
NORTH AYRSHIRE COUNCIL

4 June 2026

Audit & Scrutiny Committee

Title:	2024/25 External Audit Action Plan Update
Purpose:	To invite Committee to note the updated actions identified in the 2024/25 External Audit Action Plan.
Recommendation:	That Committee notes the updates to the agreed Action Plans as outlined in Appendix 1.

1. Executive Summary

- 1.1 Audit Scotland's Annual Audit Report for 2024/25 was presented to Audit & Scrutiny Committee on 23 September 2025.
- 1.2 Audit Scotland's reports included action plans in relation to the recommendations for improvement identified during the course of the audit and full details of the proposed management actions were appended to the reports.
- 1.3 Appendix 1 provides an update on the management actions taken to date and provides updated target dates for any outstanding items.

2. Background

- 2.1 The 2024/25 audit of the Council's accounts was conducted by Audit Scotland and their report on the Annual Audit was presented to Audit & Scrutiny Committee on 23 September 2025.
- 2.2 The recommended actions identified in the reports related to a range of issues, including:
 - Non-current assets;
 - Council Plan actions;
 - Transformation savings and
 - Public reporting on Transformation.

2.3 A review of the proposed management actions has now been undertaken and details of the completed actions and their completion dates have been detailed in Appendix 1. Where any actions have not yet been completed, the appendix provides an update on the proposed management action and the target date for completion.

2.4 In summary, the updates note:

- 2024/25 Annual Audit Report - All actions completed; and
- Best Value Thematic Report – One action complete, other action in relation to transformation savings remains ongoing with a March 2029 target date.

3. Proposals

3.1 It is proposed that Committee notes the updates to the agreed Action Plans as outlined in Appendix 1.

4. Implications/Socio-economic Duty

Financial

4.1 None.

Human Resources

4.2 None.

Legal

4.3 None.

Equality/Socio-economic

4.4 None.

Climate Change and Carbon

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.

Community Wealth Building

4.7 None.

Islands Communities Impact Assessment (ICIA)

4.8 None.

United Nations Rights of the Child (UNCRC)

4.9 None.

Consumer Duty

4.10 None.

5. Consultation

5.1 Audit Scotland and Responsible Officers identified within the Audit and Best Value reports have been consulted as part of the review.

Mark Boyd
Head of Service (Finance)

For further information please contact **Natalie Graham, Senior Manager (Corporate Finance), Financial Management, on 01294 324533.**

Background Papers

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2024/25 Annual Audit Report

Issue / Risk	Recommendation	Agreed management action	Actions Completed	Completion Date
<p>1. A number of significant amendments have been required to the Annual Accounts to ensure in particular that non-current asset figures are fairly stated.</p> <p>A large number of audit adjustments were required to the financial statements to correct misstatements identified from the audit. In particular, we identified misstatements of £82.374 million in the unaudited Annual Accounts which arose as a result of errors in the classification and valuation of Property, Plant and Equipment. This is outwith the norm following an audit and has added additional pressure for the audit team and council staff in concluding the audit.</p> <p>Risk: The deadline of 30 September for concluding the audit is not achieved.</p>	<p>The council should review its arrangements for preparing the Annual Accounts. This should include a review of capital accounting processes and procedures.</p>	<p>A full review of capital accounting year end procedures will be carried out during 2025-26. This will include the procedures for reviewing information provided by the Council's valuation team and the use of external valuers.</p> <p>Natalie Graham, Senior Manager - Corporate Finance</p> <p>31 March 2026</p>	<p>Internal procedures between Financial Management and Estates have been strengthened to include additional checks when an asset is replaced, the provision of dates for 'approved for sale' and 'anticipated completion' and verifications completed when external works have been included in valuations.</p>	<p>31 March 2026</p>
<p>2. Impairment of non-current assets</p> <p>Accounting standards require the council to assess at the end of each financial year whether there are any indications an asset is impaired. Most assets are valued at least every five years and generally when valued, each asset is subject to a physical inspection. There are however some assets that are never revalued. The council's impairment review is largely</p>	<p>An impairment review should be conducted whenever there is an indication that an asset might be impaired such as physical damage, obsolescence or restructuring. The existence of an impairment indicator may also suggest that the remaining useful life needs to be adjusted even if no</p>	<p>Under current procedures, an impairment review is carried out for all assets valued within the financial year. In addition, the valuation team undertakes an annual impairment review to determine if any assets not revalued in year are subject to material change.</p> <p>The Accounting Policies in relation to asset impairment will be reviewed and enhanced to</p>	<p>The approach taken by estates is detailed fully in their valuations cover report at section 1.8.1.</p> <p>Accounting policies have been updated to include details of the impairment review process.</p>	<p>14 April 2026</p>

<p>limited to assets revalued and should be made more robust and comprehensive.</p> <p>Risk: There is a risk that asset values are overstated.</p>	<p>impairment loss is recognised.</p>	<p>provide clear reference to the impairment review process.</p> <p>Natalie Graham, Senior Manager - Corporate Finance</p> <p>Emma Mulholland, Team Manager - Estates</p> <p>31 March 2026</p>		
<p>3. Progress on Council Plan Actions</p> <p>The council does not set out in advance what criteria have to be met for an 'on target' judgement to be made for each quarter, relying instead on updates from individual teams leading on the strategies and other supporting evidence (including 'Next Steps' from the previous report). If the 'Next Steps' actions were SMART it might be possible to analyse whether all the relevant ones within the time period had been met and that could feed into whether an action was on target.</p> <p>Risk: There is a lack of transparency in how progress is assessed for Council Plan actions.</p>	<p>The council needs to set out in advance what criteria have to be met for an 'on target' judgement to be made for each action in the Council Plan.</p>	<p>The Performance Management Strategy is being revised and will be presented to the Audit and Scrutiny Committee on 20th November 2025. This public facing strategy will contain details of how to determine the status of Council Plan actions based on existing strategies and next steps. This approach will be supported by additional training for teams providing updates during 2026.</p> <p>The Council Plan Progress Reports will include SMART next steps. These next steps will be recorded within our performance management system to track their status transparently and inform the status of Council Plan actions.</p> <p>Isla Cruickshanks, Senior Manager – Policy, Performance & Democracy</p> <p>20 November 2025</p>	<p>The Performance Management Strategy was approved by cabinet on the 2nd December and considered by Audit & Scrutiny on the 29th January 2026. This public facing strategy is available on our website. It details how to determine whether the status of a Council Plan action is on target, slightly adrift of target or significantly adrift of target. This information logically details specific criteria that if met would indicate a status. This strategy was designed as a performance management manual for our council and is the basis of performance management training, so will in turn support Best Value. The Council Plan Progress Reports now include SMART next steps with progress monitored through future reporting.</p>	<p>29 January 2026</p>

BV Thematic Report

Issue / Risk	Recommendation	Agreed management action	Actions Completed	Completion Date
<p>1. Transformation savings fall significantly short of the savings required</p> <p>The council's latest MTFO identifies a structural funding gap of £46.7m (including HSCP pressures) which must be addressed as part of the council's Medium-Term Financial Plan. Whilst we recognise that transformation alone will not offer the full solution to the financial gap identified in the MTFO, the level of financial efficiencies from the Sustainable Change Programme should be commensurate with the scale of the financial challenges.</p>	<p>The council should ensure its plans are sufficiently ambitious to respond to its financial challenges. It should clearly set out the extent to which savings from transformation will help address the budget shortfalls set out in its Medium-Term Financial Plan.</p>	<p>It is recognised that the level of financial efficiencies should be commensurate with the scale of the financial challenges. Further work will be progressed as part of the council's medium-term financial planning to set out clearly how the council plans to address budget gaps through further transformation and reform activity and through a broader package of measures, including areas of service review and possible reduction, opportunities for further revenue generation and an ongoing planned use of council reserves..</p> <p>Mark Boyd, Head of Finance</p> <p>31 March 2029</p>	<p>On the 25th February 2026 the Council delivered a balanced budget that included £6.612m of savings for 2026/27, £3.500m reserves and an increase in Council tax of 8.5%. From the total savings £2.270m is attributed to the programme of Transformation and service reviews across the Council. The Council's Medium-Term financial plan for 2027/28 will continue to be progressed through 2026 and this will include the further development of a range of measures to address the pressures faced by the Council.</p>	<p>Ongoing</p>

<p>2 Public reporting on progress with transformation</p> <p>The council does not currently report publicly on how it is progressing with delivering transformation as a whole in terms of planned and realised financial and non-financial benefits.</p>	<p>To provide assurance to elected members and the public about how the council plans to change to sustain services in the future the council should report publicly on how it is progressing with delivering transformation, as a whole, in terms of planned and realised financial and non-financial benefits.</p>	<p>The development of more public facing material will be produced to demonstrate the council's progress on the Sustainable Change Programme. This will include use of the council's new website to further promote activity and the progress being made to address the financial challenges.</p> <p>Mark Boyd, Head of Finance</p> <p>30 September 2025</p>	<p>We published our Council Plan Mid Year Progress Report on 26th January on a dedicated web page. Our Council Plan Six Monthly Progress Report 1 April 2025 to 30 September 2025. Our six monthly progress report on our council plan performance, looking at each of our council priorities, our performance summary and indicators and incorporating updates on the Transformation Programme.</p>	<p>26 January 2026</p>
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