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 **Thursday, 13 March 2025** 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 (i) the Ordinary Meeting of the Audit and Scrutiny Committee held on 23 January 2025; and (ii) the Special Meeting held on 6 February 2025 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 **Sickness Absence Management**
Submit report by the Head of Service (People & ICT) providing an overview of the Council's Sickness Absence policies and how these are managed, monitored and reported (copy enclosed).

4 **Accounts Commission's Report: Local Government in Scotland: Financial Bulletin 2023/24**
Submit report by the Head of Service (Finance) informing the Committee on the findings of the recently published report (copy enclosed).

5 Internal Audit Plan 2024/25: Progress Update
Submit report by the Head of Service (Finance) requesting approval for an amendment to the 2024/25 Internal Audit Plan (copy enclosed).

6 Internal Audit Reports Issued
Submit report by the Head of Service (Finance) on the findings of Internal Audit work completed since January 2025 (copy enclosed).

7 Internal Audit and Corporate Fraud Action Plans: Quarter 3 update
Submit 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 2024 (copy enclosed).

8 Internal Audit Charter 2025
Submit report by the Head of Service (Finance) seeking approval of the updated Internal Audit Charter (copy enclosed).

9 Internal Audit Plan 2025/26
Submit report by the Head of Service (Finance) on the proposed internal audit plan for 2025/26 (copy enclosed).

10 External Audit Plan 2024/25
Submit report by the Head of Service (Finance) on the External Audit Plan for 2024/25 (copy enclosed).

11 Standing Item of Business: Consideration of future business for scrutiny

- Consideration of a request from Councillor Donald Reid for a report on supplier and quality issues of purple bin lids and the replacement process to be brought to Audit & Scrutiny.

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

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.
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Audit and Scrutiny Committee Sederunt

John Bell (Chair) Donald Reid (Vice Chair) Eleanor Collier Cameron Inglis Tom Marshall Matthew McLean Davina McTiernan Donald L. Reid John Sweeney	Chair: Apologies: Attending:

Audit and Scrutiny Committee
23 January 2025

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, Donald L. Reid and John Sweeney.

Present (Remote Participation)
Davina McTiernan.

Also Present (Physical Participation)
Mary Hume.

Also Present (Remote Participation)
Jim Montgomerie.

In Attendance (Physical Participation)
D. Hammond, Executive Director (Communities and Housing); C. Cameron, Director (Health and Social Care Partnership); T. Reaney, Head of Service (Neighbourhood Services) and L. Cree, Senior Manager (Property Management and Investment) (Place); A. McClelland, Head of Service (Education); M. Boyd, Head of Service, J. McCallum, Senior Manager (Audit, Fraud, Safety and Risk), S. Paisley, Senior Manager (Transformation); K. Gray, Team Manager (Corporate Fraud) and R. Hodge (Fraud Investigator) (Finance); J. McNeil, Senior Manager (ICT) (People and ICT); and A. Craig, Head of Service, I. Hardy, Team Manager (Policy & Performance), M. Sugden, Communications Officer, C. Stewart, Committee Services Officer and H. Young, Senior Committee Services Officer (Democratic Services) (Corporate Services).

Also in Attendance (Physical Participation)
D. Jamieson, Audit Scotland.

Chair
Councillor Bell in the Chair.

Apologies
Tom Marshall.

1. Declarations of Interest

There were no declarations of interest by Members in terms of Standing Order 11 and Section 5 of the Code of Conduct for Councillors.

Councillor Inglis made a transparency statement in relation to Agenda Item 3 'Petition: 'Save Saltcoats and Ardrossan Libraries from Budget Cuts' and holding a surgery in the library building and giving advice to a constituent in terms of advising

them on the process of submitting a petition to the Council. Having applied the objective test, Councillor Inglis assessed that it was not an interest in terms of the Councillors' Code of Conduct.

2. Minutes

The Minutes of (i) the Ordinary Meeting of the Audit and Scrutiny Committee held on 31 October 2024; and (ii) the Special Meeting held on 14 November 2024 were confirmed and the Minutes signed in accordance with Paragraph 7 (1) of Schedule 7 of the Local Government (Scotland) Act 1973.

3. Petition: 'Save Saltcoats and Ardrossan Libraries from Budget Cuts'

Submitted report by the Head of Democratic Services on the terms of a petition, consisting of 1,285 signatories on an online petition, together with a paper copy containing some 65 signatories, received concerning "saving Saltcoats and Ardrossan Libraries from Budget Cuts". The report outlined the wording of the petition as detailed below:

"Our libraries are more than just buildings filled with books; they are vital community hubs where learning and imagination flourish. For our children, they serve as safe havens to explore their curiosity, develop their literacy skills and grow their confidence.

The amazing staff at Ardrossan and Saltcoats libraries—Anne, Jean, Richard, and Yvette—provide invaluable support and resources to everyone in the community. With the proposed cuts opening hours will now be cut by 50% and the staffing will be dropped from 4 amazing people to 2 who will be spread across both libraries.

The libraries offer a multitude of classes/groups including but not limited to Bookbug, Football memories, Crafting Group, Book group, ESOL group, hearing aid clinic, school visits and many more. As well as organised groups the library is also a community safe space where you can visit with no obligation to spend a penny. It is a place to meet, chat, explore and learn. Reducing hours and making cuts would be a devastating blow to these essential services and result in 2 dedicated staff members losing their jobs.

Let's ensure that our libraries remain open and fully operational for future generations. Sign this petition to protect our community's lifeline!"

The Head of Service (Democratic) outlined the process for consideration of the petitions listed as Items 3, 4 and 5 on the agenda, whereby each petition would be taken in turn, with petitioners allocated ten minutes each to address the Committee and answer any questions. The relevant Executive Director/Head of Service would then address the Committee in response to the petitions.

The principal spokespersons, Catherine Tierney, Eleanor Thomson and Evah Korsah, outlined their objections, including the following:-

- The library facilities were a valuable and vital community resource and, in particular, allowed parents, and others, to meet up and form friendships (while promoting wellbeing and a sense of community) and also participate in programmes and activities which were considered essential particularly during a cost-of-living crisis. The proposed closure of Saltcoats Library and the reduction of hours in Ardrossan Library would adversely impact on this;
- Combatting adult loneliness and isolation through the promotion of positive mental health, achievement and sense of community;
- The central location of Saltcoats Library, allowing ease of access to the local community and the possible reduction in footfall for local traders if any closure went ahead;
- The benefits of encouraging digital and computer use, in the local community and promoting equality of access; and
- The vitality of the libraries, in positively stimulating the minds of service users, and their significant contribution and great use by the local community, and the potential loss of all these benefits, if these proposals were to go ahead.

In their presentation, the spokespersons gave examples of how local residents would be affected adversely by the proposals. They were also heard in answer to Members' questions.

A briefing note by the Head of Service (Connected Communities) was detailed as Appendix 1 to the report and the Committee then heard from the Executive Director (Communities and Housing) in answer to Members' questions and in clarification of certain matters raised in the petition correspondence, particularly in relation to the point that no decisions had been made in relation to these budget consultation proposals.

Councillor Inglis, seconded by Councillor Sweeney, moved that the Committee agree to make a recommendation to Cabinet that the petition be considered as part of the Council's budget engagement and budget setting process for the coming year. There being no amendment, the motion was declared carried.

4. Variation in Order of Business

The Chair, Councillor Bell, varied the order of business as hereinafter minuted.

5. Petition: 'Possible parking charge enforcement in Kilwinning'

Submitted report by the Head of Democratic Services on the terms of a petition, consisting of 1276 signatories on a petition, received in relation to "possible parking charge enforcement in Kilwinning". The report outlined the wording of the petition as detailed below:

"Please find enclosed a petition on behalf of Dino and Sons, supported by our customers, expressing unanimous opposition to the potential introduction of parking charges in North Ayrshire. This petition represents not only the concerns of our business but also those of the wider community, who stand firmly against any new financial burdens placed on local residents and workers.

As you are aware, the cost of living crisis continues to escalate at an alarming rate, with no relief in sight for your constituents. Unfortunately, this marks the second time in as many years that Kilwinning's Main Street has faced the threat of parking charges, which would impose yet another financial strain on families already struggling to make ends meet. These charges would affect workers trying to support their families, local households, and even those seeking essential healthcare.

We understand that North Ayrshire Council has received over 4,400 responses to your recent budget engagement exercise. Rather than organizing a collective petition with local businesses and residents, we decided to take a different approach. From our shop on Kilwinning Main Street, Dino and Sons, we have gathered over 1,000 signatures from our loyal customers who strongly oppose these proposed charges. In addition, an online survey conducted via our Facebook page has yielded over 800 additional objections.

We urge the Council to take these voices into account and reconsider the introduction of parking charges. Over 1,100 written submissions from our customers, along with over 800 online signatures from the broader public, clearly show that these charges are not acceptable. The question is not only whether it is fair to impose such fees but whether it is justifiable to ask constituents to pay for the basic necessities of life – such as food, healthcare, and the right to park at their homes.

We sincerely hope that the Council will take heed of these concerns and protect the livelihoods of those already facing significant economic challenges.

A few quotes from our invaluable customers on the subject of Parking Charges in Kilwinning's Main Street:

1. *If I just want broccoli, instead of costing 69p, that would have cost me more than double just to park my car, doesn't this council care about the cost of living crisis?*

2. *Picking on the easy targets, why don't they charge retail parks instead?*

3. *Myself and friends often enjoy wee day trips to Kilwinning from Neilston, visiting shops and stay for lunch. It's one of the last streets anywhere that has independent family bakers, fruit and veg, butchers and even has clothes shops, gift shops, your council should be helping it all it can instead of the constant parking charge threats.*

4. *I come here from Kilmarnock, our council destroyed the high st, now there's no food shops left. Can't believe your council is willing to sacrifice a great wee town due to taxing shopkeepers and its customers.*

5. *I depend on Dino's delivering my shopping every Saturday – it's a disgrace the council's threatening the only way I can get what I want and not at the unaffordable quantities supermarkets want me to buy.*

6. *Feels like they are trying to turn my street into a ghost town.*

7. *Council's booking everyone generating cash, enough is enough trying to kill off the street, parking charges=death sentence for this street.*

We have also included a video taken a few weeks ago showing clearly why there is zero credence to any claims that there is nowhere to park in Kilwinning's Carparks – with more than ample spaces available to park whether college is open or closed: "

The principal spokespersons, Tom Biondi (representing Dino & Sons) and Graham Milliken, outlined the objections to the proposed car parking charges from shopkeepers and local residents and highlighted various matters, including the following:-

- Imposition of parking charges on shoppers, workers and traders of Kilwinning's main street and the adverse effects this would have in term of footfall in the local area;
- Extremely difficult trading conditions, given the current cost-of-living crisis, and the struggle for local businesses to remain open;
- Transfer of the land at the Oxenward car park through a Compulsory Purchase Order to the former Cunninghame District Council (which was supported by the shop owners and residents) on the condition that the land would be used to support the growth of Kilwinning and therefore the importance of honouring that commitment and protecting the community from additional financial burdens;
- That, in light of the above, Kilwinning main street should be freed from the unnecessary strain of any proposed car parking charges;
- The adverse effect on the local community of the parking charges, and the financial strain on families trying to make ends meet; and
- The potential reduction in footfall in Kilwinning main street, if the imposition of parking charges was to go ahead, regardless of the amount "not just £2", which could exacerbate difficult trading conditions which have already resulted in recent business closures on the Main Street.

In his presentation, the spokesperson gave examples of how local residents would be affected by the introduction of parking charges. He was also heard in answer to Members' questions.

A briefing note by the Head of Service (Neighbourhood Services) was detailed as Appendix 1 to the report and the Committee then heard from the Head of Service in terms of the matters raised. The Head of Service was also heard in answer to Members' questions and in clarification of certain matters and confirmed that no decisions had been made in relation to these budget consultation proposals.

Councillor Sweeney, seconded by Councillor McLean, moved that the Committee agree to make a recommendation to Cabinet that the petition be considered as part of the Council's budget engagement and budget setting process for the coming year. There being no amendment, the motion was declared carried.

5. Petition: 'Possible closure of Dreghorn Library'

Submitted report by the Head of Service (Democratic) on the terms of a petition, consisting of 776 signatories on an online petition, received in relation to "possible closure of Dreghorn Library". The report outlined the wording of the petition. It was noted that the petitioners were not present, to speak to their petition. The Head of Service (Democratic) confirmed that, in terms of the Petitions Guidance, the matter could, if Members so wished, be considered in the petitioners' absence. It was also confirmed that another Special Meeting of the Audit & Scrutiny Committee would be convened to deal with a further petition from another party which had recently been received.

Councillor Collier, seconded by Councillor Inglis, moved that this matter be deferred to a Special Meeting of the Committee in February, to give the group (who submitted the petition) a further opportunity to attend and speak to their petition.

As an amendment, Councillor Donald Reid, seconded by Councillor D.L. Reid, moved that the matter be heard as scheduled.

On a division and a roll call vote, there voted for the amendment Councillors Reid, McLean, D.L. Reid and Sweeney (4) and for the motion, Councillors Bell, Collier, Inglis and McTiernan (4), and on the casting vote of the Chair, the motion was declared carried.

It was agreed that a report in relation to this matter would also be considered at the Special meeting of the Committee in February. It was also confirmed that in the event that the petitioners chose not to attend the February Special meeting of the Committee, then it could (as previously stated) be considered by Members in the absence of the petitioners.

6. Council Plan Six Monthly Progress Report 1 April to 30 September 2024

Submitted report by the Head of Service (Democratic) on the Council Plan Six Monthly Progress Report 1 April to 30 September 2024 attached at Appendix 1 to the report.

Officers were heard in response to Members' questions. Noted.

7. 2024 Mid-Year Complaint Report

Submitted report by the Head of Service (Democratic) informing of the Council's complaint performance and the volumes and trends of complaints received in Financial Year 2024/25. The 2024/25 Mid-Year Complaint Report was attached at Appendix 1 to the report.

Officers were heard in response to Members' questions. Noted.

8. Internal Audit Plan 2024/25: Progress Update

Submitted report by the Head of Service (Finance) providing an update on progress made in delivering the 2024/25 Internal Audit Plan. Appendix 1 to the report detailed the revised Audit Plan for 2024/25.

The Committee agreed to (a) note the current position with the 2024 internal audit plan as outlined in Appendix 1 to the report; and (b) noted the additional work arising during the year and the potential impact that this may have on the completion of the audit plan.

9. Internal Audit Reports Issued

Submitted report by the Head of Service (Finance) informing on the findings of Internal Audit work completed since October 2024.

Officers were heard in response to Members' questions. Noted.

10. Accounts Commission's Report: Tackling Digital Exclusion

Submitted report by the Head of Service (Finance) on the findings of the recently published report on "Tackling Digital Exclusion". Appendix 1 to the report provided relevant North Ayrshire Council feedback on each of the key recommendations identified.

Officers were heard in response to Members' questions. Noted.

Note: Councillor McLean left the meeting during consideration of the above item.

11. Accounts Commission's Report: Transformation in Councils

Submitted report by the Head of Service (Finance) on the findings of the recently published report on "Transformation in Councils". Appendix 1 to the report provided relevant North Ayrshire Council feedback on each of the key recommendations identified.

Officers were heard in response to Members' questions. Noted.

12. Standing Item of Business: Consideration of Future Business for Scrutiny

Members were invited to consider potential items of scrutiny business for future meetings. No items of business were suggested for scrutiny.

The Committee noted that they could contact the Head of Service (Democratic) with any suggestions for future business.

13. Urgent Items

There were no urgent items.

14. 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 items of business on the grounds indicated in terms of Paragraph 1 of Part 1 of Schedule 7A of the Act.

15. Internal Audit Reports Issued

Submitted report by the Head of Service (Finance) informing on the findings of Internal Audit work completed since October 2024.

Following questions and discussion, the Committee agreed to note the outcomes from the Internal Audit work completed.

16. 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 to note the outcomes from the investigations carried out.

The meeting ended at 12.35 p.m.

The full meeting proceedings can be viewed at
https://north-ayrshire.public-i.tv/core/portal/home

Audit and Scrutiny Committee
6 February 2025

At a Special Meeting of the Audit and Scrutiny Committee of North Ayrshire Council at 2.00 p.m. involving participation by remote electronic means and physical attendance within the Council Chambers, Irvine.

Present (Physical Participation)
John Bell, Cameron Inglis, Davina McTiernan and John Sweeney.

Present (Remote Participation)
Donald Reid, Eleanor Collier, Matthew McLean and Donald L. Reid.

In Attendance (Physical Participation)
D. Hammond, Executive Director and R. Leith, Head of Service (Connected Communities) (Communities and Housing); and A. Craig, Head of Service, M. Sugden, Communications Officer, C. Stewart, Committee Services Officer and H. Young, Senior Committee Services Officer (Democratic Services) (Corporate Services).

Chair
Councillor Bell in the Chair.

Apologies
Tom Marshall.

1. Declarations of Interest

There were no declarations of interest by Members in terms of Standing Order 11 and Section 5 of the Code of Conduct for Councillors.

2. Petition: 'Possible closure of Dreghorn Library'

Submitted report by the Head of Democratic Services on the terms of a petition, consisting of 776 signatories on a petition received in relation to "possible closure of Dreghorn Library". The report outlined the wording of the petition as detailed below:

"Purpose: As long time customers of Dreghorn Library, we are deeply saddened by the proposed closure. This institution has been a cornerstone of our community, providing a wide array of educational resources, enhancing literacy and fostering a deep sense of community. Not only will the closure of our local library be a devastating loss to our educational landscape, but it will also leave many without access to critical services, such as Internet and printing access. Libraries are a vital part of communities providing a safe space for people to learn, explore and connect with others. Preserving our local library, is more than just books; it's about preserving our community and its assets. Please join us in saving our library. Sign our petition today.

The Head of Service (Democratic) outlined the process for consideration of the petitions listed as Items 2, 3 and 4 on the agenda, whereby each petition would be taken in turn, with petitioners allocated ten minutes each to address the Committee and answer any questions. The Head of Service (Connected Communities) would then address the Committee in response to the petitions.

The principal spokespersons, Maxine Blane, Colin Blane and Linda Haswell, outlined their objections to the proposal, including the following:-

- The library was considered to be an essential hub of the community and was a warm and welcoming place for friends, families, groups and individuals;
- The regular events that were hosted, within the library, and the considerable benefits to the local community in terms of being able to access them including book bug, story time and promotion of children's reading;
- The ongoing cost-of-living pressures, affecting members of the community, and the benefits in being able to access free digital and computer facilities, particularly for the unemployed and potential loss of these benefits if the library was to close;
- Combatting adult loneliness and isolation by bringing people together, particularly those who are elderly or vulnerable, while assisting in promoting a sense of community;
- The central location of Dreghorn Library, allowing ease of access to the local community of Dreghorn, as well as those in Bourtreehill and Springside; and
- The social interaction and mental health benefits and their contribution and significant use by the local community, and the potential loss of all these benefits, if these proposals were to go ahead.

In their presentation, the spokespersons gave examples of how local residents would be affected adversely by the proposals. They were also heard in answer to Members' questions.

A briefing note by the Head of Service (Connected Communities) was detailed as Appendix 1 to the report and the Committee then heard from the Head of Service in answer to Members' questions and in clarification of certain matters raised in the petition correspondence, particularly in relation to the point that no decisions had been made in relation to these budget consultation proposals.

Councillor Sweeney, seconded by Councillor McLean, moved that the Committee agree to make a recommendation to Cabinet that the petition be considered as part of the Council's budget engagement and budget setting process for the coming year. There being no amendment, the motion was declared carried.

3. Petition: 'Proposed closure of Beith Library'

Submitted report by the Head of Democratic Services on the terms of a petition, consisting of 408 signatories on a petition, received in relation to "proposed closure of Beith Library". The report outlined the wording of the petition as detailed below:

"Please find enclosed the following signatures from the people of Beith who are very concerned at the closure of Beith Library. The people of Beith rely on the various

services the library provides for them for all ages in the community. Please can we ask you to pass on this petition to the relevant parties before the February budget meeting. Please do not close this library as it has been at the heart of the community for many years and our town cannot have the eyesore of another empty building."

The principal spokespersons, Fiona Dickie and Eileen Gemmell, outlined their objections to the proposal, including the following:-

- The library offered a safe and easily accessible hub, for all ages, as well as encouraging and fostering community spirit and friendship;
- Combatting adult loneliness and social isolation, especially in the elderly population by bringing the community together through the many social and group activities available within the library, particularly given difficulties of older citizens and those with disabilities in accessing public transport;
- The loss of educational facilities if the proposal was to go ahead as it was extensively used by Beith Primary and Nursery children due to its close location and ease of getting there;
- The central location of the library, allowing ease of access to the local community and if the closure went ahead, another empty building in the town, the possible reduction in footfall for local traders and the difficulty for residents to access facilities in other locations due to the lack of public transport in the Garnock Valley;
- The benefits of encouraging digital and computer use, in the local community particularly those affected by cost-of-living pressures including those using the library facilities for seeking employment opportunities; and
- The value of the libraries, in bringing people together through the many group activities on offer, and the potential loss of all these benefits, if this proposal was to proceed.

In their presentation, the spokespersons gave examples of how local residents would be affected adversely by the proposals. They were also heard in answer to Members' questions.

A briefing note by the Head of Service (Connected Communities) was detailed as Appendix 1 to the report and the Committee then heard from the Head of Service and the Executive Director (Communities and Housing) in answer to Members' questions and in clarification of certain matters raised in the petition correspondence, particularly in relation to the point that no decisions had been made in relation to these budget consultation proposals.

Councillor Donald L. Reid, seconded by Councillor Inglis, moved that the Committee agree to make a recommendation to Cabinet that the petition be considered as part of the Council's budget engagement and budget setting process for the coming year. There being no amendment, the motion was declared carried.

4. Petition: 'Proposal to cut the Eglinton Park rangers service and closure of the community garden'

Submitted report by the Head of Service (Democratic) on the terms of a petition, consisting of ‘over 5000 signatories’ on an online petition, received concerning “proposal to cut the Eglinton Park rangers service and closure of the community garden”. The report outlined the wording of the petition as detailed below:

“North Ayrshire Council are proposing to CUT the park ranger service from Eglinton Country Park as part of their annual budget review. Removing the rangers service will result in Eglinton losing it's 'Country Park' status and instead it will become open land that the council is not required to maintain as much. It will also bring an end to education visits, several volunteer programmes, irreplaceable knowledge about the park and many more key attributes that the service currently delivers. The community garden which has prospered over the last 4 years under the stewardship of the rangers service and many dedicated volunteers will be closed and left abandoned. The council will meet in February 2025 to decide on the fate of the park - help us lobby the council to keep Eglinton Country Park a place for all to enjoy and keep the only country park in North Ayrshire!”

The principal spokespersons, Craig McLellan, Kenny Neill and Charles Waddell, outlined their objections to the proposal, including the following:-

- The benefits in keeping the rangers service at Eglinton Park and all the associated initiatives;
- The strength of feeling as shown in the growth of signatures on the online petition which has been shared widely on social media, as well as featuring in local newspapers and radio;
- The value of volunteers including the hours contributed and potential loss of volunteering opportunities in and around the park;
- The removal of the park ranger service would likely result in the loss of the Eglinton Path Stewards, a dedicated group of volunteers who maintain some of the park’s gardens and pathways;
- The loss of skills and specialist knowledge in relation to countryside management and biodiversity;
- The loss of social value for a relatively small financial saving;
- The potential, though disputed, ‘loss of country park status’;
- The loss of the community garden; and
- The proposed cuts to the rangers service, the Council’s duties in terms of the Nature Conservation (Scotland) Act 2004 and the feeling that the proposal is at odds with the North Ayrshire local biodiversity action plan.

In their presentation, the spokespersons gave examples of how visitors to the park and volunteers would be affected adversely by the proposals. They were also heard in answer to Members’ questions.

A briefing note by the Head of Service (Connected Communities) was detailed as Appendix 1 to the report and the Committee then heard from the Head of Service and the Executive Director (Communities and Housing) in answer to Members’ questions and in clarification of certain matters raised in the petition correspondence, particularly in relation to the point that no decisions had been made in relation to these budget consultation proposals. Clarification that “country park” status would remain if the proposal went ahead was also given.

Councillor Inglis, seconded by Councillor Donald Reid, moved that the Committee agree to make a recommendation to Cabinet that the petition be considered as part of the Council's budget engagement and budget setting process for the coming year. There being no amendment, the motion was declared carried.

5. Urgent Items

There were no urgent items.

The meeting ended at 3.10 p.m.

The full meeting proceedings can be viewed at https://north-ayrshire.public-i.tv/core/portal/home

Agenda Item 3

NORTH AYRSHIRE COUNCIL

13 March 2025

Audit & Scrutiny Committee

Title:	**Sickness Absence Management**
Purpose:	To provide the Audit & Scrutiny Committee with an overview of the Council's Sickness Absence policies and how these are managed, monitored and reported.
Recommendation:	It is recommended that the Committee note the content of the report.

1. Executive Summary

1.1 This report provides an overview of the Sickness Absence Management policies, strategies and activities adopted to proactively and robustly monitor, report and manage sickness absence across the Council.

1.2 The report provides details on the absence position as at the end of Q2 2024/2025, this being the current reported absence position. The report also highlights progress against absence targets at a Council and Service level, benchmarked against the Local Government Benchmarking Framework on a national, family group and local position.

1.3 Supporting Council services and encouraging the wellbeing of our employees continues to be a priority and this report outlines the supports and activities available.

1.4 The Council's new Occupational Health Provider, PAM OH, was introduced in August 2024. Their service, which is outlined in this report, fully support the wellbeing of our workforce.

2. Background

Policies

2.1 North Ayrshire Council has two policies that specifically focus on absence management - the Wellbeing@Work (Supporting Attendance Policy) (Appendix A) for Local Government employees and the Maximising Attendance Policy for Teachers (Appendix B). The two policies are as a result of the different terms and conditions negotiated for these two groups of staff.

Whilst there are the two policies in operation, the key principles are consistent which are to support and maintain high levels of attendance, thereby minimising the detrimental effects of sickness absence on service provision, service users and

colleagues. The Local Government policy was reviewed alongside trade unions and a revised policy introduced on 1st April 2021. The teachers Maximising Attendance policy was agreed at the Local Negotiating Committee for Teachers and was implemented on 1st April 2010.

Both policies focus on management prompts (Local Government employees) (Appendix C) and triggers (Teachers) (Appendix D) to identify the point at which the line manager must discuss an employee's absence record, consisting of a process of informal and formal meeting stages. On return from each absence, and regardless of the length of the absence, employees have a return to work meeting with their manager. This meeting is to discuss the employee's health and wellbeing, support requirements and to set expectations for future attendance.

Targets

2.2 Absence targets are set annually by the ELT and are monitored robustly throughout the year. Managers and Chief Officers are provided with a monthly report on performance against targets and target performance is reported to the ELT and the 1st Tier Joint Consultative Committee at the year-end and the year-to-date position as at the end of Quarter 2.

Absence targets are set for each section by the ELT by considering the profile of the workforce, the minimum days lost per FTE (5 days) and maximum days lost per FTE (15 days) as set by the Chief Executive as well as considering the previous year's target and final position in that year, the projected year end position for the current year and the long term sickness absence position and impact.

2.3 Appendix E (Table 1), provides the year-to-date absence performance as at the end of Q2 2024/25, this notes the position as 5.88 days lost per FTE against the target of 5.24 days lost per FTE. Table 2 provides the summary of the year-end absence target performance for the full Council over 3 years up to 2023/2024. The year-end position for 2024/25 will be reported to ELT and the 1st Tier JCC in May 2025.

2.4 Appendix F (Table 3) provides the year-to-date position as at the end of Q2 2024/2025 by Directorate and Service, this reports that the Education Directorate achieved their year-to-date target. All other Directorates did not achieve this.

2.5 Table 4 provides a summary by Directorate and Service of absence and notes that discretion has been approved on 82 occasions providing a supportive measure in complex sickness absence cases.

2.6 Appendix G (Table 5) reflects the Benchmarking against the Local Government Benchmarking Framework (LGBF) on a national, family group and local position across the 5-year period. This table shows that in the majority of Councils, absence levels increased in 2023/2024, compared to 2022/2023. LGBF splits the absence measure into two categories Teaching and Non-Teaching. North Ayrshire Council, had the joint 4th lowest level of absence for both Teaching and Non-Teaching categories within the family group for 2023/2024. The Council's figure in the Non-Teaching category was lower than the Scotland overall figure for absence levels.

2.7 At a National level, the average days lost per FTE has increased in 2023/2024 – noted as 7.60 days sickness absence per FTE for Teachers and 13.90 days sickness absence

for Non-Teachers, compared to 2022/2023 – noted as 6.81 days sickness absence per FTE for Teachers and 13.21 days sickness absence for Non-Teachers.

2.8 Councils will take different approaches when managing absence, the demographics of the workforce and external factors such as deprivation will also influence absence levels, therefore no direct comparison can be drawn. We do however consider the data and continually benchmark our policies against other Local Authorities.

Monitoring / Supporting the management of Absence

2.9 Proactive monitoring and managing of absence is supported via a variety of methods:

- Automated absence reports are issued weekly to Managers and Chief Officers and monthly to Head Teachers. These automated reports provide oversight of the current absence information recorded on our HR system, allows this information to be checked for accuracy and that the correct documentation is held and importantly ensures supportive conversations and methods are being adopted.

- A weekly absence update at Council level is provided to ELT to ensure visibility and oversight and reinforce the importance of timely reporting, accurate recording of data ensuring appropriate wellbeing support is in place for employees.

- Absence data is regularly published and is available to review via the Wellbeing@Work Sharepoint page. The reports and information available provide a wealth of information at Directorate/Service level.

- HR continue to support managers and services in relation to various stages in the sickness absence management process and are available to provide assistance and guidance as required. Managers are being strongly encouraged to seek support for any aspects they are unfamiliar with as well as support with complex case management.

- Temporary Resource secured within HR and Waste services to provide targeted support to reduce absence. The primary focus of these posts being to explore ways to improve sickness absence management in line with the Council's absence management policies ensuring services understand and apply the policy correctly and to review, in conjunction with the relevant managers, current and ongoing absences across the Waste service ensuring that action is taken in accordance with Council policy.

2.10 A number of activities have taken place to strengthen managers' skills, knowledge and confidence in managing sickness absence within their teams, namely:

- Delivery of Connected Leadership sessions aimed at Senior Managers and Head Teachers to ensure roles and responsibilities in managing absence are clear and key aspects of Council's policies are understood.

- A How To: Absence Management 4-part series has been developed to take managing absence back to basics and help line managers to support and manage employees' absences effectively.

- Corporate courses on Wellbeing@Work/Maximising Attendance are delivered throughout the year to ensure Managers understand the policy and how to manage absence and support employees.

- Awareness sessions have taken place with staff involved in absence management within Waste Services and Education ensuring a targeted and tailored package of support for these areas.

- Based on feedback and analysis, the absence categories will be amended, effective from Q1 2025/26. This change will provide more accurate recording of absence reasons resulting in the provision of more robust reporting.

Wellbeing

2.11 Promoting and supporting employee wellbeing continues to be a priority with an extensive range of interventions, policies and guidance available. These include:

- A range of policies and guidance on a variety of health and wellbeing matters such as Menopause in the Workplace, Supporting Employees with Cancer, Endometriosis Guide, Mental Health in the Workplace, Gambling Related Harms in the Workplace; Worklife Balance Policy, Flexible Working Arrangements.

- A survey was carried out in December 2024 on the agile workstyle. The survey focussed on the health and wellbeing of the staff working in an agile way. Analysis of the results will inform the development of an action plan.

- Our Occupational Health (OH) support changed to PAM OH Solutions in August 2024. This OH service provides access to progress management referrals, employee self-referrals and physio referrals. Training for managers will also be provided as well as online tools and a manager's helpline.

- A new Employee Assistance Programme was launched in October 2024. This provides employees a confidential telephone line and app which offer a range of supports for both personal and work matters.

- Wellbeing Warriors is a support role which was initially introduced in 2020. The purpose of the role is to complement employee support provisions and involves volunteers across the Directorates who support, listen and sign-post colleagues to resources already in place and who have undertaken Mental Health First Aid training.

- The Livewell Programme promotes wellbeing initiatives and guidance on promoting healthier habits. The programme is split into five key themes – Playwell, BeWell, WorkWell, EatWell and Savewell and has included a range of wellbeing webinars, outdoor activities such as golf and watersports. Free health checks and gym members are offered through KA Leisure along with badminton classes and exercise taster sessions.

- Each Directorate is driving their own wellbeing initiatives which are targeted specifically to the workforce within their area. Activities include staff wellbeing

hubs, leisure and recreation activities, and a support team for mental health and wellbeing.

3. Proposals

3.1 Audit & Scrutiny Committee is asked to note the content of the report outlining the Council's Managing Sickness Absence activities, and the efforts being undertaken to reduce absence whilst supporting our workforce.

4. Implications/Socio-economic Duty

Financial

4.1 No direct implications as a result of this report, however, absence management is a key tool that helps improve attendance in the workplace thereby helping to reduce both direct and indirect costs as a result of sickness absence.

Human Resources

4.2 Absence management is a key tool that will impact on the health and wellbeing of our workforce.

Legal

4.3 No direct implications as a result of this report.

Equality/Socio-economic

4.4 No direct implications as a result of this report.

Climate Change and Carbon

4.5 No direct implications as a result of this report.

Key Priorities

4.6 Council priorities:

A Sustainable Council - Effective workforce planning (which includes the management of absence) ensuring that we have the right skills/resources to deliver priorities.

Community Wealth Building

4.7 None

5. Consultation

5.1 Consultation has been undertaken with the Chief Executive.

Fiona Walker
Head of People & ICT

For further information please contact **Jackie Smillie, Senior Manager People Services,** on **01294 324671**.

Background Papers

Appendix A Wellbeing@Work Supporting Attendance Policy
Appendix B Maximising Attendance Policy (Teachers)
Appendix C Wellbeing@Work Supporting Attendance Policy Management Prompts
Appendix D Maximising Attendance Policy (Teachers) Triggers
Appendix E Absence Targets
Appendix F Directorate Summary – Absence at 2024/25
Appendix G Local Government Benchmarking Framework

Appendix A

Wellbeing@Work
(Supporting Attendance Policy)

Version: 1.1

Focus. Passion. Inspiration.

North Ayrshire Council
Comhairle Siorrachd Àir a Tuath

Contents

Related HR links

Managers – How to report absence and return to work

Informal Stage (Absence Review Meeting)

Stage 1 Meeting (Formal)

Stage 2 Meeting (Formal)

Stage 3 Meeting (Formal)

Support available

Discretion Request Form

Version Control

Version Number	Effective Date	Details of Last Revision
1.0	1/4/21	Full Policy Review (replacing Maximising Attendance)
1.1	3/3/22	Updating links to new Connects

Equality Impact Assessment: 24th March 2021

Prepared by: HR Team

1. Introduction

1.1 North Ayrshire Council recognises the importance of high standards of attendance at work in maintaining high levels of service delivery to the community it serves. The Council also recognises that from time to time employees will be unable to work because of ill health.

2. Policy Purpose and Scope

2.1 The Wellbeing@Work (Supporting Attendance Policy) aims to ensure our employees are supported to maintain high levels of attendance, thereby minimising the detrimental effects of sickness absence on service provision, our service users and colleagues. The policy will ensure a fair, consistent and compassionate approach to supporting employee attendance, taking into account individual circumstances, whilst ensuring compliance with all associated legislation.

3. Why Manage Absence?

3.1 Addressing sickness absence effectively benefits employees by:

- Providing an opportunity for support and assistance from the Council through the absence
- Helping to identify work related and non-work-related issues
- Identifying clearly the attendance standards expected

3.2 Sickness absence is one of the Council's Statutory and Key Performance Indicators and is used for performance review and benchmarking. High levels of sickness absence are costly and disruptive and can lead to:

- Additional pressures being placed on work colleagues leading to higher levels of stress and low morale
- Loss of continuity for service users
- Additional salary costs necessary to cover absences
- A poor reputation for the Council

4. Roles and Responsibilities

Employees

- Take responsibility for looking after their own health, safety and wellbeing
- Ensure familiarity with the Wellbeing@Work (Supporting Attendance Policy) and Sickness Absence Notification Procedures
- Report instances of sickness absence and updates promptly to their line manager
- Maintain reasonable contact with their line manager advising of progress and expected return to work dates
- Attend all Council arranged OH appointments, return to work, informal absence review meetings and Formal Stage meetings arranged under the policy, where their health permits

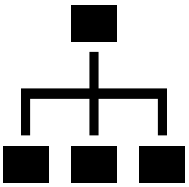
Line Managers

- Conduct regular and timely reviews of their employees' absence to identify problem areas and develop constructive solutions to these problems
- Be supportive, treat every absence as genuine and be clear that this is not a disciplinary process (unless there is evidence that it is not genuine, when consideration should be given to the use of the Disciplinary Policy and Procedure)
- Conduct return to work discussions promptly with employees after every period of absence, regardless of duration
- Organise Formal Stage Meetings promptly
- Seek medical advice from the Council's OH service, where appropriate

Occupational Health

- Provide advice and support as required to employees, line managers and HR
- Obtain medical reports from GPs or specialists where appropriate
- Arrange appointments for employees with the OH Physician and other service providers and follow up any subsequent actions
- Advise line management if an employee fails to attend for any medical appointments

HR Team



- Provide advice and support to line managers or employees on implementation of the policy and procedure as required
- Provide advice prior to a Stage 3 meeting at a case review
- Provide appropriate training in the management of sickness absence
- Monitor and evaluate the effectiveness of this policy and associated guidance

5. Return to Work Discussion

5.1 After each spell of sickness absence, line managers must engage in a Return to Work discussion with the employee. Ideally, this discussion should take place in person, prior to the employee undertaking duties on their day of return or as soon as is reasonably practicable. This discussion will focus on the reasons for absence, fitness to return to work and any support required.

5.2 The Return to Work discussion must be undertaken to ensure that the employee:

- Is aware of the support available
- Is provided with a brief on workplace issues which have occurred during their absence
- Is aware that there are concerns regarding their absence
- Is aware of the consequences of any continued periods of absence and therefore given the opportunity to improve, where appropriate.

5.3 Please refer to the HR Guide: Wellbeing@Work (Supporting Attendance Policy) for further guidance.

6. Representation

6.1 An employee may represent themselves, or choose to be represented, at any of the Formal Stages of the Procedure. Please refer to the HR Guide: Representation for further information.

7. Corporate Management Prompts

7.1 Corporate Management Prompts are used to identify points at which the line manager will discuss an employee's absence record. They also identify when an employee's absence has reached a level of concern. When an employee's absence reaches the Corporate Management Prompts, a process of Informal and Formal Meeting Stages will take place, as identified below.

7.2 The table below details the Corporate Management Prompts. A more detailed Flow Chart is provided at Appendix 1 which provides more guidance to assist in understanding how an employee would move through the Stages – taking into account occasions where the absence may be characterised by short term, long term or intermittent periods of long-term/short-term absence.

Stage	Meeting	Corporate Management Prompts	Meeting Chaired by	Appeal heard by
Informal	Absence Review Meeting	3 instances or 9 working days OR 2 continuous weeks within a rolling 12-month period	Supervisor / line manager / Member of School SMT	n/a
Stage 1	First Formal Meeting	Further 3 instances or 9 working days during the 12-month fixed monitoring period OR 6 weeks continuous or cumulative absence in the last 12 months	Supervisor / line manager / Member of School SMT	Manager Senior to Stage 1 Meeting Officer
Stage 1 Review	Review Meeting (optional)	At 6-12 weeks continuous absence	Supervisor / line manager / Member of School SMT	n/a
Stage 2	Second Formal Meeting	Further 3 instances or 9 working days during the 12-month fixed monitoring period OR 12 weeks continuous or cumulative absence in the last 12 months	Appropriate supervisor / line manager	Manager Senior to Stage 2 Officer
Stage 2 Review	Review Meeting (optional)	At 18-24 weeks continuous absence	Appropriate supervisor / line manager	n/a
Stage 3	Third Formal Meeting (and possibility of termination of employment on grounds of capability due to ill health)	Further 2 instances or 6 working days during the 12-month fixed monitoring period OR 24-36 weeks continuous or cumulative absence in the last 12 months	Nominated Senior Manager (Grade 14 or higher) or Head of Service / Executive Director	Appeals Committee of North Ayrshire Council (in the event of dismissal) (Head of Service / Executive Director if employee not dismissed)

7.3 Moving within the procedure from the First to the Second and the Second to the Third Stages has a 12-month time limit between each Stage during which the Stage remains “live”. Within that period of 12 months a Meeting can be linked to the next Stage. Where an employee improves their attendance in the 12-month period, they will normally no longer be in the procedure.

7.4 However, there may be occasions where an employee’s absence is satisfactory, only to lapse very soon after the 12-month period. In this event, where the manager continues to be concerned about the levels of absence, the manager may decide to reinstate the previous Stage or to move to the next Stage of the procedure.

8. Reasonable Contact during Absence

8.1 It is important that contact is maintained with an employee throughout an absence to gain an understanding of when the employee expects to be back at work and to assist in providing any support the Council can provide to assist their recovery. A sensitive and consistent approach should be taken when contacting employees absent due to illness. Consideration may be given to the possibility of working from home, in some instances, to maintain contact with the workplace.

8.2 The responsibility to maintain contact rests equally with the line manager and the employee. Employees must remain contactable during periods of absence and respond to letter, email or phone messages. The amount of contact will depend on the reason for absence and a balance of reasonable contact is expected from both the employee and manager.

8.3 Keeping in contact is particularly vital where employees are experiencing problems with mental health as it helps to prevent individuals feeling isolated and can be a starting point for recovery and return to work. In certain cases, home visits may be more appropriate to keep in touch and a record should be kept of the contact made with an employee. In cases of serious mental health problems, managers may need to adopt a slightly different approach to maintaining contact, such as electing to maintain contact through a representative. In all cases, the manager should take account of what the absent employee wishes the manager to convey about their sickness absence to colleagues.

8.4 Where it becomes apparent that there is a problem or potential problem regarding alcohol, drugs/solvent abuse or gambling addiction, an employee may be referred or self-refer to Occupational Health for specialist advice. Please refer to the Alcohol, Drug/Solvent Misuse & Gambling Addiction Policy & Procedure for further information.

9. Occupational Health (OH) Referrals

9.1 An employee can be referred to OH at any point during the Wellbeing@Work (Supporting Attendance Policy) process. However, employees should only be referred where the OH report will assist with any decision making, for example where the employee states that they have an underlying medical condition as the reason for absence. Unrelated absences would not necessarily require a referral.

9.2 A referral must be made in all cases where an employee has been or is likely to be absent for 6 calendar weeks or more and there is no date identified for a return to work. Muscular-skeletal and stress cases should be referred immediately. A stress management meeting should also be arranged to be undertaken.

9.3 It is a term and condition of employment that an employee may be required to attend an appointment with the Council's OH Advisor. Please refer to the Occupational Health Information SharePoint and Optima online portal for further information on making referrals.

10. Supporting Employees Back to Work

10.1 The Council will consider advice given by an employee's GP on the Statement of Fitness to Work (GP Fit Note). Where a GP advises that an employee may be fit for work, the line manager should discuss any changes that may be possible to help support the employee back to work. Please refer to the HR Guide: Wellbeing@Work (Supporting Attendance Policy) for more guidance.

10.2 Under the Equality Act 2010, a person is disabled if they have a physical or mental impairment which has a substantial and long-term adverse effect on their ability to carry out normal day-to-day activities. Impairment means condition. It may be physical, mental or both. Whether a condition is a disability will, in most cases, depend on all the facts and circumstances of the individual case. Long-term means lasting at least a year, or likely to be for the rest of the person's life or recurring.

10.3 Disability discrimination legislation places a duty on employers to make reasonable adjustments to remove or minimise disadvantages experienced by disabled people. The duty to make reasonable adjustments only arises where the employer knows, or reasonably ought to know, that an individual is disabled. The aim of an adjustment is to take away or minimise the disadvantage because of the person's disability so they can do their job or apply for one.

10.4 An employer must make adjustments for a disabled worker or job applicant if they are deemed "reasonable". What is "reasonable" will depend on all the circumstances. Where an OH report indicates that the employee is likely to meet the criteria that defines a disability under the Equality Act 2010, the Council is required under the Act to make reasonable adjustments and take

positive steps to ensure that the disabled employee can access and progress in employment.

10.5 Under the Wellbeing@Work (Supporting Attendance Policy), the use of "Discretion" (see section 13) may be regarded as a form of reasonable adjustment. In addition, planned Disability Leave, as a form of Special Leave may also be considered as a reasonable adjustment, where a disabled person needs to be absent for "rehabilitation, assessment or treatment" for a fixed period of time known in advance. Where possible, planned disability leave appointments should be made outside of working hours, however, it is recognised that scheduling such appointments is sometimes out of the employee's control, in these cases, paid time off will normally be granted. Some examples of reasons for planned disability leave include (but are not limited to):

- hospital, doctors, or complementary medicine practitioners' appointments
- hospital treatment as an outpatient
- delivery, training and/or time to adjust in relation to adaptive equipment
- assessment for such conditions as dyslexia
- hearing aid tests
- training with guide or hearing dog
- counselling/therapeutic treatment
- appointment time and recovery periods relating to blood transfusion or dialysis treatment
- physiotherapy (sessional or residential)

10.6 A longer block of disability leave might be also appropriate. This could be so that a newly disabled employee can make changes inside and outside of work, while physical or environmental adjustments are being made. Please refer to the HR Guide to Disability in the Workplace for further information.

11. Wellbeing@Work Meetings

11.1 Wellbeing@Work meetings will be arranged with employees whose absence record reaches the Corporate Management Prompts. Meetings must be arranged promptly following the absence to which they relate to ensure that decisions taken are current and relevant.

11.2 The aim of the meeting is to discuss the employee's absence record, identify possible contributing factors, explore ways in which the absence can be improved by the employee, identify any support the Council can provide and make the employee aware of the impact of any absences and the potential consequences of any further absence.

11.3 The Informal Stage (Absence Review Meeting) is considered an appropriate approach to provide early intervention, support and coaching of an employee

and precedes the Formal Procedure. This process is a positive step in preventing absence issues 'going formal', through advising, offering support and restating expected standards of attendance. The meeting will be followed up in writing so that employees are clear about expectations going forward.

11.4 To emphasise the less formal nature of the Informal Stage Absence Review meeting, accompaniment of the employee by a TU representative or colleague is not normally required. However, in circumstances where the employee requests accompaniment to allay concerns, this will not be unreasonably refused.

11.5 Formal Stage meetings may give rise to feelings of concern or anxiety for some employees; therefore it is important to reassure employees that the meetings are to ensure that everything possible is being done to support an employee back to work and that regular and meaningful communication is maintained about absence and its implications for their employment.

11.6 All situations will vary depending on the circumstances, the prognosis of any health conditions, the nature of the employee's job role and whether the application of discretion may be appropriate. The meetings may also consider the employee's future employment prospects and other options such as lighter duties, change in hours, change to work environment or location, working from home, reasonable adjustments, phased returns to work, redeployment and ill health retirement. Managers should ensure that they have a full and up to date understanding of the employee's current health status, if necessary, with the support of OH.

11.7 The employee must be advised at each Formal Stage Meeting that they are in a fixed monitoring period for the next 12 months from the date of the last day of absence and will be invited to a next Formal Stage meeting if they have further absence that meets the relevant Corporate Management Prompts. The employee must be advised that their attendance will be closely monitored over the 12-month period and informal review meetings may also be arranged, where appropriate.

11.8 The manager should complete the Stage Meeting Form or ensure there are notes taken for the meeting and ideally obtain a signature from those in attendance. A Stage Outcome Letter must be issued to the employee as soon as possible following all Formal Stage meetings, highlighting the nature of the discussion, any support provided, the Stage the employee is at, the Corporate Management Prompts that will apply going forward and their right of appeal.

12. Stage 3 Meeting

12.1 The Stage 3 meeting is normally the final stage of the procedure. While there will always be a preference to retain employees, there may be circumstances where this may not be feasible. Depending on the circumstances, where it is felt that all reasonable options including support mechanisms, changes to the job or environment, reasonable adjustments, retraining, redeployment and ill

health retirement have been exhausted, the employee's contract of employment may be terminated due to continuing incapability to undertake their duties effectively because of ill health or persistent intermittent absence. HR advice should always be sought prior to moving to Stage 3 meeting and a Stage 3 case review must be undertaken in advance in consultation with an HR Advisor. Please refer to the HR Guide to Wellbeing@Work (Supporting Attendance Policy) for further guidance.

12.2 Where changes cannot be made to the employee's current job or an individual is incapable of undertaking a suitable alternative job, or no suitable job is available, or the employee refuses to accept a suitable alternative job or does not qualify for ill health retirement or is not a member of the LGPS, or they are unable to maintain the required standards of attendance then consideration will be given to termination of employment.

12.3 The purpose of the Stage 3 meeting will be to consider whether there are any further actions that can be taken to assist the employee in continuing their employment. The Nominated Senior Manager or Head of Service will consider any relevant information, including the following:

- The impact of the employee's absence on other employees and service delivery
- The employee's absence record and the OH advice received
- Representation made by the employee and/or their representative
- What actions have already been considered and taken to enable the employee to continue in employment.

12.4 Where an employee is dismissed on the grounds of incapability, this will be confirmed in writing along with their right to appeal.

13. Application for Discretion

13.1 In exceptional circumstances, a manager may consider that a particular case warrants discretion to vary from the standard procedure. In these cases, a manager must consider what is reasonable and justifiable in relation to the particular circumstances of the case and formally request discretion from the Head of Service or Nominee using the Discretion Request Form.

13.2 Discretion Criteria

13.2.1 Examples of circumstances which may lead to the application of discretion are as follows:

- Life threatening or terminal illness
- Absence due to a chronic illness and requires treatment which has an expected timescale of recovery
- Planned medical procedure which has an expected timescale of recovery

- Planned disability leave
- Bereavement of a close family member
- Where the employee is likely to be covered by the disability provisions of the Equality Act 2010 as advised in an OH report and where an extension to the timeframes within the procedure would be deemed a reasonable adjustment in the circumstances or varying the attendance targets where there is an underlying medical condition affecting their attendance intermittently.

13.2.2 This list is not exhaustive, however, there may be circumstances above where progression through the stages in the policy would be considered appropriate.

13.3 Process to Apply for Discretion

13.3.1 It is the line manager's responsibility and decision whether to request discretion from the Head of Service/Nominee. The line manager may request discretion prior to or at any Formal Stage in the procedure. The line manager should not wait for or seek a request from an employee or their TU representative at a Formal Stage meeting in order to make a formal request. If a line manager does not apply for discretion, then the employee can appeal on this basis following the Stage 1/2/3 meeting. The HR Team monitor discretion applications across all services to ensure consistency and compliance with the procedure.

13.3.2 There is no limit on the number of times that discretion can be applied. However, in considering the application of discretion, consideration may be given to the employee's attendance record over the last three years and this record will include any previously granted discretion.

13.3.3 Managers should consider all the circumstances of the case within the context of the policy, including the employee's absence record, the reasons for absence, the expected length of the absence and request discretion when they feel it is most appropriate. Occupational sick pay is calculated in the normal way should discretion be applied.

13.3.4 In specific cases, discretion may be requested before a Formal Stage 1 meeting, for example, where an employee requires a set period of time to undergo an operation with an expected recovery period, or where providing an extension to the Corporate Management Prompts will allow for a relapse or particular treatments or be deemed to be a reasonable adjustment under the Equality Act 2010 in the event of an employee having an underlying health issue.

13.3.5 In other cases, the Formal Stage meeting should take place and discretion requested at a later date if appropriate, for example: where the reason for absence is unclear or varied and further information is required. If, following the Formal Stage meeting, further information becomes available about the reasons for absence, discretion can then be requested.

13.3.6 Requesting and approving discretion in a timely and considered manner can result in reduced stress and anxiety for employees already concerned about their ill health and will reduce management time spent convening and conducting an avoidable Formal Meeting. Managers must notify employees of the outcome of any request for discretion in writing as early as possible.

13.3.7 Where discretion has been approved, an informal review meeting, or Formal Stage meeting, as appropriate, should be arranged immediately following the expiry of the discretion. During the period of discretion, it would be considered best practice for line managers to meet the employee for informal reviews, in line with the timeframes of the Corporate Management Prompts to ensure appropriate support and contact is maintained. The meeting should seek to understand whether the employee's situation has changed and depending on the circumstances, a further period of discretion may be requested, or the employee should be progressed to the next Formal Stage.

13.3.8 Where the employee returns to work within a time period allowed for discretion then no formal action should be taken at this time. This period of absence may not contribute towards future Formal Stage meetings, depending on the discretion requested. Where the employee does not return to work within the time period allowed for discretion, then the formal procedure should be reinstated, unless further discretion is granted.

13.3.9 Pregnancy related absences will automatically qualify for discretion under the procedure. All absences that have had discretion granted must still be recorded as sickness absence. The decision whether to approve discretion rests with the Head of Service or nominee and their decision is final.

14. Appeals

14.1 An employee will have a right to appeal against any decision taken at any Formal Stage in the procedure. The appeal can be against either the facts (which led to their being seen under the procedure) or the outcome of their Formal Stage meeting. The appeal must be made in writing stating fully the grounds for appeal. A Notification of Appeal Form is available on Connects. For appeals at Stage 1 and Stage 2, the appeal must be sent to the manager who conducted the meeting and at Stage 3, to the Head of Service (People & ICT). The appeal must be made no more than 14 days commencing from the day after the date on the letter notifying the employee of the result of the meeting. The employee will be given notice in writing of the time and venue of the appeal hearing.

14.2 At the Appeal Hearing, the Senior Manager/Head of Service, Service Director or Appeals Committee has the authority to revoke, confirm or vary the decision previously issued. The result of the Appeal Hearing will be notified in writing to the employee as soon as possible after the appeal. There is no further right of appeal.

15. Redeployment

15.1 Where job or environment changes or reasonable adjustments cannot be made to the employee's working environment, advice will be sought from OH regarding the employee's ability to carry out an alternative role. Managers should explore all opportunities for retraining and suitable alternative employment within their own service as well as placing the employee on the Council's Redeployment register to seek suitable alternative employment out with their service. Managers are required to support employees as appropriate, to enable them to apply for potentially suitable roles. Please refer to the Redeployment Policy and Procedure on Connects for further information.

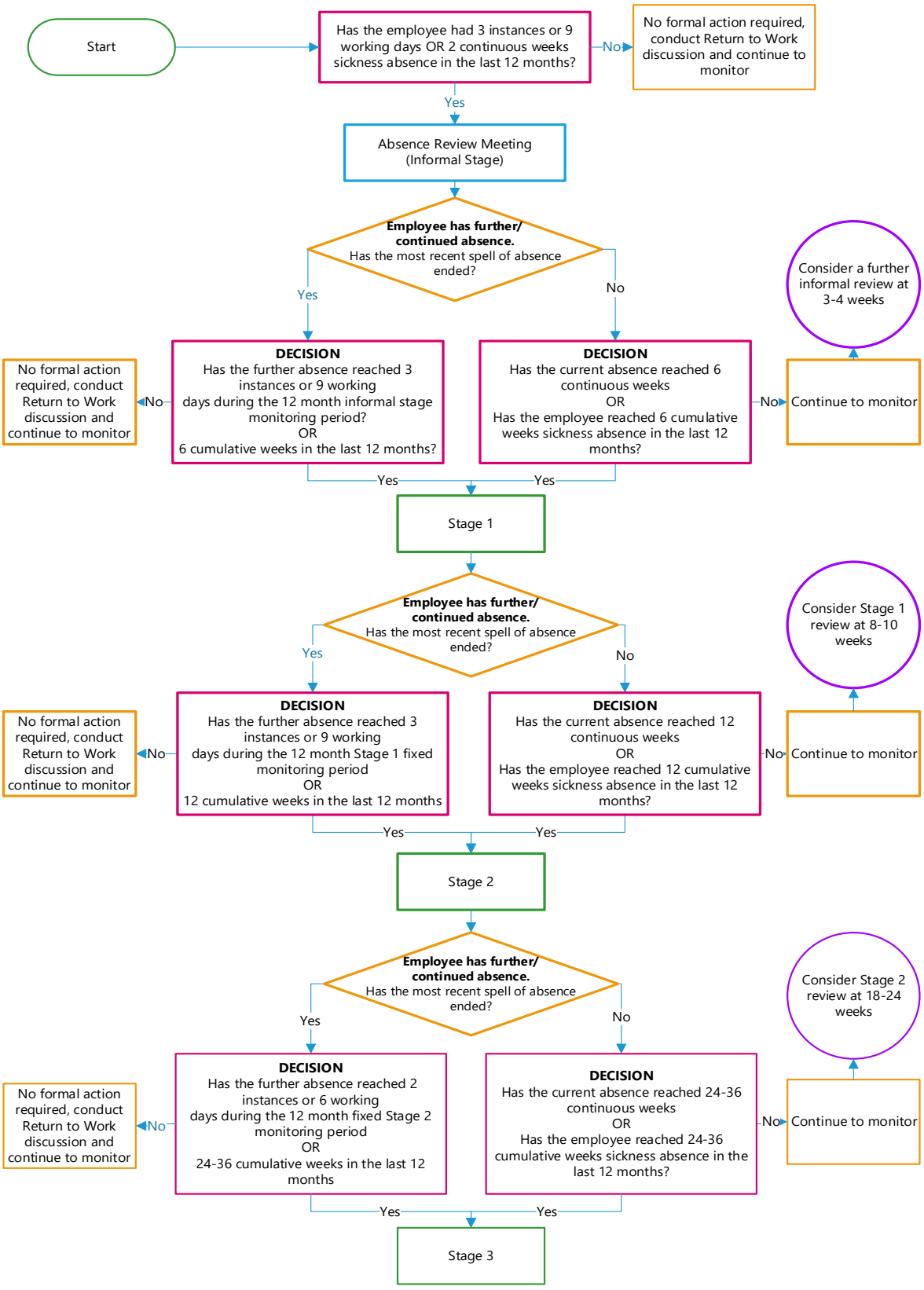
16. Ill-Health Retirement

16.1 Where an employee is deemed unfit for their current role, they may be considered for ill health retirement (provided they are a member of the Local Government Pension Scheme). The manager must refer the employee to OH and ask for the employee's eligibility for ill health retirement to be assessed. Where an employee is under consideration for ill health retirement by OH, action under the Wellbeing@Work (Supporting Attendance Policy) should be suspended until a decision had been made, however review meetings may take place in line with the corporate prompts.

17. Terminal Illness

17.1 Employees diagnosed with a terminal illness will be managed in a dignified and compassionate manner. Employees will not be subject to any Formal Stage action under the policy. Any medical referrals will be to assist with the employee's wellbeing. HR advice should be sought with regard to dealing with employees with diagnosed terminal illness and the options to be considered.

Appendix 1 - Wellbeing@Work Corporate Management Prompts



Appendix B

Maximising Attendance Policy & Procedure (Teachers) Version: 1.1

Focus. Passion. Inspiration.

North Ayrshire Council
Comhairle Siorrachd Àir a Tuath

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Version Number	Effective Date	Details of Last Revision
1.1	22.07.14	Updated onto new policy template and new numbering.
1.2	21.08.15	Updated to replace reference to Navigate with 'Connects'

Equality Impact Assessment	30 June 2013

Section 1: Introduction

1.1 Why is Managing Sickness Absence Important?

1.1.1 North Ayrshire Council recognises that employees will, from time to time, be unable to come to work because of sickness. However, the Council regards high levels of attendance at work vital for the maintenance of an effective and efficient service to the community it serves and one of its principal aims is to maximise employees' attendance at work.

1.1.2 High levels of sickness absence are costly and disruptive and can lead to:

- Additional pressure being placed on work colleagues leading to higher levels of stress and low morale
- Loss of continuity for Service users
- Additional salary costs necessary to cover absences
- A poor reputation for North Ayrshire Council

1.1.3 Addressing sickness absence properly can also benefit employees by:

- Providing an opportunity for support and assistance from the Council through the absence
- Helping to identify work-related and non-work related issues
- Identifying clearly the attendance standards expected

1.2 Management Responsibility

1.2.1 Managers and Supervisors must manage and control their employees' attendance and absence and are accountable for the sickness absence levels of their staff.

1.2.2 In maintaining acceptable levels they must:

- Be supportive, treat every sickness absence as genuine (unless there is evidence that it is not, when the disciplinary policy and procedure should be invoked) and be clear this is not a disciplinary process
- Conduct a return to work interview after every sickness absence, try to establish the underlying reasons for frequent sickness absence and record the outcome of that interview
- Set targets for attendance improvement
- Seek medical advice from the Council's Occupational Health Service, where appropriate
- Warn the employee of the consequences of continuing unsatisfactory attendance including the possibility that it may lead to dismissal
- Conduct a timely monthly review of sickness absence to identify problem areas and develop constructive solutions to these problems.

1.3 Monitoring Sickness Absence

1.3.1 Services should monitor sickness absence by the creation of a monthly report which can be presented to their Senior Management Team (SMT). The report should detail the names of employees who have reached absence triggers, which stage of the formal procedure the employee has reached. The report should also include reasons for any non-progression through the stages of the procedure. Services should use CHRIS to produce these monthly reports wherever possible, however a spread sheet may be used. It is therefore, vital that the information on the CHRIS is kept up-to-date.

1.3.2 Services are expected to provide year-on-year improvements to their sickness absence statistics and agreed annual targets should be included in the Service plan.

1.3.3 Senior Managers will be accountable for managing sickness absence. The Corporate Management Team (CMT) will be updated through monthly reports for each Service; The Scrutiny committee will also be updated regularly.

1.4 Sickness Absence Reporting Procedures

1.4.1 Employees must fulfil the Notification and Certification Requirements set out in the Terms and Conditions of Employment. Where an employee does not fulfil their responsibilities under these procedures managers should follow the procedures set out in the HR Guide: Breach of Notification and Certification Procedures.

1.4.2 When an employee calls in to report their absence, this call should be taken by their line manager or designated person within the service.

1.4.3 The line manager/designated person should complete a Sickness Absence Reporting Form for the employee. This form has been designed to ensure that the reason behind the employee's absence is examined as early as possible and assistance from North Ayrshire Council offered from the outset.

1.4.4 Template letters are available to send which offer condolences on illness or hospitalisation and to wish the employee well.

1.5 Moving between Short and Long Term Absence

1.5.1 Absence can normally be categorised into two distinct types; short term or long term sickness absence.

1.5.2 The management action for managing short and long term absence differs slightly due to the pattern of the sickness absence. Therefore the Maximising Attendance Procedure has been split into two sections; Dealing with Short Term Absence and Dealing with Long Term Absence.

1.6 Representation

1.6.1 An employee may represent him/herself or chose to be represented at any of the stages of the Procedure where an employee is required or invited to attend a Stage 1/2/3 interview.

1.6.2 If a representative is chosen, the representative can only be one of the following in accordance with the Employment Relations Act, 1999:-

- a fellow employee; who is another North Ayrshire Council employee; or
- a full time trade union officer or a lay trade union representative (but not necessarily of a union recognised by the Council) with experience of or has received training in acting as a worker's companion.

1.6.3 The employee shall provide to the manager concerned, verbal or written confirmation beforehand of the intention to be represented. The employee shall, wherever possible, also provide the name of that representative. Where that representative is a fellow employee, the employee being interviewed should consider any possible conflicts of interest that may arise through their choice of representative. The manager, however, can object to the chosen representative if a conflict of interest arises.

1.6.4 Reasonable time off should be given to allow the employee, fellow employee or lay representative to prepare before the interview and for the actual interview.

1.6.5 An employee can offer an alternative interview date where the representative cannot attend on the date proposed by management. However, the interview shall normally be re-arranged within five working days beginning with the working day after the day proposed by the manager.

1.6.6 The employee or representative shall take as full a part in the interview as possible and the employee and/or the representative has the right to address the interviewers and to ask questions. The representative does not have the right to answer on behalf of the employee who should respond to questions asked directly of him/her.

1.6.7 **An employee will have a right to appeal at the First Stage, Second Stage and Third Stage of both the short and long term procedure**. The appeal can be against either the facts (which led to their being seen under this procedure) or the outcome of their interview under this procedure. An employee shall also have an appeal against their dismissal, such an outcome only being possible at the Third Stage of the procedure. There shall only be one level of appeal within North Ayrshire Council. Please see Section 4 for further details on appeals.

1.7 Guidance on Moving through Maximising Attendance Procedure

1.7.1 Moving within the procedure from the Stage 1A to the Stage 1B has a time limit of six months. Moving from a Stage 1B to at Stage 2 has a time limit of 9 months. Moving from a Stage 2 to a Stage 3 has a time limit of 12 months. Therefore, within that period of 12 months, an interview can be linked to the next stage. Where an employee improves their attendance in the appropriate monitoring period, they will normally no longer be in the procedure and their record cleared.

1.7.2 However, there may be occasions where an employee's absence is satisfactory, only to lapse very soon after the 12 month period as noted above. Where a pattern emerges and there is evidence of abuse of the system, the employee's record under the maximising attendance procedures should be borne in mind in deciding whether to move to the next stage of the procedure, or to repeat for another 12 months. After one repeat stage, normally further evidence of abuse will result in moving to the next stage.

Section 2: Short Term Sickness Absence

2.1.1 The purpose of the procedure is to address and resolve issues of sickness absence in a structured setting with the overall objective of improving attendance to an acceptable level. In pursuit of this objective, the employee shall be supported wherever possible. The process begins with the Return to Work Interview which the line manager must arrange after every sickness absence. Thereafter, Management will be expected to review the employee's short-term sickness absence and take appropriate action based on the triggers set out below.

2.1.2 *Managers will have discretion in certain circumstances to vary from this procedure; however any decision to vary from the procedure must be justifiable to the Head of Service/Director. Discretion should be requested using the Discretion Request Form and submitted to the Head of Service/Corporate Director. Where discretion is applied the manager must ensure that this is recorded on the Return to Work/Stage Interview Form and recorded on CHRIS. Discretion should be applied where the employee:*

- *Is absent due to a chronic illness/disease; or*
- *has to undergo a surgical procedure or /requires hospitalisation which has a specified/expected date of recovery; or*
- *has an underlying medical condition which may affect their attendance intermittently over a set period of time.*

Consideration may also be given to the employee's previous attendance record.

Should the employee's absence extend beyond the original expected date of return, discretion should be removed and the employee met under the formal procedures.

Further to this, where a teacher has the occasion to attend for medical treatment, consideration will be given to the pre and post medical interventions required. Head

teachers are reminded that the Council's Special Leave Scheme should be utilised where appropriate to approve medical appointments and pre-post interventions.

2.1 Overview of Short-Term Absence Procedure

9 cumulative working days of sickness absence*, taken over more than one occasion*, in a rolling 12 month period

Or

3 instances of sickness absence in a rolling 12 month period, *irrespective of length of absence*

↓

Stage 1A Interview

↓

Stage 1A Review (if required)

↓

2 instances, or 6 cumulative working days sickness absence in a 6 month fixed monitoring period

↓

Stage 1B Interview

↓

Stage 1B Review (if required)

↓

2 instances, or 6 cumulative working days sickness absence in a 9 month fixed monitoring period

↓

Stage 2 Interview

↓

Stage 2 Review (if required)

↓

2 instances, or 5 cumulative working days sickness absence in a 12 month fixed monitoring period

↓

Stage 3 Interview

2.2 Return to Work Interview — After **every** absence

2.2.1 The disruption caused by frequent short term absence can often be worse than that caused by long-term absence as the ability to plan work is much harder.

2.2.2 After each absence the manager will conduct a Return to Work Interview with the employee. The Return to Work interview allows the manager to discuss the reason for the employee's absence and make any referrals to the Counselling Service/Occupational Health or other relevant support as soon as possible.

2.2.3 It is essential that the Return to Work interview is completed correctly before any formal attendance management action is taken to ensure that the employee:

- Is aware that there are concerns regarding their level of attendance
- Has been given the opportunity for improvement
- Is aware of the possible consequences of continued poor attendance

2.2.4 Managers should read and use the HR Guide: Conducting Effective Return to Work Interviews when meeting with employees on their return to work. The Return to Work meeting **must** be recorded on CHRIS.

2.3 Occupational Health Referrals for Short Term Absence	Any stage in procedure

2.3.1 An employee can be referred to Occupational Health at any point during the Sickness Absence process. However, employees should only be referred where the Occupational Health Report will assist with the attendance management decision, for example where the employee cites an underlying medical condition as the reason for absence. Unrelated absences would not necessarily require a referral. Possible outcomes for short term absence referrals are:

- Confirmation that the employee has an underlying medical condition, which may continue to result in absences from work
- Confirmation that the employee has a medical condition, but which should not require further periods of absence
- Confirmation that there is no underlying medical condition that would necessitate absence from work
- Advice on reasonable adjustments to the workplace
- Confirmation that the employee has had a medical condition which has required frequent absence, but this has been resolved and should no longer require absence from work.

2.3.2 Please refer to the HR Guide: Occupational Health Referrals and Reports for advice on the Occupational Health referrals.

2.4 Stage 1A Interview	Trigger: 9 cumulative working days of sickness absence, *taken over more than one occasion*, in a 12 rolling 12 month period OR 3 instances of sickness absence in a rolling 12 month period, *irrespective of length of absence*

2.4.1 Should an employee meet any of the absence triggers set out in the Managing Absence procedure above, they should be advised that they will be met under Stage 1A of the formal maximising attendance procedures.

2.4.2 A common sense approach should be taken to ascertain when it would be unreasonable to meet an employee under the procedure, despite hitting the

absence triggers, for example, where an employee's absence is directly attributable to a specific illness or recovery from a recent operation. In this instance the Stage 1A interview should be postponed for a reasonable time to allow the employee to make a full recovery.

2.4.3 The Stage 1A interview is designed to ensure the employee is aware of the seriousness of their poor attendance and to discuss in a formal setting, ways that this can be improved.

2.4.4 It is essential that the employee fully understands in what respect their attendance is unsatisfactory and that they are given an opportunity to explain any contributing difficulties to this situation. The employee will also be advised that if performance does not improve or there is a recurring pattern of sickness absence, they will be referred to the Stage 1B of the procedure.

2.4.5 **Stage 1A Attendance Target:**

The employee should be advised that they are in a fixed monitoring period for the next 6 months and will be called to a Stage 1B Interview if they have 2 occasions or 6 cumulative days of absence in 6 months, from the date of the Stage 1A Interview. The employee's attendance should be closely monitored over the 6 month period, a review meeting arranged if appropriate. The employee can appeal the Stage 1A interview outcome.

2.5 Stage 1B Interview	Trigger: 2 occasions, or 6 cumulative working days in the 6 month monitoring period

2.5.1 If the sickness absence exceeds the target set out in the outcome of the Stage 1A meeting, the employee will be called to a Stage 1B interview. Again, it may be unreasonable to conduct the Stage 1B interview at this point, despite not meeting the attendance targets set at the Stage 1A interview. If the employee cites an underlying health problem as the cause of absence then an Occupational health report should be available prior to the Stage 1B interview.

2.5.2 The discussion and considerations at the Stage 1Binterview should mirror the Stage 1A interview.

2.5.3 **Stage 1B Attendance Target:**

The employee should be advised that they are in a fixed monitoring period for the next 9 months and will be called to a Stage 2 interview if they have 2 occasions or 6 cumulative working days of absence in 9 months, from the date of the Stage 1B Interview. Review interviews should be arranged if appropriate. The employee can appeal the Stage 1B outcome.

2.6 Stage 2 Interview	Trigger: 2 occasions, or 6 cumulative working days in the 9 month monitoring period

2.6.1 If the sickness absence exceeds the target set out in the outcome of the Stage 1B meeting, the employee will be called to a Stage 2 interview. Again, it may be unreasonable to conduct the Stage 2 interview at this point, despite not meeting the attendance targets set at the Stage 1B interview. If the employee cites an underlying health problem as the cause of absence then an Occupational health report should be available prior to the Stage 2 interview.

2.6.2 The discussion and considerations at the Stage 2 interview should mirror the Stage 1B interview.

2.6.3 **Stage 2 Attendance Target:**

The employee should be advised that they are in a fixed monitoring period for the next 12 months and will be called to a Stage 3 interview if they have 2 occasions or 5 cumulative working days of absence in 12 months, from the date of the Stage 2 Interview. Review interviews should be arranged if appropriate. The employee can appeal the Stage 2 outcome.

2.7 Stage 3 Interview	Trigger: 2 occasions, or 5 cumulative working days in the 12 month monitoring period

2.7.1 The third stage interview is normally the final stage and may result in the employee being dismissed or transferred. To assist in determining whether or not an employee should move to the third and final stage of the procedure, it is recommended that a Maximising Attendance Case Review be conducted and consultation with a HR Team Leader is undertaken prior to the interview being held.

2.7.2 The Corporate Director/Head of Service will consider all aspects of the case. Where the unsatisfactory attendance record has continued and the improvement plan has not been achieved or sustained, the Corporate Director/Head of Service shall have the authority to terminate the employee's employment on the grounds of incapability due to poor attendance record.

2.7.3 Where the employee is dismissed on the grounds of incapability, he/she shall be advised of their right to appeal against the decision of dismissal. A copy of the letter should be sent to the representative present at the interview, the employee and to the Head of HR and Organisational Development. The Employee can appeal the Stage 3 outcome.

Section 3: Long Term Sickness Absence

3.1.1 Research indicates the best support for employees with long term absence is through early and continuing absence discussions. This procedure has been designed to ensure that managers keep in contact with absent employees throughout the duration of their absence, continue to offer and discuss support mechanisms and advise the employee of the possible consequences of their continued absence.

3.1.2 Long term absence cases will be considered on their individual circumstances within the parameters set out in the procedure below.

3.1.3 *Managers will have discretion in certain circumstances to vary from this procedure; however any decision to vary from the procedure must be justifiable to the Head of Service/Director. Discretions should be requested using the 'Discretion Request From' and submitted to Head of Service/Corporate Director. Where discretion is applied the manager must ensure that this is recorded on the Return to Work/Stage 1/2/3 pro forma and recorded on Chris.*

3.1.4 *Discretion should be applied where the employee;*

- *Is absent due to a chronic illness/disease; or*
- *has to undergo a surgical procedure or requires hospitalisation which has a specified/expected date of recovery*
- *has an underlying medical condition which may affect their attendance intermittently over a set period of time.*

3.1.5 Consideration may also be given to the employee's previous absence record.

3.1.6 Should the employee's absence extend beyond the original expected date of return, discretion should be removed and the employee met under the formal procedures.

3.1 Overview of Long Term Absence Procedure

Reasonable Contact with employee during first 4 weeks of Continuous Absence (and beyond)
↓
Initial Long Term Absence Review Meeting (at 4 weeks) (if appropriate)
↓
Stage 1A Interview (between 8-12 weeks)
↓
Stage 1A – Review (if appropriate)
↓
Stage 1B Interview (between 13-19 weeks)
↓
Stage 1B Review (if appropriate)
↓
Stage 2 Interview (between 20 – 28 weeks)
↓
Stage 2 – Review (if appropriate)
↓
Stage 3 Interview(Between 28 - 36 weeks)

3.2 Contact During Long Term Absence	From 1st day of absence

3.2.1 When an employee is absent from work due to sickness it is important that contact is maintained. The responsibility to maintain contact rests equally with the line manager and employee.

3.2.2 To ensure that regular contact is maintained, employees must remain contactable during periods of absence and respond to letter and phone messages.

3.2.3 Managers should keep in contact to gain an understanding of when the employee expects to be back at work and any support the Council can provide to assist their recovery, as well as any work related matters and the possibility of working from home etc. The amount of contact will depend on the reason for absence.

3.2.4 Employees should also be advised that should their absence reach 4 continuous weeks then a Long Term Absence Initial Review Meeting will be arranged, and if there is no return before 8 weeks a formal meeting will be arranged under the Maximising Attendance Procedure.

3.3 Initial Long Term Absence Review	4 weeks continuous sickness absence

3.3.1 The initial review meeting should take place as soon as possible once the employee's absence reaches 4 continuous weeks. In the case of hospitalisation the initial review meeting should take place as soon as is reasonable.

3.3.2 The initial review meeting can take place at a Council building, at the employee's own home, an alternative mutually acceptable venue or over the telephone, depending on the employee's illness.

3.3.3 The review is designed to allow managers an opportunity to gain a better understanding of the reason for the employee's absence, when the employee is expected to return to work and any support that the Council can offer to aid the employee's recovery. The meeting will consider;

- When the employee expects to return to work
- Any reasonable adjustments that can be made e.g. working from home, redeployment
- Referrals to Occupational Health (see below)
- Discuss with the employee the consequences of their continuing absence

3.3.4 Managers should use the 'Initial Long Term Absence Review Meeting' pro forma to assist with this discussion.

3.4 Occupational Health Referral for Long Term Absence	Any point in the procedure and repeat if required

3.4.1 The manager must give serious and immediate consideration to the employee being referred to the Council's Occupational Health service as early as possible, or where appropriate to seek other medical opinion. A **referral must be made in all cases where an employee has been, or is likely to be, absent for six calendar weeks or more and there is no date identified for a return to work.** Muscular-skeletal and stress cases should be referred immediately.

3.4.2 The purpose of the medical referral will be to determine the following: -

- Whether or not there is an underlying health problem
- The employee's fitness for his/her full range of duties or any alternative duties that the employee could carry out
- The earliest date of return to work, where recovery is expected
- Whether the employee has a disability as defined by the Equality Act 2010

3.4.3 North Ayrshire Council is required under the Equality Act 2010 to make reasonable adjustments to the physical conditions of their premises, furniture and/or equipment to assist disabled employees. Please see the 'Retention of Disabled Employees' policy for further information on your management responsibilities for disabled employees.

3.4.4 Please refer to the HR Guide to Occupational Health Referrals and Reports for advice on the Occupational Health referrals.

3.5 Stage 1A Interview	At 8 - 12 weeks continuous absence

3.1.1 Long term absence is operationally difficult and it is appropriate to review the case and ensure an up-to-date Occupational Health report is available. Once the report is available, the employee will be invited to attend a Stage 1A Interview. This should be arranged from 8 weeks continuous sickness absence and no later than 12 weeks. All situations will vary depending upon the nature of the medical problems and the prognosis of the employee's condition.

3.1.2 The meeting will consider:

- Previous discussions with the employee
- The employee's future employment prospects, other options such as reasonable adjustments, change in hours, redeployment and working from home.
- the latest OH report and the employee's current and future capability;
- Amended duties, Redeployment, Ill Health Retirement, support available

3.1.3 If the Occupational Health report indicates that the employee will be fit to return in 12 weeks or less, then a Stage 1A Review should be organised to discuss the employee's progress prior to the expected return date and ascertain if the date will be fulfilled. If the expected date of return is unknown or much longer than 12 weeks the employee is advised that if they are likely to be absent for up to 19 weeks a Stage 1B Interview will be arranged before the end of this period. The employee can appeal the Stage 1A outcome.

3.6 Stage 1B Interview	13 – 19 weeks continuous absence

3.1.1 The stage 1B interview will follow on from the Stage 1A interview. The Stage 1B should be arranged from 13 weeks continuous absence no later than 19weeks. All situations will vary depending upon the nature of the medical problems and the prognosis of the employee's condition.

3.1.2 The meeting will consider:

- Previous discussions with the employee
- The employee's future employment prospects, other options such as reasonable adjustments, change in hours, redeployment and working from home.
- the latest OH report and the employee's current and future capability;
- Amended duties, Redeployment, Ill Health Retirement, support available

3.1.3 If the Occupational Health report indicates that the employee will be fit to return before 20 weeks of absence, then a Stage 1B Review should be organised to discuss the employee's progress prior to the expected return date and ascertain if the date will be fulfilled. If the expected date of return is unknown or much longer than 20 weeks the employee is advised that if they are likely to be absent for up to 20 weeks a Stage 2 Interview will be arranged before the end of this period. The employee can appeal the Stage 1B outcome.

3.7 Stage 2 Interview	Between 20 and 28 weeks continuous absence

3.7.1 Managers should ensure that an up-to-date Occupational health report is available before holding a Stage 2 Interview.

3.7.2 The employee will have the right to be represented by a trade union representative or to be accompanied by a work colleague.

3.7.3 The following options should be discussed:

- Ensure that reasonable adjustments are explored
- Consider any feasible redeployment
- Ill health retirement

- The employee should be informed that cases of significant long term absence cannot be sustained indefinitely and if there is no prospect of a return to work in the foreseeable future or ill health retirement, a Stage 3 Formal Interview will be arranged to consider dismissal

3.7.4 A Stage 2 review may be arranged to consider if the return to work plan is realistic as the time as the return to work date draws nearer. If the return to work is not planned and the employee is absent beyond 28 weeks the employee will be referred to a Stage 3 Interview to consider whether the Council can sustain their employment. The employee can appeal the Stage 2 outcome.

3.8 Stage 3 Interview	Between 29 – 36 weeks continuous sickness absence

3.8.1 Following the completion of the Stage 1A, Stage 1B and Stage 2 interviews, cases of continuing long term absence will be referred to a Stage 3 Formal Capability Hearing. The purpose of the Stage 3 interview will be to consider whether there are any further actions that the Council can take to assist the employee in continuing their employment or, whether employment should be terminated due to the employee's continuing incapability to undertake their duties effectively because of their ill health.

A Stage 3 case review must be conducted prior to arranging a Stage 3 interview and a HR Team Leader conducted. The case review should consider;

- Up-to-date OH report
- Details of previous interviews held
- Details of other arrangements made by the Manager to support the employee
- Details of discussions on adjustments, phased return or redeployment
- Ill Health Retirement
- Any issues raised or comments expressed by the employee or their representative

When reaching a decision about whether or not to dismiss, the Head of Service/Corporate Director will consider any relevant information including the following;

- The impact of the employee's absence on other employees and service delivery
- The employee's absence record and the Occupational health advice received
- Representation made by the employee and/or their representative
- The expected date of return
- The employee's conditions of service, and in particular Part 2 Section 6 of the SNCT Handbook
- What actions have been taken/considered to enable the employee to continue in employment

Section 4: Appeals and Levels of Authority

4.1.1 **An employee will have a right to appeal at the Stage 1A, Stage 1B, Second Stage and Third Stage of both the short and long term procedure**. The appeal can be against either the facts (which led to their being seen under this procedure) or the outcome of their interview under this procedure. An employee shall also have an appeal against their dismissal, such an outcome only being possible at the Third Stage of the procedure. There shall only be one level of appeal within North Ayrshire Council.

4.1.2 If the employee chooses to exercise their right of appeal, an appeal stating fully the grounds on which it is based, should be made in writing, using 'Notification of Appeal' form, either by the employee or by their representative on his/her behalf. The Appeal has to be made not more than 14 days from the day following the date on the letter notifying the member of staff of the result of the interview.

4.1.3 The appeal request should be sent to the management official named in the notification of the outcome of the interview at the First Stage and Second Stage and to the Head of HR and Organisational Development at the Third Stage.

4.1.4 The employee shall be given notice in writing of the time and venue of the Appeal Hearing.

4.1.5 At the Appeal Hearing, the senior Management Official shall have the power to revoke, confirm or vary the decision previously issued.

4.1.6 The result of the Appeal Hearing shall be notified in writing to the employee and his/her representative as soon as possible after the Appeal.

4.1.7 Levels of authority for interview and appeals

Interview	Interviewing Officer	Appeal heard by
Stage 1A	Headteacher	Manager senior to Interviewing Officer
Stage 1B	Headteacher	Manager senior to interviewing Officer
Second Stage	Appropriate Supervisor/Line Manager (e.g. Head of Service)	Manager senior to Interviewing Officer
Third Stage	Corporate Director/Head of Service or nominated officer	Appeals Committee of North Ayrshire Council

Appendix 1 – Maximising Attendance Triggers (Teachers)

Short Term Absence

Return to Work Discussion;
After each absence
↓
Employee met at **Stage 1A** if absence reaches;
9 cumulative working days of sickness absence, taken over more than one occasion, in a 12 month rolling period
OR
3 instances of sickness absence in a rolling 12 month period, irrespective of length of absence
↓
Employee met at **Stage 1B** if absence reaches (from date of Stage 1A interview);
2 instances, or 6 cumulative working days in a 6 month fixed monitoring period
↓
Employee met at **Stage 2** if absence reaches (from date of Stage 1B interview);
2 instances, or 6 cumulative working days in a 9 month fixed monitoring period
↓
Employee met at **Stage 3** if absence reaches (from date of Stage 2 interview);
2 instances, or 5 cumulative workings days in a 12 month fixed monitoring period

Long Term Absence

Initial Long Term Absence Review;
Conducted at 4 weeks continuous long term absence
↓
Employee met at **Stage 1A** if absence reaches;
8 – 12 weeks continuous sickness absence
↓
Employee met at **Stage 1B** if absence reaches;
13 – 19 weeks continuous sickness absence
↓
Employee met at **Stage 2** if absence reaches;
20 – 28 weeks continuous sickness absence
↓
Employee met at **Stage 3** if absence reaches;
29 – 36 weeks continuous sickness absence

Discretion

Discretion to vary from these procedures must be approved by Head of Service/Corporate Director. Discretion should only be applied where the employee;

- *Is absent due to a chronic illness/disease; or*
- *has to undergo a surgical procedure or /requires hospitalisation which has a specified/expected date of recovery; or*
- *has an underlying medical condition which may affect their attendance intermittently over a set period of time.*

Consideration may also be given to the employee's previous attendance record. Should the employee's absence extend beyond the original expected date of return, discretion should be removed and the employee met under the formal procedures.

Further to this, where a teacher has the occasion to attend for medical treatment, consideration will be given to the pre and post medical interventions required. Head teachers are reminded that the Council's Special Leave Scheme should be utilised where appropriate to approve medical appointments and pre-post interventions.

Appendix C

Wellbeing@Work (Supporting Attendance Policy)

Overview of Management Prompts

Stage	Meeting	Corporate Management Prompts	Meeting Chaired by	Appeal heard by
Informal	Absence Review Meeting	3 instances or 9 working days OR 2 continuous weeks within a rolling 12-month period	Supervisor / line manager / Member of School SMT	n/a
Stage 1	First Formal Meeting	Further 3 instances or 9 working days during the 12-month fixed monitoring period OR 6 weeks continuous or cumulative absence in the last 12 months	Supervisor / line manager / Member of School SMT	Manager Senior to Stage 1 Meeting Officer
Stage 1 Review	Review Meeting (optional)	At 6-12 weeks continuous absence	Supervisor / line manager / Member of School SMT	n/a
Stage 2	Second Formal Meeting	Further 3 instances or 9 working days during the 12-month fixed monitoring period OR 12 weeks continuous or cumulative absence in the last 12 months	Appropriate supervisor / line manager	Manager Senior to Stage 2 Officer
Stage 2 Review	Review Meeting (optional)	At 18-24 weeks continuous absence	Appropriate supervisor / line manager	n/a
Stage 3	Third Formal Meeting (and possibility of termination of employment on grounds of capability due to ill health)	Further 2 instances or 6 working days during the 12-month fixed monitoring period OR 24-36 weeks continuous or cumulative absence in the last 12 months	Nominated Senior Manager (Grade 14 or higher) or Head of Service / Executive Director	Appeals Committee of North Ayrshire Council (in the event of dismissal) (Head of Service / Executive Director if employee not dismissed)

Appendix D

Maximising Attendance Policy & Procedure (Teachers)

Overview of Short and Long-Term Absence Procedures

Short-Term Absence

9 cumulative working days of sickness absence, *taken over more than one occasion*, in a rolling 12 month period

Or

3 instances of sickness absence in a rolling 12 month period, *irrespective of length of absence*

↓

Stage 1A Interview

↓

Stage 1A Review (if required)

↓

2 instances, or 6 cumulative working days sickness absence in a 6 month fixed monitoring period

↓

Stage 1B Interview

↓

Stage 1B Review (if required)

↓

2 instances, or 6 cumulative working days sickness absence in a 9 month fixed monitoring period

↓

Stage 2 Interview

↓

Stage 2 Review (if required)

↓

2 instances, or 5 cumulative working days sickness absence in a 12 month fixed monitoring period

↓

Stage 3 Interview

Long-Term Absence

Reasonable Contact with employee during first 4 weeks of Continuous Absence (and beyond)

↓

Initial Long Term Absence Review Meeting (at 4 weeks) (if appropriate)

↓

Stage 1A Interview (between 8-12 weeks)

↓

Stage 1A – Review (if appropriate)

↓

Stage 1B Interview (between 13-19 weeks)

↓

Stage 1B Review (if appropriate)

↓

Stage 2 Interview (between 20 – 28 weeks)

↓

Stage 2 – Review (if appropriate)

↓

Stage 3 Interview(Between 28 - 36 weeks)

Appendix E: Absence Targets

Table 1: Whole Council 3 Year Summary Days Lost per FTE, Year to Date as at end of Q2.

The values shown in Table 1 below are calculated based on the current year to date position as at end of Q2 (2024/25).

Year	Whole Council as at Q2				
	FTE	Actual	Target	Variance	Change from Previous Year
2022/2023	7,602	5.74	4.32	-1.42	-1.45
2023/2024	6,965	5.84	5.10	-0.74	-0.10
2024/2025	6,493	5.88	5.24	-0.64	-0.04

Table 2 – Whole Council 3 Year Summary Days Lost per FTE

Year	Whole Council as at Q4 2023/24				
	FTE	Actual	Target	Variance	Change from Previous Year
2021/2022	6,225	9.87	8.70	1.17	3.08
2022/2023	6,249	12.76	8.68	4.08	2.89
2023/2024	6,443	12.82	10.21	2.61	0.06

Appendix F: Directorate Summary – Absence at Q2 2024/2025

Tables 3 & 4 - Summary by Directorate/Service

Tables 3 and 4 below provide a year-to-date summary of key measures as at the end of Q2 2024/25. The purpose of the tables is to provide context in relation to both the volume and duration of absences. The total number of discretion applications approved, and employees granted differs as some employees have been granted discretion on more than one occasion.

Table 3 – Summary by Directorate

Directorate	Headcount	FTE	YTD Absence Level	YTD Target	Variance
Communities & Housing	743	691.77	5.59	4.8	-0.8
Corporate Services	430	403.13	3.07	2.84	-0.24
Education	4,098	2,921.49	4.79	4.96	0.17
HSCP	2,194	1,796.63	7.55	6.65	-0.91
Place	700	679.48	8.12	4.86	-3.26

Table 4 – Summary by Directorate and Service level

Directorate/ Service	Headcount	FTE	Absence Level	Target	Variance	No of Absent Employees	No of Absence Spells	No of Discretion Applications Approved	No of Employees Granted Discretion	Average Calendar Days Lost	Maximum Calendar Days Lost	Total Calendar Days Lost
Communities & Housing	743	691.77	5.59	4.8	-0.8	255	428	5	5	18.12	183	5,454
Connected Communities	220	181.75	4.92	3.87	-1.06	63	102	5	5	19.03	183	1,389
Housing & Public Protect	523	510.02	5.83	5.14	-0.69	192	326	0	0	17.83	183	4,065
Corporate Services	430	403.13	3.07	2.84	-0.24	125	195	4	3	10.73	131	1,717
Chief Officer LT	19	19	1.58	2.5	0.92	2	3	0	0	20.5	36	41
Democratic Services	70	67.37	2.58	2.5	-0.08	11	17	1	1	18.08	70	235
Financial Services	84	79.03	2.02	2.5	0.48	24	29	0	0	9.35	91	243
People & ICT	257	237.73	3.68	3.09	-0.6	88	146	3	2	10.07	131	1,198
Education	4,098	2,921.49	4.79	4.96	0.17	1,388	2,454	38	33	19.68	183	33,434
Direct Support-Education	2	2	1	2.5	1.5	1	1	0	0	1	1	1
Education	4,096	2,919.49	4.79	4.96	0.17	1,387	2,453	38	33	19.69	183	33,433
HSCP	2,194	1,796.63	7.55	6.65	-0.91	1,030	2,097	34	32	20.53	183	29,238
Chief SW Officer	17	17	11.51	4	-7.51	7	15	1	1	33.5	183	268
Child, Families & Justice	409	379.38	8.52	7.14	-1.39	162	310	11	11	25.53	183	4,825
Financial Inclusion	52	49.29	8.18	2.5	-5.68	14	33	2	2	45.6	129	684
Health & Community Care	1,323	998.12	7.52	7.42	-0.1	715	1,485	16	14	18.87	183	19,771
HSCP	230	196.77	6.18	4	-2.18	77	152	2	2	22.67	183	2,244
HSCP Finance & Transform	55	51.36	3.77	2.5	-1.27	14	24	0	0	17.71	103	301
Mental Health	108	104.71	7.96	7.5	-0.46	41	78	2	2	23.85	130	1,145
Place	700	679.48	8.12	4.86	-3.26	253	524	1	1	24.54	183	8,074
Direct Support	5	5	10	3	-7	1	3	0	0	71	71	71
Economic Dev & Regen	83	76.77	3.68	3.05	-0.63	17	30	0	0	22.58	142	429
Neighbourhood Services	457	450.73	9.58	5.73	-3.86	198	408	0	0	23.3	183	6,151
Sus, TPT & Corp Property	155	146.98	5.75	3.42	-2.34	37	83	1	1	31.62	183	1,423
Whole Council	8,165	6,492.50	5.88	5.24	-0.65	3,051	5,698	82	74	19.91	183	77,917

Appendix G: Local Government Benchmarking Framework

LGBF splits the absence measure into two categories Teaching (CORPa) and Non-Teaching (CORPb). At a national level the average days lost per FTE has increased in 2023/24, compared to 2022/23.

Our Council had the joint 4th lowest level of absence for the Teaching and non-Teaching category within the family group for 2023/24. The non-Teaching category is lower than the overall Scotland figure.

It should also be noted that absence levels are consistently higher across all Council's within the family group for non-teaching than the absence levels within the Teaching category.

Table 5 – LGBF Teaching 4 Year Summary Days Lost per FTE

	CORP6a					
	Sickness absence days per employee (teacher)					
Local Authority	Corp 6a 2019-20	Corp 6a 2020-21	Corp 6a 2021-22	Corp 6a 2022-23	Corp 6a 2023-24	Ranking
East Ayrshire	4.97	2.91	5.13	6.83	9.30	4*
East Lothian	4.92	2.77	4.53	5.77	6.70	2
Fife	6.35	5.15	6.98	8.24	9.30	4*
Moray	6.76	4.54	6.00	7.89	9.60	5
North Ayrshire	5.53	4.78	7.20	7.65	9.30	4*
Perth & Kinross	7.22	4.21	6.97	8.90	9.10	3
South Ayrshire	5.11	3.18	5.46	4.93	5.00	1
Stirling	6.32	3.74	6.54	8.72	10.00	6
Scotland	**6.35**	**4.16**	**5.84**	**6.81**	**7.60**	

Table 6 – LGBF Non-Teaching 4 Year Summary Days Lost per FTE

	CORP6b					
	Sickness absence days per employee (non-teacher)					
Local Authority	Corp 6b 2019-20	Corp 6b 2020-21	Corp 6b 2021-22	Corp 6b 2022-23	Corp 6b 2023-24	Ranking
East Ayrshire	9.77	7.07	13.35	15.46	15.80	6
East Lothian	9.43	7.17	9.46	10.92	13.70	3
Fife	13.86	11.83	15.29	15.85	16.70	7
Moray	12.69	8.67	11.08	12.83	14.00	5
North Ayrshire	8.94	9.24	12.86	14.32	13.83	4
Perth & Kinross	10.73	8.32	10.88	13.00	13.10	2
South Ayrshire	10.15	8.82	10.98	10.92	10.30	1
Stirling	11.95	9.49	13.37	17.14	18.80	8
Scotland	**11.90**	**9.71**	**12.43**	**13.21**	**13.90**	

NORTH AYRSHIRE COUNCIL

13 March 2025

Audit and Scrutiny Committee

Title:	**Accounts Commission's Report: Local Government in Scotland: Financial Bulletin 2023/24**
Purpose:	To inform the Audit and Scrutiny Committee of the findings of the recently published report.
Recommendation:	That the Committee i) notes the findings of the recent Accounts Commission report, and (ii) notes the current position of North Ayrshire Council in relation to the findings.

1. Executive Summary

1.1 The Accounts Commission published its 2023/24 local government finance bulletin in January 2025. The report provides a high-level independent analysis of the financial performance of local authorities during 2023/24, including funding and expenditure for 2023/24, financial position at the end of 2023/24 and the financial outlook from 2024/25. A link to the report is attached below:

Local government in Scotland Financial bulletin 2023/24

1.2 The report analyses the annual accounts produced by local authorities, together with the reports of each body's external auditors, to provide an independent overview of Scotland's local government sector, examine their relative performance, highlight the challenges faced and assess their responses to these challenges. The report has a summary of key messages and recommendations, with more detail provided in three parts:

- Part 1 - Council Funding and Budgets in 2023/24;
- Part 2 - Council's Financial Performance in 2023/24; and
- Part 3 - Councils' Financial Position 2023/24 and Financial Outlook.

1.3 Appendix 1 provides relevant North Ayrshire Council feedback on each of the key messages identified.

2. Background

2.1 The report provides a high-level independent analysis of the financial performance of local authorities during 2023/24, including funding and expenditure for 2023/24, financial position at the end of 2023/24 and the financial outlook from 2024/25.

2.2 A summary of the key messages and recommendations is provided within the report with further information provided in 3 main sections:

- Part 1 - Council Funding and Budgets in 2023/24;
- Part 2 - Council's Financial Performance in 2023/24; and
- Part 3 - Councils' Financial Position 2023/24 and Financial Outlook.

2.3 The key messages within the report are summarised below:

- Scottish Government revenue funding to councils fell by 1.8% in real terms;
- 21% of Scottish Government funding is ring-fenced or provided with the expectation it will be spent on national policy commitments;
- Scottish Government capital funding to councils fell by 1.2% in real terms;
- Councils' anticipated budget gaps for 2023/24 were over £759m with increased reliance on savings and reserves to balance budgets;
- Overall usable reserves reduced by 5% which presents a challenge for Council's reliant on reserves to balance their budgets;
- Council's net debt has increased by 15.8% to £19.8bn highlighting the reliance on borrowing to fund capital programmes;
- Council's must identify transformation activity to ensure their financial sustainability;
- Council's must be more transparent around their planned use of reserves, savings and transformation plans and must consult with communities on the implications of budget decisions taken.

2.4 The key recommendations indicate that councils should:

- Report on savings against target within their management commentaries;
- Ensure impact of capital underspends, future borrowing projections and use of financial flexibilities are reported clearly;
- Provide clear statements on reserves policies, the impact of financial flexibilities, level if uncommitted reserves and the purposes of committed reserves;
- Prioritise service transformation; and
- Ensure financial sustainability becomes a central focus of financial monitoring and reporting.

3. Proposals

3.1 It is proposed that the Committee i) notes the findings of the recent Accounts Commission report, and (ii) notes the current position of North Ayrshire Council in relation to the findings.

4. Implications/Socio-economic Duty

Financial

4.1 The Accounts Commission report highlights the reliance of local government on Scottish Government grant funding and the need for the development of robust medium and longer term financial plans to develop sustainable solutions to bridge anticipated future funding gaps. North Ayrshire Council develops medium term financial plans on a three year rolling basis and Council has approved a Long Term Financial Outlook covering the next 10 year period. The financial sustainability of the Council is monitored regularly and reported to Cabinet throughout the year.

Human Resources

4.2 As part of a sustainable financial strategy the Council continues to actively manage the size of its workforce. Regular communication and consultation takes place with the workforce and Trade Unions.

Legal

4.3 None.

Equality/Socio-economic

4.4 Equality impact assessment are carried out for all options identified as part of the medium and long term financial plans.

Climate Change and Carbon

4.5 None.

Key Priorities

4.6 In addressing the financial challenges which it faces, the Council seeks to minimise the impact on delivering its key priorities.

Community Wealth Building

4.7 None.

5. Consultation

5.1 Executive Directors are consulted in the development of the Medium and Long term Financial plans and the development of investment and recovery and renewal strategies.

Mark Boyd
Head of Service (Finance)

For further information please contact **David Forbes, Senior Manager (Strategic Business Partner),** on **01294 324551 or DavidForbes@north-ayrshire.gov.uk**.

Background Papers
None

Local Government in Scotland Financial Bulletin 2023/24

Ref	Key Message	NAC Feedback
F1	In 2023/24, councils' total revenue and income fell, including another real terms decrease in revenue funding from the Scottish Government. Councils are increasingly reliant on identifying savings, which becomes progressively more difficult year-on-year, and again used reserves to remain within their agreed budgets.	During 2023/24 NAC received a total of £349.366m income from the Scottish Government, including General Revenue Grant, Non Domestic Rates and Specific Grants. Although this was an increase of £2.173m from 2022/23, due to high inflation, this represented a 5.2% real terms reduction in grant income. As detailed in the Medium-Term Financial Plan for 2023/24, the budget gap for the year was £19.946m. This was met through a 5% Council Tax increase, Use of reserves of £3.410m and the identification of net savings totalling £13.481m. The indicative funding gaps for 2024/25 and 2025/26 were identified as £17.126m and £10.834m respectively. This position continues to present a significant challenge to the sustainability of the Council's finances.
F2	In 2023/24, capital funding remained constrained, with councils borrowing more and managing a range of complex funding models. Capital funding from the Scottish Government reduced slightly in real terms, continuing a longer-term trend. Capital expenditure was lower than planned. Councils continue to borrow more to enable investment in their estates and council debt, and annual interest costs, continue to increase.	During 2023/24, NAC invested £127.313m in our General Fund and HRA capital programmes. Major cost risks were reported across the Capital Investment Programmes as a result of ongoing cost volatility and uncertainty around potential future changes to local authority capital accounting. In addition, upward movements on the interest rates applicable to public sector borrowing presented further risks to the deliverability of both the General Fund and HRA capital programmes over the medium term resulting in an additional revenue cost of £1.587m per year to support the additional costs of borrowing during 2023/24.
F3	In 2023/24, usable reserves, which are those that can be used to support service delivery, reduced and most are already committed for specific purposes. This presents an ongoing	During 2023/24 NAC used £31.922m usable reserves to support service delivery across the Council. Overall usable reserves

	challenge for councils reliant on reserves to balance their budgets, as well as to longer-term financial sustainability. Using reserves to routinely balance budgets is not sustainable.	dropped by £9.340m and all funds are committed for specific purposes.
F4	Councils need to intensify transformation activity, progressing at scale and pace to ensure their financial sustainability. How councils plan to use their reserves, make savings and transform their services needs to become more transparent. The need to consult local communities and clearly communicate the implications for local services of the budget decisions taken has never been more important.	The Council's Transformation programme delivered savings of £0.268m during 2023/24 with planned savings of over £10.4m forecast over the medium term to 2026/27 As part of the General Services Revenue Budget 2023/24 to 2025/26, North Ayrshire Council approved the application of £16.146m of earmarked reserves to support the budget programme. Face to Face Community Budget engagement sessions took place during the month of January 2023 across all localities. In addition, 1,400 responses were received from an on-line questionnaire issued to support the Budget process and capture areas of prioritisation from citizens and communities. During October and November 2024, an extensive programme of budget engagement took place across our communities, and we received 4,461 responses to our survey across six main themes. The results of this survey will be used to inform future decisions on our Council budget.

NORTH AYRSHIRE COUNCIL

13 March 2025

Audit and Scrutiny Committee

Title:	**Internal Audit Plan 2024/25: Progress Update**
Purpose:	To request Committee approval for an amendment to the 2024/25 Internal Audit Plan.
Recommendation:	That the Committee (a) notes the factors affecting the completion of the Internal Audit Plan and (b) approves the deferral of one audit as noted in Appendix A.

1. Executive Summary

1.1 The current Internal Audit Plan for 2024/25 was approved by the Audit and Scrutiny Committee in March 2024 and sets out the areas of work which Internal Audit intends to cover during the year.

1.2 The Public Sector Internal Audit Standards (PSIAS) recognise that it is good practice to regularly review and adjust the plan, as necessary, in response to changes in the organisation's business, risks, operations, programmes, systems and controls.

1.3 Additional, ad hoc work has arisen during the year that has impacted the team's ability to complete the agreed audit plan. One amendment to the 2024/25 audit plan is noted in Appendix A for Committee approval.

2. Background

2.1 In line with good practice, the audit plan should be reviewed during the year in light of experience gained from audit work carried out, emerging risks to the Council and the changing environment in which audit work is carried out.

2.2 In order to address this it was agreed by the Committee in March 2024 that Internal Audit would bring more regular updates on the progress being made against the audit plan along with any proposed amendments for approval, as and when necessary.

2.3 An update was provided to the Committee in January 2025 advising that unplanned work had arisen throughout the year, however at that time it was intended that this would be absorbed into normal workloads and was not expected to affect the timely completion of the audit plan. A further review of the resources available has determined however that it is now unlikely that this will be achievable.

2.4 One audit, relating to ICT Asset Management, which was due to be undertaken in Q4 of 2024/25 will, following Committee approval, now be undertaken during Q1 of the 2025/26 audit plan.

3. Proposals

3.1 It is proposed that the Committee:
(a) notes the factors affecting the completion of the Internal Audit Plan and,
(b) approves the deferral of one audit as noted in Appendix A.

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 2023-2028

Community Wealth Building

4.7 None.

5. Consultation

5.1 The relevant Services are consulted on Internal Audit findings during each audit assignment. Services have also been consulted on the proposed changes to the internal audit plan.

Mark Boyd
Head of Service (Finance)

For further information please contact **John McCallum, Senior Manager (Audit, Fraud, Safety, Risk and Insurance,** on **01294 324607**.

Background Papers
None.

Audit Area to Deliver in Plan	Directorate	Planned Quarter	Priority	Link to Council Plan	Link to Risk Register	Change - added / modified / deleted
ICT - Asset Management	People & ICT	Q4	A	A Sustainable Council – a Community Wealth Building Council that is efficient and accessible, maximising investment and focusing resources towards our priorities	Strategic Risk	Defer to Q1 of 2025/26

Agenda Item 6

NORTH AYRSHIRE COUNCIL

13 March 2025

Audit and Scrutiny Committee

Title:	**Internal Audit Reports issued**
Purpose:	To inform the Committee of the findings of Internal Audit work completed since January 2025.
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 of regular reports assists the Committee in fulfilling this remit.

2. Background

2.1 This report provides information on Internal Audit work completed since January 2025. Internal control reviews have been completed in respect of the areas detailed in Appendix A 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 A includes the report and action plan from each audit.

2.3 The findings from 3 separate audit assignments are detailed at Appendix A to this report and the levels of assurance for each are noted in the table below:

Audit Title	Assurance Level
Pupil Equity Fund	Substantial
iPay Impact	Reasonable
Accounts Payable Transaction Testing	Limited

3. Proposals

3.1 It is proposed that the Committee notes the outcomes from the Internal Audit work completed since January 2025.

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 Our Council Plan 2023-2028.

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 **John McCallum, Senior Manager (Audit, Fraud, Safety, Risk & Insurance),** on **01294 324607**.

Background Papers
None.

INTERNAL AUDIT REPORT

PUPIL EQUITY FUNDING

Assurance Level:	Substantial
Version:	Final
Date:	8th January 2025
Author:	Claire Morris
File Ref:	2025-PA-003
Classification:	Public

North Ayrshire Council
Comhairle Siorrachd Àir a Tuath

PUPIL EQUITY FUNDING

1 Background

1.1 Pupil Equity Funding (PEF) is provided by the Scottish Government to support schools with closing the poverty related attainment gap.

1.2 In 2024/25 the Council received £4,196,680 of funding. £195,342 of funding was rolled forward from 2023/24 – meaning a total of £4,392,022 is available to spend in 2024/25.

2 Objectives and Scope

2.1 The objectives of the audit were to ensure that:

- Headteachers have detailed, measurable plans on how they intend to use their PEF allocation
- PEF outcomes are being monitored
- PEF spend is being monitored and potential under/overspends are identified timeously
- Spend and record keeping is in line with the conditions of the grant.

2.2 Audit selected a sample of 8 schools (2 secondary, 5 primary, 1 ASN) for review during this audit.

3 Findings

Detailed Plans

3.1 Education's Service Improvement Plan 2023-2026 sets out 5 priorities for the Service.

3.2 Each school is required to produce its own School Improvement Plan (SIP), based on these 5 priorities. PEF is included as part of these plans.

3.3 School Plans follow a standard template and require the following points to be addressed for each priority:

- Pupil outcomes (what will change for learners?)
- Improvement plan (how will this be achieved?)
- Timescales/ responsibilities (what are timescales and who will lead?)
- Measure of impact (how will the school know the change has resulted in an improvement and what data will be collated to evidence improvement?)
- Cost (if known)

PEF Outcomes

3.4 Progress against Improvement Plans is monitored throughout the year by Education Senior Managers and a formal quality review is carried out in school twice a year.

3.5 Schools produce a Standards & Quality Report each year. This report details the key achievements of the school over the previous school year and must include a reference to PEF outcomes.

3.6 Audit reviewed both the Improvement Plan and Standards & Quality Report for each sample school and confirmed they all contain information on PEF.

3.7 The PEF grant requires schools to make both the SIP and the Standards & Quality Report available to the public. Education HQ has instructed Headteachers that this should be done by publishing the documents on their school website.

3.8 Audit reviewed the school websites for all sample schools to ensure Improvement Plans for 2024/25 and Standards & Quality Reports for 2023/24 were available. Not all schools had updated their websites, although the documents had been prepared and were provided to Audit on request. All schools have now updated their websites.

3.9 In addition to the above documents, Education also requires schools to produce a PEF Impact Statement at the end of each school year. This is a very detailed document which requires schools to address the following questions for each intervention put into place:

- Focus on short/medium/long term outcomes. What was the intended impact of this intervention?
- How did you measure the impact of the intervention? What does the evidence/data show? What has improved/changed for the target group? What difference did PEF make?
- In what ways is this supporting you to reduce the poverty-related attainment gap?
- What now? Continue? Embed? Amend? Stop?

3.10 Copies of these Impact Statements are submitted to HQ for review to ensure any best practice, lessons learned, or possibilities for collaborative working are identified.

3.11 Audit obtained copies of Impact Statements for all sample schools and confirmed all had been completed in detail.

Monitoring of Spend

3.12 Whilst budget setting and monitoring of spend is the responsibility of the Headteacher, Education HQ do provide support via the following:

- PEF Guidance Document
- Forecast of Spend Template
- Monthly spend monitoring reports

3.13 The PEF Guidance document is very detailed and covers areas such as:

- Key principles of PEF
- How PEF can be used
- Forecasting how to spend the budget
- The Council's procurement rules
- Information on recruitment

The document also contains a number of links to Council policies and procedures where Headteachers can find further guidance.

3.14 The Forecast of Spend Template supports Headteachers with setting their PEF budget. The template supports Headteachers with the calculation of staffing costs,

including on-costs and pay awards. It also provides space for Headteachers to set out non-employee planned spend.

3.15 Monthly monitoring reports are generated by Education HQ and sent to Headteachers. These reports set out:

- Actual employee spend to date
- Projected employee costs to the year end (or contract end date if this comes first)
- Actual non-employee spend to date
- Balance of budget still to be spent

3.16 Audit confirmed that detailed monitoring spreadsheets had been sent to all sample schools containing spend information to 30 September 24.

3.17 In addition to the above support, Education Senior Management monitor the progress of PEF spend per school quarterly.

Spend and Record Keeping

3.18 Audit has not tested PEF employee costs in detail. Reliance has been placed on the monthly review of actual employee spend against budgets by Education Business Officers (EBOs) to ensure all PEF employee costs are being coded correctly in Integra.

3.19 Audit has reviewed all 2024/25 non-employee spend for all sample schools to ensure the type of spend is in line with the PEF grant requirements. No issues were noted.

3.20 The grant, and the Council's retention policy requires invoices to be retained for 6 years after the spend was incurred. In order to ensure that schools are complying with this, Audit selected a small number of PEF purchases made in 2019/20 across all sample schools and ensured that the spend seemed reasonable and invoices had been retained. No issues were noted.

4 Internal Audit Opinion

4.1 Overall, substantial assurance was gained with regard the planning and monitoring of PEF grant spend.

Definitions of Assurance Levels:

Substantial	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.
Reasonable	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.
Limited	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.

None	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.

INTERNAL AUDIT REPORT

IPAYIMPACT

Assurance Level:	**Reasonable**
Version:	Final
Date:	20th January 2025
Author:	Yvonne Trundle
File Ref:	2024-PA-014
Classification:	Public

North Ayrshire Council
Comhairle Siorrachd Àir a Tuath

IPAYIMPACT

1 Background

1.1 The iPayImpact system went live in October 2021 and replaced the ParentPay system. This system is an online payment system operating within the schools and allows parents to pay online for school meals, trips and events, music tuition fees, tickets and items from the school shop. This removes the need for cash in the schools.

1.2 This system allows parents to see what meals and snacks their child chooses to buy, check the balance and top up funds as well as set up a direct debit for regular automatic top ups.

1.3 Facilities Management (FM) advised that ASN pupils and Primary 1-5 pupils receive free school meals. Primary 6-7 and secondary school pupils may also be eligible for free school meals. School meals income is paid into an NAC school meals bank account.

1.4 Education advised that the uptake of this system to allow parents to pay online for payments related to the school fund varies across the schools. This income is paid into the individual school fund bank account.

2 Objectives and Scope

2.1 The objectives of the audit were to ensure that:

- Suitable written procedures are in place for system admin duties.
- Income due to the Council is being received, reconciled and banked regularly and there are adequate controls over refunds and manual adjustments.
- Processes are in place to prevent parents and guardians running up significant debt balances.
- There is a robust process in place for adding, amending and removing user access, passwords are in line with best practice and access permissions are based on job role.
- Leavers have been removed on a timely basis, generic accounts are limited and controlled, and external users are required to sign the 3rd party Acceptable Use Policy.
- The role of system administrators is restricted to a small number of relevant staff.

3 Findings

Written Procedures

3.1 User manuals are available on the system, and this includes an admin user manual. FM admin had no written procedures for the system admin tasks they carry out on a daily and weekly basis which incorporates the Council process and a step-by-step guide on how these key tasks are carried out. However, they were prepared during the audit.

Income Collection Process

3.2 The school meals income is transferred by BACS on a weekly basis to the general income bank account and a file is transferred on a weekly basis to CivicaPay to allow Cashiers to reconcile this income to the general income bank statement. There is a weekly transfer of all payments from CivicaPay to Integra where it is coded to the relevant finance codes.

3.3 The school fund income is transferred by BACS on a weekly basis to the school fund bank account to allow the school to reconcile this income to the school fund bank statement and to allow the income to be recorded against the relevant school fund type.

3.4 FM provided a refund report for the period 01/08/23 to 28/04/24. There were 465 refunds totalling £14,210.19. All refunds for school meals are processed by FM admin and all refunds were requested by and approved by a different user. School fund refunds are generally processed by a school user but are requested and approved by the same user. **(action a)**

Debt management

3.5 North Ayrshire Council's approach is that no child should go without a school meal so if a pupil presents at the school canteen for lunch, they will not be refused if there are insufficient funds in their iPayImpact account. There is a separate process in place for primary and secondary schools to manage this debt.

3.6 FM will send weekly reminders to parents and guardians of primary school pupils that have an active account which has a negative balance to advise that a payment should be made to ensure negative balances are cleared.

3.7 Secondary schools manage debt by following a standard process called "procedure for the management of school meals debt in secondary schools". Testing carried out identified there was £12,492.45 outstanding school meals balance between August 2023 and May 2024.

3.8 Although there are processes in place to try to recover outstanding school meals, a school meals debt report was submitted to the North Ayrshire Council committee in June 2023 and it was agreed the debt would be written off for the start of the new school year in August 2023. The school meals debt was £94,041. Facilities Management confirmed this was a one off decision and no such write off has occurred since.

Access Controls

3.9 FM admin advised that the team should be emailed if an employee needs access to the system and should be emailed if a user leaves and needs their access removed or moves job/school and needs their access amended.

3.10 FM admin were not receiving the IT monthly movers and leavers report. However, an FM shared mailbox was added to the distribution list during the audit. Unfortunately, the shared mailbox provided meant the reports were not being provided to the FM administrators that have responsibility for users access so this was updated in December 2024 to the correct shared mailbox. FM admin have agreed to retrospectively action the IT monthly movers and leavers reports received since June 2024.

3.11 FM admin have agreed to amend the email issued to a new user to include a link to the creating secure passphrases guidelines to encourage users to set up a password in line with this Corporate guidance.

3.12 The password requirements were reviewed and we found that the minimum requirements could be further strengthened. **(action b)**

3.13 FM admin advised that they do not carry out regular reviews of users to ensure access is correct and is still required. Audit testing found 24 users whose access level should be checked given their job title and if periodic reviews were carried out, this would be picked up and rectified. **(action c)**

User Testing

3.14 The auditor carried out tests on the 1,777 users (excluding users with system admin access as they are tested separately). Audit testing found the following:

- There are 154 users that have left the Council.
- There are 237 users that have moved school but still have access to previous school.
- There are 109 users whose access should be checked with the school as there is no evidence from the payroll system that the user ever worked at the school they have access to. This also includes 26 users that cannot be traced to the payroll system.
- There are 191 generic accounts.
- There are 22 test accounts.
- There were 6 duplicate users who have the same access level to the same school.

3.15 The above results were passed to FM admin who reviewed the findings and took action to remove or amend access. FM admin confirmed Fusion Collect and Smartboard generic accounts are required for operational purposes.

3.16 The results of the user testing identified that schools are not always notifying FM admin if a user leaves, moves school or changes job role to allow their access to be removed or amended. There should be a standard process in place for all schools to notify FM admin of users that have left, moved or changed job role to ensure the user's access is removed or amended. **(action d)**

System Administrator Controls

3.17 There are 2 levels of system administrators for iPayImpact. There are system administrators at the client level which means users have access to all schools. There are system administrators at the school level which means the users will have access to a particular school or a number of schools depending on their job role. The auditor confirmed each system administrator has a unique username.

3.18 The auditor carried out tests on the 19 system administrators with client level access. Audit testing found the following:

- There are 3 users whose access should be checked to make sure it is still needed and is appropriate as 2 work in Transformation and 1 is an Education Business Assistant at Brodick Primary.
- There is 1 leaver, and this access should be removed.
- There are 3 generic accounts which should be reviewed to see if they are still needed and to confirm their purpose.

- There are 5 test accounts which should be reviewed to see if they are still needed or if they can be removed.

3.19 The above results were passed to FM admin who reviewed the findings and took action to remove or amend access which resulted in a reduction in the number of administrators from 19 to 6. There are now only 5 members of the FM admin team and one generic IT username with this level of access.

3.20 The auditor carried out tests on the 127 system administrators with school level access. Audit testing found the following:

- There are 12 users that have left and their access should be removed.
- There are 7 users who have moved school and their access should be removed or amended.
- There is 1 user who was an Education Business Officer (EBO) until 25.09.22 but still has access to 5 schools and this access should be removed.
- There is 1 user who is an EBO that moved from Arran High to Greenwood Academy on 06.11.22 but still has access to the 7 primary schools in the Arran cluster and this access should be removed.
- There are 2 users whose access should be queried with the school due to a changed of job role and amend the access level, if required.

3.21 The above results were passed to FM admin who reviewed the findings and took action to remove or amend access.

3.22 The auditor reviewed the number of administrators per school and once the findings at 3.20 have been actioned, there are no schools with more than 8 users with school admin level access. Internal Audit normally recommends 3 or 4 system administrators; however 4 members of the FM admin team have school admin access to each school and the EBOs have school admin access to all schools in their cluster which accounts for the higher numbers.

3.23 The results of the system administrator user testing identified that schools are not always notifying FM admin if a user leaves, moves school or changes job role to allow their access to be removed or amended. There should be a standard process in place for all schools to notify FM admin of users that have left, moved or changed job role to ensure that user access is removed or amended in a timeous manner. **(action d)**

4 Internal Audit Opinion

4.1 Overall, reasonable assurance was obtained with regard to controls around the iPayImpact system. There were a high number of leavers and movers found as well as a high number of generic and test accounts found. Implementation of the audit actions will tighten controls around password controls and ensure prompt action is taken to remove leavers and amend movers.

Definitions of Assurance Levels:

Substantial	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.
Reasonable	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.
Limited	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.
None	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
IPAYIMPACT

Action	a
Finding	Facilities Management provided a refund report for the period 01/08/23 to 28/04/24. There were 465 refunds totalling £14,210.19. All refunds for school meals are processed by FM admin and all refunds were requested by and approved by a different user. School fund refunds are generally processed by a school user but are requested and approved by the same user.
Action Description	FM should contact the supplier to see if school fund refunds can be set up to ensure they are requested and approved by a different user. If the system cannot be amended, the schools should implement an independent approval process for school fund refunds.
Risk	No separation of duties for processing refunds; refunds are processed without proper approval.
Priority (1, 2, 3)	2
Paragraph Reference	3.4
Managed by	Sam Anson, Executive Director (Education) Andrew McClelland, Head of Service (Education)
Assigned to	Carolyn Hope, Senior Manager (Facilities Management) Lynn Taylor, Senior Manager (Resources & Infrastructure)
Due Date	31 March 2025
Management Comment	The supplier has advised (on 8th Jan 2025) that the separation of approval cannot be accommodated for the school fund element of the system as school funds are held in the school's own account and no approval is needed. This is different to school meals funds which are held in a council bank account and therefore require different users to request and approve. At the supplier's request FM has however submitted a 'New Idea Form' with the supplier which will be considered for any future programme developments. A communication will be issued to all educational establishments to advise that two different employees should be involved in the request and refund process.

Action	b
Finding	The password requirements were reviewed and we found that the minimum requirements could be further strengthened
Action Description	FM should amend the minimum password requirements are enhanced in line with Council policy and best practice.
Risk	Lack of strong password controls increases the risk of a user account being subject to unauthorised access which could lead to a cyber-attack.
Priority (1, 2, 3)	1
Paragraph Reference	3.12
Managed by	Sam Anson, Executive Director (Education)
Assigned to	Carolyn Hope, Senior Manager (Facilities Management)
Due Date	31 January 2025
Management Comment	The supplier confirmed on 8th January 2025, that they can accommodate this change quickly. This will be effective from w/c

	13 January 2025 and all users will be forced to reset their password upon logging in.

Action	c
Finding	FM admin advised that they do not carry out regular reviews of users to ensure access is correct and is still required. Audit testing found 24 users whose access level should be checked given their job title and if periodic reviews were carried out, this would be picked up and rectified.
Action Description	FM should carry out a periodic review of users in conjunction with Education to ensure that the user access level granted is correct and access is still needed.
Risk	Users access level may not be in line with job role; user may no longer need access to the system.
Priority (1, 2, 3)	2
Paragraph Reference	3.13
Managed by	Sam Anson, Executive Director (Education)
Assigned to	Carolyn Hope, Senior Manager (Facilities Management)
Due Date	31 January 2025
Management Comment	An instruction has been issued to the support team to carry out this review on a 6 monthly basis as a minimum.

Action	d
Finding	The results of the user testing and system administrator user testing identified that schools are not always notifying FM admin if a user leaves, moves school or changes job role to allow their access to be removed or amended.
Action Description	There should be a standard process in place for all schools to notify FM admin of users that have left, moved or changed job role to ensure the users access is removed or amended in a timely manner. This should be documented and issued to relevant staff.
Risk	Leavers have unauthorised access to the system and movers have inappropriate access to the system.
Priority (1, 2, 3)	1
Paragraph Reference	3.16, 3.23
Managed by	Andrew McClelland, Head of Service (Education)
Assigned to	Carolyn Hope, Senior Manager (Facilities Management) Lynn Taylor, Senior Manager (Resources & Infrastructure)
Due Date	31 March 2025
Management Comment	An additional step will be added to the 'Movers/Leavers' process to include FM admin access. This will be issued to all educational establishments.

Priority Key used in Action Plan

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

INTERNAL AUDIT REPORT

ACCOUNTS PAYABLE TRANSACTION TESTING

Assurance Level:	Limited
Version:	Final
Date:	18th February 2025
Author:	Yvonne Trundle
File Ref:	2025-PA-001
Classification:	Public

North Ayrshire Council
Comhairle Siorrachd Àir a Tuath

ACCOUNTS PAYABLE TRANSACTION TESTING

1 Background

1.1 This audit was conducted as part of the approved 2024/25 Internal Audit Plan and used data analytics to interrogate the Accounts Payable (AP) system on Integra and the Procurement Card system and examine any anomalies which arose.

1.2 Audit software called IDEA (Interactive Data Extraction and Analysis) has been used to carry out this testing. In addition, Internal Audit are working with the Data Analytics Team to utilise Power BI for future audits.

1.3 There were 4,135 active Trade Suppliers (for processing payments to standard suppliers, individuals, and social services) and 1,096 Sundry Suppliers (for processing one-off sundry payments) on Integra as at 15.07.24.

1.4 There were 123,267 invoices paid to trade and sundry suppliers from 1st July 2023 to 30th June 2024, totalling just over £417.6 million.

1.5 There were 30,179 procurement card transactions made during the period of the audit totalling just under £5.9 million. The SDOL system is the Royal Bank of Scotland Smart Data Online system used to record and manage procurement card transactions.

1.6 The AP and E-Procurement (EP) Teams previously sat in Finance and transferred to Customer Services, Business Support team (People & ICT) on 1st October 2024. Internal Audit was advised that this is the first step to creating a fully centralised E-Invoicing team and work is currently being undertaken with the Transformation team on a project over the next 12 to 18 months, to centralise AP and E-Invoicing across the Council. This will include reviewing and updating processes and procedures to ensure these are fully robust and meet audit requirements.

2 Objectives and Scope

2.1 The main objectives of this audit were to ensure that:

- duplicate suppliers are identified and de-activated to minimise the risk of duplicate invoices being paid.
- duplicate invoices have not gone undetected.
- advance payments have been reported to Financial Management for the list of pre-payments at financial year-end.
- high value invoices have been properly authorised.
- invoices paid to employees are bona fide.
- card purchases are in line with the policy and there is adequate separation of duties.

2.2 The audit period was 1st July 2023 to 30th June 2024.

3 Findings

Supplier Tests

3.1 Testing was carried out to identify duplicate trade suppliers on the system. Testing identified 42 duplicate suppliers either by supplier name or bank details. These were passed to the AP team to review and deactivate as appropriate. **(action a)**

Invoice Tests

3.2 The AP team maintains a keying error spreadsheet and the auditor extracted duplicate payments made over £20,000. This check noted that a certificate of payment for a large capital project for the amount of £3.7 million was paid twice in error and subsequently corrected. Due to the large payment amount, this could have an impact on the Council's cashflow. An approval email was sent to the AP team on 19.02.24 which evidenced that the Head of Service (Neighbourhood Services) approved this payment. A further approval email was sent to the AP team on 28.02.24 without any approval by an authorised signatory. The Service advised the second email was submitted in error. The certificate of payment had a scanned signature for the Head of Service (Neighbourhood Services). AP advised they will accept electronic signatures on documents if an authorised signatory is copied into the email which wasn't done for the second email. A different invoice number was keyed by the AP user which is why Integra did not identify it as a duplicate payment. The Service and AP have confirmed that a unique invoice reference for certificates of payments will be used going forward to prevent a similar mistake being made. **(action b)**

3.3 The auditor tested for duplicate invoices for payments to suppliers and identified possible duplicates that were investigated further. This check confirmed 131 were duplicates that had already been identified and action taken by the AP team by either processing a reversal, keying a credit or requesting a BACS recall. This testing identified 41 potential duplicate invoices totalling £123,282.71 which had not already been identified by the AP team. The potential duplicates have been passed to the AP team to check and arrange recovery. The AP team have reviewed the potential duplicates and confirmed the value of actual duplicates was £60,294.75 which they are in the process of recovering. **(action c)**

3.4 The auditor tested for duplicate sundry payments and identified possible duplicates that were investigated further, and this check confirmed 5 were duplicates that had already been identified and action taken by the AP team. This testing identified 2 duplicate payments totalling £6,641.24 that have not already been identified by the Service or the AP team. **(action d)**

3.5 There were 960 sundry suppliers paid during the period of the audit and 103 sundry suppliers were paid more than once with 19 sundry suppliers being paid between 3 and 7 times. Accounts Payable should remind services that if a sundry supplier is paid more than once, they should request they are set up as a regular supplier. **(action e)**

3.6 There were 124 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 in 1 case the invoice was keyed correctly and this has been paid in advance. However, it should be noted that it was only paid 1 day in advance.

3.7 There were 474 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 invoice date was keyed incorrectly and in 4 cases the invoice was keyed correctly and had been paid more than 1 year later. 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 Council's ability to monitor invoice payment dates.

3.8 The auditor tested for purchase orders that have been requisitioned and approved by the same person and none were found. There are 4 users with requisitioner and approver role, but there was a separation of duties in all such cases. There are small

number of exceptions which require a user to have dual roles and a valid reason for this needs to be provided.

Advance Payment Tests

3.9 The auditor tested for round sum amounts over £20,000 to help identify advance payments. There were 28 invoices found meeting this criterion plus an additional 22 payments over £20,000 were randomly selected so a total of 50 were checked. This resulted in 22 being passed to Financial Management to confirm the correct action had been taken ahead of the annual accounts being closed. The Financial Management review confirmed the correct action had been taken and no adjustments were required.

High Value Payment Tests

3.10 There were 3,478 invoices between £10,000 and £100,000 and 10 were selected to ensure the invoices were approved by an authorised signatory and within their approval limit. The sample included 5 Purchase Order (PO) invoices and 5 non-PO invoices. This testing found 1 non-PO invoice for £24,660 that was approved by an authorised signatory with a £5,000 limit. The approver has been advised they must only approve invoices within their approval limit and to speak to their line manager if they require the approval limit to be increased. The HSCP admin keying the invoice was not aware of the approval limit check. **(action f)**

3.11 The auditor queried a payment of £89,488 that was paid via the CareFirst feeder as there was no invoice attached on Integra to evidence who approved the payment. HSCP advised that placement requests are approved at the Care Assessment Review Group in agreement with Team Managers and Senior Managers. The Finance Team will receive an Individual Placement Agreement (IPA) confirming the agreed package which is then added to CareFirst. The IPAs were provided and although they appear to have been approved by an authorised signatory, the approval is a scanned signature and in one case the email chain advised the scanned signature was added by HSCP admin. The authorised signatory was not copied into the emails to provide electronic evidence of approval. **(action g)**

3.12 There were 577 invoices over £100,000 and 20 were selected to ensure the invoices were approved by an authorised signatory and within their approval limit. The sample included 10 PO invoices and 10 non-PO invoices and there were no findings to note.

Payments to Employee Tests

3.13 The auditor tested for employees who have been paid via Integra. There were 46 employees that have been paid via Integra during the audit period. The majority relate to HSCP payments for Kinship, adoption and respite. There is an HSCP employee that has been paid £8,990 to Street Beatz for dance therapy and the invoices have been paid by Education and HSCP. Education advised that Street Beatz was the only local provider for dance therapy.

3.14 The auditor tested for employees who have been paid a sundry payment. There was a payment of £736.50 to Corsehill Bowling Club for support with bills in order to hand the building back to NAC; however, the bank details provided matched that of an employee. Community Facilities investigated and provided evidence that the money was used to pay an outstanding Scottish Power utility bill. The evidence was provided by the payee as Community Facilities were not able to provide paperwork to support the amount paid. **(action h)**

Procurement Card Transaction Tests

3.15 The procurement card report listed all transactions up to 30th June 2024. As at 25th July 2024, there were 185 transactions totalling £25,110.49 that had not been reviewed or approved and there were 248 transactions totalling £24,350.13 that had been reviewed but not approved. As per the procurement card policy and procedure, all transactions must be reviewed and approved by 28th of each month and must be checked 48 hours after to ensure all transactions are reviewed and approved before the statement is paid. **(action i)**

3.16 There are 8 users that are cardholders and approvers. Transactions by users with this dual role were checked and there were no findings to note. There are small number of exceptions which require a user to have dual roles and a valid reason for this needs to be provided.

3.17 There was a potential duplicate payment queried with the Education Business Officer who advised a credit note was received so the duplicate payment had already been identified and rectified. However, this testing identified 4 transactions that have been split to bring the purchase below the procurement card single transaction limit. One of the transactions was for Communities and Housing and 3 were for Education. **(action j)**

3.18 There were 164 transactions totalling £23,268.24 with no description of spend recorded on the SDOL system. **(action k)**

4 Internal Audit Opinion

4.1 Overall, limited assurance was obtained with regard to the controls around the processing of invoices and card payment. The audit is covering 12 months transactions instead of 6 months but there has still been a significant increase in the total number and total value of potential duplicates.

Definitions of Assurance Levels:

Substantial	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.
Reasonable	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.
Limited	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.
None	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

Action	a
Finding	Testing was carried out to identify duplicate trade suppliers on the system. Testing identified 42 duplicate suppliers either by supplier name or bank details. These were passed to the AP team.
Action Description	The AP team should review the list of duplicate suppliers and deactivate suppliers as appropriate. The AP team should be reminded to check if the supplier is already on the system before they are added again.
Risk	Duplicate invoices may be paid to the same supplier via different supplier numbers.
Priority (1, 2, 3)	1
Paragraph Reference	3.1
Managed by	Fiona Walker, Head of Service (People & ICT)
Assigned to	Elaine Nixon, Senior Manager (Customer Services)
Due Date	Complete
Management Comment	True duplicates have been identified and deactivated on the system. Further training has been delivered to staff to ensure they are vigilant when selecting a supplier to avoid duplicate entries.

Action	b
Finding	The AP team maintains a keying error spreadsheet and the auditor extracted duplicate payments made over £20,000. This check noted that a certificate of payment for a large capital project for the amount of £3.7 million was paid twice in error and subsequently corrected. Due to the large payment amount, this could have an impact on the Council's cashflow. An approval email was sent to the AP team on 19.02.24 which evidenced that the Head of Service (Neighbourhood Services) approved this payment. A further approval email was sent to the AP team on 28.02.24 without any approval by an authorised signatory. The Service advised the second email was submitted in error. The certificate of payment had a scanned signature for the Head of Service (Neighbourhood Services). AP advised they will accept electronic signatures on documents if an authorised signatory is copied into the email which wasn't done for the second email. A different invoice number was keyed by the AP user which is why Integra did not identify it as a duplicate payment. The Service and AP have confirmed that a unique invoice reference for certificates of payments will be used going forward to prevent a similar mistake being made.
Action Description	The AP team must ensure that payment requests containing electronic signatures are only processed, where the relevant authorised signatory is copied into the request. The AP team should ensure a robust process is put in place to prevent future errors and to ensure that additional checks are carried out on high value payments before processing.
Risk	Duplicate invoices may be paid to the same supplier by keying a different invoice reference for the same payment; invoices are paid without proper checks on the authorisation process.
Priority (1, 2, 3)	2
Paragraph Reference	3.2

Managed by	Fiona Walker, Head of Service (People & ICT)
Assigned to	Elaine Nixon, Senior Manager (Customer Services)
Due Date	Complete
Management Comment	This process has been tightened by ensuring that an agreed uniformed invoice number is used, and this will allow Integra to identify any duplications. All transactions over £100k are double checked by another member of the team before being processed for payment including ensuring that an authorised signatory has been copied into the email and the system is checked to ensure that payment has not already been made.

Action	c
Finding	Testing identified 41 potential duplicate invoices totalling £123,282.71 which have not already been identified by the AP team.
Action Description	The AP team should review the potential duplicate payments and arrange for recovery of monies paid twice.
Risk	The Council has paid the same invoice twice and the money has not been recovered.
Priority (1, 2, 3)	1
Paragraph Reference	3.3
Managed by	Fiona Walker, Head of Service (People & ICT)
Assigned to	Elaine Nixon, Senior Manager (Customer Services)
Due Date	31 March 2025
Management Comment	A review has been carried out and the value of actual duplicates to be recovered was £60,294.75. To date £56,124.82. has been recovered. This leaves £4,169.93 still to be recovered which is currently under query.

Action	d
Finding	Testing identified 2 duplicate sundry payments totalling £6,641.24 that have not already been identified by the Service or the AP team.
Action Description	The AP team should review the potential duplicate payments and arrange for recovery of monies paid twice.
Risk	The Council has made the same sundry payment twice and the money has not been recovered.
Priority (1, 2, 3)	1
Paragraph Reference	3.4
Managed by	Fiona Walker, Head of Service (People & ICT)
Assigned to	Elaine Nixon, Senior Manager (Customer Services)
Due Date	Complete
Management Comment	These duplicate payments have been recovered. Further checks have been put in place to avoid this happening in the future.

Action	e
Finding	There were 960 sundry suppliers paid during the period of the audit and 103 sundry suppliers were paid more than once with 19 sundry suppliers being paid between 3 and 7 times.
Action Description	Accounts Payable should remind services that all sundry payments which are to be paid more than once, excluding those which are exempt, should be set up as a regular supplier.

Risk	Bank details are keyed for each payment; independent checks on bank details are not carried out by Accounts Payable; duplicate payments might not be identified as quickly.
Priority (1, 2, 3)	2
Paragraph Reference	3.5
Managed by	Fiona Walker, Head of Service (People & ICT)
Assigned to	Elaine Nixon, Senior Manager (Customer Services)
Due Date	Complete
Management Comment	Reminder email issued to all users to make sure that if a sundry supplier of goods or services has already had a payment, then they are required to be set up as a supplier on the system and not paid as a sundry payment.

Action	f
Finding	Testing found a non-PO invoice for £24,660 that was approved by an authorised signatory with a £5,000 limit. The approver has been advised they must only approve invoices within their approval limit and to speak to their line manager if they require the approval limit to be increased. The HSCP admin keying the invoice was not aware of the approval limit check.
Action Description	HSCP should remind staff keying invoices to Integra to check the person approving is an authorised signatory and is approving an invoice within their approval limit.
Risk	Invoices are paid without proper checks on the authorisation process.
Priority (1, 2, 3)	2
Paragraph Reference	3.10
Managed by	Caroline Cameron, Director (Health & Social Care Partnership)
Assigned to	Eleanor Currie, Interim Chief Finance Officer
Due Date	31st March 2025
Management Comment	The team processing manual invoices need an awareness of approval limits. The current approval limits will be circulated to the team along with contact details of who they can check with in future.

Action	g
Finding	The auditor queried a payment of £89,488 that was paid via the CareFirst feeder as there was no invoice attached on Integra to evidence who approved the payment. HSCP advised that placement requests are approved at CARG in agreement with Team Managers and Senior Managers. The Finance Team will receive an Individual Placement Agreement (IPA) confirming the agreed package which is then added to CareFirst. The IPAs were provided and although they appear to have been approved by an authorised signatory, the approval is a scanned signature and in one case the email chain advised the scanned signature was added by HSCP admin. The authorised signatory was not copied into the emails to provide electronic evidence of approval.
Action Description	HSCP should amend their process to ensure the IPAs are emailed to the Finance Team by the authorised signatory to provide electronic evidence of approval.
Risk	Care packages are added to CareFirst and invoices paid without proper evidence the authorised signatory has approved them.
Priority (1, 2, 3)	2

Paragraph Reference	3.11
Managed by	Caroline Cameron, Director (Health & Social Care Partnership)
Assigned to	Eleanor Currie, Interim Chief Finance Officer
Due Date	31st March 2025
Management Comment	The IPAs will only be processed using a scanned signature if the authorised signatory is copied into the emails to provide electronic evidence of approval.

Action	h
Finding	The auditor tested for employees who have been paid a sundry payment. There was a payment of £736.50 to Corsehill Bowling Club for support with bills in order to hand the building back to NAC; however, the bank details provided matched that of an employee. Community Facilities investigated and provided evidence the money was used to pay an outstanding Scottish Power utility bill. The evidence was provided by the payee as Community Facilities were not able to provide paperwork to support the amount paid.
Action Description	Community Facilities should ensure as part of their procedures that all paperwork in support of grant payments is provided in advance, by the payee and retained for audit purposes.
Risk	Grant payments are not spent in line with the requirements of the grant; the grant payment is used by the payee for financial gain.
Priority (1, 2, 3)	2
Paragraph Reference	3.14
Managed by	Rhonda Leith, Head of Service (Connected Communities)
Assigned to	Donna Morrison, Team Manager (Community Resources)
Due Date	March 2025
Management Comment	The payment instruction was originally requested by CLD (Community Learning and Development) but processed by Community Facilities. The Service has identified a need to clarify the responsibilities of officers requesting payments and those processing payments to ensure accountability and compliance with financial procedures. The MS Sundry Payment Request Form has been amended to include a new field for providing evidence of invoices being settled from the Service payment. Additionally, the form now prominently highlights that when issuing payments to organisations, the organisation's bank details must be used to credit the account. These changes aim to enhance accuracy, transparency, and efficiency in our payment processes.

Action	i
Finding	The procurement card report listed all transactions up to 30th June 2024. As at 25th July 2024, there were 185 transactions totalling £25,110.49 that had not been reviewed or approved and there were 248 transactions totalling £24,350.13 that had been reviewed but not approved. As per the procurement card policy and procedure, all transactions must be reviewed and approved by 28th of each month and must be checked 48 hours after to ensure all transactions are reviewed and approved before the statement is paid.
Action Description	Cardholders and approvers should be reminded to review and approve transactions by the 28th of each month in line with the

	Procurement Card Policy and Procedure. There should be an escalation process in place if transactions continue not to be reviewed and approved.
Risk	Purchases are paid before they have been reviewed and approved. Delayed transfer of transactions to the general ledger which impacts budget monitoring.
Priority (1, 2, 3)	2
Paragraph Reference	3.15
Managed by	Fiona Walker, Head of Service (People & ICT)
Assigned to	Elaine Nixon, Senior Manager (Customer Services)
Due Date	Complete
Management Comment	The number of transactions not approved or reviewed fluctuates as is a snapshot in time. Most services review and approve in bulk and there are peaks and troughs in relation to the volume of transactions e.g. schools are the main users of SDOL and therefore there is a lesser volume of transactions during school holiday periods. The system automatically generates a reminder to all SDOL users, and this is also backed up by an email that is also sent monthly to all users by the E-Procurement team. A quarterly report is issued to all Senior Managers by email asking them to ensure that all outstanding transactions are actioned. This report has now been amended to add a deadline in which the Senior Manager must ensure that the transaction requiring review/approval is completed. A further report will be run 4 weeks later, and any outstanding transactions will be escalated to the relevant Head of Service.

Action	j
Finding	Testing for potential duplicate card transactions highlighted 4 transactions that have been split to bring the purchase below the procurement card single transaction limit.
Action Description	eProcurement should remind cardholders to comply with the procurement card policy and procedure to ensure that orders are not split to bring the purchase below the procurement single transaction limit.
Risk	Single transaction limit control circumvented; transactions not complying with the procurement card policy and procedure.
Priority (1, 2, 3)	2
Paragraph Reference	3.17
Managed by	Fiona Walker, Head of Service (People & ICT)
Assigned to	Elaine Nixon, Senior Manager (Customer Services)
Due Date	Complete
Management Comment	E-Procurement Team have issued comms to SDOL users advising that they must comply with the procurement card policy & procedures which states that they must contact the E-Procurement team to increase their limits and not split payments over several transactions.

Action	k
Finding	There were 164 transactions totalling £23,268.24 with no description of spend recorded on the SDOL system.

Action Description	e-Procurement should contact the system provider to see if the description field could be changed to a mandatory field. e-Procurement should remind cardholders that a description should be added to all card transactions on the SDOL system.
Risk	Lack of audit trail for the card payment.
Priority (1, 2, 3)	2
Paragraph Reference	3.18
Managed by	Fiona Walker, Head of Service (People & ICT)
Assigned to	Elaine Nixon, Senior Manager (Customer Services)
Due Date	Complete
Management Comment	E-Procurement Team have issued an email to SDOL users advising that a detailed description must be added to all SDOL transactions. A further email has been issued to all SDOL approvers advising them to ensure that a detailed description has been entered on the transaction before approving it and if not, to contact the card holder and ask them to update before they approve.

Priority Key used in Action Plan

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

NORTH AYRSHIRE COUNCIL

13 March 2025

Audit and Scrutiny Committee

Title:	**Internal Audit and Corporate Fraud Action Plans: Quarter 3 update**
Purpose:	To advise the Audit and Scrutiny Committee on the progress made by Council Services in implementing the agreed actions from Internal Audit and Corporate Fraud reports as at 31 December 2024.
Recommendation:	That the Committee (a) notes the current position with the implementation of Internal Audit and Corporate Fraud actions; and (b) challenges those Services that have not implemented actions within the previously agreed timescales.

1. Executive Summary

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

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

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

1.4 This report details the position as at 31 December 2024.

2. Background

2.1 The last report to the Audit and Scrutiny Committee on 31 October 2024 highlighted that there were 12 actions outstanding at the end of September 2024: One action was overdue and the remaining 11 action had not yet passed their due date.

2.2 In addition to these 12 carried forward actions, there have been 22 new actions agreed, giving a total of 34 action points for review.

2.3 Services have completed 22 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 12 actions, three had either not started or were only partially complete at 31 December 2024 and the remaining nine actions were not due for completion until after that date.

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

3. Proposals

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

4. Implications/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 2023-2028.

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 **John McCallum, Senior Manager (Audit, Fraud, Safety, Risk & Insurance),** on **01294 324607**.

Background Papers
None.

Appendix 1 - Actions due by 31st December 2024 but not started or partially complete

Code	IA2022PA019b	**Description**	**Audit Action:** A minimum technical standard for CCTV systems should be set for the Council. A Council-wide audit of CCTV inventory should be carried out to assess compliance of CCTV assets against the standards, which will give an indication of the level of capital investment required to bring the Council's CCTV systems up to an appropriate standard and form the basis of a bid for capital. An approval process should be introduced to ensure new CCTV purchases meet the requirements of the standards. **Audit Finding:** Audit were advised that there are various capital budgets in place covering vehicles and property lifecycle investment. However, there is no formal replacement programme for CCTV equipment. **Risk:** Substandard systems that aren't fit for the intended purpose. CCTV footage is not available or not usable when required.		
Priority	2	**Latest Note**	Work in relation to the assessment of non-public space CCTV assets continues. Procurement have now issued a Prior Information Notice to appoint an external contractor to capture the physical data which will commence at the end of April 2025 (Q1). Further timescales will be available once information starts being received from the appointed contractor. Protective Services also continue to advise on the operational requirements for new or replacement systems, thereby ensuring ongoing compliance for current projects. DPIAs for CCTV systems across the Council continue to be assessed as and when required and the I-Learn CCTV awareness course continues to be used. Estimated completion date 31st December 2025.		
Progress Bar	90%	**Original Due Date**	30-Jun-2022	**Due Date**	31-Dec-2024
Parent Code & Title	IA2022PA019 CCTV in Council Buildings and Vehicles			**Managed By**	David Hammond
				Assigned To	David Hammond; Scott McKenzie

Code	IA2024PA022a	**Description**	**Action Description:** IT Services in consultation with the Risk Manager should compile an IT Corporate Systems list and facilitate a discussion with ELT to enable a Corporate priority list for the recovery of locally stored IT systems not covered by the SRM or Unix disaster recovery process. **Finding:** The Council's key IT systems have data recovery capability. There are a number of locally stored IT systems not covered by the SRM or Unix disaster recovery process and there is no priority list to decide which order these IT systems are recovered in the event of a major cyber security event. **Risk:** No clear prioritised order for recovery could result in a delay in the recovery of such systems.		
Priority	2	**Latest Note**	Priority list has been updated to reflect the updates suggested by ELT on 18th December: • Add externally hosted systems to the Priority List for visibility. • Add the Service that owns them in brackets beside the application. • Add anticipated timescales of recovery for systems. Could there be an extension to the audit action timeline to allow IT to re-present the updated list to ELT for approval by March 31st.		
Progress Bar	99%	**Original Due Date**	31-Oct-2024	**Due Date**	31-Oct-2024
Parent Code & Title	IA2024PA022 Cyber Resilience Business Continuity			**Managed By**	James McNeil; Fiona Walker
				Assigned To	James McNeil

Code	IA2024PA022k	**Description**	**Action Description:** Once the updated Business Continuity Management Strategy has been agreed it should be reissued to ensure relevant staff are aware the strategy has been reviewed and updated. **Finding:** The Council has a Business Continuity Management (BCM) Strategy in place, however, this strategy was last updated in October 2015. The Team Manager (Risk) is aware of this, and the document is currently being updated. **Risk:** It is not in line with industry best practice; out of date or inaccurate information.		
Priority	2	**Latest Note**	There have been some delays to the strategy drafting due to staff changes. The Strategy is now in final draft stage and undergoing a review for accessibility and aesthetics. This will be approved at the appropriate level in due course. Target completion date 31st July 2025		
Progress Bar	90%	**Original Due Date**	29-Nov-2024	**Due Date**	29-Nov-2024
Parent Code & Title	IA2024PA022 Cyber Resilience Business Continuity			**Managed By**	Mark Boyd
				Assigned To	Alex Fitzharris

Agenda Item 8

NORTH AYRSHIRE COUNCIL

13 March 2025

Audit and Scrutiny Committee

Title:	**Internal Audit Charter 2025**
Purpose:	To seek Committee approval of the updated Internal Audit Charter.
Recommendation:	That the Committee: (a) notes the changes in Internal Audit standards and that the requirements have been incorporated into the Internal Audit Charter where necessary, (b) notes the inclusion of the Integrated Joint Board within the scope of the Internal Audit Charter, (c) approves the Internal Audit Charter attached at Appendix A, and (d) agrees that future amendments to the Charter will be made where a need is identified.

1. Executive Summary

1.1 Internal Audit currently operates in accordance with the requirements of the 'Public Sector Internal Audit Standards (PSIAS)'. The Standards are designed to ensure that common practices are followed across all public sector bodies.

1.2 One requirement of the PSIAS is the preparation of an 'Internal Audit Charter' which must be approved by the Audit and Scrutiny Committee.

1.3 The PSIAS is changing, with the newly launched Global Internal Audit Standards (GIAS) coming into effect within the UK Public Sector from 1 April 2025.

1.4 The authority for setting professional standards for internal audit in the UK public sector rests with the Relevant Internal Audit Standard Setters (RIASS). The RIASS have determined that the GIAS, issued by the Institute for Internal Auditors (IIA), are a suitable basis for the practice of internal auditing in the UK public sector, subject to interpretations and requirements set out in the Application Note "Global Internal Audit Standards in the UK Public Sector". For UK Local Authorities, the Code of Practice on the Governance of Internal Audit should also be used to interpret some of the essential conditions in the new standards.

1.5 In May 2014 it was agreed that the Charter would be reviewed on a biennial basis or at any other time if required by a material change to the terms of the Charter. The changes to internal audit standards and their impact on the

Charter constitutes a material change which therefore requires Committee approval.

1.6 The existing Internal Audit Charter was approved by the Audit and Scrutiny Committee in March 2023. A revised Charter, which incorporates the relevant requirements of the GIAS and UK public sector considerations, is attached at Appendix A for approval.

2. Background

2.1 The Charter is a formal document that defines the purpose, authority and responsibility of Internal Audit; the section's position within the organisation; authorises access to records, personnel and physical properties relevant to the performance of audit engagements; and defines the scope of Internal Audit activities.

2.2 It was previously agreed by the former Audit Committee that the Charter should be reviewed on a biennial basis to ensure it remains current and brought to Committee for approval. That has since been superseded and the Senior Manager now conducts an annual review of the Charter to ensure compliance with the internal audit standards. However only where material changes occur would this result in a change to the Charter and require reapproval by Committee. Examples of such circumstances would include: changes to internal structures or arrangements, findings from an internal or external quality assessment, or changes to the standards or guidance around internal audit charters or the requirements of internal audit.

2.3 In preparation for the upcoming changes to the internal audit standards the Internal Audit Charter has therefore been reviewed and updated to reflect the new requirements. A number of more minor updates have also been made to the Charter.

2.4 Key changes to the Charter include:

- Amended references throughout the Charter from PSIAS to GIAS;
- The explicit inclusion of the internal audit mandate, which specifies the authority, role and responsibilities of the Internal Audit function;
- The inclusion of the North Ayrshire Integration Joint Board (IJB) within the scope of the internal audit function’s activities.

3. Proposals

3.1 It is proposed that the Committee (a) notes the changes in Internal Audit standards and that the requirements have been incorporated into the Internal Audit Charter where necessary, (b) notes the inclusion of the Integrated Joint Board within the scope of the Internal Audit Charter, (c) approves the Internal Audit Charter attached at Appendix A and (d) agrees that future amendments to the Charter will be made where a need is identified.

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 2023-2028.

Community Wealth Building

4.7 None.

5. Consultation

5.1 No consultations have been required in the preparation of this report.

Mark Boyd
Head of Service (Finance)

For further information please contact **John McCallum, Senior Manager (Audit, Fraud, Safety, Risk & Insurance),** on **01294 324607**.

Background Papers
None.

Internal Audit Charter

2025

Version:	Final
Date:	13/03/2025
Author:	John McCallum
Classification:	Public

North Ayrshire Council
Comhairle Siorrachd Àir a Tuath

INTERNAL AUDIT CHARTER
2025

1. Introduction

1.1 North Ayrshire Council has adopted the definition of Internal Audit as given in the Global Internal Audit Standards (GIAS):

'Internal Auditing 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.'

1.2 GIAS requires the Council to define its interpretation of the generic terms 'Chief Audit Executive', 'Senior Management' and 'Board'.

1.3 For the purposes of this Internal Audit Charter, the role of the 'Chief Audit Executive' is fulfilled by the Senior Manager (Audit, Fraud, Safety, Risk & Insurance), hereafter referred to as the Senior Manager; the Chief Officers are defined as 'Senior Management' and the 'Board' is deemed to be the Audit and Scrutiny Committee.

1.4 The Senior Manager also fulfils the role of Chief Audit Executive for the North Ayrshire Integration Joint Board (IJB) and whilst some terminology may differ throughout, this Charter is also applicable to the IJB.

2. Mandate, Purpose and Responsibilities of Internal Audit

2.1 The mandate sets out the authority, roles and responsibilities, and empowers the Internal Audit function to deliver on its purpose which is set out in paragraph 2.3 below.

2.2 The authority for Internal Audit is derived from the Local Authority Accounts (Scotland) Regulations 2014 which requires that "A local authority must operate a professional and objective Internal Auditing service in accordance with recognised standards and practices in relation to Internal Auditing."

2.3 In line with the GIAS, the purpose and mission of internal audit is to strengthen the Council's ability to create, protect and sustain value by providing the Council and management with independent, risk-based and objective assurance, advice, insight and foresight.

2.4 The scope of Internal Audit activity includes, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the organisation's governance, risk management and internal control processes. This enables Internal Audit to provide the Audit and Scrutiny Committee with assurance on the adequacy of these arrangements.

2.5 Internal Audit does this by:

- Providing high quality, independent audit services to the Council and its Senior Management;
- Maintaining professional objectivity in all aspects of internal audit services;
- Performing a systematic and continuous review of the Council's internal control, risk management and governance arrangements in accordance with a risk-based annual plan approved by the Audit and Scrutiny Committee;
- Highlighting opportunities to reduce costs through greater economy, efficiency and effectiveness within existing internal controls throughout the Council's systems and activities;
- Advising on cost effective controls for new systems and activities;
- Providing an assurance statement and annual report to the Audit and Scrutiny Committee on the adequacy of the Council's internal control and governance arrangements.

2.6 Internal Audit is responsible for reporting risk exposures and control risks to the Audit and Scrutiny Committee and Senior Management.

2.7 Internal Audit will consult with the Council's external auditor and with other relevant inspection and review bodies in order to co-ordinate effort and avoid duplication.

3. Standards and Ethics

3.1 Internal Audit will carry out its work in accordance with:

- Relevant standards and guidelines issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Institute of Internal Auditors (IIA);
- The Council's 'Local Code of Corporate Governance';
- The section's own Internal Audit Manual and Procedures.

3.2 In particular, Internal Audit will adhere to the Global Internal Audit Standards (GIAS) which were issued by the IIA in January 2024 and amended for use within the UK Public Sector from 1 April 2025. The GIAS incorporates the mandatory elements of the IIA's International Professional Practices Framework – the definition of Internal Auditing (see 1.1 above), the Code of Ethics and the International Standards for the Professional Practice of Internal Auditing.

3.3 Internal Auditors will comply with appropriate professional ethics at all times. These cover:

- Integrity;
- Objectivity;
- Confidentiality;
- Competency.

3.4 The Chief Audit Executive will hold a relevant professional qualification and will be suitably experienced. Audit staff will adhere to the requirements of the Council's Employee Code of Conduct, the Seven Principles of Public Life and the ethical standards of any professional institute of which they may be a member. Staff will undertake Continuing Professional Development (CPD) as required and will also keep their skills and knowledge current through appropriate professional learning and the Council's employee development programme.

4. Position of Internal Audit within the Council

4.1 Internal Audit is an independent activity. It is not an extension of, or a substitute for, the functions of line management and must remain free from any undue influence or other pressure affecting its actions and reporting.

4.2 At all times, the responsibilities of Senior Management across the Council include:

- Maintaining proper internal controls in all processes for which they have responsibility to ensure probity in systems and operations;
- Preventing and detecting fraud and irregularities within their service areas and reporting any suspicions to the Senior Manager;
- Co-operating fully with Internal Audit to help ensure that Internal Audit can properly fulfil its role;
- Considering and acting on Internal Audit findings and recommendations or accepting responsibility for any resultant risk from not doing so.

4.3 In terms of the GIAS, the status of Internal Audit should enable it to function effectively, with recognition of the independence of the section fundamental to its effectiveness. The Chief Audit Executive should have sufficient status to facilitate the effective discussion of audit strategies, plans, results and improvement plans with Senior Management.

4.4 Within North Ayrshire Council, the Senior Manager will have unrestricted access to the Section 95 Officer, the Monitoring Officer (the Head of Democratic Services), the Chief Executive and the Chair of the Audit and Scrutiny Committee.

4.5 In addition, unrestricted access to all Chief Officers and employees of the Council is afforded to the Senior Manager and all members of Internal Audit staff in the course of carrying out their work.

4.6 In terms of accountability and independence, the Senior Manager reports functionally to the Audit and Scrutiny Committee; this means the Audit and Scrutiny Committee will:

- Approve the Internal Audit Charter;
- Approve the internal audit plan;
- Receive reports from the Senior Manager on the outcome of Internal Audit work and any other matters the Senior Manager deems necessary;
- Champion the internal audit function and make enquiries to ensure that it is adequately resourced to meet its assurance and other key responsibilities;
- Receive periodic confirmation from the Senior Manager that Internal Audit complies with the requirements of the GIAS.

4.7 The Senior Manager reports **administratively** to the Section 95 Officer (the Head of Service (Finance)). The administrative reporting line will be managed in a manner that ensures:

- The Senior Manager is accorded open and direct communication with Senior Management across the Council;
- The Internal Audit function has an adequate and timely flow of information concerning the activities, plans and initiatives of the Council.

4.8 It is recognised that the administrative reporting line does not have authority over the scope of reporting of results of Internal Audit activity. Ultimate authority in this regard rests with the Senior Manager, who retains the final right of edit over all Internal Audit reports.

4.9 The Senior Manager also has managerial responsibility for the Council-wide functions of risk management, insurance, business continuity planning and health and safety. In order to ensure that Internal Audit independence and objectivity is maintained, any audit work in these areas will be carried out by other Internal Audit staff with the Senior Manager as the client. The Senior Manager will have no involvement in the delivery or reporting of the audit review and the report will be published by the Team Manager (Internal Audit).

5. Rights of Access

5.1 In relation to audit work being carried out, the Senior Manager and any member of the Internal Audit section has the authority to:

- Enter at all reasonable times and without notice any premises or land of the Council, provided that where such premises or land are leased to a third party the terms of the lease are observed;
- Have access to, and remove, all records (both paper and electronic), documents and correspondence within the possession or control of any officer of the Council, relating to any financial or other matters of the Council;
- Be provided with a separate log-in to any computer system within the Council and have full access to any system, network, personal computer or other device in the ownership of the Council;
- Require and receive explanations concerning any matter under examination from any employee, including Chief Officers, and request such explanations from any Elected Member;
- Require any employee of the Council to produce cash, stores or any other Council assets under their control.

5.2 These rights of access are also embedded within the Council's Financial Regulations, which were last approved by the Council on 18 September 2024.

6. Fraud-related Work

6.1 As outlined at 4.2 above, responsibility for the prevention and detection of fraud lies primarily with Senior Management across the Council, not with Internal Audit. However, Internal Audit staff will be alert in all their work to risks and exposures that could allow fraud or corruption. The Corporate Fraud Team will also undertake proactive work to identify potentially fraudulent activity.

6.2 The Council's 'Defalcation Procedures' require that any suspected fraud against the Council will be reported to the Senior Manager.

6.3 The Corporate Fraud Team will investigate suspected instances of fraud against the Council and report their findings to Senior Management, along with any recommendations for action to rectify the situation. This may include the recommendation that Senior Management should consider investigating relevant members of staff under the Council's Disciplinary Policy.

6.4 Senior Management will be responsible for acting on the recommendations of Internal Audit, including carrying out any disciplinary reviews.

6.5 Any contact with the Police or the Procurator Fiscal in relation to employee fraud will be made only by the Chief Executive or by another officer acting with the prior approval of the Chief Executive.

7. Consultancy Work

7.1 When invited by Senior Management, Internal Audit may provide advice and consultancy services on:

- Cost effective controls for new systems and activities;
- Opportunities to reduce costs through greater economy and efficiency within processes or systems.

7.2 Acceptance of any assignment will be dependent on available resources, the nature of the assignment and any potential impact on future independent assurances.

7.3 Internal Audit will not accept any consultancy assignment where the Senior Manager considers that staff do not have the necessary specialist knowledge or skills.

7.4 The role of Internal Audit in a consultancy assignment is to provide advice and support to Senior Management, who retain the ultimate responsibility for the decisions taken within the area under review.

7.5 Internal Audit may in future carry out assurance work in service areas where advice or consultancy services were previously provided. The objectivity of individual audit staff will be managed in assigning any such assurance work.

8. Audit Reporting

8.1 After the completion of each assignment, Internal Audit will issue a draft report to the relevant Head of Service, containing the findings of the audit work, an action plan and an audit opinion on the area under review. Internal Audit will aim to issue this draft report within 21 days of completion of the audit fieldwork.

8.2 Senior Management is expected to respond to Internal Audit with a completed action plan within 21 days of the issue of the draft report. A clearance meeting will be offered to the Head of Service during the 21 day period if they wish to discuss the findings and facilitate the completion of the action plan.

8.3 Following the return of the completed action plan, Internal Audit will aim to finalise and publish the report within 14 days.

8.4 Each final Internal Audit report will be issued to the relevant Executive Director and Heads of Service. Copies will also be made available to the Chief Executive and the Section 95 Officer.

8.5 Once finalised, each Internal Audit report and action plan will be submitted to the Audit and Scrutiny Committee.

8.6 Internal Audit recognises that its responsibility does not cease at the point when a report is published. Regular follow-up work will be carried out to ensure that actions are in place and are effective.

8.7 Failure by Senior Management to implement actions within the previously agreed timescales will be reported to the Audit and Scrutiny Committee at the first meeting following the end of the quarter in which the action was due to be implemented.

8.8 The Audit and Scrutiny Committee may call for explanations from Senior Management around actions that have not been implemented and will have responsibility for agreeing any extensions to timescales.

8.9 The Senior Manager will prepare an annual report to the Audit and Scrutiny Committee, confirming compliance with PSIAS, highlighting key findings from audit work during the preceding audit year, and providing an opinion on the internal control environment of the Council.

8.10 The work of Internal Audit, including the opinion on the control environment, will contribute to the Council's review of its corporate governance arrangements, the outcome of which will be published in the Annual Governance Statement.

9. Audit Resources and Prioritisation of Work

9.1 Work will be prioritised according to risk, through the judgement of the Senior Manager, and aligned to the Council's risk registers. The Senior Manager will consult with the Executive Leadership Team in making this assessment.

9.2 The Senior Manager will determine the actual deployment of available resources and will do so within the framework of risk prioritisation used to prepare the annual audit plan approved by the Audit and Scrutiny Committee.

9.3 The audit plan will have within it a provision of resources to address unplanned work. These resources will be directed towards responding to specific control issues highlighted by Senior Management during the audit year.

9.4 In the event that the risk assessment within the audit plan identifies a need for more audit work than there are resources available, the Senior Manager will identify the shortfall and initially advise the Section 95 Officer followed by the Audit and Scrutiny Committee as required.

9.5 It will be for the Audit and Scrutiny Committee to decide whether to accept the risks associated with the non-delivery of sufficient audit work or to recommend to the Council that it identifies additional resources.

10. Quality Assurance

10.1 The Senior Manager will develop and maintain a Quality Assurance and Improvement Programme that covers all aspects of the Internal Audit activity. This will include both internal and external assessments.

10.2 The internal assessments will include:

- Ongoing monitoring of the performance of Internal Audit through the use of performance indicators, staff supervision and team meetings;
- Periodic self-assessment of the Internal Audit function against the requirements of the Global Internal Audit Standards (GIAS).

10.3 External assessments will be conducted at least once every 5 years by a qualified, independent assessor from outside the organisation.

10.4 The external assessment may be a full external assessment or a self- assessment with independent validation. The format will be agreed in advance of each external assessment by the Section 95 Officer and the Audit and Scrutiny Committee.

10.5 The findings of each internal and external assessment will be reported to the Audit and Scrutiny Committee along with a plan for any improvement action that may be required.

11. Approval of the Audit Charter

11.1 This Internal Audit Charter was reported to and approved by the Audit and Scrutiny Committee of North Ayrshire Council on 13 March 2025.

11.2 The Charter will be subject to annual review by the Senior Manager. Where any material changes are required to the Charter, this will be presented to the Audit and Scrutiny Committee for their approval.

NORTH AYRSHIRE COUNCIL

13 March 2025

Audit and Scrutiny Committee

Title:	**Internal Audit Plan 2025/26**
Purpose:	To inform the Committee of the proposed internal audit plan for 2025/26.
Recommendation:	That the Committee approves the internal audit plan for 2025/26.

1. Executive Summary

1.1 Internal Audit provides an independent and objective opinion on the Council's risk management, governance and control environment by evaluating its effectiveness. This report presents the proposed internal audit plan for 2025/26.

1.2 Prior to the start of each financial year, internal audit in conjunction with senior management, put together a proposed plan of audit work. The objective of our planning process and subsequent plan is to put us in a position to provide a well-informed and comprehensive annual audit opinion, based on sufficient and appropriate coverage of key business objectives, associated risks, and risk management processes.

2. Background

Internal Audit Plan 2025/26

2.1 The outcomes of each of the audits in our planned programme of work will provide senior management and Members with assurance that the current risks faced by the Council in these areas are adequately controlled and managed.

2.2 A number of factors are considered when putting together the risk based internal audit plan for 2025/26, including:

- Consultation with senior management;
- Review of the Council's key objectives and Council Plan 2023-2028;
- Review of the Council's fundamental business processes and key services;
- Review of the Council's current risk management framework, processes and risk management maturity;
- Review of the key risks featuring in the Council's risk registers;
- Internal Audit's own risk assessment based on knowledge of the business and incorporating findings from previous internal audit work; and

- Internal Audit's awareness of emerging regional and national risk factors.

2.3 The approach to the delivery of the internal audit plan will be for it to remain flexible throughout the year to respond to new and emerging risks. This was trialled in 2024/25 with the adoption of a 'rolling' internal audit plan, which was reviewed and updated on a continual basis, thereby remaining agile to change. The 2025/26 plan has been designed to continue with this agile approach and confirmed work will cover a maximum of a six-month period with a rolling forward plan of possible areas for future consideration. Changes to the internal audit plan will be presented to the Committee for information through regular progress reports. This approach is fully in line with the new global internal audit standards which require the audit plan to be risk-based and dynamic, reflecting timely adjustments in response to changes affecting the organisation.

2.4 The documented risk assessment is based on a risk universe which is maintained by internal audit and is used to document the consultation which takes place between internal audit and senior management. Management are welcome to feed into the risk universe to help ensure it is updated on a continuous basis. The risk universe documents risk factors such as:

- Links to the strategic priorities within the Council Plan for 2023-2028;
- Links to strategic, corporate and operational risk registers;
- Whether the auditable area is a source of significant risk;
- Whether there is significant value to the Council in the audit being carried out;
- known risk factors arising from local and national issues; and
- risk factors arising from previous internal audit work and knowledge of the Council.

2.5 An overall conclusion is reached from an assessment of each risk area, which categorises audits into the following priorities:

- Priority A – a 'must do' audit based on risk (very high risk);
- Priority B – a 'should do' audit, time permitting (high risk);
- Priority C – a 'may do' audit, time permitting (moderate risk); and
- Priority D – an audit where the result would not be of sufficient value to the Council (low risk).

2.6 Examples of the key risk factors which have influenced the early part of the 2025/26 internal audit plan are as follows:

- A significant fraud was identified relating to council tax refunds at another Scottish Council and has been highlighted by the Accounts Commission as an area in which local authorities should consider as part of their planned assurance work. Refunds relating to non-domestic rates can also be high value, which heightens the level of risk.
- The impact of cost inflation is highlighted as a corporate risk for the Council and is likely to have a significant effect on the delivery of the current capital programme. Internal audit will undertake a review of the capital monitoring arrangements to assess the level of control in this area.
- Cyber resilience is identified as a strategic risk for the Council. Added to this, most global risk literature continues to identify cyber security as the number one global risk. The Scottish Government's cyber resilience framework is intended to support

public sector organisations to develop and improve their cyber security arrangements. Internal audit will continue to base the next phase of cyber resilience audits on aspects of this framework.

- Staffing levels and workforce shortfalls are noted as operational risks within the HSCP risk register. These factors, if not adequately controlled, can increase reliance on unplanned overtime across the directorate.
- The requirement for ongoing building repairs and maintenance has been noted across various operation risk registers and therefore an audit of the processes for prioritising and allocating repairs will be undertaken to obtain assurance in this area.
- Whilst school funds are separate to council funds, reputationally the risk of mismanagement lies with the council. A number of schools have not yet implemented cashless systems and there is therefore an increased opportunity for fraud or error.
- An internal review of grant compliance processes is currently taking place and Internal Audit will provide advisory services to Connected Communities to support the development of new procedures, guidelines etc.

2.7 The aim is to produce an agile, dynamic, risk-based internal audit plan containing key areas of coverage. The overall objective of the work of internal audit is to enable the Senior Manager to form an evidence based independent opinion at the end of the year on the adequacy of the Council's internal control, risk and governance arrangements. This opinion forms part of the Annual Governance Statement for the year which is included within the Council's financial statements.

2.8 The benefit of a rolling internal audit plan is to be able to continually update this as new areas of work are agreed. New audits are risk assessed and added to the rolling plan which may mean lower risk audits are delivered at a later date. If a new audit area arises which is of such significant risk, this could lead to previously agreed work being deferred. As noted above, any such changes will be presented back to the Committee for information through regular reports.

2.9 Internal audit coverage can never be absolute, and responsibility for risk management, governance and internal control arrangements will always remain fully with management. As such, internal audit cannot provide complete assurance over any area, and equally cannot provide any guarantee against material errors, loss or fraud.

2.10 Appendix A contains the internal audit plan for quarters one and two of 2025/26. The plan will be added to throughout the year, with a list of potential audit areas provided at Appendix B. Audit titles and high level scopes are indicative at this stage for planning our resources. At the start of each audit, detailed planning will be carried out to agree the objectives and the scope of the work. The plan will therefore be subject to change throughout the year, depending on a number of factors such as available resources, time required to complete reviews, and unplanned work arising throughout the year.

2.11 The Senior Manager is required to ensure that internal audit resources are appropriate, sufficient and effectively deployed to achieve the approved plan. The Internal Audit Team currently comprises a Senior Manager, an Internal Audit Manager, two Internal Auditors and a Computer Auditor. All members of the team hold professional accountancy or audit qualifications and are suitably experienced.

2.12 In addition to the programme of audit work to be carried out, time is also required to be set aside throughout 2025/26 to support the following areas:

- Consultancy – both ad hoc advice and project work
- Follow up of prior year internal audit action points
- Audit planning and monitoring
- Committee attendance and reporting
- Development of the internal audit service
- Self-assessments and external quality assessments against internal audit standards
- Review of governance documents such as Codes of Financial Practice and the Annual Governance Statement.

2.13 A further fundamental development taking place during 2025/26 is the implementation of the new Global Internal Audit Standards (GIAS). These were launched globally with implementation expected from January 2025, however an April 2025 implementation date has been confirmed for the UK public sector. North Ayrshire Council will continue to work with peers across the sector to ensure that compliance with the new standards is delivered during 2025/26. This will potentially mean changes to processes, procedures and working practices which will need to take priority during the year to ensure ongoing compliance with the standards.

Internal Audit Performance

2.14 As part of the progress reporting regime, we will report on internal audit performance. The following targets will be used to measure the performance of the internal audit activity:

Performance Measure	**Performance Target**
Delivery of internal audit plan – percentage completed at year end	>85%
Quality of audit work – overall client satisfaction	>90%
Outcomes from audit work – value to the organisation	>90%

Conformance with the Global Internal Audit Standards (GIAS)

2.15 From 1 April 2025 the work of Internal Audit will be governed by the requirements of the Global Internal Audit Standards (GIAS), which replaces the Public Sector Internal Audit Standards (PSIAS) 2017. The standards, issued by the Chartered Institute of Internal Auditors (IIA) and amended for use within the UK public sector, require the Senior Manager (Audit, Fraud, Safety, Risk & Insurance) to establish a risk-based internal audit plan to determine the priorities of the internal audit activity, consistent with the Council's goals and objectives.

2.16 Every five years, Internal Audit is subject to an External Quality Assessment (EQA) covering the activity of the service. The last of these was carried out under the PSIAS, in July 2022 and reported to the Committee in September 2022. The assessment confirmed conformance with the PSIAS. An updated self-assessment will be carried out during 2025 to confirm compliance with the new standard.

2.17 The Internal Audit Charter is a formal document which defines the internal audit activity's purpose, authority and position. The Senior Manager reviews the Internal

Audit Charter on an annual basis and presents any changes to the Audit and Scrutiny Committee for approval. The Internal Audit Charter has been reviewed and updated to account for the changes in the audit standards.

3. Proposals

3.1 It is proposed that the Committee approves the Internal Audit plan for 2025/26.

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 2023-2028.

Community Wealth Building

4.7 None.

5. Consultation

5.1 Consultation has taken place on an individual basis with the Executive Leadership Team during the preparation of the Internal Audit plan.

Mark Boyd
Head of Service (Finance)

For further information please contact **John McCallum, Senior Manager (Audit, Fraud, Safety, Risk and Insurance),** on **01294 324607**.

Background Papers
None.

Internal Audit Plan 2025/26 Quarters 1 & 2 **Appendix A**

Audit Area to Deliver in Plan	Directorate/Service	Planned Quarter	Priority	Link to Council Plan	Link to Risk Registers
Social Care Establishments	HSCP	Q2	A	Wellbeing – to transition to a wellbeing economy, delivering prosperity, wellbeing and resilience for local people	Strategic Risk
HSCP - Overtime Controls	HSCP	Q1	B	A Sustainable Council – a Community Wealth Building Council that is efficient and accessible, maximising investment and focusing resources towards our priorities	Operational Risk
CT / NDR Refunds	Finance / People & ICT	Q1	B	A Sustainable Council – a Community Wealth Building Council that is efficient and accessible, maximising investment and focusing resources towards our priorities	N/A
Capital Monitoring	Finance	Q2	B	A Sustainable Council – a Community Wealth Building Council that is efficient and accessible, maximising investment and focusing resources towards our priorities	Corporate Risk
Accounts Payable Transactions	People & ICT	Q2	A	A Sustainable Council – a Community Wealth Building Council that is efficient and accessible, maximising investment and focusing resources towards our priorities	N/A
ELC Payments to Partner Nurseries	Education	Q2	B	Wellbeing – to transition to a wellbeing economy, delivering prosperity, wellbeing and resilience for local people	N/A
School Funds	Education	Q1	B	N/A	N/A
Absence Management	People & ICT	Q2	A	Wellbeing – to transition to a wellbeing economy, delivering prosperity, wellbeing and resilience for local people	Operational Risk
ICT - Asset Management	People & ICT	Q1	A	A Sustainable Council – a Community Wealth Building Council that is efficient and accessible, maximising investment and focusing resources towards our priorities	Strategic Risk
Buildings and Estate Maintenance	Place	Q1	B	A Sustainable Council – a Community Wealth Building Council that is efficient and accessible, maximising investment and focusing resources towards our priorities	Operational Risk

Audit Area to Deliver in Plan	Directorate/Service	Planned Quarter	Priority	Link to Council Plan	Link to Risk Registers
Tenants & Residents Associations	Communities & Housing	Ongoing	D	Communities and Local Democracy – we will have active, inclusive and resilient communities	N/A
Consultancy - Grant Compliance	Communities & Housing	Ongoing	B	Communities and Local Democracy – we will have active, inclusive and resilient communities	Operational Risk

Rolling Internal Audit Plan **Appendix B**

These reviews will form part of the rolling plan for 2025/26. The plan will continue to be adjusted as the year progresses to reflect current organisational risks and issues. Ongoing risk assessments will be undertaken to determine the priority areas to include in the plan.

Potential Future Audit Areas	Directorate/Service	Priority	Link to Council Plan	Link to Risk Registers
Corporate - Performance	All	B	All	N/A
Corporate - Business Continuity Planning	All	C	A Sustainable Council – a Community Wealth Building Council that is efficient and accessible, maximising investment and focusing resources towards our priorities	Corporate Risk and Operational Risk
Grant Compliance	Communities & Housing	B	Communities and Local Democracy – we will have active, inclusive and resilient communities	Operational Risk
Stores Controls	Communities & Housing	C	A Sustainable Council – a Community Wealth Building Council that is efficient and accessible, maximising investment and focusing resources towards our priorities	N/A
Community Associations	Communities & Housing	B	Communities and Local Democracy – we will have active, inclusive and resilient communities	Operational Risk
ARC Compliance Testing	Communities & Housing / Place	B	A Sustainable Council – a Community Wealth Building Council that is efficient and accessible, maximising investment and focusing resources towards our priorities	Operational Risk
Advisory - Equalities	Democratic	B	N/A	Strategic Risk
Freedom of Information	Democratic	A	A Sustainable Council – a Community Wealth Building Council that is efficient and accessible, maximising investment and focusing resources towards our priorities	Corporate Risk and Operational Risk
School Inventory Management	Education	B	A Sustainable Council – a Community Wealth Building Council that is efficient and accessible, maximising investment and focusing resources towards our priorities	N/A
Residential Placements	Education	B	Wellbeing – to transition to a wellbeing economy, delivering prosperity, wellbeing and resilience for local people	Operational Risk
Child Poverty Policy	Education	C	Wellbeing – to transition to a wellbeing economy, delivering prosperity, wellbeing and resilience for local people	N/A
Education - Handling of Medication	Education	C	Wellbeing – to transition to a wellbeing economy, delivering prosperity, wellbeing and resilience for local people	N/A
General Ledger	Finance	D	N/A	N/A
Community Based Support - Young People	HSCP	B	Communities and Local Democracy – we will have active, inclusive and resilient communities	Operational Risk

Potential Future Audit Areas	Directorate/Service	Priority	Link to Council Plan	Link to Risk Registers
HSCP - Business Continuity Planning	HSCP	B	A Sustainable Council – a Community Wealth Building Council that is efficient and accessible, maximising investment and focusing resources towards our priorities	Corporate Risk and Operational Risk
Financial Assessments - non-residential	HSCP	C	Wellbeing – to transition to a wellbeing economy, delivering prosperity, wellbeing and resilience for local people	N/A
Care Home Sustainability	HSCP	B	A Sustainable Council – a Community Wealth Building Council that is efficient and accessible, maximising investment and focusing resources towards our priorities	Strategic Risk
Review of HSCP Charging Policy	HSCP	C	A Sustainable Council – a Community Wealth Building Council that is efficient and accessible, maximising investment and focusing resources towards our priorities	N/A
Financial Sustainability	IJB	A	A Sustainable Council – a Community Wealth Building Council that is efficient and accessible, maximising investment and focusing resources towards our priorities	N/A
Payroll Transaction Testing	People & ICT	A	A Sustainable Council – a Community Wealth Building Council that is efficient and accessible, maximising investment and focusing resources towards our priorities	N/A
Agency Staff & Workers (IR35)	People & ICT	B	A Sustainable Council – a Community Wealth Building Council that is efficient and accessible, maximising investment and focusing resources towards our priorities	N/A
Payroll – Non-standard payments / allowances	People & ICT	B	A Sustainable Council – a Community Wealth Building Council that is efficient and accessible, maximising investment and focusing resources towards our priorities	N/A
ICT - Incident Detection	People & ICT	B	A Sustainable Council – a Community Wealth Building Council that is efficient and accessible, maximising investment and focusing resources towards our priorities	Strategic Risk
Fuel Controls	Place	B	A Sustainable Council – a Community Wealth Building Council that is efficient and accessible, maximising investment and focusing resources towards our priorities	N/A
Neighbourhood Services - Overtime Controls	Place	B	Wellbeing – to transition to a wellbeing economy, delivering prosperity, wellbeing and resilience for local people	Operational Risk
Flood Programme	Place	C	Climate Change – achieving net-zero by 2030	Strategic Risk and Operational Risk
Advisory - Decriminalised Parking Arrangements	Place	C	N/A	N/A
Ayrshire Growth Deal	Place	A	A Sustainable Council – a Community Wealth Building Council that is efficient and accessible, maximising investment and focusing resources towards our priorities	Operational Risk
Shared Prosperity Fund	Place	C	Wellbeing – to transition to a wellbeing economy, delivering prosperity, wellbeing and resilience for local people	Operational Risk

NORTH AYRSHIRE COUNCIL

13 March 2025

Audit and Scrutiny Committee

Title:	**External Audit Plan 2024/25**
Purpose:	To inform the Committee of the External Audit Plan for 2024/25.
Recommendation:	That Committee notes the External Audit Plan for 2024/25.

1. Executive Summary

1.1 Audit Scotland are the Council's external auditors for the period 2022/23 to 2027/28, with 2024/25 being the third year of this appointment.

1.2 This report provides the Audit and Scrutiny Committee with details of Audit Scotland's Annual Audit Plan for the 2024/25 audit.

1.3 Following completion of the audit, Audit Scotland will present their annual audit report to the Audit and Scrutiny Committee during September 2025.

1.4 A separate report by the Controller of Audit on North Ayrshire Council's performance in meeting its Best Value duties will be discussed with the Accounts Commission in October 2025.

2. Background

2.1 Audit Scotland have been appointed as the Council's external auditors for the period 2022/23 to 2027/28 with 2024/25 being the third year of this appointment. In addition, Audit Scotland are the appointed auditors for the North Ayrshire Integration Joint Board for the same period.

2.2 Audit Scotland's Annual Audit Plan for the 2024/25 audit is attached at Appendix 1. A representative of Audit Scotland will be in attendance to present the plan to the Committee.

2.3 In planning the audit work, Audit Scotland have identified a number of significant risks, as detailed within Exhibit 2 of the Appendix, and these will form the basis of their audit plans for the year.

2.4 The audit will also include consideration of the arrangements for the consolidation of the subsidiaries and associates included within the Council's Group statements and the Trustees' Annual Report for the Council's charitable trusts.

2.5 In addition to the financial statements, the audit will consider the adequacy of the arrangements in place in relation to the wider audit dimensions, including:

- Financial Management – consideration of the arrangements to secure sound financial management;
- Financial Sustainability – consideration of the challenges arising from uncertainty over Scottish Government funding and costs pressures linked to pay and inflation;
- Vision, Leadership and Governance – review of the arrangements in place to deliver the vision, strategy and priorities adopted by the Council; and
- Use of Resources to Improve Outcomes – consideration of how the Council demonstrates economy, efficiency and effectiveness.

2.6 Audit Scotland also reports on the Council's performance in meeting its duties in relation to Best Value. As a result, the Annual Audit Report will include Audit Scotland's conclusions in relation to the Best Value thematic review of service transformation within the Council.

2.7 North Ayrshire Council has been included within this year's programme for Best Value reporting. A report by the Controller of Audit on North Ayrshire Council's performance in meeting its Best Value duties will be discussed with the Accounts Commission in October 2025.

3. Proposals

3.1 That Committee notes the External Audit Plan for 2024/25.

4. Implications/Socio-economic Duty

Financial

4.1 The fee which will be charged by Audit Scotland for the 2024/25 audit work will be £384,980. This represents an increase of £7,220 (1.9%) against the 2023/24 fee.

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 2023 to 2028 by maximising financial flexibility to support the delivery of our priorities and focussing our investment on priorities.

Community Wealth Building

4.7 None.

5. Consultation

5.1 Audit Scotland consulted with the Head of Service (Finance) in preparing their audit plan.

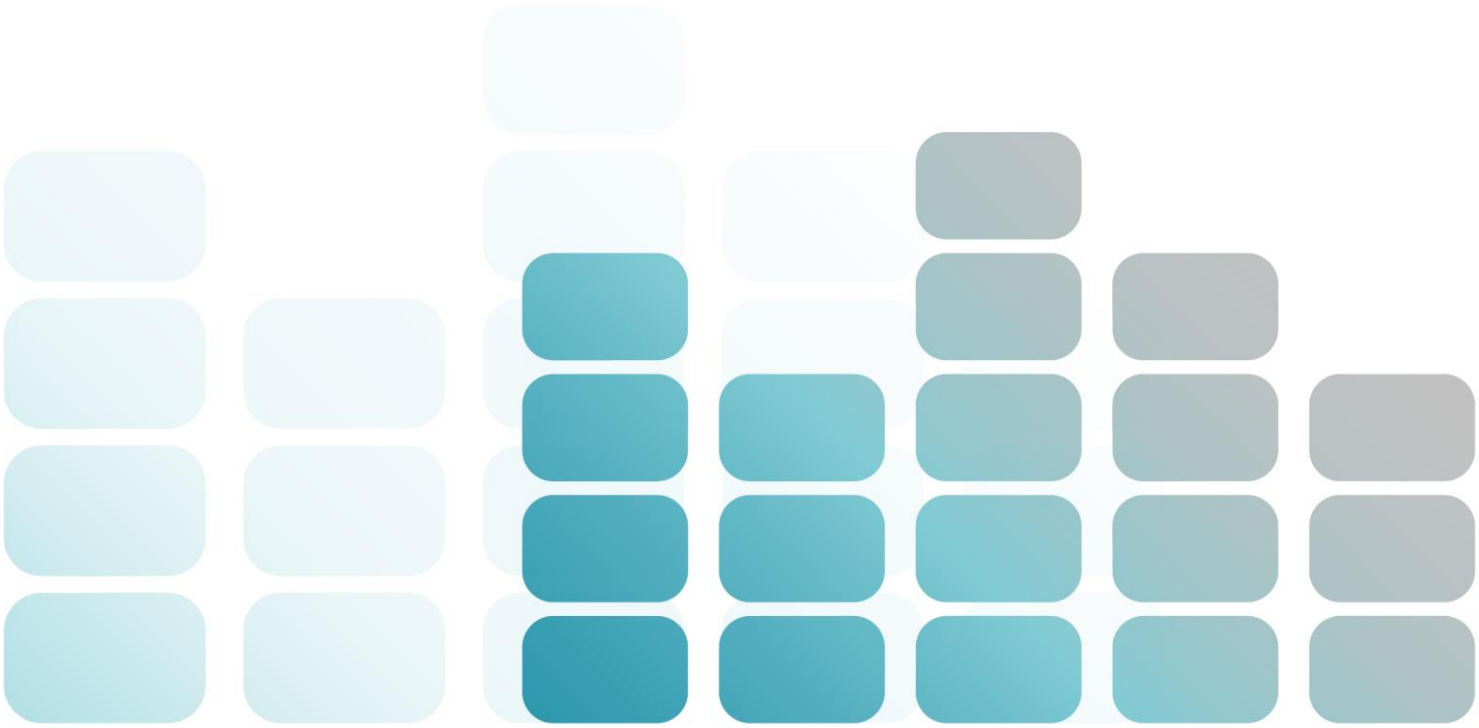
Mark Boyd
Head of Service (Finance)

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

Background Papers
None

North Ayrshire Council

Annual Audit Plan 2024/25



AUDIT SCOTLAND

Prepared for North Ayrshire Council
February 2025

Contents

Accessibility

You can find out more and read this report using assistive technology on our website www.audit.scot/accessibility.

Introduction

Purpose of the Annual Audit Plan

1. The purpose of this Annual Audit Plan is to provide an overview of the planned scope and timing of the 2024/25 audit of North Ayrshire Council's annual accounts. It outlines the audit work planned to meet the audit requirements set out in auditing standards and the Code of Audit Practice, including supplementary guidance. Arrangements for the audit of the Annual Accounts of the eight section 106 Charitable Trusts administered by the Council are detailed in paragraphs 21-30.

Appointed auditor and independence

2. Fiona Mitchell-Knight, of Audit Scotland, has been appointed by the Accounts Commission as external auditor of North Ayrshire Council for the period from 2022/23 until 2026/27. The 2024/25 financial year is therefore the third of the five-year audit appointment.

3. Fiona Mitchell-Knight and the audit team are independent of North Ayrshire Council in accordance with relevant ethical requirements, including the Financial Reporting Council's Ethical Standard. This standard imposes stringent rules to ensure the independence and objectivity of auditors. Audit Scotland has robust arrangements in place to ensure compliance with ethical standards. The arrangements are overseen by the Executive Director of Innovation and Quality, who serves as Audit Scotland's Ethics Partner.

4. The Ethical Standard requires auditors to communicate any relationships that may affect the independence and objectivity of the audit team. There are no such relationships pertaining to the audit of North Ayrshire Council to communicate.

Audit scope and responsibilities

Scope of the audit

5. The audit is performed in accordance with the Code of Audit Practice, including supplementary guidance, International Standards on Auditing (UK), and relevant legislation. These set out the requirements for the scope of the audit which includes:

- An audit of the financial statements and an opinion on whether they give a true and fair view and are free from material misstatement.
- An opinion on statutory other information published with the financial statements in the annual accounts, the Management Commentary, and the Annual Governance Statement, and an opinion on the audited part of the Remuneration Report.
- Conclusions on North Ayrshire Council's arrangements in relation to the wider scope areas: Financial Management, Financial Sustainability, Vision, Leadership, and Governance, and Use of Resources to Improve Outcomes.
- Reporting on the council's arrangements for securing Best Value.
- Providing assurance on the Housing Benefit Subsidy Claim, Non-Domestic Rates Return, and the Whole of Government Accounts return.
- A review of North Ayrshire Council's arrangements for preparing and publishing statutory performance information.
- Provision of an Annual Audit Report setting out significant matters identified from the audit of the annual accounts and the wider scope areas specified in the Code of Audit Practice.

Responsibilities

6. The Code of Audit Practice sets out the respective responsibilities of North Ayrshire Council and the auditor. A summary of the key responsibilities is outlined below.

Auditor's responsibilities

7. The responsibilities of auditors in the public sector are established in the Local Government (Scotland) Act 1973. These include providing an independent opinion on the financial statements and other information

reported within the annual accounts, and concluding on North Ayrshire Council's arrangements in place for the wider scope areas.

North Ayrshire Council's responsibilities

8. North Ayrshire Council has primary responsibility for ensuring proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety and regularity that enables it to successfully deliver its objectives. The features of proper financial stewardship include:

- Establishing arrangements to ensure the proper conduct of its affairs.
- Preparation of annual accounts, comprising financial statements and other information that gives a true and fair view.
- Establishing arrangements for the prevention and detection of fraud, error and irregularities, and bribery and corruption.
- Implementing arrangements to ensure its financial position is soundly based.
- Making arrangements to secure Best Value.
- Establishing an internal audit function.

9. In line with ISA (UK) 240 (The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements), in presenting this plan to the Audit and Scrutiny Committee we seek confirmation from those charged with governance of any instances of actual, suspected, or alleged fraud that should be brought to our attention. During our audit, should members of the council have any such knowledge or concerns relating to the risk of fraud within it, we invite them to communicate this to us for our consideration.

Audit of the annual accounts

Introduction

10. The audit of the annual accounts is driven by materiality and the risks of material misstatement in the financial statements, with greater attention being given to the significant risks of material misstatement. This chapter outlines materiality, the significant risks of material misstatement that have been identified, and the impact these have on the planned audit procedures.

Materiality

11. The concept of materiality is applied by auditors in planning and performing an audit, and in evaluating the effect of any uncorrected misstatements on the financial statements or other information reported in the annual accounts.

12. Broadly, the concept of materiality is to determine whether matters identified during the audit could reasonably be expected to influence the decisions of users of the financial statements. Auditors set a monetary threshold when determining materiality, although some issues may be considered material by their nature. Therefore, materiality is ultimately a matter of the auditor's professional judgement.

13. The materiality levels determined for the audit of North Ayrshire Council and its group are outlined in Exhibit 1.

Exhibit 1
2024/25 Materiality levels for North Ayrshire Council and its group

Materiality	NAC	Group
Materiality – based on an assessment of the needs of users of the financial statements and the nature of North Ayrshire Council's operations, the benchmark used to determine materiality is gross expenditure based on the audited 2023/24 financial statements. Materiality has been set at 2% of the benchmark.	£16.5 million	£20.4 million

Materiality	NAC	Group
Performance materiality – this acts as a trigger point. If the aggregate of misstatements identified during the audit exceeds performance materiality, this could indicate that further audit procedures are required. Using professional judgement, performance materiality has been set at 70% of planning materiality.	£11.5 million	£14.3 million
Reporting threshold – all misstatements greater than the reporting threshold will be reported.	£0.8 million	£1.0 million

Source: Audit Scotland

Significant risks of material misstatement to the financial statements

14. The risk assessment process draws on the audit team's cumulative knowledge of North Ayrshire Council, including the nature of operations and significant transaction streams, the system of internal control, governance arrangements and processes, and developments that could impact on its financial reporting.

15. Based on the risk assessment process, significant risks of material misstatement to the financial statements have been identified and these are summarised in Exhibit 2, page 8. These are the risks which have the greatest impact on the planned audit approach, and the planned audit procedures in response to the risks are outlined in Exhibit 2.

16. The risk assessment process is an iterative and dynamic process. The assessment of risks set out in this Annual Audit Plan and Exhibit 2 may change as more information and evidence is obtained over the course of the audit. Where such changes occur, these will be reported to North Ayrshire Council and those charged with governance, where relevant.

Exhibit 2
Significant risks of material misstatement to the financial statements

Risk of material misstatement	Planned audit response
Fraud caused by management override of controls Management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.	The audit team will: • Evaluate the design and implementation of controls over journal entry processing. • Make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries. • Test journals entries, focusing on those that are assessed as higher risk, such as those affecting revenue and expenditure recognition around the year-end. • Evaluate significant transactions outside the normal course of business. • Assess the adequacy of controls in place for identifying and disclosing related party relationships and transactions in the financial statements. • Assess changes to the methods and underlying assumptions used to prepare accounting estimates and assess these for evidence of management bias.
Valuation of property, plant and equipment North Ayrshire Council held £1,313.3 million of property, plant, and equipment (PPE) at 31 March 2024, of which £1,052.4 million was land and building assets. North Ayrshire Council is required to value land and building assets at existing use value where an active market exists for these assets. Where there is no active market, these assets are valued on a depreciated cost replacement (DRC) basis. As a result, there is a significant degree of subjectivity in these valuations which are based on specialist assumptions, and changes in the assumptions can result in material changes to valuations.	The audit team will: • Evaluate the design and implementation of controls over the valuation process. • Review the information provided to the valuer and assess this for completeness and accuracy. • Evaluate the competence, capabilities, and objectivity of the valuer. • Obtain an understanding of management's involvement in the valuation process to assess if appropriate oversight has occurred. • Review the appropriateness of the key data and assumptions used in the 2024/25 valuation process, and challenge these where required. • Review management's assessment that the value in the balance sheet of assets not subject to a valuation process in 2024/25 is not materially different to current value at the year-end, and challenge this where required.

Risk of material misstatement	Planned audit response
Implementation of IFRS 16 From 1 April 2024, a new International Financial Reporting Standard, IFRS 16, came into effect for Local Authorities. IFRS 16 introduces a new 'Right of Use' asset class to the Balance Sheet and recognises the corresponding lease liability. This applies to all leases – property, land, vehicles, plant, and equipment. Specifically, this will also impact on the council's school service concession arrangements (PPP and DBFM). IFRS 16 will change the way in which the council accounts for operating leases, including recognising assets and liabilities for the rights and obligations arising from leases previously classified as operating leases.	The audit team will: • Evaluate the design and implementation of controls established by the council over the implementation of IFRS 16. • Assess whether service concession arrangements have been accounted for in accordance with the requirements of IFRS 16. • Test the IFRS 16 transitional accounting adjustments and confirm these are accurate and comply with the financial reporting framework.

Source: Audit Scotland

Key audit matters

17. The Code of Audit Practice requires public sector auditors to communicate key audit matters. Key audit matters are those matters, that in the auditor's professional judgement, are of most significance to the audit of the financial statements and require most attention when performing the audit.

18. In determining key audit matters, auditors consider:

- Areas of higher or significant risk of material misstatement.
- Areas where significant judgement is required, including accounting estimates that are subject to a high degree of estimation uncertainty.
- Significant events or transactions that occurred during the year.

19. The matters determined to be key audit matters will be communicated in the Annual Audit Report. Exhibit 2 outlines the significant risks of material misstatement to the financial statements that have been identified, including those that have greatest impact on the planned audit procedures and require most attention when performing the audit.

Group audit

20. North Ayrshire Council is part of a group and prepares group financial statements. The group is made up of nine components, including North Ayrshire Council, which is the parent of the group. Risk assessment procedures have been performed on the group audit to identify if there are any risks of material misstatement to the group financial statements, or any components where audit procedures are required for the purposes of the group audit. The outcome of the risk assessment procedures on the group audit are outlined in exhibit 3.

Exhibit 3

Outcome of risk assessment procedures on the group audit

Group component	Accounting treatment	Risk of material misstatement	Audit procedures required	Auditor
North Ayrshire Council	Consolidated on a line-by-line basis	Yes – Exhibit 2	Yes – full scope audit	Audit Scotland
Common Good Funds	Consolidated on a line-by-line basis	No – not material to group financial statements	Yes – analytical procedures at group level	Audit Scotland
Trust Funds	Consolidated on a line-by-line basis	No – not material to group financial statements	Yes – analytical procedures at group level	Audit Scotland
North Ayrshire Ventures Trust	Consolidated on a line-by-line basis	No – not material to group financial statements	Yes – analytical procedures at group level	Galbraith Pritchards
North Ayrshire Leisure Limited	Consolidated on a line-by-line basis	No – not material to group financial statements	Yes – analytical procedures at group level	Azets Audit Services Limited

Group component	Accounting treatment	Risk of material misstatement	Audit procedures required	Auditor
Strathclyde Partnership for Transport (SPT)	Accounted for on equity basis	Yes – risk of material misstatement due to management override, estimation in the valuation of the land and buildings balance and pension asset or liability balance included in the group's share of SPT's net assets.	Yes – obtaining assurances on the audit procedures carried out on management override, valuation of land and buildings and valuation of pension asset or liability balance in SPT	Audit Scotland
Strathclyde Concessionary Travel Scheme Joint Board	Accounted for on equity basis	No – not material to group financial statements	Yes – analytical procedures at group level	Audit Scotland
Ayrshire Valuation Joint Board	Accounted for on equity basis	No – not material to group financial statements	Yes – analytical procedures at group level	Audit Scotland
North Ayrshire Integration Joint Board	Accounted for on equity basis	No – not material to group financial statements	Yes – analytical procedures at group level	Audit Scotland

Source: Audit Scotland

As the auditor of SPT, Fiona Mitchell-Knight is also the council's auditor, assurances will be taken from the SPT audit in reaching the audit opinion on the council's group accounts.

Audit of the Annual Accounts of the eight section 106 charities administered by the Council

21. Elected members of the Council are trustees for eight registered Scottish charities (the charities):

- **Anderson Park Trust**: charity number - SC042136
- **Douglas Sellers Trust**: charity number - SC042101
- **Margaret Archibald Bequest**: charity number - SC042117

- **North Ayrshire Charitable Trust**: charity number - SC025083
- **North Ayrshire Council (Dalry) Charitable Trust**: charity number - SC043644
- **North Ayrshire Council (Kilbirnie and Glengarnock) Charitable Trusts:** charity number - SC043600
- **North Ayrshire Council (Kilwinning) Charitable Trust:** charity number - SC043374
- **North Ayrshire Council (Largs) Charitable Trust:** charity number - SC043494

22. David Jamieson, of Audit Scotland, has been appointed by the Accounts Commission as external auditor of the charities, for the period from 2022/23 until 2026/27. The 2024/25 financial year is therefore the third of the five-year audit appointment.

23. The Ethical Standard requires auditors to communicate any relationships that may affect the independence and objectivity of the audit team. There are no such relationships pertaining to the audit of the Charities to communicate.

24. The trust balances are disclosed in a note in the council's Annual Accounts but do not represent assets of the council so are not included within the council's balance sheet. As a result of the interaction of the Local Government (Scotland) Act 1973 with charities legislation, a full and separate audit and independent auditor's report is required for each registered charity irrespective of the value of its assets.

25. Our duties as auditors of the charities administered by North Ayrshire Council are to:

- express an opinion on whether the charity's financial statements properly present the charity's financial position and are prepared in accordance with charities legislation.
- read the Trustees' Annual Report and express an opinion as to whether it is consistent with the financial statements.
- report on other matters, by exception, to the Trustees and to the Office of the Scottish Charity Regulator (OSCR).

26. Based on our risk assessment, we have identified one significant audit risk for the Trustees Annual Report and Financial Statements, being "*fraud caused by management override of controls*". Our response to this risk includes the same audit procedures as set out in exhibit 2.

27. Our calculated materiality levels are set out in exhibit 4.

Exhibit 4

2024/25 materiality levels for the charitable trusts

Charitable trust	Planning Materiality	Performance Materiality	Reporting Threshold
Anderson Park Trust (SC042136)	£1 (Based on 2% of audited 2023/24 net asset value; £1 minimum)	£1 (Based on 75% of planning materiality; £1 minimum)	£1 (Based on 5% of overall materiality; £1 minimum)
Douglas Sellers Trust (SC042101)	£3 (Based on 2% of audited 2023/24 net asset value)	£2 (Based on 75% of planning materiality)	£1 (Based on 5% of overall materiality; £1 minimum)
Margaret Archibald Bequest (SC042117)	£5,703 (Based on 2% of audited 2023/24 net asset value)	£4,277 (Based on 75% of planning materiality)	£285 (Based on 5% of overall materiality)
North Ayrshire Council Charitable Trust (SC025083)	£6,196 (Based on 2% of audited 2023/24 net asset value)	£4,647 (Based on 75% of planning materiality)	£310 (Based on 5% of overall materiality)
North Ayrshire Council (Dalry) Charitable Trust (SC043644)	£36 (Based on 2% of audited 2023/24 net asset value)	£27 (Based on 75% of planning materiality)	£2 (Based on 5% of overall materiality)
North Ayrshire Council (Kilbirnie & Glengarnock) Charitable Trust (SC043600)	£60 (Based on 2% of audited 2023/24 net asset value)	£45 (Based on 75% of planning materiality)	£3 (Based on 5% of overall materiality)
North Ayrshire Council (Kilwinning) Charitable Trust (SC043374)	£755 (Based on 2% of audited 2023/24 net asset value)	£566 (Based on 75% of planning materiality)	£38 (Based on 5% of overall materiality)
North Ayrshire Council (Largs) Charitable Trust (SC043494)	£46 (Based on 2% of audited 2023/24 net asset value)	£35 (Based on 75% of planning materiality)	£2 (Based on 5% of overall materiality)

28. The Code of Audit Practice includes provisions relating to the audit of smaller audits. In light of the volume and lack of complexity of the financial transactions, we plan to apply the less complex body provision of the Code to the 2024/25 audit of the charities.

29. No significant risks in the wider scope areas or Best Value were identified from the risk assessment process.

30. Our work on the Trustees Annual Report and Financial Statements will be undertaken in line with the audit timetable set out in Exhibit 5.

Wider scope and Best Value

Introduction

31. Reflecting the fact that public money is involved, the Code of Audit Practice requires that public audit is planned and undertaken from a wider perspective than in the private sector. The wider scope audit set out by the Code of Audit Practice broadens the audit of the annual accounts to include consideration of additional aspects or risks in four wider scope areas, which are summarised below:

- **Financial Management** – this means having sound budgetary processes. Factors that can impact on North Ayrshire Council's being able to secure sound financial management include the strength of the financial management culture, accountability, and arrangements to prevent and detect fraud, error and other irregularities, bribery and corruption.
- **Financial Sustainability** – this means looking forward over the medium and longer term in planning the services to be delivered and how they will be delivered effectively. This is assessed by considering North Ayrshire Council's medium- to longer-term planning for service delivery.
- **Vision, Leadership and Governance** – this means having a clear vision and strategy, with set priorities within the vision and strategy. This is assessed by considering the clarity of plans in place to deliver the vision and strategy and the effectiveness of the governance arrangements to support delivery.
- **Use of Resources to Improve Outcomes** – this means using resources to meet stated outcomes and improvement objectives through effective planning and working with partners and communities. This is assessed by considering North Ayrshire Council's arrangements for ensuing resources are deployed to improve strategic outcomes, meet the needs of service users, and deliver continuous improvement.

32. A conclusion on the effectiveness and appropriateness of arrangements North Ayrshire Council has in place for each of the wider scope areas will be reported in the Annual Audit Report.

Best Value

33. Under the Code of Audit Practice, the audit of Best Value in councils is fully integrated within the annual audit. As part of the annual audit, auditors

are required to take a risk-based approach to assessing and reporting on whether the council has made proper arrangements for securing Best Value, including follow up of findings previously reported in relation to Best Value.

34. The Accounts Commission also reports nationally on thematic aspects of councils' approaches to, and performance in, meeting their Best Value duties. As part of the annual audit, thematic reviews, as directed by the Accounts Commission, are conducted on North Ayrshire Council. The thematic review for 2024/25 is on the subject of service transformation and involves considering how the council is redesigning services to maintain outcomes and deliver services more efficiently. Conclusions and judgements on the thematic review will be reported in a separate Management Report and summarised in the Annual Audit Report, where required.

35. At least once over the five-year appointment, the Controller of Audit will report to the Accounts Commission on the Council's performance in meeting its Best Value duties. North Ayrshire Council is included in the third year of the programme. The Controller of Audit Report will be discussed with the Accounts Commission in October 2025.

Significant wider scope and Best Value risks

36. No significant risks in the wider scope areas or Best Value were identified from the risk assessment process.

37. Whilst not a significant audit risk, the challenging financial environment in which North Ayrshire Council, along with other public sector bodies, is operating in, has been identified as an area of audit focus. There are challenges to the medium and longer-term financial sustainability due to the uncertainty over future Scottish Government funding allocations, the rising cost of inflation and the cost of implementing future pay settlements. Our annual audit report will include comment on the council's 2024/25 financial outturn, 2025/26 budget, and its medium-term financial plan.

Reporting arrangements, timetable and audit fee

Audit outputs

38. The outputs from the 2024/25 audit include:

- This Annual Audit Plan.
- A Best Value Management Report on service transformation
- An Independent Auditor's Report to North Ayrshire Council and the Accounts Commission setting out opinions on the annual accounts.
- An Annual Audit Report to North Ayrshire Council and the Accounts Commission setting out significant matters identified from the audit of the annual accounts, conclusions from the wider scope and Best Value audit, and recommendations, where required.
- A Controller of Audit Report to North Ayrshire Council and the Accounts Commission setting out conclusions on the council's Best Value arrangements.

39. The matters to be reported in the outputs will be discussed with North Ayrshire Council for factual accuracy before they are issued. All outputs from the audit will be published on Audit Scotland's website, apart from the Independent Auditor's Report, which is included in the audited annual accounts.

40. Target dates for the audit outputs are set by the Accounts Commission. In setting the target dates for the audit outputs, consideration is given to the statutory date for approving the annual accounts, which is 30 September 2025 for local government bodies.

41. The Independent Auditor's Report and Annual Audit Report are planned to be issued by the target date of 30 September 2025.

Audit timetable

42. Achieving the timetable for production of the annual accounts, supported by complete and accurate working papers, is critical to delivery of the audit to agreed target dates. Exhibit 5 includes a timetable for the audit, which has been agreed with management. Agreed target dates will be kept under review as the audit progresses, and any changes required,

and their potential impact, will be discussed with North Ayrshire Council and reported to those charged with governance, where required.

Exhibit 5
2024/25 audit timetable

Audit activity	Audit team target date	Relevant committee date
Issue of Annual Audit Plan	28 February 2025	13 March 2025
Annual accounts:		
• Consideration of unaudited annual accounts by those charged with governance		25 June 2025
• Submission of unaudited annual accounts and all working papers to audit team	By 30 June 2025	
• Latest date for audit clearance meeting, issue of draft Letter of Representation, proposed Independent Auditor's Report, and proposed Annual Audit Report	12 September 2025	
• Approval by those charged with governance and signing of audited annual accounts		TBC - September 2025
• Signing of Independent Auditor's Report and issue of Annual Audit Report	TBC - September 2025	
Issue of Best Value Management Report		28 August 2025
Issue of Controller of Audit Best Value Report		TBC – October 2025

Source: Audit Scotland

Audit fee

43. North Ayrshire Council's audit fee is determined in line with Audit Scotland's fee setting arrangements. The agreed audit fee for the 2024/25 audit of £384,980 (£377,760 in 2023/24) is set out in exhibit 6.

44. We have also agreed an audit fee of £1,100 (£1,100 in 2023/24) for the audit of the registered charities administered by the council.

45. In setting the audit fee, it is assumed that North Ayrshire Council has effective governance arrangements in place and the complete annual accounts will be provided for audit in line with the agreed timetable. The audit fee assumes there will be no significant changes to the planned scope of the audit. Where the audit cannot proceed as planned, for example, due to incomplete or inadequate working papers, the audit fee may need to be increased.

Exhibit 6
Audit fee (including VAT)

Fee component[1]	Fee (£)
External auditor remuneration	275,920
Pooled costs, such as travel and subsistence costs	6,930
Contribution to audit support costs, including technical guidance and support to auditors	0
Contribution to the performance audit programme	69,620
Adjustment for average audit price increase	32,510
Total 2024/25 fee	**384,980**

Source: Audit Scotland

[1] Information on the components that make up the total fee can be found in Audit Scotland's Audit management and quality guidance.

Other matters

Internal audit

46. North Ayrshire Council is responsible for establishing an internal audit function as part of an effective system of internal control. As part of the audit, the audit team will obtain an understanding of internal audit, including its nature, responsibilities, and activities.

47. While internal audit and external audit have differing roles and responsibilities, external auditors may seek to rely on the work of internal audit where it is considered appropriate. A review of internal audit's 2024/25 audit plan was carried out to identify if there were any areas where the audit team could rely on its work. The audit team concluded it will not rely on internal audit's work. However, the audit team will review internal audit's reports and assess if there is any impact on the audit.

Audit quality

48. Audit Scotland is committed to the consistent delivery of high-quality audit. Audit quality requires ongoing attention and improvement to keep pace with external and internal changes. Details of the arrangements in place for the delivery of high-quality audits is available from the Audit Scotland website.

49. The International Standards on Quality Management (ISQM) applicable to Audit Scotland for 2024/25 audits are:

- ISQM (UK) 1, which deals with an audit organisation's responsibilities to design, implement, and operate a system of quality management (SoQM) for audits. Audit Scotland's SoQM consists of a variety of components, such as: governance arrangements and culture to support audit quality, compliance with ethical requirements, ensuring Audit Scotland is dedicated to high-quality audit through engagement performance and resourcing arrangements, and ensuring there are robust quality monitoring arrangements in place. Audit Scotland carries out an annual evaluation of its SoQM and has concluded it complies with this standard.

- ISQM (UK) 2, which sets out arrangements for conducting engagement quality reviews, which are performed by senior management not involved in an audit, to review significant judgements and conclusions reached by the audit team, and the appropriateness of proposed audit opinions on high-risk audits.

50. To monitor quality at an individual audit level, Audit Scotland carries out internal quality reviews on a sample of audits. Additionally, the Institute of Chartered Accountants of England and Wales (ICAEW) carries out independent quality reviews on a sample of audits.

51. Actions to address deficiencies identified by internal and external quality reviews are included in a rolling Quality Improvement Action Plan, which is used to support continuous improvement. Progress with implementing planned actions is monitored on a regular basis by Audit Scotland's Quality and Ethics Committee.

52. Audit Scotland may periodically seek the views of North Ayrshire Council on the quality of audit services provided. The audit team would also welcome feedback at any time.

North Ayrshire Council

Annual Audit Plan 2024/25

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