions will be identified and actions taken to avoid or mitigate their impact. Systems are in place to continually review and improve the governance and internal control environment and action plans are in place to address identified areas for improvement.

Craig Hatton  
Chief Executive  
May 2023

Marie Burns  
Leader of the Council  
May 2023

## NORTH AYRSHIRE COUNCIL

30 May 2023

### Audit and Scrutiny Committee

<b>Title:</b>	<b>Accounting Policies 2022/23</b>
<b>Purpose:</b>	To seek the Audit and Scrutiny Committee's approval of the accounting policies which will be adopted in the preparation of the Council's annual accounts for the year to 31 March 2023.
<b>Recommendation:</b>	That the Audit and Scrutiny Committee approves the accounting policies as detailed in Appendix 1.

#### 1. Executive Summary

- 1.1 The annual accounts for the 2022/23 financial year summarise the Council transactions during the year and its position at the year end of 31 March 2023. Under the Local Authority Accounts (Scotland) Regulations 2014, the Council is required to prepare an annual Statement of Accounts and Section 12 of the Local Government in Scotland Act 2003 requires that these accounts are prepared in accordance with the proper accounting practices.
- 1.2 These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 ("the Code"), supported by International Financial Reporting Standards (IFRS). These are issued jointly by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Local Authority (Scotland) Accounts Advisory Committee (LASAAC) and are designed to give a "true and fair view" of the financial performance of the Council.
- 1.3 The accounting policies to be adopted by North Ayrshire Council are reviewed on an annual basis in line with the CIPFA Code and submitted to the Audit and Scrutiny Committee for approval in advance of the financial statements being prepared.
- 1.4 The proposed accounting policies for 2022/23 have been updated to reflect changes in the guidance received from the Scottish Government and Audit Scotland during 2022/23.
- 1.5 Although it was previously envisioned that North Ayrshire Council would adopt the requirements of IFRS 16 in relation to the accounting for leases from 1 April 2022, delays in the confirmation of final revised guidance from CIPFA / LASAAC will now result in the deferred implementation of the revised standard. This will now be adopted from 1 April 2023. As such, the draft accounting policies continue to reflect the existing accounting treatment.

## **2. Background**

- 2.1 Accounting policies are defined in paragraph 3.3.2.1 of the Code as ‘the specific principles, bases, conventions, rules and practices applied by an authority in preparing and presenting financial statements’.
- 2.2 Councils are required to select accounting policies and apply changes to accounting policies in accordance with International Accounting Standard 8 - Accounting Policies.
- 2.3 The Council is required to adopt the accounting policies most appropriate to its particular circumstances for the purpose of giving a true and fair view. The accounting policies adopted should be reviewed regularly to ensure that they remain appropriate and consider the required treatment of any new policies relevant to the Council’s particular circumstances. Sufficient information should be disclosed in the financial statements to enable users to understand the accounting policies adopted and how they have been implemented.
- 2.4 The draft accounting policies proposed for adoption are detailed in Appendix 1 and include the following revisions identified during 2022/23:
- i. Following roundtable discussions between Audit Scotland and the Directors of Finance group, the policy in relation to the valuation of Property, Plant and Equipment has been updated. The revised policy now requires that, where the annual revaluation exercise identifies an estimate change in the value of an asset, either positively or negatively, which is materially different from the previous formal valuation, then additional valuation work will be undertaken to assess the potential impact on the valuation of any similar assets held by the Council.
  - ii. During 2022, local government auditors in England raised concerns with the accounting for components under Infrastructure Assets. Infrastructure Assets are primarily related to inalienable assets comprising the roads network and major environmental assets such as coastal and flood protection works. In order to mitigate the risk that local authority financial statements could be subject to qualified audit opinions in this area, the Scottish Government has now issued statutory guidance to remove the requirement to report gross costs and accumulated depreciation in relation to these assets and to confirm that any replaced part of an infrastructure asset should be taken to have a £nil value on derecognition. The accounting policies in relation to Property, Plant and Equipment have been updated to reflect the statutory guidance.
  - iii. On 15 February 2023, North Ayrshire Council approved the adoption of revised accounting arrangements for the charging of debt repayments, arising from the Council’s PPP and NPD service concession arrangements, to services. The accounting policies have been revised to reflect the agreement to make prudent charges for the repayment of the liability to services in line with the useful economic lives of the assets acquired under the contracts.

- 2.5 CIPFA / LASAAC previously announced that the mandatory adoption of changes to the treatment of leases and similar arrangements in line with International Financial Reporting Standard (IFRS) 16 Leases were to be postponed until 1 April 2024. However draft guidance had suggested that local authorities are encouraged to adopt this standard early, where appropriate, and it had been proposed that North Ayrshire Council prepare for the adoption of this standard from 1 April 2022. However, following delays in the issuing of the final revised guidance by CIPFA / LASAAC it is now proposed that full adoption of this standard is deferred until 1 April 2023.
- 2.6 In summary, IFRS 16 introduces a single lessee accounting model which seeks to improve comparability between leased and purchased assets operated by Councils. However, the guidance on the full scope of the standard has been revised by CIPFA / LASAAC during 2022/23 and officers are in the process of quantifying the implications for North Ayrshire Council. Although North Ayrshire Council's operating lease obligations are not extensive and the adjustments to the opening balances are not expected to be material, it is considered prudent to defer the adoption of this standard until the full implications of the recent changes can be assessed.

### **3. Proposals**

- 3.1 It is proposed that the Audit and Scrutiny Committee approves the accounting policies as detailed in Appendix 1

### **4. Implications/Socio-economic Duty**

#### **Financial**

- 4.1 None.

#### **Human Resources**

- 4.2 None.

#### **Legal**

- 4.3 None.

#### **Equality/Socio-economic**

- 4.4 None.

#### **Environmental and Sustainability**

- 4.5 None.

#### **Key Priorities**

- 4.6 This report directly supports the Council Plan 2019 to 2024 by maximising resources and providing value for money to support financially sustainable delivery models.

## **Community Wealth Building**

4.7 None.

### **5. Consultation**

5.1 No consultation was required in the preparation of this report.

**Mark Boyd**  
Head of Service (Finance)

For further information please contact **David Forbes, Senior Manager (Strategic Business Partner)**, on **01294 324551**.

### **Background Papers**

None



## Accounting Policies 2022-23

### General Principles

The Accounts summarise the Council's transactions for the 2022-23 financial year and its position at the year-end of 31 March 2023. The Council is required to prepare an annual Statement of Accounts by the Local Authority Accounts (Scotland) Regulations 2014 and Section 12 of the Local Government in Scotland Act 2003 requires that they are prepared in accordance with proper accounting practices.

These practices, under Section 21 of the 2003 Act, primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, supported by International Financial Reporting Standards (IFRS) and statutory guidance under Section 12 of the 2003 Act.

The accounting convention adopted in the financial statements is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

#### A Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations of the contract.
- Supplies are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Suppliers' invoices paid in the two weeks following the year-end have been included together with specific accruals in respect of further material items, provided the goods and services were received prior to 31 March.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. The de minimis level for recognition of such transactions has been agreed at £5,000, therefore all known transactions of £5,000 or above have been included.
- Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

#### B Allocation of Central Support Costs and Recharges to Capital

A proportion of net central support services is allocated to services outwith the general fund. The balance of the net central support services is reported on the basis of how the services are structured and how the Council operates, monitors and manages financial performance.

#### C Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

## **D Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors**

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or performance. When a change is made, it is applied retrospectively (unless otherwise stated) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior years are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

## **E Charges to Revenue for Non-Current Assets**

Services are charged with the following amounts to record the cost of holding non-current assets during the year:

- Depreciation attributable to the assets used by the relevant service;
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off; and
- Amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise council tax to cover depreciation, revaluation and impairments losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement, equal to an amount calculated on a prudent basis determined by the Council in accordance with the Statutory Repayment of Loans Fund Advances. This is known as the Loans Fund Principal Repayment. Depreciation, revaluation and impairment losses and amortisation are replaced by the Loans Fund Principal Repayments in the General Fund Balance by way of an adjusting transaction within the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

## **F Employee Benefits**

### **Benefits Payable during Employment**

Short-term employee benefits are those due to be settled wholly within 12 months of the year end. They include such benefits as salaries, wages, overtime and paid annual leave for current employees and are recognised as an expense in the year in which employees render service to the Council. All salaries and wages earned up to 31 March are included in the financial statements irrespective of when the payment was made. An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year-end and which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following year, being the period in which the benefits will be taken. Such accruals are required, under statute, to be reversed out of the General Fund Balance by a credit to the Accumulating Compensated Absences Adjustment Account in the Movement in Reserves Statement.

### **Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. They are charged on an accruals basis to the relevant services line in the CIES at the point when the offer of termination can no longer be withdrawn by the Council. Where termination benefits include the enhancement of pensions, the General Fund balance is charged with the amount payable by the Council to the pension fund or pensioner in the year.

### **Post-Employment Benefits**

The Council participates in two separate pension schemes:

- The Scottish Teachers' Pension Scheme administered by the Scottish Government; and
- The Local Government (Scotland) Pension Scheme administered by the Strathclyde Pension Fund.

Both schemes provide defined benefits to members (retirement lump sums and pensions), earned while employees work for the Council. However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot be identified specifically to the Council. The scheme is therefore accounted for as if it were a defined contributions scheme. No liability for future payments of benefits is recognised in the Balance Sheet and the Education and Youth Employment services line in the CIES is charged with the employer's contributions payable to the Teachers' Pension Scheme in the year.

### **The Local Government Pension Scheme**

The Local Government Pension Scheme (LGPS) is accounted for as a defined benefits scheme.

The liabilities of Strathclyde Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the 'projected credit unit method', i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projected earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate as advised by the actuaries, Hymans Robertson.

The assets of Strathclyde Pension Fund attributable to North Ayrshire Council are included in the Balance Sheet at their fair value:

- Quoted securities – current bid price;
- Unquoted securities – professional estimate;
- Unitised securities – current bid price; and
- Property – market value.

The change in the net pension liability is analysed into the following components:

#### **Service Costs:**

- Current service cost – the increase in liabilities as a result of service earned by employees this year. This is allocated in the CIES to the services for which the employees worked.
- Past service cost (including curtailments) – the increase in liabilities as a result changes to the scheme, including amendments or curtailments, where the changes impact on the service earned by employees in previous years. These costs are charged to the Surplus or Deficit on the Provision of Services in the CIES.
- Net interest on the net defined benefit liability (asset), i.e. net interest expense for the Council – the change during the period in the net defined benefit liability or asset that arises from the passage of time. This is charged to the Financing and Investment Income and Expenditure line in the CIES, calculated by applying the discount rate used to measurement the defined benefit obligation at the beginning of the period – taking into account any changes in the net defined benefit liability or asset during the period as a result of contribution and benefit payments.

#### **Remeasurements:**

- Return on plan assets – excludes amounts included in net interest on the net defined liability (asset). This is charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions. This is charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Contributions paid to the Strathclyde Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities. This is not accounted for as an expense.

Statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement or pension enhancement termination benefits and replace them with charges for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact on the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits earned by employees.

### **Discretionary Benefits**

The Council also has restricted powers to make discretionary awards to retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff, including teachers, are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

### **G Events After the Reporting Period**

These are events, both favourable and unfavourable, that occur between the end of the reporting period (31 March) and the date when the financial statements are authorised for issue.

The Statement of Accounts are adjusted to reflect events where they provide evidence of conditions that existed at the end of the reporting period.

Where events indicate conditions, which arose after the reporting period, which would have had a material effect, the Statement of Accounts are not adjusted but a disclosure is made in the notes of the nature of the event and the estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

### **H Financial Instruments**

#### **Financial Liabilities**

Financial liabilities are recognised on the balance sheet when the Council becomes party to the contractual provisions of a financial liability. Liabilities are initially measured at fair value and then carried at amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the CIES for interest payable are based on the carrying amount of the liability, multiplied by the effective interest rate of the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Council has, this means that the amount presented in the balance sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the CIES is the amount payable for the year according to the loan agreement.

Costs associated with debt restructuring (premiums and discounts) are charged to the Financing and Investment Income and Expenditure line in the CIES in the year of repayment of the original debt in accordance with accounting regulations.

Where premiums and discounts have been charged to the CIES, regulations permit the costs of restructuring to be released to revenue over the period of the replacement loan. The reconciliation of amounts charged to the CIES to the net charge required against the General Fund balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

### **Financial Assets**

Financial assets are classified and measured based on the reasons, or business model, for holding the financial assets and the characteristics of the anticipated cash flows. There are three main classes of financial assets measured at:

- Amortised cost;
- Fair value through profit or loss (FVPL); and
- Fair value through other comprehensive income (FVOCI).

The Council's business model is to hold assets to collect contractual cash flows and our financial assets are therefore classified as amortised cost.

#### **Financial Assets Measured at Amortised Cost**

Financial assets measured at amortised costs are recognised on the Balance Sheet when the Council becomes party to the contractual provisions of a financial asset and are initially measured at fair value and then carried at amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the CIES for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

However, the Council has made a loan to a charitable body at less than market rates (soft loan). When a soft loan is made, a loss is recorded in the CIES (charged to the appropriate service) for the present value of the interest that will be foregone over the life of the loan, resulting in a lower amortised cost than the outstanding principal. The value of the interest foregone is then added back amortised back to the amortised cost of the loan on the Balance Sheet and credited to the Financing and Investment Income and Expenditure line in the CIES on an annual basis until the loan is repaid.

Any gains or losses which arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

#### **Expected Credit Loss Model**

Potential impairment losses on Financial Assets Measured at Amortised Cost are determined using the Expected Credit Loss Model.

Impairment losses are calculated to reflect the expectation that the future cash flows may not take place because the borrower may default on their obligations. Credit risk plays a crucial part in assessing the potential losses. Where risk has increased significantly since an asset was recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

The Council recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month or lifetime basis. Only lifetime losses are recognised for trade receivables (debtors).

For any identified impairment losses, a charge is made to the Financing and Investment Income and Expenditure line in the CIES.

### Financial Assets Measured at Fair Value through Profit and Loss

Financial Assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes party to the contractual provisions of a financial asset and are initially measured and carried at fair value. Fair value gains and losses are recognised in the Surplus or Deficit on the Provision of Services as they emerge.

Fair value measurements of the financial assets are based on the following techniques:

- Instrument with quoted market process – the market price; and
- Other instruments with fixed and determinable payments – discounted cash flow analysis.

Any gains and losses which arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

The Council does not currently have any Financial Assets measured at Fair value through Profit and Loss.

### **I Government Grants and Contributions**

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- The Council will comply with the conditions attached to the payments, and
- The grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the CIES until conditions attached to the grant have been satisfied.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (for revenue grants) or Taxation and Non-Specific Grant Income (for non-ring-fenced revenue grants and all capital grants).

Capital grants are then reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Account within the Capital Fund.

Capital grants which are used and amounts previously posted to the Capital Grants Unapplied Account which have now been applied, are transferred to the Capital Adjustment Account.

### **J Heritage Assets**

A heritage asset is defined as a tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

The Council holds heritage assets consisting of civic regalia and silverware, historical artefacts, fine art and public artworks. The assets are held at valuation and no depreciation is charged on the assets. Expenditure to maintain the assets is written off to the Comprehensive Income and Expenditure Statement (CIES) in the year of expenditure. Donated heritage assets are reflected in the balance sheet at valuation with a gain equivalent to the value of the asset reported in the CIES in the year of donation.

### **Measurement**

The Council's heritage assets are recognised on the Balance Sheet at values determined by specialist external valuers and by experienced officers within the Connected Communities service. Valuations have been largely undertaken on an insurance basis at retail level. Only items deemed to have a value of £10,000 and above have been disclosed in the Balance Sheet.

### **Disclosure**

Not all of the Council's identified heritage assets will be disclosed in the Balance Sheet. It is not deemed practicable to obtain external valuations for all items defined as heritage assets. These include: Museum and Gallery items with a value of less than £10,000; Castles; Monuments and War Memorials.

### **K Intangible Assets**

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that it will bring benefits to the Council for more than twelve months. Intangible assets are measured initially at cost. Amounts are not revalued, as the fair value of the assets held by the Council cannot be determined by reference to an active market. The depreciable amount of an intangible asset is amortised over its useful life (generally between 5 and 10 years) to the relevant service line(s) in the CIES.

### **L Interest in Companies and Other Entities**

The Council has interests in companies and other entities which have the nature of subsidiaries, associates and joint ventures and require it to prepare group accounts. In the Council's single entity accounts, these interests are recorded as financial assets at cost, less any provision for losses.

### **M Internal Transactions**

Internal transactions between operational segments of the Council are included within the management accounts for budgetary control purposes only. All internal transactions between services have been excluded from the service expenditure analysis within the Comprehensive Income and Expenditure Statement resulting in reductions in both the gross expenditure and gross income reported, with no overall net impact.

### **N Inventories**

Inventories include consumable stock and work-in-progress and are recognised in the Balance Sheet at the lower of cost and net realisable value. The valuation of work-in-progress has been made at cost plus an appropriate proportion of overheads, together with attributable profits and allowances for foreseeable losses.

### **O Investment Properties**

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but reviewed annually and revalued regularly to ensure their carrying value reflects market conditions at the year-end.

### **P Leases**

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

### **The Council as Lessee**

North Ayrshire Council currently has no finance leases where the Council is the lessee.

Rentals paid under operating leases, for vehicles and plant, are charged to the appropriate service account in the CIES as an expense of the services benefiting for use of the leased equipment.

### **The Council as Lessor**

North Ayrshire Council has no finance leases where the Council is the lessor.

The Council rents out property on cancellable operating leases only. Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet.

### **Q Property, Plant and Equipment**

Assets that have physical substance and are held for use in the supply of services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

All valuations of land and buildings are carried out by Royal Institution of Chartered Surveyors (RICS) qualified valuers, with the exception of valuations of council dwellings which are based on beacon values calculated by the District Valuer. Both valuations are in accordance with the methodologies and bases of estimation as set out in the professional standards of RICS.

### **Recognition**

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis. Expenditure that merely maintains the condition of an asset (i.e. repairs and maintenance) is charged as an expense when it is incurred.

The Council has a de minimis level of £10,000 for expenditure to be classed as capital. Land and Buildings with a valuation below £10,000 are not recognised on the Council Balance Sheet.

### **Measurement**

Assets are initially measured at cost, comprising:

- The purchase price; and
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of any asset acquired other than by purchase is deemed to be its fair value.

Assets are carried on the Balance Sheet using the following measurement bases:

- Council Dwellings - Fair value, determined using the basis of existing use value for social housing (EUV-SH);
- Other Land and Buildings - Fair value, determined by the amount that would be paid for the asset in its existing use (existing use value - EUV).
- Vehicles, Plant and Equipment - depreciated historical cost
- Infrastructure Assets - depreciated historical cost
- Community Assets - depreciated historical cost
- Surplus Assets - fair value based on market value in highest and best use
- Assets Under Construction - historical cost
- Investment Properties (Common Good and Trusts only) - fair value based on market value in highest and best use

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost is used as an estimate of fair value.



Assets included in the Balance Sheet at fair value are revalued on a rolling basis over a period not exceeding 5 years, with the exception of Surplus Assets and Investment Properties which are revalued annually.

Where a sample of assets in each category has been valued in the current financial year, the change in values for the sample assets shall be assessed and extrapolated to determine if a potential material movement in the value of all assets within that category is indicated. The materiality threshold has been determined as 1.5% of the previous formal valuation, for 2022/23 this is equivalent to £14.2m. Where a material movement is indicated, this will be disclosed within the annual accounts and additional valuation work will be undertaken in conjunction with colleagues from the Royal Institute of Chartered Surveyors to assess the valuations of all other assets within that category.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Where decreases in value are identified, the revaluation loss is accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains);
- Where there is no balance in the Revaluation Reserve or insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the CIES.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

#### Impairment

Assets are assessed at each year-end to establish whether there is any indication that an asset may be impaired. Where indications exist, and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains);
- Where there is no balance in the Revaluation Reserve or insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the CIES.

Where an impairment loss is subsequently reversed, the reversal is credited to the relevant service line(s) in the CIES, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

#### Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction). Investment Properties and Assets Held for Sale are not subject to depreciation.

Depreciation is charged on a straight-line basis over the useful life of the assets (as advised by a suitably qualified officer). Depreciation is charged in the year of acquisition but not in the year of sale.

Where a Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. For the purposes of component accounting the Council considers significant components being those with a cost that is at

least 20% of the overall cost of the asset. Individual assets shall be disregarded for component accounting where their carrying value is below £2m.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

### **Disposals**

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the CIES. Gains in fair value are recognised only up to the amount of any previously recognised losses. Depreciation is not charged on Assets Held for Sale.

Property, land and buildings are classified as 'held for sale' when the following criteria are met:

- The property is available for sale in its present condition;
- The sale is highly probable;
- The asset is being actively marketed for sale at a price that is reasonable in relation to its current fair value;
- The sale is expected to qualify for recognition as a completed sale within one year.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the CIES as part of the gain or loss on disposal. Receipts from disposals are credited to the same line in the CIES as part of the gain or loss on disposal. Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

To comply with statutory guidance, this gain or loss is excluded when determining the General Fund balance within the Movement in Reserves Statement.

The Council has determined, in accordance with Local Government Circular 09/2022 Statutory Override Accounting for Infrastructure Assets for Scottish Local Authorities, that the carrying amount to be derecognised in respect of a replaced part of an infrastructure asset is to be taken to be, and accounted for, as a nil amount. In accordance with the circular the Council is not required to make subsequent adjustments to the carrying amount of the asset with respect to that part.

### **R Public Private Partnership (PPP) / NPD and similar contracts**

PPP / NPD and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PPP / NPD contractor. As the Council is deemed to control the services that are provided under its PPP / NPD schemes and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment. For North Ayrshire Council Schools PPP contract, the liability was written down by an initial capital contribution of £1.743 million.

The amounts payable to the PPP/ NPD operators each year are analysed into four elements:

- Service charges and lifecycle replacement costs – value of services including cleaning and janitorial services, repairs and maintenance, energy, non domestic rates and insurances debited to the relevant service in the CIES;
- Interest payments – the interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the CIES;
- Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the CIES;
- Liability repayment– repayment of the principal owed to the PPP operator, applied to write down the Balance Sheet liability.

In accordance with Scottish Local Government Finance Circular 10/2022, the Council has applied a statutory accounting flexibility to the PPP and NPD contracts to realign the value of the Liability Repayment element of the unitary charge to reflect a prudent charge for the repayment of the Liability across the useful economic life of the assets.

## **S Provisions, Contingent Liabilities and Contingent Assets**

### **Provisions**

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the CIES in the year that the Council becomes aware of the obligation, and measured at the best estimate, at the balance sheet date, of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the balance sheet. Estimated settlements are reviewed at the end of each financial year; where it becomes less than probable that a transfer of economic benefits will be required (or a lower settlement than anticipated is made); the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

### **Contingent Liabilities**

A contingent liability arises where an event has taken place that gives the Council a possible obligation, whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not definite that an outflow of resources will be required, or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the balance sheet but disclosed in a note to the accounts.

### **Contingent Assets**

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the balance sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

## **T Reserves**

Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus/Deficit on the Provision of Services in the CIES. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments and retirement benefits and do not represent usable resources for the Council; these reserves are explained in the relevant notes.

## **U Revenue Expenditure Funded from Capital Under Statute**

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non-current asset is charged as expenditure to the relevant service in the CIES in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

## **V VAT**

All income and expenditure excludes amounts relating to VAT, as all VAT collected is payable to HM Revenue and Customs and net VAT paid is fully recoverable by the Council.

## **W Fair Value Measurement**

The Council values some of its non-financial assets, such as Surplus Assets and Investment Properties (Common Good Funds and Trusts only), and some of its financial instruments at Fair Value. Fair Value is the price that would be received either on the sale of an asset or to transfer a liability in an orderly transaction between market participants at the measurement date. The Fair Value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset; or
- In the absence of a principal market, in the most advantageous market for the asset.

The Council measures the Fair Value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the Fair Value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which Fair Value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Council can access at the measurement date;
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 – unobservable inputs for the asset or liability.

## NORTH AYRSHIRE COUNCIL

30 May 2023

### Audit and Scrutiny Committee

<b>Title:</b>	<b>Strategic Risk Register 2023/24</b>
<b>Purpose:</b>	To inform the Committee of the Council's agreed Strategic Risk Register for 2023/24.
<b>Recommendation:</b>	That Committee notes the Strategic Risk Register.

#### 1. Executive Summary

- 1.1 The Strategic Risk Register has been reviewed and updated for 2023/24.
- 1.2 Seven of the eight previous risks remain on the Strategic Risk Register at their existing risk scores and titles – Financial Environment, Inequalities, Cyber Security, Transformation, Climate Change, Financial Sustainability of the Health and Social Care Partnership, and Community Capacity Building & Empowerment.
- 1.3 A previous risk relating to the Operating Environment of the Council post-COVID has been removed from the register. This risk had previously been included to take account of the challenges of recovery and the uncertain operating environment. These risks are captured fully within other specific risks within the register which will lead to improved management of those risk mitigation actions.
- 1.4 A new strategic risk has been added relating to the implementation of the National Care Service, and the potential impact on the Council's resources.
- 1.5 The Strategic Risk Register was approved by Cabinet on 21 March 2023.

#### 2. Background

- 2.1 North Ayrshire Council is committed to ensuring that it is proactive in identifying and managing the risks impacting on the authority. The Council recognises that a certain amount of risk is inevitable if the organisation is to achieve its objectives.
- 2.2 The aim of risk management is to reduce the likelihood and/or impact of risk by identifying and controlling risks to the Council. If risk is to be managed appropriately, and Services are aware of these risks, risk management can contribute positively towards the organisation's decision-making processes, making the Council more innovative and effective in its approach to service delivery.

- 2.3 The most significant risks are identified through the Council's Strategic Risk Register (SRR), recognising the challenges facing the Council and demonstrating the arrangements in place to manage these risks.
- 2.4 The Strategic Risk Register has been reviewed and updated for 2023/24 and is attached at Appendix 1 to this report. For each of the risks detailed within the register a number of components are identified:
- Risk proximity factors.
  - Risk score.
  - Potential effect on the Council's priorities.
  - Internal controls currently in place.
  - Assessment of controls, and
  - Additional actions identified.
- 2.5 To assist in the assessment of each risk, the Council's agreed risk matrix was used to ensure consistency. This is used to assess the likelihood of occurrence (on a scale from 1 to 5) and the significance of the impact of the risk should it occur (on a scale from 1 to 5). The risk score is the product of likelihood multiplied by impact. Only those risks rated as high or very high (10 or above) will feature on the SRR to ensure a focus on managing the most significant risks.
- 2.6 Seven risks remain on the Strategic Risk Register at their existing risk scores – Financial Environment, Inequalities, Cyber Security, Financial Sustainability of the Health and Social Care Partnership, Transformation, Climate Change and Community Capacity Building and Empowerment.
- 2.7 An additional risk has been captured within the Strategic Risk Register around the implementation of the National Care Service. The risk reflects that this is one of the most significant reorganisations for local government since 1996, and there is uncertainty over the scope of the National Care Service which could result in tight timescales and significant resource pressures for implementation.
- 2.8 The risk included in the 2022/23 strategic risk register around the Operating Environment as the Council recovered from COVID-19 has now been removed. This reflected a number of challenging emerging risks at the time including recovery, living with COVID, inflationary impacts, cost of living, and supply chain/construction inflation. Risks which remain relevant for 2023/24 are still included within the register but captured within the specific risks relevant to these challenges, primarily Financial Environment.
- 2.9 Very High Risks
- **Financial Environment** – this risk reflects the ongoing financial challenge faced by the Council (risk score 20).
  - **Inequalities** – this highlights the socio-economic inequalities faced in North Ayrshire (risk score 20).
  - **National Care Service** – this risk reflects the challenges and uncertainty the Council faces with a major reorganisation of one of its most significant and important functions (risk score 20).

#### High Risks

- **Cyber Security** – this reflects the ongoing risk from external cyber-attack which is being faced by all organisations (risk score 16).
- **Transformation** – this reflects the wider risks associated with delivering the current Transformation Programme and developing a pipeline of future initiatives (risk score 16).
- **Climate Change** – this risk has been on the Strategic Risk Register following the declaration by the Council of a Climate Change Emergency during 2019 (risk score 16).
- **Financial Sustainability of the Health and Social Care Partnership** – this reflects the ongoing financial challenges faced by the Partnership and the risk these present to the Council (risk score 12).
- **Community Capacity Building and Empowerment** – this highlights the challenges associated with community empowerment (risk score 12).

2.10 Council Services have identified high level strategic actions within their planning for 2023/24 to help the Council mitigate against its strategic risks. These actions are detailed in summary format in the Risk Management Action Plans following each Risk within Appendix 1. These actions will assist with performance monitoring and reporting on the strategic risks.

2.11 The Council's Internal Audit Plan 2023/24 was approved at the Audit and Scrutiny Committee on 28 March 2023 and is risk-based with clear links in place between the audit plan and key risks the Council faces.

### 3. Proposals

3.1 Committee is requested to note the Strategic Risk Register 2023/24.

### 4. Implications/Socio-economic Duty

#### Financial

4.1 The Council continues to have a robust long- and medium-term financial planning framework. Key strands include development of key transformation themes and the establishment of an Investment Fund that will generate future savings alongside delivery of a number of key Council priorities.

#### Human Resources

4.2 None.

#### Legal

4.3 None.

#### Equality/Socio-economic

4.4 The risk to the Council is that North Ayrshire residents, and in particular certain groups, will experience increasing levels of poverty and its effects. Current control

measures fall into two categories - measures to address the root causes of socio-economic inequalities - income through employment or benefits – and mitigation measures to minimise the impacts of poverty.

### **Climate Change and Carbon**

- 4.5 The Council has declared a climate change emergency and has in place an Environmental Sustainability and Climate Change Strategy. Significant work to help mitigate the risk of flooding is included within the Capital Plan. The Council is undertaking an ambitious renewable energy programme.

### **Key Priorities**

- 4.6 A successful risk management framework helps to underpin the delivery of the Council's strategic priorities in the Council Plan 2019-2024.

### **Community Wealth Building**

- 4.7 None.

## **5. Consultation**

- 5.1 The Strategic Risk Register has been reviewed and updated in consultation with the Executive Leadership Team and the Corporate Risk Management Group and approved by Cabinet.

Mark Boyd  
Head of Service (Finance)

For further information please contact **Laura Miller, Senior Manager (Audit, Fraud, Safety and Risk)**, on **01294-324524**.




### **Background Papers**

None.




## Appendix 1 - Strategic Risk Report 2023/24

Risk Code	SRR2324_R01	Risk Title	Financial Environment		Latest Note Date	25-Jan-2023
Risk Owner		Mark Boyd				
Risk Proximity Factors		Consequences / Impact	Existing Risk Control Measures		Likelihood	Impact
<p>The risk is that the level of funding from Scottish Government to local government will require the Council to take increasingly difficult and challenging decisions, potentially operating with increased levels of risk to ensure service delivery and investment in assets align with available resources. The 2023/24 local government settlement represents an increase of 0.33% in core grant funding, this has to continue to be looked at within the context of financial pressures facing the council including pay, significant inflationary, contractual and demographic pressures over the short, medium and long term.</p> <p>Additional challenges are being faced where Scottish Government is ringfencing increasing areas of the budget settlement, and this is further exacerbated by the inclusion of some elements of the 2023/24 budget being conditional on certain criteria being met.</p> <p>The Budget gap for 2023/24 sits at £10.3m. The gap for 24/25 is estimated at £17m. The continuation of single year settlements makes effective medium and long term financial planning challenging. It is recommended that following the settlement and within the wider financial pressure context, the risk score remains unchanged at this time. Any consideration to change this will only occur following a sustained period of annual growth in core revenue funding, however, this will also have to be considered within the context of inflation and the resultant cost pressures.</p> <p>The Council is exposed to financial risk as a result of underlying cost pressures within the IJB; more detail on this is set out at risk SRR03.</p>		<p>Funding not keeping pace with demand and inflationary cost pressures means that there will be a reduction in some service areas potentially resulting in higher risks for service users. The future delivery of balanced budgets will become increasingly challenging.</p>	<p>Robust monitoring of the Council’s revenue and capital budgets is in place as well as regular reporting of financial performance of the IJB to Cabinet and Audit and Scrutiny.</p> <p>To assist financial planning The Long Term Financial Outlook (LTFO) to 2030/31 was approved at Council on 16 December 2020 - this is the cornerstone of the Council's financial planning in the medium to long term.</p> <p>The Council approved a balanced budget for 2022/23 on 2 March 2022. A range of additional finance pressures have been identified including additional national insurance contributions, energy cost inflation, contractual commitments as well as significant construction inflation coming through the capital programme. To help mitigate the impact of cost pressures in 2022/23 the Cabinet report dated 7 June 2022 included the earmarking of funds:-</p> <ul style="list-style-type: none"><li>• Contribution to the Loans Fund to support the 10 year Capital Investment Programme and address rising cost pressures, £2.569m;</li><li>• Provision for contractual electricity and gas price increases for 2022/23 to reflect current market inflationary levels, £1.066m;</li><li>• Provision for additional non-contractual inflationary pressures (e.g. food costs, fuel, etc.), £0.822m</li></ul> <p>Further, due to the creation of IJB unearmarked reserves, an acceleration of early repayment of IJB debt owed to the Council will be actioned during 2022/23, therefore releasing resources to help address the £10.3m Budget gap for 2023/24. Finally, the Budget for 2023/24 was approved at Council on 1<sup>st</sup> March 2023. The budget included savings of £5m, a 5% increase in council tax and use of reserves totalling £3.5m. The indicative gap for 24/25 is over £17m with use of reserves planned at £5m. This will continue to present significant challenges to the Council.</p>		4	5
Status		Risk Score	<div><div>Likelihood</div><div>Impact</div></div>		Change in Score	Approach
Stable		20			No change	Treat

Strategic Risk Action Plan			Date Updated	25-Jan-2023
Analysis of Effectiveness of Controls	Further Action Required	Target Date for Completion	Officers Responsible	Current Status: RAG
Regular financial monitoring of Revenue and Capital Budgets	<b>25 January 2023:</b> Bi-monthly monitoring	31-Mar-2024	Mark Boyd	
Deliver balanced Budget for 2023/24 and outline Medium Term Financial Plan	<b>1 March 2023:</b> 23/24 Budget approved 1 March 2023	01-Mar-2023	Mark Boyd	
Maintain Financial Governance Arrangements for IJB	<b>25 January 2023:</b> Bi-monthly monitoring.	31-Mar-2024	Mark Boyd	
Progress dialogue via COSLA with Scottish Government on a range of areas including fair funding, multi-year settlements, reduction in levels of ring-fenced resources, true costs of SG policy areas, financial flexibilities and a New Deal partnership with SG and local Govt	<b>25 January 2023:</b> Regular engagement through Directors of finance group	31-Mar-2024	Mark Boyd	

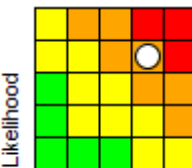
Risk Code	SRR2324_R02	Risk Title	Inequalities			Latest Note Date	25-Jan-2023
Risk Owner		Audrey Sutton/Caroline Cameron					
Risk Proximity Factors		Consequences / Impact		Existing Risk Control Measures		Likelihood	Impact
<p>North Ayrshire residents, and in particular certain excluded groups, will experience increasing levels of poverty and its effects, as a result both of the economic situation and Covid-19.</p> <p>Health inequality is closely linked to poverty, employment and people's earliest experiences as children, and will increase.</p> <p>The population of North Ayrshire is projected to fall over the next 10 years but there will also be a larger proportion of the population considered dependent (not economically active).</p>		<p>The impact on specific risk groups is greatest for our children, young people and families, unemployed people and those in in-work poverty and people exposed to the risks of drug and alcohol addiction.</p> <p>Demand for HSCP and Council Services will increase.</p> <p>As reductions in resources increase, early intervention and prevention activities are at risk, thus increasing the potential for an increase in costly crisis interventions.</p> <p>The local economy will be impacted by reduced spending power by economically inactive residents.</p>		<p>The HSCP re-affirmed its commitment to Tackling Inequalities by continuing to consider it a key priority with the Partnership's Strategic Plan.</p> <p>Through the HSCP strategic plan, the Partnership sets out actions to tackle inequality through its Partnership Pledge and across its strategic priorities. Tackling inequalities is addressed across HSCP service areas. An example of actions to help address local inequalities include:</p> <p>Establishing the Money Matters service in 9 GP practices and 7 local schools in the more deprived areas of North Ayrshire. This will improve accessibility of the service to those who would benefit most.</p> <p>Increase the number of employability mentors in Justice Services, to support those with experience of the justice service into meaningful employment or training opportunities and to help divert away from criminal behaviours.</p> <p>Working closely with Housing colleagues to ensure formerly looked after young people can access a positive and stable housing destination.</p> <p>In our Drug and Alcohol Services, we are implementing actions to reduce the number of local drug and alcohol related harms and deaths. This includes implementing the national MAT (Medicated Assisted Treatment) standards and increasing the number of ABIs (Alcohol Brief Interventions) delivered across North Ayrshire.</p> <p>Through the Caring for Ayrshire programme, we have set out a phased approach to improve local primary care premises (GP Practices and Health Centres). This will improve overall professional capacity within GP practices for Multi-Disciplinary Teams, ensuring the right support is available for local people with health concerns.</p>		5	4
Status		Risk Score	Heat 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Strategic Risk Action Plan			Date Updated	25-Jan-2023
Analysis of Effectiveness of Controls	Further Action Required	Target Date for Completion	Officers Responsible	Current Status: RAG
<p>The Communities and Education Directorate considers reducing inequalities to be at the heart of its work.</p> <p>The Directorate leads the Community Planning Partnership for the Council and the CPP has recently developed a new Local Outcomes Improvement Plan, the purpose of which is reducing inequalities. The themes are Wellbeing, Work and World. Locality Planning priorities and CIF funded initiatives are also focused on a range of inequalities, including poverty, age-related inequalities and digital inequalities.</p> <p>The Directorate also leads the work of the Child Poverty and Cost of Living Board, chaired by the Council Leader. The four strategic themes of the Board to date have been:</p> <ul style="list-style-type: none"> <li>• No Wrong Door – access to services</li> <li>• Employability</li> <li>• Food</li> <li>• Islands</li> </ul> <p>Progress has been made with partners through a series of mini-enquiries, ensuring that lived experience influences developments and actions.</p> <p>The commitment to reducing inequalities is also reflected in the Communities and Education Directorate plans:</p> <ul style="list-style-type: none"> <li>• the Educational Service Improvement Plan</li> <li>• Connected Communities strategic plans and</li> <li>• Facilities Management plans.</li> </ul> <p>Examples of actions to reduce inequalities:</p> <ul style="list-style-type: none"> <li>• Deployment of Scottish Attainment Challenge funding to reduce the poverty related attainment gap in schools</li> <li>• Use of the Pupil Equity Fund to ensure equity of pupil experience in schools, at the discretion of head teachers</li> <li>• Cost of the School Day actions to reduce, for example, the cost of school uniforms and clothing, food and outings</li> <li>• Support for care experienced young people, both in schools and through youth services</li> <li>• The Fairer Food Network, with 14 community larders which support the needs of individual communities</li> <li>• A network of warm spaces and events to mitigate energy use and social isolation</li> <li>• Work to support “New Scots,” in schools, with families and in community settings through language support and capacity building, including women’s groups</li> <li>• LGBT support groups for young people and those over 18</li> <li>• Mentoring support for young people in secondary schools through a partnership with MCR Pathways</li> <li>• Participation strategies for children young people and adults to ensure our strategies and investment are informed by as wide a range of view as possible.</li> </ul>	<p><b>25 January 2023:</b></p> <p>Each of these strategies, taken together, and further developed and implemented, should make a significant contribution to inequalities.</p> <p>Actions are being progressed and remain within the Target date for completion.</p>	31-Mar-2024	Audrey Sutton; Caroline Cameron	

Risk Code	SRR2324_R03	Risk Title	Financial Sustainability of the Health and Social Care Partnership		Latest Note Date	23-Jan-2023
Risk Owner		Caroline Cameron				
Risk Proximity Factors		Consequences / Impact	Existing Risk Control Measures	Likelihood	Impact	
<p>Uncertainty of future funding against growing demand and demographic pressures.</p> <p>Resources have not kept pace with the demand for and cost of social care services. The budget settlement for 23-24 is extremely challenging with a gap of around £7.5m across the IJB.</p> <p>There remains uncertainty around Covid-related costs with no additional funding for these beyond the end of 22-23.</p> <p>In earlier years, the HSCP did not manage to contain spend within the delegated budget, but surpluses were achieved in 20-21 and 21-22. Current projections are that the Partnership will also achieve a small surplus in 22-23.</p> <p>Outstanding debt to the Council is currently £2.321m but it is planned to clear the debt by the end of the 22-23 financial year.</p> <p>Current Scottish Government proposals to introduce a National Care Service (NCS) by 2026 will significantly impact on the IJB.</p> <p>Significant inflationary pressures across employee pay and contractual costs will increase the financial challenges for the Partnership.</p> <p>Low-volume high-cost care packages continue to present a financial challenge to the Partnership.</p>		<p>Funding levels could result in savings being made that are not in alignment with the strategic plan. This could impact on the future demand levels e.g. reduction in early intervention and prevention means that future demand is increased.</p> <p>Funding levels increase the requirement to transform services at scale and pace.</p> <p>The impact of the National Care Service will become clearer as legislation is progressed.</p>	<p>The IJB actively monitors the financial position with regular detailed reporting. Directors of Finance of the Council and Health Board have oversight and regular updates are provided to the Council's Cabinet.</p> <p>There is an integrated approach to managing the totality of NHS and Council resources delegated to the IJB. The Medium Term Financial Outlook will be refreshed for 2023-26 and presented to the IJB in March 2023. Previous financial settlements have seen both partners meet the Scottish Government settlement conditions with any additional resources passed to the IJB.</p> <p>The IJB had uncommitted financial reserves of £7.248m at the beginning of April 2022, which equated to around 2.6% of the budget. This is towards the lower end of the good practice target of 2%-4%.</p> <p>Significant funding has been provided to IJBs for the Covid-19 response, supported by regular financial returns to the Scottish Government. Costs were fully funded in 20/21, 21/22 and 22/23.</p> <p>The Partnership has a Transformation Board overseeing the programme of service re-design.</p>	3	4	
Status		Risk Score	<div><div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><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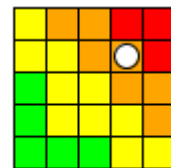
Strategic Risk Action Plan			Date Updated	23-Jan-2023
Analysis of Effectiveness of Controls	Further Action Required	Target Date for Completion	Officers Responsible	Current Status: RAG
Budget Monitoring - Regular budget monitoring reports to IJB are effective.	<b>23 January 2023:</b> No additional actions planned at this time but will keep under review	31-Mar-2024	Caroline Cameron; Paul Doak	
Corrective Action – Transformation Board is effective	<b>23 January 2023:</b> No additional actions planned at this time but will keep under review.	31-Mar-2024	Caroline Cameron; Paul Doak	




Risk Code	SRR2324_R04	Risk Title	Cyber Security		Latest Note Date	19-Jan-2023
Risk Owner		Fiona Walker				
Risk Proximity Factors		Consequences / Impact	Existing Risk Control Measures	Likelihood	Impact	
<p>The potential compromise of business operations or a data breach orchestrated via either digital channels or the IT infrastructure. This can include targeting of the user base. Risk derives from both Council operations and those of its supply chain.</p> <p>The increasing importance of delivering services through digital channels and maximising efficiency through effective and secure use of technology. This includes a growing adoption of cloud-based computing resources which extend processing capabilities, and associated risks, beyond the Council's network.</p> <p>The response to the Covid-19 pandemic resulted in the remote and mobile working by staff as effectively being the normal working practice. This is likely to continue as a hybrid approach becomes the new normal. Such a distributed work force increases the complexity of protecting against cyber and data protection risks.</p>		<p>Failure by Services to adopt and comply with strategies, policies and procedures may result in a failure to adequately ensure the desired levels of cyber-security required to maintain and protect council systems and data.</p> <p>There may be a significant impact on the authority through the release of personal and/or sensitive information resulting in a loss of public confidence and significant financial loss incurred through fines and service disruption.</p> <p>A successful cyber-attack (malicious external or internal action) on the Council's IT environments could also result in significant service disruption, loss of income streams and possible data loss/exposure.</p> <p>Impacts of a cyber-attack could include economic (i.e. inability to collect online payments), societal disruption (i.e. loss of diaries and client appointments), and reputational damage (i.e. loss of public confidence in digital services).</p>	<p>It is recognised that it is not possible for any organisation to expect to be completely protected against continually evolving cyber threats. A threat actor with sufficient motivation, resource and capability will be able to compromise the most secure system.</p> <p>The Council takes a sociotechnical approach to reducing risk by continually developing protective measures through technical, organisational and people-focused controls.</p> <p>Technical controls are implemented in areas such as network defences, secure configuration of systems, user authentication, malware protection, and vulnerability management. These are based on best practice and independently tested on an annual basis to confirm their effectiveness in accordance with compliance schemes.</p> <p>The Council maintains a comprehensive set of policies, standards, guidelines, metrics and reporting mechanisms as part of its information security governance structure. A comprehensive training and awareness programme is delivered to nurture a cyber-aware workforce and culture.</p>	4	4	
Status		Risk Score		Change in Score	Approach	
Stable		16		No change	Treat	



Strategic Risk Action Plan			Date Updated	19-Jan-2023
Analysis of Effectiveness of Controls	Further Action Required	Target Date for Completion	Officers Responsible	Current Status: RAG
Incident Detection and Response – Recent cyber-attacks on public sector organisations highlight the need for robust incident detection and response procedures and technologies. The current response procedures been shown to be effective based on incidents experienced so far, however detection capabilities will need to be reviewed and improved.	<b>19 January 2023:</b> In progress – A joint procurement of a Managed Security Operation Centre (SOC) service with other local authorities is being taken forward by the Digital Office. The procurement was expected to be completed December 2022 however the Digital Office recruitment of a new chief information security officer (CISO) has delayed this.	31-Mar-2024	Fiona Walker	
	<b>19 January 2023:</b> In progress – Work is ongoing to implement a security information and event management (SIEM) solution to allow log collection and detection by a SOC. A proof of concept (POC) is planned with a potential SOC provider to advance the SIEM implementation. Procurement of a SOC will also help to complete this action.	31-Mar-2024	Fiona Walker	
	<b>19 January 2023:</b> In progress – The investigation of potential options and quotes is still underway with Aon. The risk assessment is complete and will now be used in discussions to establish whether it is possible to broker for quotes.	31-Mar-2024	Fiona Walker	
Training and Awareness – The pandemic has impacted on the cyber training programme with the long-term cancellation of all classroom-based training. However, a new online course was launched to compensate for this.	<b>19 January 2023:</b> In progress – Face to face training has resumed with sessions being organised to tackle the backlog caused by the pandemic. Phishing simulations have also been restarted and will continue to be ran to test the effectiveness of training and raise awareness.	Ongoing	Fiona Walker	



Risk Code	SRR2324_R05	Risk Title	Transformation			Latest Note Date	25-Jan-2023
Risk Owner		Mark Boyd					
Risk Proximity Factors		Consequences / Impact		Existing Risk Control Measures		Likelihood	Impact
There is an overarching risk that transformation and change management activities, which are core to the future delivery models and long-term financial sustainability of both the Council and Health and Social Care Partnership, fail to deliver.		<p>Failure to deliver transformational change will impact on the Council’s financial sustainability, effectiveness of service delivery and delivery of the outcomes set out in the Council Plan 2019-24 and the Local Outcome Improvement Plan (LOIP).</p> <p>Failure to deliver the HSCP Transformation programmes across the Partnership, involving North Ayrshire Council (NAC) and NHS Ayrshire &amp; Arran (NHSAA) services may lead to the identified outcomes not being delivered; resulting in financial instability, reduced performance, deteriorating patient outcomes, and reputational damage within North Ayrshire Health and Social Care Partnership (NAHSCP).</p> <p>Failure to embed cultural transformation activities may lead to difficulties in building future workforce capacity and in ensuring we have an engaged, skilled and knowledgeable workforce to meet service demand.</p>		<p>The transformation programme aligns to the Council Plan and is monitored via the Transformation Board.</p> <p>Workstreams have been developed across Transport and Travel, Accessing our Council, Land and Property and Sustainability.</p> <p>HSCP have an established Transformation Board to closely monitor progress with plans, regular updates on programme to the IJB and regular meetings with the Chief Executive and S95 Officer to review progress and mitigation plans. IJB approved budget and Strategic Plan for 2022-23 which align with financial plans with transformational strategic change ambitions.</p> <p>Cultural transformation activities continue to evolve to support the Council’s transformation and improve effectiveness and capability. This includes sharing learning and skills, engagement, design experiments and a whole systems approach to transformation and change.</p> <p>Our workforce planning approach utilises a variety of tools and techniques, such as career development, succession planning, vacancy management, redeployment and early release schemes to ensure our workforce requirements for the future, in terms of skills and capabilities, are planned. Each Head of Service has a workforce plan, and these are monitored six-monthly with continued HR support and guidance to ensure service review and redesign of the workforce is on track.</p>		4	4
Status		Risk Score	Heat Map	 <p>Likelihood</p> <p>Impact</p>		Change in Score	Approach
Stable		16				No change	Treat






Strategic Risk Action Plan			Date Updated	25-Jan-2023
Analysis of Effectiveness of Controls	Further Action Required	Target Date for Completion	Officers Responsible	Current Status: RAG
Existing project level governance and controls remain effective and are constantly reviewed.	<b>25 January 2023:</b> Progress on Transformation projects continues to be governed and monitored via the Transformation Board which is chaired by the Chief Executive. Meeting at the end of March will consider the next phase of projects required for delivery to address the significant financial challenges in 2024/25	Quarterly	Mark Boyd / Chief Executive and Executive Directors	

Risk Code	SRR2324_R06	Risk Title	Climate Change			Latest Note Date	24-Jan-2023
Risk Owner		David Hammond					
Risk Proximity Factors		Consequences / Impact		Existing Risk Control Measures		Likelihood	Impact
<p>Climate change is expected to continue and worsen in the future if no action is taken, with increases to mean global temperatures, sea level rises and the increasing frequency and severity of weather events such as floods, heatwaves, droughts and storms.</p> <p>More frequent and intense heavy rainfall events increase the risk of soil erosion and flooding.</p> <p>Rises in mean sea level increases risks of coastal erosion, flooding, saltwater intrusion and soil salinisation (risk to agricultural land and freshwater habitats).</p> <p>Severe weather is already affecting public services across Scotland, with operational, reputational, financial and legal consequences.</p> <p>There is also an ongoing impact of severe winter weather including snowfall and freezing temperatures which impact service delivery and the integrity of our roads open space and buildings infrastructure. This shift in weather patterns caused by climate change is also affecting biodiversity across Scotland.</p>		<p>Increased frequency of severe weather conditions and flooding events may lead to more instances of damage to Council infrastructure and property, interruptions to service delivery and increased demands on services, often with little notice.</p> <p>Risk to life, transport disruption and pollution to the local environment, as well as impact adversely on the local economy if businesses are unable to operate.</p> <p>Council requirement to provide immediate response and manage the adverse effects of more frequent and severe weather emergency situations, including support to local communities and businesses.</p> <p>The Council is required to comply with the ‘Public Bodies Climate Change Duties’ under the Climate Change (Scotland) Act 2009. These duties require the Council to assess the risks, threats and opportunities associated with climate change and identify actions to increase resilience to climate change.</p>		<p>North Ayrshire Council declared a Climate Emergency in June 2019, committing to act on climate change and reduce carbon emissions. In January 2020 the Council approved the target to become net-zero carbon by 2030, for both Council estate emissions and area-wide emissions.</p> <p>The third iteration of the Environmental Sustainability &amp; Climate Change Strategy was approved by Cabinet in May 2021, providing a road map to achieve the net zero carbon emissions by 2030 target.</p> <p>Climate Change Adaptation has been included as a workstream within the new strategy, utilising Adaptation Scotland’s Capability Framework to ensure North Ayrshire takes a strong, proactive approach to adapting to climate change. Officers are participating in the Sustainable Scotland Network’s ‘Adaptation Scotland Benchmarking Group’ to learn and share best practice with other local authorities.</p> <p>The Flood Risk Management Strategy has been developed into a 6-year plan which began in 2016. A second plan, which will follow on, is in development.</p> <p>In addition, actions to mitigate Climate Change risk are held within strategies such as the Core Paths Plan, Outdoor Access Strategy, Local Biodiversity Action Plan, and Weather and Winter Emergencies Plan. Asset management plans are in place which are regularly reviewed for our Roads, Fleet, Housing, Property and Open Spaces.</p> <p>Furthermore, through the Ayrshire Civil Contingencies Team there are emergency planning arrangements in place in the event of severe weather and flooding conditions causing major disruption and damage to the area or to individual communities within it.</p>		4	4
Status		Risk Score	<div><div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><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Strategic Risk Action Plan				Date Updated	24-Jan-2023
Analysis of Effectiveness of Controls	Further Action Required	Target Date for Completion	Officers Responsible	Current Status: RAG	
<p>Reducing Carbon Emissions:</p> <p>North Ayrshire Council declared a Climate Emergency in June 2019, committing to act on climate change and reduce carbon emissions. In January 2020 the Council approved the target to become net-zero carbon by 2030, for both Council estate emissions and area-wide emissions.</p> <p>The Council has taken action against climate change since our first Carbon Management Plan in 2006/07, by working to reduce emissions associated with Council services, and using the baseline year of 2005/06 from which to measure progress.</p> <p>Since the baseline year of 2005/06, Council estate emissions have reduced by 67.8%, from 67,719 tonnes of carbon dioxide equivalent (tCO<sub>2</sub>e) to 21,794 tCO<sub>2</sub>e (a reduction of 1,052 tCO<sub>2</sub>e from the previous year). Area-wide emissions are published by BEIS two years in arrears. Total emissions have reduced across North Ayrshire by 49%, from 1,437 kilotonnes of carbon dioxide (ktCO<sub>2</sub>) in 2005 to 730 ktCO<sub>2</sub> in 2020.</p> <p>To ensure North Ayrshire Council can develop a leading, cross-sector and community led approach we established a Climate Change Steering Group (CCSG) in 2021. The CCSG is chaired by the Cabinet Member for Economy and Climate Change and brings together young people, local businesses and community organisations from across North Ayrshire.</p> <p>Existing controls remain effective and are under review as our response to climate change develops and we progress towards achieving net zero by the 2030 target.</p>	<p><b>24 January 2023:</b></p> <p>Continuing the Implementation of the 3rd Environmental Sustainability &amp; Climate Change Strategy, which Includes a Roadmap with actions towards achieving the target. The ESCCS 3 contains workstreams:</p> <ul style="list-style-type: none"> <li>Affordable Warmth</li> <li>Green Economy</li> <li>Transport and Travel</li> <li>Natural Environment</li> <li>Sustainable Operations</li> <li>Carbon Absorption</li> <li>Climate Change Adaptation, which follows Adaptation Scotland's Capability Framework, to build a climate resilient North Ayrshire.</li> </ul> <p>Across seven thematic workstreams (Affordable Warmth, A Green Economy, Transport &amp; Travel, Natural Environment, Sustainable Operations, Carbon Absorption and Climate Change Adaptation), 65 actions have been identified and progressed over the course of the ESCCS 3 period. Updates on progress are provided through the Council's performance reporting system, Pentana, on a quarterly basis. These actions are designed to be directly and indirectly responsible for carbon reduction and deliver other socio-economic benefits.</p> <p>Officers started preparation of 4th Environmental Sustainability &amp; Climate Change Strategy.</p>	31-Mar-2023	David Hammond		
<p>Flood Risk Management Plan:</p> <p>Cycle 2 of the Ayrshire Local Flood Risk Management Plan has been developed and published on 31<sup>st</sup> December 2022.</p> <p>Studies and modelling will be undertaken to identify and prioritise vulnerable areas where financial damage and risk to life are most likely.</p> <p>There is an ongoing programme of monthly inspections of debris screens which have been installed to prevent vulnerable culverts from blocking and causing flooding. CCTV inspections of culverts are also undertaken to identify blockages and deterioration of assets that might cause flooding. This has been effective in reducing flooding, although there are capacity issues which this process cannot address.</p> <p>The Upper Garnock Valley FPS has been substantially completed and is currently providing flood protection.</p>	<p><b>24 January 2023:</b></p> <p>We will undertake the actions outlined in cycle 2 of the Ayrshire Local Flood Risk Management Plan. We will continue to look for opportunities to implement Natural Flood Management and we will develop a range of further flood protection measures which can be put forward as schemes for inclusion in cycle 3 of the ALFRMP.</p> <p>We will complete the Millport Coastal FPS and the Mill Burn FPS.</p> <p>Inspections and CCTV surveys of culverts and screens will continue, including prioritised maintenance. Efforts will be made to continue to identify unknown culverts and add them to the ongoing inspection and maintenance process.</p>	30-06-2028	Thomas Reaney		

Risk Code	SRR2324_R07	Risk Title	Community Capacity Building and Empowerment		Latest Note Date	20-Jan-2023
Risk Owner		Rhonda Leith				
Risk Proximity Factors		Consequences / Impact	Existing Risk Control Measures	Likelihood	Impact	
<p>Unrealistic timescales for implementation of aspects of legislation of the Community Empowerment Act (Scotland) 2015, such as Community Asset Transfer.</p> <p>Pressure to support community capacity building and the variation of needs within a reducing workforce.</p> <p>Duplication of effort across HSCP and Locality Partnerships to foster community participation and deliver engagement activities.</p> <p>Complying with the complex consultation legislation in service redesign.</p> <p>Rising energy and utility costs relating to property management.</p> <p>Budget savings and pressure on property maintenance budgets.</p>		<p>Where the risk is not managed effectively the potential benefits of community capacity building and empowerment may be lost.</p> <p>Widening inequality gap between those communities where levels of capacity and engagement with the empowerment agenda are high and those with less social capital where interest remains low, which constrains the ability to influence the planning and delivery service.</p> <p>Any disconnect between the Council’s aspirations, community appetite for increasing ownership of assets and what communities themselves feel able and prepared to commit to can result in community assets reverting back to Council.</p> <p>Accelerating asset transfer risks losing services and facilities.</p> <p>Over-engagement carries disengagement and engagement fatigue.</p> <p>Increased property costs can be a deterrent for organisations engaging and completing the CAT process.</p> <p>Lack of budget to undertake proactive maintenance may result in NAC buildings falling into disrepair detracting organisations from progressing to lease and or ownership of NAC assets.</p>	<p>Ongoing commitment to community empowerment and locality partnerships from CPP.</p> <p>Six locality partnerships and alignment with HSCP locality arrangements.</p> <p>Leadership of the CPP Senior Officers’ Group.</p> <p>Enabling approach with community partners and support with third sector interface to build capacity and identify opportunities for growth and sustainability.</p> <p>Reviewed guidance and processes relating to asset transfer, allotment and Community Councils.</p> <p>Participatory budgeting approach local grants, commitment to PB with partners and leading practice in mainstreaming participatory approaches</p> <p>External funding bid help for groups through regular meetings with third sector, funders and funding officers.</p> <p>Membership of The Consultation Institute.</p> <p>Additional investment of £1m for a Community Asset Transfer Start Up Fund, prioritising additional staffing capacity to support CAT in Connected Communities and TACT.</p> <p>A collaboration and shared resource approach across Connected Communities Teams will be taken to ensure the Service deliver on this priority.</p>	3	4	
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Strategic Risk Action Plan			Date Updated	23-Jan-2023
Analysis of Effectiveness of Controls	Further Action Required	Target Date for Completion	Officers Responsible	Current Status: RAG
Implementation of CEA: Existing controls remain effective and are kept under review.	<b>23 January 2023:</b> Strategic CLD Plan 2021-2024 identifies priorities for capacity building and the programme of community support is addressing needs. Community ladders and Community Cafes are being supported by the NA Food System and Connected Communities staff to ensure the network can be sustained and develop further. All other actions are being progressed and remain within the target date for completions.	31-Mar-2024	Rhonda Leith	
Implementation of CEA: Existing controls remain effective and are kept under review to monitor impact and performance.	<b>23 January 2023:</b> A New Local Outcomes Improvement Plan for 22-30 was approved by the CPP Board in March 2022. Work is now being undertaken to develop and implement the LOIP action plan to continue to work to improve outcomes for our communities across North Ayrshire.	31-Mar-2024	Rhonda Leith	
Staff capacity: Existing controls remain effective and are kept under review, Recruitment remains a challenge.	<b>23 January 2023:</b> Ongoing review and monitoring on progress of CAT applications.	31-Mar-2024	Rhonda Leith	
Alignment of engagement: Existing controls remain effective.	<b>23 January 2023:</b> Actions are being progressed and remain within the target date for completion. Ongoing focus to ensure the right balance of time and resource to community / stakeholder engagement aligning to the Consultation Institute frameworks.	31-Mar-2024	Rhonda Leith	
Consultation: Existing controls remain effective and hybrid engagement models have been implemented post covid to encourage and provide greater access to participation.	<b>23 January 2023:</b> Actions are being progressed and remain within the target date for completion. Ongoing focus to consultation and engagement.	31-Mar-2024	Rhonda Leith	

Risk Code	SRR2324_R08	Risk Title	National Care Service			Latest Note Date	25-Jan-2023
Risk Owner		Craig Hatton					
Risk Proximity Factors		Consequences / Impact		Existing Risk Control Measures		Likelihood	Impact
<p>The proposals for a National Care Service represent one of the largest reorganisations in local government since the creation of local authorities in 1995/96.</p> <p>Uncertainty around future delivery models and the scope of the National Care Service, leading to uncertainty around the level of local authority resources which will be transferred to the National Care Service and also the level of funding to cover the remaining local authority services, with the Social Care Budget accounting for almost one third of local government expenditure.</p> <p>Complexity in the transferring of one of local government’s most significant and important services, therefore resulting in considerable staff resourcing to undertake this task, as well as considerable financial cost.</p> <p>The arrangements for Children’s Services are still to be determined, but if these are removed from the local authority there are risks arising from the arm’s length proximity to Education.</p> <p>Tight timescales for implementation by the end of the current Parliamentary term in 2026, when boundaries and service scope are uncertain.</p>		<p>Impact on local government revenue and capital funding.</p> <p>Potential impact on all corporate support services.</p> <p>Delays in the implementation of existing priorities and commitments as a result of diverted resource.</p> <p>Potential loss of ‘whole service’ approach within local government that benefitted from shared leadership and links across essential services.</p> <p>Uncertainty created for the council’s workforce which may result in a loss of existing talent and experience as well as difficulties with recruitment.</p> <p>Risk to the ongoing work and service delivery by the Council into Children’s Services if these are removed from the local authority.</p> <p>Challenges around agreeing the funding of all historic borrowing attached to Social Care assets.</p> <p>Reducing the capacity of local authorities exposes civil emergency arrangements to new risks.</p>		<p>Engagement within the Health &amp; Social Care Partnership with lead professionals, input by Senior Managers within the HSCP and consideration by the Partnership Senior Management Team on the Scottish Government’s proposals for the National Care Service.</p> <p>The North Ayrshire Integration Joint Board approved their response to the consultation at their meeting of 21 October 2021.</p> <p>Cabinet approved their response to the consultation at their meeting of 2 November 2021.</p> <p>Participation in the annual National Care Service Forum, with the first meeting held on 3 October 2022.</p>		5	4
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<b>Strategic Risk Action Plan</b>			<b>Date Updated</b>	27-Jan-2023
<b>Analysis of Effectiveness of Controls</b>	<b>Further Action Required</b>	<b>Target Date for Completion</b>	<b>Officers Responsible</b>	<b>Current Status: RAG</b>
<p>Further actions will be identified and undertaken once details are known around the scope of the National Care Service and timescales for implementation.</p> <p>A detailed response plan will be prepared which will detail the preparations required in order to mitigate any risk.</p>	<p><b>27 January 2023:</b></p> <p>Actions will be identified and progressed in due course.</p>	31-Mar-2026	Caroline Cameron/Mark Boyd/Craig Hatton	●



## NORTH AYRSHIRE COUNCIL

30 May 2023

### Audit and Scrutiny Committee

<b>Title:</b>	<b>Internal Audit Annual Report 2022/23</b>
<b>Purpose:</b>	To provide the Committee with an annual report on the work of Internal Audit during 2022/23 and provide an opinion on the governance, risk management and internal control environment of the Council.
<b>Recommendation:</b>	The Committee is asked to note the content of the annual report and the opinion of the Senior Manager on the Council's governance, risk management and internal control environment.

#### 1. Executive Summary

- 1.1 The purpose of this report is to present the annual report on the internal audit activity during 2022/23, and to provide an independent opinion on the adequacy and effectiveness of the Council's governance, risk management and internal control systems for the year ended 31 March 2023.

#### 2. Background

- 2.1 The Public Sector Internal Audit Standards (PSIAS) require that the Chief Internal Auditor prepares an annual report on the activities of Internal Audit and that the report should contain a view on the adequacy of the Council's governance, risk management and internal control frameworks. The annual report for 2022/23 is attached at Appendix 1 and outlines the role of Internal Audit, the performance of the section during the year and the key audit findings. It also contains the annual internal audit opinion.
- 2.2 The required annual report for financial year 2022/23, together with the statement on internal controls, is included in Appendix 1.
- 2.3 The revised internal audit plan for 2022/23 (approved by the Audit and Scrutiny Committee in September 2022) has been substantially completed. Audit fieldwork remains in progress on six assignments. One audit assignment is at draft report stage, meaning the assurance opinion can be included in the overall annual audit opinion.
- 2.4 All audit findings during the year support and inform the objective opinion of the Senior Manager (Audit, Fraud, Safety and Risk) on the adequacy of the Council's

governance, risk management and internal control environment. The assurance category given to each individual audit informs the overall level of assurance.

- 2.5 The annual internal audit opinion also contributes to the Annual Governance Statement which is published as part of the Council's annual accounts and is included under separate cover to this Audit and Scrutiny Committee meeting for approval.
- 2.6 Based on the audit work carried out, the opinion of the Senior Manager (Audit, Fraud, Safety and Risk) is that reasonable assurance can be placed on the adequacy and effectiveness of the Council's systems of governance, risk management and internal control.

### **3. Proposals**

- 3.1 It is proposed that the Committee notes the content of the annual report and the opinion of the Senior Manager on the Council's governance, risk management and internal control environment.

### **4. Implications/Socio-economic Duty**

#### **Financial**

- 4.1 None.

#### **Human Resources**

- 4.2 None.

#### **Legal**

- 4.3 None.

#### **Equality/Socio-economic**

- 4.4 None.

#### **Climate Change and Carbon**

- 4.5 None.

#### **Key Priorities**

- 4.6 The work of Internal Audit helps to support the efficient delivery of the strategic priorities within the Council Plan 2019-2024.

#### **Community Wealth Building**

- 4.7 None.

## **5. Consultation**

- 5.1 Council Services are consulted on the findings of Internal Audit throughout the year. No specific consultations have taken place in relation to this annual report.

Mark Boyd  
Head of Service (Finance)

For further information please contact **Laura Miller, Senior Manager (Audit, Fraud, Safety and Risk)**, on **01294 324524**.

### **Background Papers**

None.

## INTERNAL AUDIT ANNUAL REPORT 2022/23

### 1. Introduction

- 1.1. The purpose of this report is to summarise the Internal Audit activity for 2022/23 and provide an opinion on the overall adequacy and effectiveness of the Council's governance, risk management and internal control frameworks.
- 1.2. The Council's Section 95 Officer has overall responsibility for Internal Audit in North Ayrshire Council. The Senior Manager (Audit, Fraud, Safety and Risk) reports to the Section 95 Officer, with the right of access to the Chief Executive and the Chair of the Audit and Scrutiny Committee on any audit matter. These rights of access help ensure the organisational independence of Internal Audit.
- 1.3. The presence of an effective internal audit function contributes towards, but is not a substitute for, effective control. It is the responsibility of management to have adequate controls in place and to ensure these controls are operating effectively. A sound control system will help safeguard assets, ensure records are reliable, promote operational efficiency and ensure adherence to Council policy and procedure. Such systems of internal control can provide only reasonable and not absolute assurance against loss.

### 2. Reporting requirements of the Public Sector Internal Audit Standards (PSIAS)

- 2.1. Internal Audit operates in accordance with the PSIAS requirements and is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
- 2.2. Internal Audit operates within the Internal Audit Charter, most recently approved by the Audit and Scrutiny Committee in March 2023.
- 2.3. The PSIAS places a number of reporting obligations on the Chief Internal Auditor in respect of the annual report. These obligations are summarised below:

PSIAS Ref	Requirement	Evidence
1110	The chief audit executive must confirm to the board, at least annually, the organisational independence of the internal audit activity.	The Senior Manager reports directly to the Audit and Scrutiny Committee, and unfettered access is available to the Chief Executive as required.
1320	The results of the quality and assurance programme and progress against any improvement plans must be reported in the annual report.	The results of the external quality assessment, carried out in 2022, were reported to the Audit and Scrutiny Committee in September 2022. An update against the action plan is included in <a href="#">Annex B</a> .

PSIAS Ref	Requirement	Evidence
2450	The chief audit executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.	This report to Audit and Scrutiny Committee provides the annual report and statement of assurance on internal controls.
2450	The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.	This report to Audit and Scrutiny Committee provides the annual statement of assurance at <a href="#">Annex C</a> .
2450	The annual report must also include a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.	This report to Audit and Scrutiny Committee provides a statement on the conformance with the PSIAS at Section 5 below.

### 3. Planned and Actual Activity during 2022/23

- 3.1. The internal audit plan was approved by the Audit and Scrutiny Committee in March 2022 with a mid-year change to the plan approved in September 2022. 'Productive' time is allocated in the plan to the delivery of audit assignments with a balance of time retained within the service for 'non-productive' activities which includes management and strategy, attendance at meetings, administration and staff training and development.
- 3.2. The mid-year revised plan included 26 assignments where an audit output was anticipated. 16 of these have been completed, one is at draft report stage, six are work in progress, and three are deferred. The results of the draft reports and work in progress assignments will be reported to a future meeting of the Audit and Scrutiny Committee.
- 3.3. In line with the Council's defalcation procedures, all instances of suspected fraud and irregularity should be reported to Internal Audit. These are investigated by the specialist Corporate Fraud Team and are not included within this annual report.
- 3.4. All audit reports finalised during 2022/23 were reported to meetings of the Audit and Scrutiny Committee. A summary of outputs achieved are included in [Annex A](#).
- 3.5. Detailed below are the most significant findings from the audit work finalised during 2022/23:
  - A non-fraud investigation identified control weaknesses within a Council establishment particularly around financial procedures and cash controls. Remedial action has been taken to enhance cash handling training within the service, with a further action to enhance the procedures in place. Further work has been carried out by Internal Audit across similar establishments, with

Reasonable assurance concluded in those other areas. This provides some assurance that the weaknesses identified during the investigation are not systemic.

- A programme of audit work is in place relating to cyber resilience, with the planned audit work following the categories and domains contained within the Scottish Government's Cyber Resilience Framework. One report was issued in early 2022/23 which had a limited assurance opinion. As a result of this, a formal follow up review was also carried out by Internal Audit during the year. The follow up concluded with Reasonable assurance, with some further areas for improvement identified.
- A review of Off-Payroll Working (IR35) identified that adequate procedures had been implemented corporately, including guidance for services as well as an iLearn module training course. However the findings from the services reviewed identified that there was limited assurance over operational application of IR35 regulations. This area will be considered again soon in a forthcoming audit plan.

3.6. These findings, together with those from other audits carried out and the individual assurance levels detailed above, contribute to the annual internal audit opinion in [Annex C](#) of this report.

#### **4. Audit Resources**

- 4.1. The Internal Audit section is directly managed by the Team Manager (Internal Audit), who reports to the Senior Manager (Audit, Fraud, Safety and Risk). The Senior Manager is responsible for Internal Audit, as well as Corporate Fraud, Risk and Insurance and Corporate Health and Safety.
- 4.2. As well as the Team Manager, the Internal Audit team consisted of two part-time Internal Auditors as well as a part-time Computer Auditor.
- 4.3. All staff within the section hold a relevant qualification, either through an institute which is part of the Consultative Committee of Accountancy Bodies (CCAB) or the Institute of Internal Auditors (IIA).
- 4.4. The Internal Audit Charter requires the Senior Manager to report to the Section 95 Officer and the Audit and Scrutiny Committee if resources available fall below an acceptable level for the audit work required. No instances of resource limitation have occurred during 2022/23.

#### **5. Performance**

- 5.1. During 2022/23, Internal Audit provided regular updates to the Audit and Scrutiny Committee on the activities of the service. Elected Members had the opportunity to discuss all Internal Audit reports and question either the Senior Manager or relevant officers from Council services. The Senior Manager also carried out Elected Member training to the Committee in May 2022.
- 5.2. The Council's performance management system, Pentana, is used to follow-up on audit action points. Officers with responsibility for implementing audit actions are required to update the system and updates are provided to the Audit and Scrutiny Committee on a quarterly basis. Where actions are overdue, officers are required to

attend the Committee to update Elected Members on plans to ensure that actions are implemented.

- 5.3. The Senior Manager is required to confirm annually internal audit's compliance with the Public Sector Internal Audit Standards (PSIAS). A significant achievement during 2022/23 was the successful completion of the External Quality Assessment. Under the terms of the PSIAS, each organisation's Internal Audit team is required to undertake an External Quality Assessment (EQA) at least once in each five-year period. This helps to ensure compliance with the standards.
- 5.4. A peer to peer review network of the Scottish Local Authorities Chief Internal Auditors Group (SLACIAG) is in place. The review of the Council's Internal Audit team was completed by West Dunbartonshire Council and was reported to the Audit and Scrutiny Committee in September 2022. The review assessed the compliance of the Council's Internal Audit team with the 14 sections of the PSIAS and noted that the team fully conforms with 13 of the standards and generally conforms with the remaining one. Overall the assessor was able to provide substantial assurance that the Council's Internal Audit team complies with the requirements of the PSIAS. There were four minor routine recommendations for improvement which will further improve compliance. All actions are completed and the details of this are included in [Annex B](#). In summary, the Internal Audit service continues to conform with the PSIAS.
- 5.5. A range of performance indicators are used to monitor performance within the section, and these are detailed in the table below, along with the two previous years' actual figures. These are tracked by the Team Manager on a quarterly basis and are discussed with audit staff to review performance and identify opportunities for development.

	<b>2020/21 Actual</b>	<b>2021/22 Actual</b>		<b>2022/23 Target</b>	<b>2022/23 Actual</b>
Percentage of auditor time spent productively	82%	82%		87%	83%
Training days per auditor	4.2 days	5.8 days		3.6 days	4.4 days
Audits completed in budgeted days	24%	23%		75%	33%
Final reports issued	22	22		n/a	25
Draft reports issued within 21 days of fieldwork completion	83%	81%		100%	91%
Final reports issued within 14 days of return of action plan	95%	100%		100%	96%
Actions implemented on time by Council services	68%	83%		80%	73%
Ad-hoc requests for advice from Council services	63 requests	27 requests		n/a	51 requests

- 5.6. While some of the indicators are slightly below target, it is important to note that the key measure of internal audit is the achievement of organisational value and this is demonstrated in the volume of activity noted in Annex A and the significant progress made in achieving the risk based internal audit plan.
- 5.7. With regard to 'audits completed in budgeted days', this remains below target however this reflects the completion of individual audit assignments rather than the

audit plan as a whole. Most audits which exceeded the budgeted days did so by only a day or two.

- 5.8. Internal Audit has a strong working relationship with all Council services and is frequently asked for audit advice on an ad-hoc basis. The volume of these requests is outwith the control of Internal Audit however it is noted that there has been a return to a higher level of requests than in 2021/22. The significant level of requests in 2020/21 was particularly high, and an immediate response to changed processes and procedures relating to Covid-19 arrangements in light of new working practices.
- 5.9. The Internal Audit section also calculates two annual performance indicators which are required by the CIPFA Directors of Finance group. These are as follows:

	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>
Productive days achieved per audit plan	86.47%	85.36%	83.90%
Cost of Internal Audit per £1m of net expenditure	£529.51	£491.13	£457.33

- 5.10. 'Productive days achieved per audit plan' is lower than in previous years however it should be noted that this indicator reflects back to the original internal audit plan approved in March 2022 as the base point, rather than the mid-year revision approved by Audit and Scrutiny Committee in September 2022. The indicator therefore does not capture the adaptive nature of internal audit and the need for flexibility during the year. There are two main reasons for the indicator being lower than in previous years: sickness absence has been higher during the year than anticipated at the outset and the Senior Manager spent more time on other duties than anticipated due to unplanned commitments, including preparing a response to the Scottish Covid-19 inquiry. The methodology for this indicator will be reviewed during 2023/24 to identify if this flexibility, also encouraged by the PSIAS, can be captured going forward.
- 5.11. The 'cost of Internal Audit per £1m of Council net expenditure' was £457.33 in 2022/23, a decrease from £491.13 in 2021/22. The lower cost in 2022/23 is due to the same reasons noted above, that the Senior Manager spent more time on other duties within the remit of the post, particularly around Health and Safety and Insurance. The indicator also reflects that risk management has been incorporated back within the team which has lowered the proportion of the Senior Manager's time spent in audit.

## **6. Other Responsibilities**

- 6.1. The Senior Manager is also the Chief Internal Auditor for the North Ayrshire Integration Joint Board (NAIJB). In the interests of information sharing, the results of the NAIJB audit work are shared with the Audit and Scrutiny Committee.

## **7. Opinion**

- 7.1. There is a formal requirement for the Chief Internal Auditor to prepare an assurance statement on the adequacy of internal control systems within the Council. The internal audit annual statement on the adequacy of internal controls is included in [Annex C](#).

## **8. Conclusion**

- 8.1. The 2022/23 internal audit plan has been satisfactorily completed. There are no limitations of scope to the issued audit opinion.



# Summary of Internal Audit Work 2022/23

# Annex A

Type	Audit	Opinion	Reported to A&S Committee	Actions Arising			
				Priority 1	Priority 2	Priority 3	Total
COMPLETED WORK							
Investigation	Visit to a Care Establishment	Limited/Reasonable	15/11/2022	4	2	0	6
Assurance	Off-Payroll Working (IR35)	Limited/Substantial	27/09/2022	5	0	1	6
Assurance	Accounts Payable Transaction Testing Q4*	Reasonable	27/09/2022	1	0	0	1
Assurance	Leavers and Movers Processes*	Reasonable	27/09/2022	1	0	0	1
Assurance	VAT*	Reasonable	27/09/2022	1	0	0	1
Assurance	Funding Support to Businesses*	Reasonable	27/09/2022	0	0	0	0
Assurance	Accounts Payable Transaction Testing Q2	Reasonable	31/01/2023	2	0	0	2
Assurance	Cyber Resilience Network Security Controls	Reasonable	31/01/2023	0	1	1	2
Assurance	Financial Controls within ASN and Primary Schools	Reasonable	28/03/2023	1	3	0	4
Assurance	Social Care Establishments	Reasonable	28/03/2023	3	0	0	3
Assurance	Compliance with the Cyber Resilience Framework Follow Up	Reasonable	30/05/2023	1	1	0	2
Assurance	Museums and Heritage Assets	Reasonable	30/05/2023	0	0	0	0
Assurance	Accounts Payable Transaction Testing Q4	Reasonable	30/05/2023	1	0	0	1
Assurance	Social Media*	Substantial	27/09/2022	0	0	0	0
Assurance	CM2000*	Substantial	27/09/2022	0	1	1	2
Assurance	Care Home Admissions*	Substantial	15/11/2022	0	0	0	0
Assurance	Roads Stores Controls	Substantial	15/11/2022	0	0	0	0
Assurance	Building Services Procurement	Substantial	15/11/2022	0	0	0	0
Assurance	Facilities Management Procurement	Substantial	31/01/2023	0	0	0	0
Assurance	Transport – Journeys and Hires	Substantial	31/01/2023	0	0	0	0
Assurance	Scottish Housing Regulator Annual Assurance Statement	Substantial	31/01/2023	0	0	1	1

# Summary of Internal Audit Work 2022/23

## Annex A

Type	Audit	Opinion	Reported to A&S Committee	Actions Arising			
				Priority 1	Priority 2	Priority 3	Total
Assurance	Gifts and Hospitality	Substantial	31/01/2023	0	0	0	0
Annual Accounts	Community Councils	n/a	n/a	n/a	n/a	n/a	n/a
Annual Accounts	Tenants and Residents Associations	n/a	n/a	n/a	n/a	n/a	n/a
<b>REPORTING PHASE**</b>							
Assurance	Glow	Reasonable	tbc	0	4	0	4
<b>WORK IN PROGRESS</b>							
Assurance	Payroll Transaction Testing Q1/Q3	tbc	tbc	tbc	tbc	tbc	tbc
Assurance	Income Collection	tbc	tbc	tbc	tbc	tbc	tbc
Assurance	Employee Services – HR Payroll System/Processes	tbc	tbc	tbc	tbc	tbc	tbc
Assurance	ICT Supplier Management	tbc	tbc	tbc	tbc	tbc	tbc
Assurance	ASN Provision	tbc	tbc	tbc	tbc	tbc	tbc
Assurance	Early Years Provision	tbc	tbc	tbc	tbc	tbc	tbc
<b>OTHER/ONGOING</b>							
Consultancy	O365/Information and Collaboration Project Board	n/a	n/a	n/a	n/a	n/a	n/a
Consultancy	Ayrshire Growth Deal	n/a	n/a	n/a	n/a	n/a	n/a
Consultancy	Municipalisation Project Board	n/a	n/a	n/a	n/a	n/a	n/a
Consultancy	Education Maintenance Allowance (EMA)	n/a	n/a	n/a	n/a	n/a	n/a
Consultancy	Aids and Adaptations Working Group	n/a	n/a	n/a	n/a	n/a	n/a
Small Advisory	51 various requests	n/a	n/a	n/a	n/a	n/a	n/a

\* 2021/22 audit but not sufficiently concluded at the time of the 2021/22 annual report, therefore opinion included 2022/23.

\*\* Audits not yet finalised but sufficiently in draft to conclude on the level of assurance.

**External Quality Assessment July 2022 –  
Action Plan Progress**

**Annex B**

No	Importance	Recommendation	Management Response	Responsible Officer/ Agreed Completion Date	Status
1	Routine	The Internal Audit Charter should be enhanced to provide specific reference to the “Mission of Internal Audit” at its next review.	This will be incorporated into the next iteration of the Internal Audit Charter, which is due for review at the next audit planning round for 2023/24.	Laura Miller, CAE  31 March 2023	Complete
2	Routine	The Chief Audit Executive has recognised the need to improve the documentation of the audit risk assessment process and the overall assurance process. Consideration should also be given to the inclusion of the risk factors which have influenced the audit plan in relation to the risk-based audit assurance work in the covering report.	Work commenced to improve the documentation of the risk assessment at the 2022/23 audit planning process. In addition, the overall assurance process was also more fully documented at the time the annual internal audit report and opinion for 2021/22 was produced. Further action will also be taken during the 2023/24 internal audit planning process to document the risk factors which have influenced the audit plan and ensuring these are referenced within the covering report.	Laura Miller, CAE  31 March 2023	Complete
3	Routine	The Chief Audit Executive has recognised the need for referencing audit work to the strategic and service risk registers within the audit planning process.	The audit universe was amended for the 2022/23 audit planning process to include reference to the strategic and service risk registers.	Laura Miller, CAE  Complete	Complete
4	Routine	The Chief Audit Executive has recognised the need to include a specific section on exclusions within the audit programme. It is recommended that where exclusions are identified that these are also included in the draft and final reports issued to management.	Standard templates relating to the audit engagement (the audit programme and the audit report) will be amended to capture the need to document exclusions from the scope of the audit. This will also be reflected in the Audit Manual.	Laura Miller, CAE  30 September 2022	Complete

## **Internal Audit Annual Statement on the Adequacy of Internal Controls**

### **To the Members and Chief Executive of North Ayrshire Council**

As Chief Internal Auditor for North Ayrshire Council, I am pleased to present my annual statement on the overall adequacy and effectiveness of the framework of governance, risk management and control of the Council for the year ended 31 March 2023.

### **Respective responsibilities of management and internal auditors in relation to governance, risk management and control**

It is the responsibility of the Council's senior management to determine, establish and maintain sound systems of governance, risk management and control to ensure that the organisation's resources are properly applied in a manner and on the activities intended and that these arrangements are sufficient to address the risks facing their services. This includes responsibility for the prevention and detection of fraud. Management is also charged with monitoring the continuing effectiveness of these arrangements and taking action as appropriate. It is the responsibility of the Chief Internal Auditor to provide an annual assessment of the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.

### **Sound internal controls**

The main objectives of the Council's internal control systems are to:

- ensure adherence to management policies and directives in order to achieve the organisation's objectives;
- safeguard assets;
- ensure the relevance, reliability and integrity of information, so ensuring as far as possible the completeness and accuracy of records; and
- ensure compliance with statutory requirements.

Any system of control can only ever provide reasonable and not absolute assurance that control weaknesses or irregularities do not exist or that there is no risk of material errors, losses, fraud, or breaches of laws or regulations. Accordingly, the Council is continually seeking to improve the effectiveness of its systems of internal control.

### **The work of internal audit**

Internal audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. The Internal Audit section operates in accordance with United Kingdom Public Sector Internal Audit Standards (PSIAS) which came into force with effect from 1 April 2013 (updated in March 2017). The requirements under PSIAS represent best practice and are mandatory.

The Chief Internal Auditor prepares an annual internal audit plan which outlines the programme of work to be undertaken. The plan is developed utilising a risk-based methodology and takes into account the requirement placed upon the Chief Internal Auditor to deliver an annual internal audit opinion. The plan needs to be flexible to reflect the changing risks and priorities of the organisation. The plan, and any material changes to the plan during the year, are approved by the Audit and Scrutiny Committee.

All internal audit reports are brought to the attention of management, including system weaknesses and/or non-compliance with expected controls, together with agreed action plans. It is management's responsibility to ensure that due consideration is given to internal audit reports and that appropriate action is taken on audit recommendations. This includes management taking remedial action where appropriate or accepting that there may be a level of risk exposure if the weaknesses identified are not addressed for operational reasons. Internal Audit is required to ensure that appropriate arrangements are made to determine whether action has been taken on internal audit recommendations or that management has understood and assumed the risk of not taking action. Matters arising from internal audit work are also reported to the Chief Executive, Head of Finance (as Section 95 Officer), Members of the Audit and Scrutiny Committee, and external audit.

### **Summary of Internal Audit Activity 2022/23**

A total of 22 internal audit reports have been issued during 2022/23. Nine audit opinions give substantial assurance and 11 reasonable assurance. Two reports with a wider scope have combined audit opinions of Limited/Reasonable and Limited/Substantial. A further audit report is in draft and anticipated to have a Reasonable assurance opinion. A diverse range of audit areas have been covered during the year. As well as planned assignments, Internal Audit also offers advice and guidance on the Council's control environment as and when required and will carry out non-fraud investigations which are brought to our attention.

A range of recommendations have been raised in the areas covered by the 2022/23 internal audit plan. Many expected key controls have been in place and operating effectively, however Internal Audit has also identified scope for improvement in some systems. All 32 action points raised in the year have been accepted by management and will result in continued improvement of the Council's governance, risk management and control environment.

### **Basis of Opinion**

The evaluation of the control environment is informed by a number of sources:

- the audit work undertaken by Internal Audit during the year to 31 March 2023;
- the audit work undertaken by Internal Audit in previous years and knowledge of any significant audit findings after the year end;
- the assessment of risk completed during the preparation of the annual audit plan;
- reports issued by the Council's external auditors and other review and inspection agencies;
- knowledge of the Council's governance, risk management and performance monitoring arrangements; and

- any other items brought to the attention of internal audit by whatever means which may warrant further investigation.

### **Opinion**

On the above basis, Internal Audit can provide reasonable assurance over the framework of governance, risk management and control and that adequate controls were in place and were operating throughout the Council in 2022/23.

**Laura Miller FCCA**

**Senior Manager (Audit, Fraud, Safety & Risk)**

**30 May 2023**

## NORTH AYRSHIRE COUNCIL

30 May 2023

### Audit and Scrutiny Committee

<b>Title:</b>	<b>Corporate Fraud Team Annual Report 2022/23</b>
<b>Purpose:</b>	To provide the Audit and Scrutiny Committee with an update report on the work of the Corporate Fraud Team during 2022/23.
<b>Recommendation:</b>	That the Committee notes the work carried out by the Corporate Fraud Team.

#### 1. Executive Summary

- 1.1 The Corporate Fraud Team provides the Council with the capacity to investigate fraud both within and against the organisation.
- 1.2 Committee receives bi-annual updates on the work of the team. A mid-year update for 2022/23 was provided in November 2022 and this report provides an overview of the key activities and outcomes for the full year.

#### 2. Background

##### Investigation Work

- 2.1 Referrals for investigation have been made to the team from a number of different sources, including Revenues and Benefits and Housing, members of the public and other agencies and local authorities. The publicity used by the team, including posters and leaflets, advertising on Council vans and contact information on the Council website, continues to be successful in generating a stream of referrals.
- 2.2 Investigations have been carried out across a range of areas including employee-related matters as well as Council Tax, Discretionary Housing Payments, Scottish Welfare Fund, Blue Badges and Housing tenancy issues. Although responsibility for investigating Housing Benefit fraud now lies with the DWP Single Fraud Investigation Service (SFIS), issues may be identified by the Corporate Fraud Team which can result in changes being made to benefits in payment. Formal joint working arrangements are in place with the DWP for cases where there are suspected frauds relating to both DWP benefits and Council Tax Reduction.
- 2.3 The team investigates all tenancy abandonments which are referred by Housing. While Housing focus on recovering the tenancy, the Corporate Fraud Team can add

value by locating the missing tenant, which can often lead to changes to benefits or discounts in payment elsewhere, as well as enabling Housing to recover costs associated with house clearances and cleaning.

- 2.4 Employee-related investigations are the subject of a separate report to the appropriate Service and the findings are also reported to the Audit and Scrutiny Committee as each investigation is finalised.

### Outcomes 2022/23

- 2.5 The team received 357 referrals for investigation during 2022/23 (2021/22: 280 referrals). All referrals made to the team are investigated although many can subsequently prove unfounded.
- 2.6 346 cases were closed during 2022/23 (2021/22: 284 cases). These can be categorised as follows:

<b>Outcome</b>	<b>Number of Cases</b>
Closed with no issues identified	164
Referred to another agency (including SFIS) or Council Service for investigation	73
Closed with results achieved (fraud, error or other recovery/action)	109
<b>TOTAL</b>	<b>346</b>

- 2.7 Fraud and error totalling £0.236m were identified and are categorised in the table below:

<b>Category</b>	<b>Value (£000)</b>
Housing Benefit	29
Council Tax (including CTR, Single Person Discount and other recoveries)	111
Covid-19 grants	51
Discretionary Housing Payments	3
Housing	9
Other	33
<b>TOTAL</b>	<b>236</b>

- 2.8 Furthermore, cases which have been pending at court and stalled due to the Covid-19 pandemic are now starting to progress through the system. Two cases previously reported to the Crown Office and Procurator Fiscal Service (COPFS) have now concluded:

- In 2021/22, one case was included in the financial outcomes report to the Audit and Scrutiny Committee with a value of £0.015m. The case concluded at court in August 2022 with a guilty verdict and the ordering of 200 hours of community payback to be completed within 12 months.
- In 2019/20, one case was included in the financial outcomes report to the Audit and Scrutiny Committee with a value of £0.024m. The case concluded at court in March 2023 with a not guilty verdict.



2.9 In addition to the financial outcomes noted above, other outcomes/benefits were noted as follows:

- 53 tenancies were recovered by Housing with some assistance from the Corporate Fraud Team;
- One application for a new tenancy has been refused as a result of pro-active checks on tenancy successions, joint tenancies, and tenancy exchanges;
- Six blue badge cases were investigated during the year. Five cases were closed with no issue, and one case resulted in the recovery of a blue badge, the issue of a warning letter, and a referral to the CoPFS for prosecution; and
- Four employee investigation reports have been taken forward, with three concluding with a recommendation for the service to consider disciplinary action.

#### Pro-active Work

2.8 Two data matching exercises commenced in 2021/22 using data from the council tax and payroll systems, the aim of which was to identify any anomalies in the council tax accounts of council employees. £0.030m of recoveries were reported in the year end report for 2021/22 presented to Audit and Scrutiny Committee in May 2022. A further 18 cases were closed in 2022/23 with single person's discount anomalies amounting to £0.025m.

2.9 This brings recoveries from the full exercise to £0.055m (2021/22: £0.030m; 2022/23: £0.025m).

#### International Fraud Awareness Week

2.9 International Fraud Awareness Week took place from 13 – 19 November 2022. Events were held across several properties in North Ayrshire during that week including the Rivergate Shopping Centre, Sainsbury's Saltcoats, and Brooksby Medical Centre in Largs. The purpose of these visits was to raise knowledge and awareness of the Corporate Fraud Team.

#### National Fraud Initiative (NFI)

2.10 The National Fraud Initiative (NFI) is a long-established exercise which takes place across the UK every two years and involves the matching of relevant datasets across public bodies to identify possible fraud or error for further investigation.

2.11 The latest biennial NFI exercise commenced in October 2022 with the submission of data sets to the Cabinet Office. The team co-ordinates the Council's participation in the NFI. Data matches to date have been received between January and March 2023 and passed to the appropriate teams for further investigation. This exercise is due to be complete by March 2024 and the outcomes will be reported to a future meeting of the Audit and Scrutiny Committee.

### **3. Proposals**

- 3.1 It is proposed that the Committee notes the work carried out by the Corporate Fraud Team.

#### **4. Implications/Socio-economic Duty**

##### **Financial**

- 4.1 None.

##### **Human Resources**

- 4.2 None.

##### **Legal**

- 4.3 None.

##### **Equality/Socio-economic**

- 4.4 None.

##### **Climate Change and Carbon**

- 4.5 None.

##### **Key Priorities**

- 4.6 The work of the Corporate Fraud Team helps to support the efficient delivery of the strategic priorities within the Council Plan 2019-2024.

##### **Community Wealth Building**

- 4.7 None.

#### **5. Consultation**

- 5.1 No consultation has been required in the preparation of this report.

Mark Boyd  
Head of Service (Finance)

For further information please contact **Laura Miller, Senior Manager (Audit, Fraud, Safety and Risk)**, on **01294 324524**.

##### **Background Papers**

None

## NORTH AYRSHIRE COUNCIL

30 May 2023

### Audit and Scrutiny Committee

<b>Title:</b>	<b>Internal Audit and Corporate Fraud Action Plans: Quarter 4 update</b>
<b>Purpose:</b>	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 March 2023.
<b>Recommendation:</b>	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 as at 31 March 2023.

#### 2. Background

- 2.1 The last report to the Audit and Scrutiny Committee on 28 March 2023 highlighted that there were nine actions outstanding at the end of December 2022: eight that had not been started or were only partially implemented and one where the due date had not yet passed.

- 2.2 In addition to these nine carried forward actions, there have been 17 new actions agreed, giving a total of 26 action points for review.
- 2.3 Services have completed eight actions since the last report. All Council 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 18 actions, four were either not started or only partially complete at 31 March 2023 and the remaining 14 actions were not due for completion until after that date.
- 2.5 Appendix 1 to this report provides the Committee with full details of two of the actions that were not complete within the agreed timescales. In terms of Section 50 (A) 4 of the Local Government (Scotland) Act 1973, two of the outstanding action points are exempted from public inspection, on the grounds indicated in terms of Paragraph 1 of Part 1 of Schedule 7A of the Act.

### **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/Socio-economic Duty**

#### **Financial**

- 4.1 None.

#### **Human Resources**

- 4.2 None.

#### **Legal**

- 4.3 None.

#### **Equality/Socio-economic**

- 4.4 None.

#### **Climate Change and Carbon**

- 4.5 None.

## **Key Priorities**

- 4.6 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 2019-2024.

## **Community Wealth Building**

- 4.7 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.

Mark Boyd  
Head of Service (Finance)

For further information please contact **Laura Miller, Senior Manager (Audit, Fraud, Safety and Risk)**, on **01294 324524**.

## **Background Papers**

None.

## Actions due by 31<sup>st</sup> March 2023 but not started or partially complete

<b>Code</b>	IA2021PA013b	<b>Description</b>	<b>Audit Action:</b> Building Services should progress with the interface between the URM system and Integra to prevent double keying. <b>Audit Finding:</b> There has been no progress made in an invoice interface between URM and Integra. As a result, Building Services staff are double keying invoices. <b>Risk:</b> Increased risk of keying errors and inefficient use of staff time.		
<b>Priority</b>	3	<b>Latest Note</b>	There have been some delays with the development of a Creditor Payment interface. All information has now been received and agreed from both IT suppliers and we are now awaiting a suitable date to commence and complete the work – this will likely be quarter 2 of the new reporting year. New completion date 30th September 2023.		
<b>Progress Bar</b>	<div><div>50%</div></div>	<b>Original Due Date</b>	31-Dec-2021	<b>Due Date</b>	31-Jan-2023
<b>Parent Code &amp; Title</b>	IA2021PA013 Building Services Systems			<b>Managed By</b>	Yvonne Baulk
				<b>Assigned To</b>	Leigh-Ann Mitchell; Jim Smith

<b>Code</b>	IA2023PA006b(2)	<b>Description</b>	<p><b>Audit Action:</b> Services should revisit all agency staff transactions in 21/22 and assess whether these could have fallen within the scope of IR35. All decisions should be evidenced, and if deemed within the scope of IR35 appropriate corrective action should be taken.</p> <p><b>Audit Finding:</b> IR35 is not being considered, evidenced, and applied consistently throughout the Council.</p> <p><b>Risk:</b> Fines and penalties from HMRC for not correctly applying IR35 legislation.</p>		
<b>Priority</b>	1	<b>Latest Note</b>	<p>This has been progressing - we identified Lynne Ferguson (Business Support) and Lee Thomson (Finance) to be the experts around IR35 and undertake the training, who could then be a point of contact for managers who were looking at engaging someone via an agency. 1 of the MH SMT has now completed the training. New completion date 31/5/23.</p>		
<b>Progress Bar</b>	<div><div>50%</div></div>	<b>Original Due Date</b>	31-Oct-2022	<b>Due Date</b>	31-Mar-2023
<b>Parent Code &amp; Title</b>	IA2023PA006 Off Payroll Working (IR35)			<b>Managed By</b>	Thelma Bowers
				<b>Assigned To</b>	Thelma Bowers





## NORTH AYRSHIRE COUNCIL

30 May 2023

### Audit and Scrutiny Committee

**Title:** Internal Audit Reports issued

**Purpose:** To inform the Committee of the findings of Internal Audit work completed between March and April 2023.

**Recommendation:** That the Committee considers the outcomes from the Internal Audit work completed.

#### 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 between March and April 2023. 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 Section 95 Officer and the relevant Executive Director and Head of Service on the completion of each assignment. Where appropriate, this has included an action plan with recommendations for improving internal control. Appendix 1 includes the report and action plan from each audit.
- 2.3 The findings from two separate audit assignments are detailed at Appendix 1 to this report and the levels of assurance for each are noted in the table below:

<b>Audit Title</b>	<b>Assurance Level</b>
Museums and Heritage Assets	Reasonable
Accounts Payable Transaction Testing Q4	Reasonable

### **3. Proposals**

- 3.1 It is proposed that the Committee considers the outcomes from the Internal Audit work completed between March and April 2023.

### **4. Implications/Socio-economic Duty**

#### **Financial**

- 4.1 None.

#### **Human Resources**

- 4.2 None.

#### **Legal**

- 4.3 None.

#### **Equality/Socio-economic**

- 4.4 None.

#### **Climate Change and Carbon**

- 4.5 None.

#### **Key Priorities**

- 4.6 The work of Internal Audit helps to support the efficient delivery of the strategic priorities within the Council Plan 2019-2024.

#### **Community Wealth Building**

- 4.7 None.

### **5. Consultation**

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

Mark Boyd  
Head of Service (Finance)

For further information please contact **Laura Miller, Senior Manager (Audit, Fraud, Safety and Risk)**, on **01294 324524**.

**Background Papers**

None.

## **MUSEUM AND HERITAGE ASSETS**

### **1 Background**

- 1.1** The Council currently holds around 10,000 museum and heritage assets over several locations.
- 1.2** A combination of manual records and document management software are used to record and track the movement of these assets. Both the manual documents and software comply with accreditation standards set by the Collections Trust.

### **2 Objectives and Scope**

- 2.1** The objective of this audit is to ensure:-
- a detailed and accurate asset register is being maintained
  - there are sufficient controls around the addition, disposal and lending of assets
  - risk associated with the imminent software change have been considered and mitigated
  - risks facing the Service are being considered and mitigated wherever possible.

### **3 Findings**

#### **Asset Register**

- 3.1** The Service made it clear from the outset of the audit that historical issues have resulted in a number of asset records being either incomplete or missing.
- 3.2** The Service provided Audit with a multi-stage plan to correct this, although also highlighted the time-consuming nature of the task along with resourcing limitations meaning that no final date has been set for the completion of the task.
- 3.3** The Service also highlighted that whilst all efforts are being made to complete records, there are historical instances where paperwork was never generated.
- 3.4** Heritage asset information is held by Financial Management as part of the Council's fixed asset register and Corporate Insurance as part of the Council's insurance policy.
- 3.5** Reliance is placed on Heritage Officers, with support from external valuers, identifying assets of value and ensuring these are included in the registers noted in **3.4**.
- 3.6** Audit compared the list of assets held by Financial Management to that held by Insurance.
- 3.7** One collection of books valued at £100,000 on the Financial Management register was not listed on the Insurance policy. Arrangements to get an updated valuation with the intention of adding the collection to the insurance policy were made during the course of the audit.

## **Additions, Disposals and Lending of Assets**

- 3.8** The Service has a detailed procedure document which sets out the process involved in adding, disposing or loaning assets.
- 3.9** Audit reviewed a sample of 5 recent additions to Adlib, the collections management system, to ensure that records are being created in detail, with copies of all relevant manual documents being scanned and attached to the electronic record. No issues were noted.
- 3.10** No assets have been disposed of since 1 April 2022.
- 3.11** The Council has one asset currently on long-term loan to the National Museum of Scotland.
- 3.12** The Service was able to provide copies of the loan agreement and indemnity insurance certificate for the asset.

## **System Upgrade**

- 3.13** Adlib has been bought over by Axiell. The support for the existing software will soon end and therefore the Service is considering migrating its data from Adlib to Axiell Collections software.
- 3.14** Moving to Axiell would mean a change in the way that Council data is stored. Currently Adlib is hosted on a Council server and is therefore subject to Council security and back-up processes. Axiell would not be hosted in-house, but would instead be hosted by the software company.
- 3.15** Axiell would host the software within one of its data centres and would also take responsibility for managing server hardware, operating systems, data back-up and disaster recovery on behalf of the Council.
- 3.16** At the conclusion of the Audit, the Service was still in discussion with Axiell over the location of their data centres. There is a risk associated with Council data leaving the UK or EU as it loses the protection of GDPR and therefore the Service is looking to confirm that data will be held either within the EU or within a country that the UK has an adequacy arrangement in place with.
- 3.17** The Service is also in the process of testing the Axiell software to ensure it will fulfil all the Council requirements.
- 3.18** The Service has confirmed that no data migration will occur until the points noted at **3.16** and **3.17** are suitably resolved. If these points cannot be resolved to the satisfaction of the Service, consideration will be given to other software suppliers.

## **Risks**

- 3.19** There are a number of risks associated with the holding and storage of Heritage assets – there is the need to maintain specific levels of humidity, light and temperature in order to protect certain assets.

### Physical Risks to assets

- 3.20** The Council has a 'Conservation and Care Plan' that sets out the steps that will be taken to prevent any harm to the Council's collection. This Care Plan covers areas such as:-
- Provision of suitable building conditions
  - Environmental monitoring
  - Environmental controls
  - Housekeeping
  - Interventive conservation
  - Handling, moving and transport
  - Expertise, advice and services
- 3.21** Audit selected a sample of the controls listed in the above document for review and found:-
- As part of the Museum's Accreditation, the security of the Heritage Centre was assessed by the Police. The Service has confirmed that recommendations resulting from this visit were implemented.
  - Display cases are of museum accredited standard.
  - The temperature of assets held within the Heritage Centre is controlled via air-conditioning. The Council has a contract for the maintenance and annual servicing of these units.
  - Sensors within the Heritage Centre record light levels, UV levels, humidity and temperature daily. Software alerts Officers if any reading falls outwith a reasonable range.
  - The Garrison does not have sensors fitted, although Officers do take manual readings whilst on site.
  - The placement of assets outwith the Council's two museums is undertaken on a case by case basis. The suitability of the environment and security on site will be considered prior to placing an asset.

### Financial Risk

- 3.22** The Service is working through having its assets assessed by a professional valuation company. This allows financial values to be attached to assets for Insurance purposes. All items valued at > £10,000 are added to the Council policy during the annual Insurance renewal process.

### Risk to asset records

- 3.23** The Service is working to correct historical record keeping issues (as noted in paragraph **3.2**).
- 3.24** Manual records are stored in a fireproof safe, which Audit viewed during a site visit.

## **4 Internal Audit Opinion**

- 4.1** Overall, reasonable assurance was obtained during the audit.

- 4.2** The Service is working to improve the quality of its records by reviewing incomplete historical records and, if the information is available, updating them.
- 4.3** The most pressing issue facing the Service is the decision on whether to move to Axiell Collections software. At the conclusion of this Audit, the Service is still working to assess the suitability of the hosting arrangement for the software along with working on confirming the adequacy of its functionality.

#### Definitions of Assurance Levels:

<b>Substantial</b>	A sound system of governance, risk management and control exist, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
<b>Reasonable</b>	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
<b>Limited</b>	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
<b>None</b>	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

NB The level of assurance given is at the discretion of Internal Audit.

## ACCOUNTS PAYABLE TRANSACTION TESTING Q4

### 1 Background

- 1.1 This audit used computer audit software called IDEA (Interactive Data Extraction and Analysis) to interrogate the Accounts Payable (AP) System and examined any anomalies which arose.
- 1.2 There were 47,068 invoices paid to trade and sundry suppliers during the period of the audit totalling just over £151 million.

### 2 Objectives and Scope

- 2.1 The main objectives of this audit were to ensure that:
- duplicate invoices have not gone undetected.
  - invoices paid to employees are bona fide.
- 2.2 The audit period was 1<sup>st</sup> July 2022 to 31<sup>st</sup> December 2022. This audit will be carried out again in quarter 2 of 2023/24.

### 3 Findings

#### Invoice Tests

- 3.1 The auditor tested for duplicate invoices for payments to suppliers and identified 184 possible duplicates that were investigated further. This confirmed that 69 were duplicates but had already been identified and action taken by the AP team. This testing therefore identified 19 potential duplicate invoices totalling £11,629.93 and one potential duplicate credit note totalling £109.34, which have not already been identified by the AP team. The potential duplicates have been passed to the AP team to check and arrange recovery. **(Action a)**
- 3.2 There were 77 invoices with a payment date before the invoice date. Testing was carried out on a sample of 10 and in 9 cases the invoice date was keyed incorrectly and had not been paid in advance. In 1 case the due date was keyed as no invoice date was noted on the invoice. However, it should be noted that most of the invoices were paid a week or less in advance.
- 3.3 There were 159 invoices with a payment date more than 1 year after the invoice date. Testing was carried out on a sample of 10 and in 6 cases the correct invoice date was keyed and there was either a significant delay in the receipt of invoice or a significant delay in payment of invoice. The other 4 had the dates wrongly keyed. Financial Management confirmed that there are no VAT implications when paying invoices more than 1 year old. However, it should be noted that invoice date keying errors will impact the monitoring of paying invoices on time.

#### Creditors to Payroll Data Match



- 3.4** The auditor tested for employees who have been paid via Integra. There were 55 supplier bank details matching an employee's bank details. All invoices paid to these suppliers were checked and there were no concerns to note.

#### **4 Internal Audit Opinion**

- 4.1** Overall, reasonable assurance was obtained with regard to the controls around the processing of invoices, in particular to preventing duplicate invoices being processed as the number of potential duplicates identified is relatively low.

#### **Definitions of Assurance Levels:**

<b>Substantial</b>	A sound system of governance, risk management and control exist, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
<b>Reasonable</b>	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
<b>Limited</b>	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
<b>None</b>	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

NB The level of assurance given is at the discretion of Internal Audit.

**KEY FINDINGS AND ACTION PLAN**  
**ACCOUNTS PAYABLE TRANSACTION TESTING Q4**

<b>Action</b>	a
<b>Finding</b>	Testing identified 19 potential duplicate invoices totalling £11,629.93 and one potential duplicate credit note totalling £109.34, which have not already been identified by the AP team.
<b>Action Description</b>	AP should review the potential duplicate invoices and arrange for recovery of monies paid twice.
<b>Risk</b>	The Council has paid the same invoice twice and the money has not been recovered.
<b>Priority (1, 2, 3)</b>	1
<b>Paragraph Reference</b>	3.1
<b>Managed by</b>	Mark Boyd, Head of Service (Finance)
<b>Assigned to</b>	Suzanne Quinn, Senior Manager (Corporate Procurement)
<b>Due Date</b>	31 <sup>st</sup> May 2023
<b>Management Comment</b>	The Accounts Payable Team will investigate the 19 potential duplicate suppliers by 31 <sup>st</sup> May 2023 and report findings and action taken to remove to Internal Audit.

**Priority Key used in Action Plan**

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