



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, 04 June 2026** 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 (a) the Minutes of the Meeting of the Audit and Scrutiny Committee held on 12 March 2026 and (b) the Special Meeting of the Audit and Scrutiny Committee held on 14 April 2026 will be confirmed and the Minutes signed in accordance with Paragraph 7 (1) of Schedule 7 of the Local Government (Scotland) Act 1973.

3 Corporate Fraud Team Annual Report 2025/26

Submit report by the Head of Finance to provide an update report on the work of the Corporate Fraud Team during 2025/26 (copy enclosed).

4 Internal Audit Annual Report 2025/26

Submit report by the Head of Finance to provide an annual report on the work of Internal Audit during 2025/26 and provide an opinion on the governance, risk management and internal control environment of the Council (copy enclosed).

- 5 Internal Audit Reports Issued**
Submit report by the Head of Finance to inform of the findings of Internal Audit work completed since March 2026 (copy enclosed).
- 6 Internal Audit and Corporate Fraud Action Plans: Quarter 4 Update**
Submit report by the Head of Finance to advise on the progress made by Council Services in implementing the agreed actions from Internal Audit and Corporate Fraud reports as of 31 March 2026 (copy enclosed).
- 7 Annual Governance Statement 2025/26**
Submit report by the Head of Finance to seek approval of the Council's Annual Governance Statement for 2025/26 which will be included within the draft Annual Accounts (copy enclosed).
- 8 Strategic Risk Register 2026/27**
Submit report by the Head of Finance to inform of the Council's agreed Strategic Risk Register for 2026/27 (copy enclosed).
- 9 Accounting Policies 2025/26**
Submit report by the Head of Finance to seek approval of the accounting policies which will be adopted in the preparation of the Council's annual accounts for the year to 31 March 2026 (copy enclosed).
- 10 External Audit Action Plan Update 2024/25**
Submit report by the Head of Finance to note the updated actions identified in the 2024/25 External Audit Action Plan (copy enclosed).
- 11 Disclosure Scotland Act**
Submit report by the Head of People & ICT to provide an overview of the recent legislative and procedural changes to the PVG Scheme and to outline how North Ayrshire Council has implemented and are managing these changes (copy enclosed).
- 12 Roads Maintenance and Repairs: Policies and Procedures**
Submit report by the Head of Neighbourhood Services to inform of the arrangements for monitoring and control of utility works on the public road network and for planning, scheduling and undertaking Council operations (copy enclosed).
- 13 Standing Item of Business: Consideration of future business for scrutiny**
- 14 Urgent Items**
Any other items which the Chair considers to be urgent.

Exclusion of the Public - Para 1

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

Non Disclosure of Information

In terms of Standing Order 21 (Disclosure of Information), the information contained within the following report is confidential information within the meaning of Section 50A of the 1973 Act and shall not be disclosed to any person by any Member or Officer.

15 Investigation Reports Issued

Submit report by the Head of Finance to inform of investigation reports finalised since the last meeting.

Webcasting

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

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

Generally, the press and public will not be filmed. However, by entering the Council Chambers and using the press or public seating area, you acknowledge that you may be filmed and that any information pertaining to you contained in the video and oral recording of the meeting will be used for webcasting or training purposes and for the purpose of keeping historical records and making those records available to the public. In making this use of your information the Council is processing data which is necessary for the performance of a task carried out in the public interest.

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

Audit and Scrutiny Committee Sederunt

John Bell (Chair)
Donald Reid (Vice Chair)
Cameron Inglis
Shaun Macaulay
Tom Marshall
Matthew McLean
Davina McTiernan
Donald L. Reid
John Sweeney

Chair:

Apologies:

Attending:

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

Present (Physical Participation)

John Bell, Donald Reid and John Sweeney.

Present (Remote Participation)

Davina McTiernan and Donald L Reid.

In Attendance

D. Hammond, Executive Director (Communities and Housing); T. Reaney, Head of Neighbourhood Services (Place); A. McClelland, Head of Education Service (Education); E. Stewart, Head of Children, Families and Criminal Justice (Health and Social Care Partnership); M. Boyd, Head of Finance; and P. Brown, Senior Manager (Audit, Fraud, Safety & Risk) (Finance); E. Nixon, Senior Manager (Customer Services) (People & ICT); R. Lynch, Senior Manager (Legal); S. Wilson, Committee Services Officer, and M. Sugden, Communications Officer (Media and Internal Communications) (Democratic Services) (Corporate Services).

Also In Attendance

D. Jamieson (Audit Scotland)

Chair

Councillor Bell in the Chair.

Apologies

Cameron Inglis, Tom Marshall and Shaun Macaulay.

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. Minutes

The accuracy of the Minutes of the Meeting of the Audit and Scrutiny Committee held on 29 January 2026 will be confirmed and the Minutes signed in accordance with Paragraph 7 (1) of Schedule 7 of the Local Government (Scotland) Act 1973.

3. Elected Member Requests 2025 Mid-Year Report

Submitted report by the Head of Democratic Services informing of the Council's performance relating to Elected Member requests handled in the first six months of Financial Year 2025/26.

Officers responded to Members' questions and the Committee agreed to note the report and the information provided.

4. Code of Corporate Governance

Submitted report by the Head of Democratic Services seeking approval of Code of Corporate Governance Statement for the Financial Year 2026/27 attached at Appendix 1 to the report.

The Committee agreed to approve the Code of Corporate Governance Statement 2026/27 attached at Appendix 1 to the report.

5. Internal Audit Plan 2025/26: Progress Update

Submitted report by the Head of Finance updating on progress made in delivering the 2025/26 Internal Audit Plan.

Officers responded to Members' questions and the Committee agreed to note the current position with the 2025/26 Internal Audit Plan.

6. Internal Audit and Corporate Fraud Action Plans: Quarter 3 Update

Submitted report by the Head of Finance advising on the progress made by Council Services in implementing the agreed actions from Internal Audit and Corporate Fraud reports as at 31 December 2025.

Officers responded to Members' questions and the Committee agreed to note the current position with the implementation of Internal Audit and Corporate Fraud actions.

7. External Audit Plan 2025/26

Submitted report by the Head of Finance informing of the External Audit Plan for 2025/26 attached at Appendix 1 to the report.

Officers responded to Members' questions and the Committee agreed to note the External Audit Plan for 2025/26 attached at Appendix 1 to the report.

8. Internal Audit Reports Issued

Submitted report by the Head of Finance informing of the findings of Internal Audit work completed since January 2026.

The Committee agreed to consider the outcomes from the Internal Audit work completed.

9. Internal Audit Plan 2026/27

Submitted report by the Head of Finance informing of the proposed Internal Audit Plan for 2026/27 attached at Appendix 1 to the report.

Officers responded to Members' questions and the Committee agreed to approve the Internal Audit Plan for 2026/27 attached at Appendix 1 to the report.

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

Members were invited to consider potential items of scrutiny business for future meetings.

Councillor Sweeney requested a report outlining policies and procedures within the Council's Housing Service, particularly in relation to homeless prevention and housing advice. The report was requested to include information on how the Service manages expectations. The Service undertook to arrange a briefing note in the first instance to share with the Members of the Committee.

Councillor D. L Reid requested a report outlining the Council's role and responsibilities as a Corporate Parent. It was agreed that an Elected Member briefing, arranged by Health and Social Care Partnership, would be beneficial. The Service undertook to arrange the briefing and issue an invite to all Elected Members.

11. Urgent Items

There were no urgent items.

The meeting ended at 11.05 a.m.

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

Audit and Scrutiny Committee
14 April 2026

At a Special 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, Cameron Inglis, Shaun Macaulay and John Sweeney.

Present (Remote Participation)

Davina McTiernan and Donald L Reid.

In Attendance

D. Hammond, Executive Director (Communities and Housing); S. Anson, Executive Director (Education); F. Walker, Head of Service (People & ICT); A. Craig, Head of Service; S. Wilson, Committee Services Officer, and J. Hutcheson, Senior Communications Officer (Media and Internal Communications) (Democratic Services) (Corporate Services).

Also In Attendance

Ian Murdoch and Ronnie Stalker.

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. Additional Bank Holiday : 15 June 2026

Submitted report by the Head of Democratic Services to consider a call-in request in respect of the decision taken by Cabinet at its meeting on 17 March 2026. The original Cabinet report was attached at Appendix 1 to the report. Appendix 2 to the report contained a briefing note provided by the Head of Service (People & ICT) in response to the matters raised in the call-in request form.

The Cabinet, on 17 March 2026, agreed to approve the additional bank holiday for all employees on Monday 15 June 2026 and authorised the Head of Education to write to the Scottish Government to obtain approval for one less teaching day.

Subsequently, a call-in request was received from Councillors Stalker, Gallacher and Murdoch in the following terms:-

Reason for Call-In

“The cost: the report highlights that the cost of the bank holiday to the Council will be £73,000 in overtime which could potentially rise if staff take the bank holiday at another time which would require a backfill. Furthermore, productivity costings show that the bank holiday will cost the council £1.2m in loss of productivity from staff not working. At a time when we are asking residents in North Ayrshire to pay more council tax (8.5% rise for 26/27) we should be prioritising spending money on services to do those jobs, not a bank holiday that is not necessary.

The necessity of the holiday: The game will kick off at 2am on the 14th of June which is a Sunday morning. This gives staff members ample time to have all day to rest and be ready for work on the Monday morning. This shows that the bank holiday is not necessary for staff to enjoy the game with family, when this can be done the day before Monday.”

Desired Outcome

“For the bank holiday not to go ahead.”

The Head of Democratic Services summarised the procedure for considering the call-in request in terms of Standing Orders and referred to the Cabinet decision. Thereafter, the Members who had requested the call-in were invited to speak and Councillor Stalker addressed the Committee in support of the call-in request.

The Chair then invited Councillor Larsen, as the Cabinet Member for Finance, to address the meeting. Councillor Larsen explained the reasoning for the Cabinet decision and referred to a briefing note from the Head of Service (People & ICT) provided at Appendix 2 to the report. She was also heard in answer to Members' questions.

The Head of Service (People & ICT) was heard in answer to Members' questions.

Councillor Murdoch was also heard in summing up the reasoning for the call in.

Councillor Inglis, seconded by Councillor Sweeney, moved that the Committee agree to accept the terms of the call-in request and refer the matter to the Cabinet for further consideration with the recommendation that the holiday on 15th June 2026 should not be approved for all staff.

As an amendment, Councillor Macaulay, seconded by Councillor McTiernan moved that the Committee agree not to support the call-in request and that the decision of Cabinet should stand.

There followed questions, debate and summing up on the motion and amendment presented for consideration.

Thereafter, on a division and a roll call vote, there voted for the amendment, Councillors Macaulay and McTiernan (2), and for the motion, Councillors Bell, Reid, Inglis, D.L Reid and Sweeney (5). The motion was declared carried.

Accordingly, the Committee agreed (a) to support the call-in request; and (b) that the matter be referred to Cabinet for further consideration with the recommendation that the holiday on 15th June 2026 should not be approved for all staff.

The meeting ended at 10.45 a.m.

NORTH AYRSHIRE COUNCIL

4 June 2026

Audit and Scrutiny Committee

Title: Corporate Fraud Team Annual Report 2025/26

Purpose: To provide the Audit and Scrutiny Committee with an update report on the work of the Corporate Fraud Team during 2025/26.

Recommendation: That the Committee notes the work carried out by the Corporate Fraud Team.

1. Executive Summary

- 1.1 The Corporate Fraud Team provides the Council with the capacity to investigate fraud both within and against the organisation.
- 1.2 Committee receives bi-annual updates on the work of the team. A mid-year update for 2025/26 was provided in November 2025 and this report provides an overview of the key activities and outcomes for the full year.

2. Background

Investigation Work

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

value by locating the missing tenant, which can often lead to changes to benefits or discounts in payment elsewhere, as well as enabling Housing to recover rent arrears that would not have otherwise been recovered and the costs associated with house clearances and cleaning.

- 2.4 Employee-related investigations are reported separately to the relevant service. The findings are also reported to the Audit and Scrutiny Committee as each investigation is concluded.

Outcomes 2025/26

- 2.5 The team received 338 referrals for investigation during 2025/26 (2024/25: 331 referrals). All referrals made to the team are investigated although many can subsequently prove unfounded. The Corporate Fraud Team investigate 100% of the referrals made.
- 2.6 318 cases were closed during 2025/26 (2024/25: 359 cases). These can be categorised as follows:

Outcome	Number of Cases
Closed with no issues identified	163
Referred to another agency (including SFIS) or Council Service for investigation	55
Closed with results achieved (fraud, error or other recovery/action)	100
TOTAL	318

- 2.7 Fraud and error, totalling £0.103m, were identified and are categorised in the table below:

Category	Value (£000)
Housing Benefit	1.7
Council Tax (including CTR, Single Person Discount and other recoveries)	62.5
Business Rates (including the recovery of arrears)	27
Discretionary Housing Payments	0.2
Care Fees	1.7
Other (including payments to employees (e.g. salary, time, travel etc.))	10.2
TOTAL	103

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

- 52 tenancies were recovered by Housing with some assistance from the Corporate Fraud Team.
- 45 referrals were made to the Single Fraud Investigation Service.
- 18 referrals were made to other services, local authorities or agencies.
- In respect of blue badge cases investigated, 2 cases concluded with a warning letter to the badge holder (2024/25: 15 warning letters), 3 warning letters were issued to third parties (2024/25: 13 warning letters), 7 expired badges were recovered (2024/25: 7 badges recovered), 3 forged/counterfeit badges were

recovered (2024/25: 0 badge recoveries) and 1 badge was cancelled/revoked/refused (2024/25, 0)

- 11 verbal warnings for blue badge misuse were issued to the badge holder and 7 to a third party (2025/26 is the first year these are being recorded and reported upon in this form)
- 19 investigations resulted in updates and corrections to records.
- 4 tenancy checks were undertaken. No issues were identified.
- 1 referral made resulted in Council fraud alerts being disseminated.
- 2 internal investigation reports have been taken forward and reported to the Audit & Scrutiny Committee, with recommended actions for control improvements.

International Fraud Awareness Week (IFAW)

- 2.9 International Fraud Awareness Week took place from 16 – 22 November 2025. IFAW was promoted throughout North Ayrshire Council by social media campaign.

National Fraud Initiative (NFI)

- 2.10 The NFI is a long-established exercise which takes place across the UK every two years and involves the matching of relevant datasets across public bodies to identify possible fraud or error for further investigation.
- 2.11 The corporate Fraud Team provide a coordinating role for the Council and the 2024/25 NFI and ReCheck exercise (an additional data matching service which compliments the NFI) has now concluded. With data sets submitted to the cabinet office in Autumn 2024 and matches being released throughout 2025, services had until March 2026 to investigate matches.
- 2.12 It is expected that, in Summer 2026, final outcomes on the exercise will be reported by Audit Scotland. Thereafter, the Audit and Scrutiny Committee will receive details of the full results as they relate to North Ayrshire Council.

Compliance with the Code of Practice

- 2.13 CIPFA published their Code of Practice on *Managing the Risk of Fraud and Corruption* in 2014. The Code covers five key principles which are to:
- Acknowledge the responsibility of the governing body for countering fraud and corruption;
 - Identify fraud and corruption risks;
 - Develop an appropriate counter fraud and corruption strategy;
 - Provide resources to implement the strategy; and
 - Take action in response to fraud and corruption.
- 2.14 Each principle has specific steps which are required to be met in order to comply with the Code. A self-assessment against the Code, its principles, and its specific steps has been carried out. Having considered these principles, it is concluded that North Ayrshire Council has adopted a response that is appropriate for its fraud and corruption risks and commits to maintain its vigilance to tackle fraud.
- 2.15 Further strengthening of compliance against the Code, such as the introduction of formalised risk assessments across the Council, is planned in 2026/27.

3. Proposals

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

4. Implications/Socio-economic Duty

Financial

4.1 None.

Human Resources

4.2 None.

Legal

4.3 None.

Equality/Socio-economic

4.4 None.

Climate Change and Carbon

4.5 None.

Key Priorities

4.6 The work of the Corporate Fraud Team helps to support the efficient delivery of the strategic priorities within Our Council Plan 2023-2028.

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

Mark Boyd
Head of Service (Finance)

For further information please contact **Paul Brown, Senior Manager (Audit, Fraud, Safety, Risk & Insurance)**, on **01294 324360**.

Background Papers
None

NORTH AYRSHIRE COUNCIL**4 June 2026****Audit and Scrutiny Committee**

Title:	Internal Audit Annual Report 2025/26
Purpose:	To provide the Committee with an annual report on the work of Internal Audit during 2025/26 and provide an opinion on the governance, risk management and internal control environment of the Council.
Recommendation:	The Committee is asked to note the content of the annual report and the opinion of the Senior Manager on the Council's governance, risk management and internal control environment.

1. Executive Summary

- 1.1 The purpose of this report is to present the annual report on the internal audit activity during 2025/26, and to provide an independent opinion on the adequacy and effectiveness of the Council's governance, risk management and internal control systems for the year ended 31 March 2026.

2. Background

- 2.1 The Global Internal Audit Standards (GIAS) came into effect from April 2025, replacing the Public Sector Internal Audit Standards (PSIAS). As with the previous standards, GIAS require that the Chief Internal Auditor prepare an annual report on the internal audit activity for the year, including an overall opinion on the adequacy of the Council's governance, risk management and internal control arrangements. The Annual Internal Audit Report for 2025/26 is attached at Appendix 1. The report sets out the role and performance of Internal Audit during the year, summarises key audit findings, and concludes with the annual internal audit opinion.
- 2.2 The Internal Audit Plan for 2025/26 was approved by the Committee in March 2025 and set out the audits planned for the first two quarters of the financial year. In November 2025, the Committee approved the audits scheduled for the final two quarters of the year.
- 2.3 The Internal Audit Plan for 2025/26 has been completed, with sufficient coverage achieved to support the provision of the annual internal audit opinion contained within the Annual Report. The opinion is informed by the risks and findings identified during the year, together with the assurance levels arising from individual audit assignments. In forming the annual opinion, consideration is also given to wider factors, including the Council's risk management arrangements and the overall control environment.
- 2.4 The Annual Governance Statement for 2025/26 is reported as part of the Council's Annual Accounts. The Annual Internal Audit Report and the associated audit opinion

presented in this paper provide key assurance inputs to the Annual Governance Statement.

- 2.5 Based on the work undertaken by the Internal Audit team during 2025/26, the Chief Internal Auditor's opinion is that **reasonable assurance** can be provided on the adequacy and effectiveness of the Council's governance, risk management and control arrangements.

3. Proposals

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

4. Implications/Socio-economic Duty

Financial

- 4.1 None.

Human Resources

- 4.2 None.

Legal

- 4.3 None.

Equality/Socio-economic

- 4.4 None.

Climate Change and Carbon

- 4.5 None.

Key Priorities

- 4.6 The work of Internal Audit helps to support the efficient delivery of the strategic priorities within Our Council Plan 2023-2028.

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

Mark Boyd
Head of Service (Finance)

For further information please contact **Paul Brown, Senior Manager (Audit, Fraud, Safety, Risk & Insurance)**, on **01294 324360**.

Background Papers

None.

INTERNAL AUDIT ANNUAL REPORT 2025/26

1. Introduction

- 1.1. The purpose of this report is to summarise the Internal Audit activity undertaken during 2025/26 and to provide the Chief Internal Auditor's opinion on the overall adequacy and effectiveness of the Council's governance, risk management and internal control frameworks.
- 1.2. The Council's Section 95 Officer has overall responsibility for Internal Audit in North Ayrshire Council. The Senior Manager (Audit, Fraud, Safety, Risk & Insurance) reports to the Section 95 Officer, with the right of access to the Chief Executive and the Chair of the Audit and Scrutiny Committee on any audit matter. These rights of access help ensure the organisational independence of Internal Audit and are a key part of the Internal Audit Charter, approved by the Committee in March 2025.
- 1.3. In accordance with the Global Internal Audit Standards the Chief Internal Auditor can confirm that the Internal Audit function maintained its organisational independence during the year, with no impairments occurring during this period.
- 1.4. The presence of an effective Internal Audit function contributes to, but does not substitute for, effective internal control. Responsibility for establishing and maintaining an adequate system of internal control rests with management, including monitoring controls to ensure they continue to operate effectively. A sound system of internal control helps to safeguard assets, support the reliability of records, enhance operational efficiency, and ensure compliance with key policies and procedures. However, such a system can only provide reasonable, and not absolute, assurance against the risk of loss or failure.

2. Global Internal Audit Standards (GIAS)

- 2.1. From 1 April the Internal Audit Team are required to work to the Global Internal Audit Standards (GIAS), replacing the Public Sector Internal Audit Standards (PSIAS). In accordance with Section 7(1) of the Local Authority Accounts (Scotland) Regulations 2014, the Council are required to operate a professional and objective internal audit service in accordance with recognised standards which are defined as those of the GIAS.
- 2.2. A self-assessment against the Global Internal Audit Standards has been completed, and the Chief Internal Auditor has concluded that the internal audit function **generally conforms** with the Standards. An associated action plan has been developed and will be implemented over the next 12 months to support progression towards full conformance. Progress against this action plan will be reported to the Audit & Scrutiny Committee during 2026/27. This self-assessment forms part of the Quality Assurance and Improvement Programme (QAIP), as required by the Global Internal Audit Standards.
- 2.3. Improvements and enhancements to support progression to full conformance, to be taken forward during 2026/27, include the development of an Internal Audit Strategy, a review of the Internal Audit Manual and associated templates, enhancement of assurance mapping arrangements, and the formalisation of root cause analysis.

- 2.4. Internal Audit operates in accordance with the Internal Audit Charter, most recently approved by the Audit and Scrutiny Committee in March 2025, which establishes the purpose, authority and responsibility of the Internal Audit function in line with the Global Internal Audit Standards (GIAS). The Charter incorporates the Internal Audit Mandate, defining the scope of Internal Audit's work and providing the authority to deliver independent and objective assurance and advisory services across the Council.
- 2.5. The Senior Manager reports functionally to the Audit & Scrutiny Committee, with unrestricted access to the Chief Executive and the Committee.
- 2.6. In accordance with the GIAS, the Internal Audit function is required to undergo an External Quality Assessment (EQA) at least once every five years. The most recent EQA was completed in 2022, and the next EQA—undertaken against the new Global Internal Audit Standards—is scheduled for 2027.

3. Planned and Actual Activity during 2025/26

- 3.1. The Internal Audit Plan was approved by the Audit and Scrutiny Committee in March 2025, with a mid-year update approved in November 2025. The Plan allocates time for the delivery of audit assignments identified through the audit planning process. This is complemented by provision for other activities, including audit management, strategic development of the service, staff training and development, and the undertaking of ad-hoc work, including investigations and in-year requests from services.
- 3.2. Taking account of both the original plan approved in March 2025 and the mid-year update approved in November 2025, the Internal Audit Plan for 2025/26 comprised a total of 20 audit assignments. At the time of preparation of this Annual Internal Audit Report, 10 assignments had been completed (either reported on or at reporting stage), fieldwork was underway for a further four audits, and the remaining six audits have been deferred and included within the 2026/27 Internal Audit Plan, which was reported to the Audit & Scrutiny Committee in March 2026. A further audit, whilst not on the 2025/26 Audit Plan, was also completed and is at the reporting stage.
- 3.3. Of the four audits where fieldwork is currently ongoing, three relate to Council services and one relates to the North Ayrshire Integrated Joint Board (IJB).
- 3.4. The six audit assignments that were carried forward and included in the 2026/27 audit plan were reported to the Committee in March 2026. These audits comprise Absence Management, Grants Compliance, School Inventory Management, HSCP Business Continuity Management, ICT Incident Detection and Neighbourhood Services - Overtime. The outcomes of these audits, including the associated assurance levels, will be reported to future meetings of the Audit & Scrutiny Committee.
- 3.5. In accordance with the Council's defalcation procedures, all suspected instances of suspected fraud and irregularity are required to be reported to Internal Audit. These are investigated by the specialist Corporate Fraud Team and are not included within this annual report.
- 3.6. All audit reports finalised during 2025/26 were reported to meetings of the Audit and Scrutiny Committee. A summary of outputs achieved are included in **Annex A**
- 3.7. The results of the audits that have been completed and reported on, with respect to the 2025/26 audit plan, have been positive with substantial and reasonable audit opinions reported upon.
- 3.8. Key positives arising from the audit work undertaken during 2025/26 include the reasonable assurance opinions provided in relation to both Payroll and Accounts Payable Transactional Testing. These are areas of significant inherent financial risk and given that the Accounts Payable audit received a limited assurance opinion in the 2024/25 Annual Internal Audit Report, this represents a marked improvement. In addition, the reasonable assurance opinion provided for the Council Tax and Non-Domestic Rates (NDR) Refund audit—undertaken with reference to a fraud identified in another local authority—provides assurance that risks within this area are being effectively managed.
- 3.9. These findings, together with the results of other audit work undertaken during the year and the individual assurance levels assigned, have informed the annual

internal audit opinion set out at **Annex B** of this report.

4. Audit Resources

- 4.1. The Internal Audit section is directly managed by the Team Manager (Internal Audit), who reports to the Senior Manager (Audit, Fraud, Safety, Risk & Insurance). The Senior Manager is responsible for Internal Audit, as well as Corporate Fraud, Risk and Insurance and Corporate Health and Safety.
- 4.2. In addition to the Team Manager, the Internal Audit team comprised two part-time Internal Auditors and a part-time Computer Auditor. The previous Senior Manager left their post in October 2025, resulting in a short vacancy period until November 2025.
- 4.3. All staff within the Internal Audit section hold a relevant qualification, either through an institute which is part of the Consultative Committee of Accountancy Bodies (CCAB) or the Institute of Internal Auditors (IIA).
- 4.4. The Internal Audit Charter requires the Senior Manager to report to the Section 95 Officer and the Audit and Scrutiny Committee if resources available fall below an acceptable level for the audit work required. No material instances of resource limitation have occurred during 2025/26.

5. Performance

- 5.1. During 2025/26, Internal Audit provided regular updates to the Audit and Scrutiny Committee on the activities of the service. Elected Members had the opportunity to discuss all Internal Audit reports and question either the Senior Manager or relevant officers from Council services. Elected Member training was provided to the Committee in May 2022, with individual training made available to new members joining the Committee during the year.
- 5.2. The Council's performance management system, Pentana, is used to monitor progress against agreed audit action plans. Officers responsible for implementing audit actions are required to update the system, with progress reports provided to the Audit and Scrutiny Committee on a quarterly basis. Where actions are overdue, responsible officers are required to attend meetings of the Committee to update Elected Members on the actions being taken to ensure implementation.
- 5.3. The 2025/26 financial year is the first year in which compliance with the Global Internal Audit Standards (GIAS) is required. These standards came into effect in April 2025, replacing the previous Public Sector Internal Audit Standards (PSIAS). As with PSIAS, GIAS require an External Quality Assessment (EQA) to be undertaken at least once every five years. The most recent EQA was completed in 2022 against PSIAS and provided a positive assessment, concluding that the internal audit activity was fully conformant with 13 of the 14 standards and generally conformant with the remaining standard. The next EQA, to be undertaken against GIAS, is scheduled for 2027 and will continue to be delivered through the peer-to-peer review arrangements of the Scottish Local Authorities Chief Internal Auditors Group (SLACIAG).
- 5.4. The Senior Manager undertook an initial self-assessment of the Internal Audit service's conformance with the Global Internal Audit Standards (GIAS). The outcome

of this assessment concluded that the service generally conforms with the Standards. To support progression to full conformance, an action plan will be developed based on the results of the self-assessment. This action plan will be reported to the Audit & Scrutiny Committee during 2026/27, in advance of the External Quality Assessment scheduled for 2027.

- 5.5. Internal Audit maintains a strong working relationship with Council services and is frequently asked to provide audit advice on an ad-hoc basis. While the volume of such requests is outside the direct control of Internal Audit, it is important that the service responds where possible, as this supports timely advice and helps to maximise organisational value. During 2025/26, Internal Audit responded to 25 requests for advisory support and 2 investigations. In addition, Internal Audit is represented on the Project Boards of several corporate and cross-Council working groups, which are detailed in **Annex A**. This work is advisory in nature and therefore does not result in formal assurance reports being presented to the Audit & Scrutiny Committee; however, it represents a key component of the value-adding role of the Internal Audit service.
- 5.6. As part of the monitoring arrangements the following targets were used to measure the performance of the internal audit activity.

Performance Measure	Performance Target	Result
Delivery of internal audit plan – percentage completed at year end	>85%	57%
Quality of audit work – overall client satisfaction	>90%	100%
Outcomes from audit work – value to the organisation	>90%	100%

- 5.7 Performance against the 2025/26 Audit Plan delivery indicator was below target for the year. The primary contributory factor was the time required during 2025/26 to complete elements of the previous year’s audit plan.
- 5.8 As part of the development of the 2026/27 Audit Plan, the Chief Internal Auditor, following discussion with management, has carried forward these audit assignments into the 2026/27 plan. It is anticipated that this approach will support closer alignment with the delivery target in 2026/27.
- 5.9 Notwithstanding the delivery target not being met, sufficient appropriate evidence was obtained to support the annual audit opinion. This was achieved through the prioritisation of audit activity and consideration of audits that, while not yet formally reported to Committee, were sufficiently progressed during the year.

6. Other Responsibilities

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

7. Opinion

- 7.1. There is a formal requirement for the Chief Internal Auditor to prepare an assurance statement on the adequacy of internal control systems within the Council. The internal

audit annual statement on the adequacy of internal controls is included in **Annex B**.

8. Conclusion

- 8.1. The Internal Audit Plan for 2025/26 has been completed to a level sufficient to support the provision of the annual internal audit opinion. No limitations of scope apply to the opinion issued.

Type	Audit	Opinion	Reported to A&S Committee	Actions Arising			
				Priority 1	Priority 2	Priority 3	Total
COMPLETED WORK							
Assurance	Procurement *	Substantial	28 August 2025	0	1	0	1
Assurance	Locality Planning – Community Investment Fund***	Reasonable	28 August 2025	1	5	0	6
Assurance	Housing Indicators ***	Reasonable/Limited	20 November 2025	3	0	2	5
Assurance	IJB Transformation *	Substantial	20 November 2025	0	0	1	1
Assurance	HSCP – Overtime Controls	Reasonable	20 November 2025	0	4	0	4
Assurance	HSCP – Child Protection *	Substantial	20 November 2025	0	1	0	1
Assurance	Accounts Payable Transaction Testing	Reasonable	20 November 2025	3	3	0	6
Assurance	Council Tax and NDR Refunds	Reasonable	29 January 2026	0	3	1	4
Assurance	Homelessness *	Substantial	29 January 2026	0	0	0	0
Assurance	Income Collection *	Reasonable	29 January 2026	0	0	0	0
Assurance	School Funds	Substantial	12 March 2026	0	1	0	1
Assurance	Capital Monitoring	Substantial	4 June 2026	0	1	0	1
Assurance	Payroll Transaction Testing	Reasonable	4 June 2026	0	0	4	4
Assurance	Buildings and Estate Management	Reasonable	4 June 2026	1	3	0	4
Consultancy	Grants Compliance	n/a	n/a	n/a	n/a	n/a	n/a
Annual Accounts	Tenants and Residents Associations	n/a	n/a	n/a	n/a	n/a	n/a
REPORTING PHASE**							
Assurance	Payments to Partnership Nurseries	Substantial	tbc	tbc	tbc	tbc	tbc
Assurance	Information Security Management****	tbc	tbc	tbc	tbc	tbc	tbc
WORK IN PROGRESS							

Type	Audit	Opinion	Reported to A&S Committee	Actions Arising			
				Priority 1	Priority 2	Priority 3	Total
Assurance	ICT Asset Management	tbc	tbc	tbc	tbc	tbc	tbc

Summary of Internal Audit Work 2025/26

Annex A

Assurance	Social Care Establishments	tbc	tbc	tbc	tbc	tbc	tbc
Assurance	Neighbourhood Services - Overtime	tbc	tbc	tbc	tbc	tbc	tbc
Assurance	Ayrshire Growth Deal	tbc	tbc	tbc	tbc	tbc	tbc
Assurance	IJB Financial Sustainability	tbc	tbc	tbc	tbc	tbc	tbc
NOT STARTED							
Assurance	Absence Management	tbc	tbc	tbc	tbc	tbc	tbc
Assurance	Grants Compliance	tbc	tbc	tbc	tbc	tbc	tbc
Assurance	School Inventory Management	tbc	tbc	tbc	tbc	tbc	tbc
Assurance	HSCP Business Continuity Management	tbc	tbc	tbc	Tbc	tbc	tbc
Assurance	ICT Incident Detection	tbc	tbc	Tbc	tbc	Tbc	tbc
OTHER/ONGOING							
Consultancy	O365/Information and Collaboration Project Board	<p>Not Applicable: These assignments are for the provision of advice and guidance and therefore do not result in an assurance report being brought to the Committee.</p>					
Consultancy	Artificial Intelligence Working Group						
Consultancy	CRM Project Board, Including Employee Account Project						
Consultancy	Corporate Telephony Project Board						
Consultancy	Architecture Board						
Consultancy	Connected Communities – Grant Funds Procedure Review						
Investigations	2						
Small Advisory	25 various requests						

* 2024/25 audit but not sufficiently concluded at the time of the 2024/25 annual report, therefore opinion included in 2025/26.

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

*** Whilst reported in the 2025/26 financial year these audits were at the reporting stage at the time of the 2024/25 Annual Audit Report and formed part of the 2024/25 annual audit opinion. Noted here for reporting visibility purposes but excluded from the 2025/26 annual audit opinion.

**** Was not Included on the 2025/26 Audit Plan but work performed in 2025/26

Internal Audit Annual Statement on the Adequacy of Internal Controls

To the Members and Chief Executive of North Ayrshire Council

As Chief Internal Auditor for North Ayrshire Council, I am pleased to present my annual statement on the overall adequacy and effectiveness of the framework of governance, risk management and control of the Council for the year ended 31 March 2026.

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

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

Sound internal controls

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

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

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

The work of internal audit

Internal Audit is an independent and objective assurance and consulting activity designed to add value and improve the Council's operations. It supports the achievement of organisational objectives through a systematic, disciplined approach to evaluating and improving the effectiveness of governance, risk management and internal control processes. The Global Internal Audit Standards (GIAS) came into effect on 1 April 2025. The Chief Internal Auditor has undertaken a self-assessment against these Standards and concluded that the Internal Audit service generally conforms with GIAS, the CIPFA Application Note, and the CIPFA *Code of Practice for the Governance of Internal Audit in UK Local Government*. An associated action plan has been developed and will be progressed, and reported upon, during 2026/27 to address areas for improvement and achieve full conformance with the Standards. This action plan also forms the basis of the Internal Audit service's Quality Assurance & Improvement Action Program (QAIP)

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

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

Summary of Internal Audit Activity 2025/26

A total of 12 Internal Audit reports, excluding two that formed part of the 2024/25 annual audit report, were reported to the Audit & Scrutiny Committee and contribute to the 2025/26 annual audit opinion.

A further two audit assignments, while not yet reported to Committee, had progressed sufficiently to be considered in forming the annual opinion. In total, 14 audit assignments have therefore been taken into account.

Of the 12 audit opinions reported to Committee, six provided substantial assurance and six provided reasonable assurance. A diverse range of audit areas was covered during the year.

In addition to planned audit assignments, Internal Audit provides advice and guidance on the Council's control environment as required and undertakes non-fraud investigations that are brought to our attention.

A range of recommendations have been raised in the areas covered by the 2025/26 internal audit plan. Many expected key controls have been in place and operating effectively, however Internal Audit has also identified scope for improvement in some systems. All 38 action points reported in the year have been accepted by management and will result in continued improvement of the Council's governance, risk management and control environment.

Impairments or Restriction of Scope

There have been no impairments or restrictions of scope during the course of the year.

Basis of Opinion

This conclusion is made with reference to the Council's established governance, risk management and internal control frameworks and the requirements of the Global Internal Audit Standards. The evaluation of the control environment is informed by several sources:

- the audit work undertaken by Internal Audit during the year to 31 March 2026;
- the audit work undertaken by Internal Audit in previous years and knowledge of any significant audit findings after the year end;
- the assessment of risk completed during the preparation of the annual audit plan;
- reports issued by the Council's external auditors and other review and inspection agencies, though no formal reliance is placed on these for the purposes of this conclusion;
- knowledge of the Council's governance, risk management and performance monitoring arrangements; and
- any other items brought to the attention of internal audit by whatever means which may warrant further investigation.

Opinion

On the above basis, Internal Audit can provide reasonable assurance over the framework of governance, risk management and control and that adequate controls were in place and were operating throughout the Council in 2025/26.

Paul Brown FCCA, CIA

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

4 June 2026

NORTH AYRSHIRE COUNCIL

4 June 2026

Audit and Scrutiny Committee

Title: Internal Audit Reports Issued

Purpose: To inform the Committee of the findings of Internal Audit work completed since March 2026.

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 March 2026. 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
Capital Monitoring	Substantial
Payroll Transaction Testing	Reasonable
Building & Estates Management	Reasonable

3. Proposals

- 3.1 It is proposed that the Committee notes the outcomes from the Internal Audit work completed since March 2026.

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.

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

Mark Boyd
Head of Service (Finance)

For further information please contact **Paul Brown, Senior Manager (Internal Audit)**, on **paulbrown1@north-ayrshire.gov.uk**.

Background Papers

None.

Capital Monitoring

1 Background

- 1.1 Capital expenditure within NAC is split into 2 programmes:-
- General Fund
 - Housing Revenue Account (HRA)
- 1.2 Council approved the refreshed 10-year capital programmes for both the General Capital Investment Fund and HRA in February 2025. This resulted in 2025/26 capital budgets of £95,806,924 for the General Investment Fund and £46,002,890 for HRA.
- 1.3 As per the Council's Code of Financial Practice, this approval gives Heads of Service the authority to spend on projects so long as the nature of the project and the total spend remains in line with what has been approved.
- 1.4 The Head of Finance is responsible for providing Cabinet with regular and timeous updates on the actual spend as compared to budget.

2 Objectives and Scope

- 2.1 The objective of this audit was to confirm that capital monitoring is being carried out regularly and in sufficient detail to allow early identification and reporting of emerging issues.

3 Findings

- 3.1 Capital monitoring arrangements differ for the General Fund and HRA. Audit reviewed the systems in place for both areas.

General Fund

Monthly

- 3.2 Financial Management issues a monthly spreadsheet to budget holders showing current Integra spend and requesting project updates.
- 3.3 Audit reviewed the spreadsheet and found it to include detailed information for each project, including:-
- Completion date
 - Project stage information (e.g. planning, feasibility, in development, tender, on site, complete)
 - Delivery status – Financial - which is an assessment of the financial performance against budget (e.g. on target, slightly off target, significantly off target, complete or on hold).
 - Delivery status – Physical – which is an assessment of the delivery as compared to the original timescale (e.g. on target, slightly off target, significantly off target, complete).
- 3.4 Audit confirmed monthly updates have occurred throughout 2025/26.

(Approximately) every 2 months

- 3.5** Place and Education have Project Boards that meet regularly to oversee project management for their services.
- 3.6** Audit reviewed the papers and minutes for both Boards and found these to be very detailed. Both Boards use standard templates that budget holders complete to provide updates on their projects.
- 3.7** The Place template includes:-
- Project update
 - Project funding information – including budget and actual spend information over the life of the project. An overall RAG status is also included to show if the project is expected to be on budget
 - Forthcoming milestones
 - Risk management – outstanding risk and risk mitigation information
Completion date.
- 3.8** The Education template includes:-
- Project update
 - Project funding - information on budget on a year-by-year basis and an overall RAG status
 - Forthcoming milestones
 - Explanation of budget changes
 - New risks and mitigations
 - Actions/requests for Board
 - Original and current completion date.
- 3.9** The papers for both Boards also include a copy of the most recent monthly monitoring spreadsheet.
- 3.10** Audit confirmed that both Boards have met regularly during 2025/26.
- 4 times per year
- 3.11** The Capital Programme and Assets Group (CPAG) is chaired by the Head of Finance and meets 4 times per year.
- 3.12** As per the Council's Code of Financial Practice, CPAG is responsible for:-
- Overseeing the delivery of the capital programme,
 - Considering requests for reprofiling,
 - Considering requests to advance projects,
 - Considering new projects.
- 3.13** Audit reviewed the papers presented to CPAG and found them to include (as standing items):-
- A capital finance briefing and budget movement report,
 - A capital expenditure detailed report (in the format of the appendix to be included in the cabinet capital monitoring report),
 - Minutes and action logs from Service Project Boards.
- 3.14** Audit confirmed the budget virements and reprofiles agreed by CPAG were reflected in the following Cabinet paper and in Integra.

Pre-Cabinet Review

- 3.15** The Executive Leadership Team (ELT) review all reports (including the Capital Monitoring Report) before they are presented to Cabinet. A copy of the approved CPAG minutes is included in the ELT papers that accompany the Cabinet papers.

HRA

- 3.16** There is currently no reference to HRA capital within the Council's Code of Financial Practice. Financial Management has agreed to rectify this during the next document update. **(action point a)**
- 3.17** HRA capital is split into:-
- Improvements to existing stock and other projects,
 - Council house building.

Improvements to existing stock and other projects

- 3.18** Whilst Housing is the budget holder for these projects, Property Management & Investment (PMI) and Building Services play a significant role in their delivery.

Monthly

- 3.19** A rolling spreadsheet is used to monitor projects on a monthly basis.
- 3.20** Each month, PMI and Building Services use the spreadsheet to provide information on the ongoing delivery of projects, update annual spend projections and explain any movements from the previous period.
- 3.21** A joint monthly meeting is held with Housing, PMI, Building Services and Financial Management to discuss the spreadsheet, and implications of the projections on actual delivery.
- 3.22** A review of the spreadsheet and the minutes of these meetings confirmed that monthly monitoring has been undertaken during 25/26.

Council Housing Building

- 3.23** As per the Council's Strategic Housing Investment Plan (SHIP), the SHIP Board is responsible for monitoring the progress of the programme.
- 3.24** This is done via a monthly meeting of the SHIP Budget Monitoring Group with findings from this feeding into a 6-weekly full Board meeting.
- 3.25** Whilst Housing is the budget holder for these projects, PMI plays a significant role in their delivery.

Monthly

- 3.26** A monthly rolling spreadsheet is used to track project delivery. The spreadsheet includes information on:-
- Progress status
 - How many units are being built
 - Delivery status (re physical build) information including original construction completion date, current construction completion forecast, % delay
 - Financial status including total project budget, project projection, variance calculations (actual in £ and in %)
 - Previous Year spend info

- Current Year budgets – updated on a monthly basis
- Current Year forecast - updated on a monthly basis
- Current Year variance
- Current Year actual spend – on a month by month basis
- Future year forecasts
- Funding profile information eg prudential borrowing, Capital Financed from Current Revenue (CFCR), Scottish Government grant etc
- Comments on current year forecasts.

3.27 A joint monthly meeting is held with Housing, PMI and Financial Management to discuss the projects and projections in the spreadsheet.

3.28 A review of the rolling spreadsheet and the minutes of the meetings confirmed that monthly monitoring has been undertaken during 25/26.

6-weekly

3.29 Audit reviewed the Board papers and found them to be very detailed. A template is used to report on projects, which includes the following information:-

- Budget, timeline and overall RAG status of project
- Main contractor
- Funding streams
- Project milestones
- Utilities tracker
- Narrative update
- Key risks and mitigations
- Financial summary
- Timeline movement tracker
- Unit tracker

3.30 In addition, the papers include a financial summary, based on the information in the monthly monitoring file.

3.31 Audit reviewed the minutes and papers for all SHIP Board meetings in 25/26 and confirmed that these have been held regularly.

Pre-Cabinet Review Process (for all HRA capital)

3.32 Before HRA project updates and projections are included in the Capital Monitoring Cabinet paper, the proposed appendix goes through the following review process:-

- 3.33**
- Financial Management meet with Housing to agree the contents of the appendix.
 - Once agreed, Financial Management meet with the Head of Service (Housing & Public Protection) to agree the contents of the appendix.
 - Once agreed, Financial Management meet with the Executive Director (Communities & Housing) to agree the contents of the appendix.
 - Head of Service (Finance) holds a meeting with Senior Officers to discuss all Communities & Housing financial monitoring papers due to be presented to Cabinet.

3.34 Audit obtained evidence of the above meetings being held prior to all Capital Monitoring papers being presented to Cabinet during 25/26.

3.35 In addition, the Executive Leadership Team (ELT) review all reports (including the Capital Monitoring Report) before they are presented to Cabinet.

4 Internal Audit Opinion

- 4.1 Overall, substantial assurance was obtained with regard the monitoring of capital expenditure.
- 4.2 Monthly monitoring is well established across all capital streams.
- 4.3 In addition, regular oversight of the findings of the monthly monitoring is undertaken both within Services and at a corporate level.

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 CAPITAL MONITORING

Action	a
Finding	The Council's Code of Financial Practice does not define the process for budgeting and monitoring HRA capital expenditure.
Action Description	Processes relating to HRA capital should be incorporated into the Council's Code of Financial Practice during the next scheduled update.
Risk	Lack of clarity surrounding the setting and monitoring of HRA capital budgets.
Priority (1, 2, 3)	2
Paragraph Reference	3.16
Managed by	Head of Service (Finance)
Assigned to	Team Manager (Business Partner)
Due Date	31 March 2026
Management Comment	The update will be incorporated into the Council's Code of Financial Practice.

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.

Payroll Transaction Testing

1 Background

- 1.1 This audit was conducted as part of the approved 2025/26 Internal Audit Plan and Power BI was used to analyse the Payroll data and examine any anomalies which arose.
- 1.2 The HR Payroll system is called CHRIS. The Employee Account is used to access and complete internal online forms for contract amendments and terminations. Verint is the system used to submit approved contract amendments and terminations to allow Payroll and Resourcing to action the forms.
- 1.3 HR21 is the self-service module of CHRIS which allows mileage and travel & subsistence expenses to be claimed and approved.
- 1.4 The audit covered the following areas:
- Overtime
 - Working time regulations
 - Last payment for leavers
 - Salary amendment
 - Pay Adjustments
 - High mileage claims
 - High travel and subsistence claims
 - Employee details
 - Allowances

2 Objectives and Scope

- 2.1 The main objectives of this audit were to ensure that:
- High overtime payments are valid, properly authorised and no duplicate overtime payments have been made.
 - Employees working an average of 48+ hours per week have complied with the working time directive regulations.
 - Employees' last pay is correct, properly authorised and any overpayments have been identified and rectified.
 - Salary amendments are valid and authorised.
 - Pay adjustments are valid, properly authorised and no duplicate pay adjustments have been made.
 - High mileage claims are in line with the Terms and Conditions of Employment, are valid and properly authorised.
 - Travel and subsistence expenses are in line with the Terms and Conditions of Employment, are valid and properly authorised.
 - Employee details are valid and complete.
 - Allowances are in line with the Terms and Conditions of Employment, are valid and properly authorised.
- 2.2 The audit covered the period 1st October 2024 to 30th September 2025.

3 Findings

Overtime Testing

- 3.1 The auditor selected a sample of 10 high overtime payments based on overtime of 50% more than base pay. The overtime paperwork used to key to CHRIS varies across the services. In 2 cases, no reason was noted on HSCP overtime paperwork, but this has been raised in a recent HSCP Overtime Controls audit. In 3 cases, no reason was noted on overtime paperwork for Neighbourhood Services employees, and this will be covered in an upcoming Neighbourhood Services overtime audit.
- 3.2 The auditor identified 15 potential duplicate payments of payments more than £100, 12 of which had been checked and reported as part of the HSCP overtime controls audit that was issued in September 2025. The remaining 3 were checked but no duplicate payments were found.
- 3.3 The auditor tested a sample of 10 employees with a casual status that were paid overtime. There were no findings to note as the employees carried out the overtime before their position was changed to a casual status.

Working Time Regulations

- 3.4 The auditor calculated the average weekly working hours during the 6-month period dated 1st January to 30th June 2025. There were 42 employees working an average of more than 48 hours per week and 26 of them have completed a working time directive opt out form in line with the guidance. There are 15 employees that have not followed the guidance. The results were passed to the relevant Senior Managers who took the necessary action.
- 3.5 Internal Audit included working time regulations testing from 2021 onwards and to improve the management of this process, HR advised they would incorporate a report into a Workforce Information Power BI Tool to share with managers to identify multi-post employees. This would allow managers to liaise with employees to determine whether the opt-out process is appropriate. Every audit since has identified employees that are working 48+ hours per week that have not completed the opt out form. IT Services advised this tool has been rolled out to some services and there is a plan to roll out to the remaining services during 2026, including engagement and training provided to the services.
- 3.6 The CHRIS system did not show an opt out form for one employee. However, the Senior Manager confirmed the form was recorded under a different multi-post employee number. HR confirmed the opt out form should cover all posts and agreed to update the form to state that it covers all positions held by an employee and will instruct service admin teams to record the form under the employees primary contract number in CHRIS. The auditor also noted the current form has no date or version control. **(action a)**
- 3.7 The auditor testing for employees paid more than once on the same date and there were no findings to note from this testing.

Leavers Last Pay

- 3.8 The auditor selected a sample of 10 leavers to check their final pays were correct and properly approved. There was an overpayment of £493.95 (gross) for a leaver's last pay and this had not been picked up and rectified by Payroll. Payroll confirmed they

will process a correction on the Payroll system and raise an invoice to correct this. In addition, there were 2 overpayments totalling £10,585.77 that had already been identified and corrected by Payroll. **(action b)**

- 3.9** There were 13 employees that left within 21 days of starting and the pays were checked to ensure they were only paid for the hours worked. There was 1 overpayment of £97.42 that had already been identified and corrected by Payroll.
- 3.10** The auditor carried out additional tests on leavers to identify potential overpayments. This resulted in 2 leavers being paid their requested pay arrears twice in error due to duplicate cases being added to the Verint queue resulting in both being actioned. The duplicate payments totalled £796.68, and Payroll agreed to take action to recover this money. Payroll has since confirmed their leavers request procedure has been updated to include a check to establish if the employee has already been paid for the arrears. In addition, there were 27 overpayments totalling just over £45k that had already been identified and corrected by Payroll. **(action b)**

Salary Amendments

- 3.11** The auditor selected a sample of 10 salary amendments where the increase was more than 50%. There were no findings to report from this testing.

Pay Adjustments

- 3.12** The auditor selected a sample of 5 responsibility allowance payments and there were no findings to note.
- 3.13** The auditor selected a sample of 5 payments coded to pay adjustments – sup and 1 had no reason recorded on the comments field in the CHRIS system. **(action c)**
- 3.14** The auditor selected a sample of 5 payments for independent chair fees. There were no findings to note.
- 3.15** The auditor checked a payment type called recover manual advance. There were no findings to note from this testing.

Mileage Claims

- 3.16** The auditor tested a sample of 10 mileage claim forms for more than 700 miles. There were 2 claim forms not submitted within the 3-month period in line with the Terms and Conditions of Employment. The claim forms were submitted on HR21. The Lead Advisor (Workforce Systems) advised there is a notes facility which could be used by managers to provide a reason for such a delay, in line with the Terms and Conditions of Employment. The Senior Advisor (Payroll) has asked for the HR21 guidance to be updated to reflect the 3-month rule and advised the relevant section of the Terms and Conditions of Employment has been added to the Company News home page on HR21. **(action d)**
- 3.17** A potential duplicate mileage claim was identified on the HR21 system, one of which had been approved and paid, the other was awaiting approval. After confirmation with the employee, the Lead Advisor (Workforce Systems) removed the claim before it could be approved and paid again.

Travel and Subsistence Claims

- 3.18** Tested a sample of 10 travel and subsistence claim forms with a payment value over £200. One of the claim forms was not submitted within the 3-month period in line with the Terms and Conditions of Employment. The claim form was submitted on HR21. In addition, an employee claimed £273 travel expenses instead of 273 miles which resulted in an overpayment. The employee notified Payroll when they realised the error which was quickly corrected. **(action d)**
- 3.19** Tested for duplicate claim forms. There were 16 potential duplicate payments relating to 7 employees. The auditor checked the payments made to a sample of 4 employees and no duplicate payments were found.

Employee Data Checks

- 3.20** The auditor tested for duplicate national insurance numbers, blank national insurance numbers, invalid national insurance format, blank date of birth, duplicate bank details and blank bank details. There were no findings to note from this testing.

Allowances and Deductions

- 3.21** The auditor testing a sample of 10 allowances for the following 3 allowances - unsocial hours (direct amount payment), rotating shift and unsocial hours 15%. There were no findings to note from this testing.

4 Internal Audit Opinion

- 4.1** Overall, reasonable assurance was obtained with regard to transactions on the Payroll system. There were overpayments relating to leavers, most of which had already been identified and rectified by the Payroll team.

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 PAYROLL TRANSACTION TESTING

Action	a
Finding	The CHRIS system did not show an opt out form for one employee. However, the Senior Manager confirmed the form was recorded under a different multi-post employee number. HR confirmed the opt out form should cover all posts and agreed to update the form to state that it covers all positions held by an employee and will instruct service admin teams to record the form under the employee's primary contract number in CHRIS.
Action Description	The working time regulations opt out form should be updated to clarify the form covers all posts, the form should be recorded against the primary contract number on CHRIS and the form should be dated and version controlled. In addition, a communication should be issued advising the form has been updated and all service admin teams should start using the new form and follow the new guidance.
Risk	Form not recorded properly on CHRIS; users completing outdated versions of form.
Priority (1, 2, 3)	3
Paragraph Reference	3.6
Managed by	Head of Service (People & ICT)
Assigned to	Senior Manager (People Services)
Due Date	Complete
Management Comment	Form has been updated on Connects to reflect that this covers all posts held by an employee. The form has also been dated and the version control updates. Communications have been issued to advise accordingly.

Action	b
Finding	A leaver was overpaid £493.95 (gross) and 2 leavers were paid their requested pay arrears twice in error. The duplicate payments totalled £796.68.
Action Description	Payroll should take action to recover the 1 overpayment and 2 duplicate payments identified during the audit.
Risk	The Council has paid the same Payroll payment twice or made an overpayment and the money has not been recovered.
Priority (1, 2, 3)	3
Paragraph Reference	3.8, 3.10
Managed by	Head of Service (People & ICT)
Assigned to	Senior Manager (People Services)
Due Date	Complete
Management Comment	The Leavers Pay Award Procedure has been updated to include additional checks that are required to ensure this error does not occur in future. Overpayments have been addressed and accounts raised.

Action	c
Finding	The auditor selected a sample of 5 payments coded to pay adjustments – sup and 1 had no reason recorded on the comments field in the CHRIS system.
Action Description	Payroll should be reminded to complete the comments section on the Payment Adjustment screen.
Risk	Lack of a complete audit trail.
Priority (1, 2, 3)	3
Paragraph Reference	3.13
Managed by	Head of Service (People & ICT)
Assigned to	Senior Manager (People Services)
Due Date	Complete
Management Comment	The comments section isn't a mandatory field, however Payroll acknowledge that this being completed would be useful. It has been noted that this would be helpful to detail what the adjustment is for to more easily identify this for both the payroll team and audit. The threshold for completion of the comments field will be £1500. Payroll procedure updated and the team made aware.

Action	d
Finding	There were 3 mileage, travel and subsistence claim forms keyed on HR21 that were not submitted within the 3-month period as per the Terms and Conditions of Employment. The Lead Advisor (Workforce Systems) advised there is a notes facility which could be used by managers to provide a reason for such a delay, in line with the Terms and Conditions of Employment.
Action Description	Payroll should issue a reminder that mileage, travel and subsistence expenses should be claimed on an ongoing monthly basis and submitted accurately and timeously in line with the Terms and Conditions of Employment. In exceptional circumstances, for claims submitted after the 3-month period, the manager should use the notes functionality on HR21 to provide a reason for the delay.
Risk	Poor compliance with policy. Increased risk of error if claims are delayed.
Priority (1, 2, 3)	3
Paragraph Reference	3.16, 3.18
Managed by	Head of Service (People & ICT)
Assigned to	Senior Manager (People Services)
Due Date	Complete
Management Comment	The HR21 homepage has now been updated to reflect that expenses should be claimed on a regular basis and that any expenses claimed beyond the 3-month period include a comment from the manager in terms of the reason for this. HR guide has been updated. Communications have also been issued as a reminder of the 3-month period and providing information in relation to the updated guide and HR21 homepage.

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.

BUILDINGS AND ESTATE MAINTENANCE

1 Background

- 1.1** The audit related to non-Housing properties such as schools, office buildings, depots and social work establishments, and focussed on the “Property Asset Risk” in the Council’s Strategic Risk Register 2025/26. This included the relevant control measures and actions, relating to the risk.
- 1.2** It was reported in the monitoring reports on the Strategic Risk Register 2025/26 that a long-term impact of restricted budget availability for investment in the Council’s property assets means these assets are in declining condition and have greater long term investment needs. There have been a number of near misses or critical failures of aging heating plant and equipment, which the Council is unable to replace on a programmed basis.
- 1.3** Consequently, condition survey information will inform both investment planning and business continuity arrangements, given the declining condition of the Council’s property assets and increasing long-term investment requirements.
- 1.4** The review focussed on the arrangements in place for assessing risks, prioritising maintenance activities and determining whether this is reflected in the asset management plans.

2 Objectives and Scope

- 2.1** The main objective of the audit was to obtain assurance over the management of the “Property Asset Risk” in the Council’s Strategic Risk Register 2025/26 by reviewing the associated control measures and actions. Specifically, to:
- Ensure documented procedures are in place to cover the processes of Buildings and Estate Maintenance.
 - Ensure an appropriate buildings and estate maintenance strategy are in place, supported by a risk-based approach and reflected in the asset management plans.
 - Ensure that previous action points from the last audit report are adequately implemented.

3 Findings

Procedures for gathering, storing and responding to building conditions

- 3.1 We noted that key elements of PMI approach are articulated in the Property Asset Management Plan (PAMP). However, there is a need to sufficiently outline the detailed operational approach to these key areas such as building maintenance processes, oversight controls, building conditions survey exercise, funding gaps, how work/activities are prioritised and reporting. **(action a)**
- 3.2 The review of the PMI Business Continuity Plan (BCP) document revealed the following:
- The document was last reviewed on 18/02/2022, contrary to the requirement for six-monthly updates set out in the BCP.
 - No evidence was provided that BCP was tested for areas/activities relating to Building and Estates Maintenance, as indicated in the BCP document. BCP testing reports were not provided for review. **(action b)**

Buildings and Estate Maintenance – Asset Management Plans

- 3.3 In line with section 8 of the Property Asset Management Plan (PAMP), Property Management and Investment (PMI) is expected to undertake condition surveys across the corporate estate, and this information is used to inform property lifecycle investment decisions. Alongside this data, there is a structured process in place to understand client's priorities and where property issues are, or have the potential to, impact on service delivery. So far, a condition survey has only been conducted for the Education Estate.
- 3.4 However, strategic documents such as condition survey information and backlog maintenance to determine investment plans/funding gaps and business continuity plans for non-Education assets are still work in progress. Early work has already begun on a similar document for Connected Communities, where libraries and community centres have been listed, though this is still under development. **(action c).**
- 3.5 Condition survey data across the Education Estate alone indicates five-year investment requirements of £36.940m, however, the Property Lifecycle Investment (PLI) funding for next 5-year period, covering all operational assets, is only £5.658m, highlighting a significant funding gap.
- 3.6 Section 6 of the (PAMP) stipulates that a full condition survey on all operational properties should be conducted every five years, to provide a baseline for assessing building element lifecycle replacement requirements across the corporate estate exist.
- 3.7 Evidence was provided that the Education Estate has been reviewed in its entirety. The Education Estate remains the Council's priority in terms of ensuring business continuity and directing investment to maintain the operational integrity of these buildings. Meanwhile, we noted that condition survey of some Education Estate properties is currently overdue with the last surveys performed in March and April 2019 for 3 schools: Dreghorn Primary School, Elderbank Primary School and Kilmory Primary School. **(action d).**
- 3.8 The Council's Transformation Programme includes a workstream which focuses on property rationalisation as a means of reducing the financial burden of the Council estates through reducing overall area occupied. Tracking reports on this on-going

workstream were reviewed and it was noted that some key milestones have been completed, “Localities Review ongoing – Phase 1” is nearing completion (mid 2026), and the Phase 2 exercise is ongoing.

3.9 The actions from the previous audit were followed up and found that they had been completed.

4 Internal Audit Opinion

4.1 Overall, reasonable assurance was obtained with regard to the Buildings and Estate Maintenance. PMI should improve on policy documentation detailing the building maintenance procedures, updating and testing of PMI Business Continuity Plan (BCP) as stipulated by BCP documents and conducting of condition surveys on all operational assets in compliance with the Property Asset Management Plan (PAMP).

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
BUILDINGS AND ESTATE MAINTENANCE**

Action	a
Finding	We noted that key elements of PMI approach are articulated in the Property Asset Management Plan (PAMP). However, there is a need to sufficiently outline the detailed operational approach to these key areas such as building maintenance processes, oversight controls, building conditions survey exercise, funding gaps, how work/activities are prioritised and reporting.
Action Description	Operating procedures should be developed to incorporate all activities of Buildings and Estate Maintenance to aid better understanding of the processes for gathering, storing and responding to building conditions.
Risk	Inconsistent approach by staff, possible key tasks not being carried out and lack of business continuity if staff familiar with the process are not available.
Priority (1, 2, 3)	2
Paragraph Reference	3.1
Managed by	Head of Service (Sustainability, Transport & Corporate Property)
Assigned to	Senior Manager (Property, Maintenance and Investment) Team Manager (Contracts, Compliance and Maintenance) Team Manager (Property Assets & Rationalisation)
Due Date	31 May 2027
Management Comment	<p>While there are currently no standalone procedural documents covering Buildings and Estate Maintenance operations, key elements of the approach are set out within the Property Asset Management Plan (PAMP). We recognise that this does not fully address the scope of activity undertaken by PMI.</p> <p>In parallel, work is ongoing to implement a new electronic Integrated Workplace Management System (IWMS) which will capture corporate asset data and support more effective management and maintenance of the estate. Accordingly, we will undertake a review and develop appropriate procedural documentation within the next 12 months.</p> <p>In the period following the audit, ELT have also received a separate report in respect of specific challenges in the property estate including prioritisation and reporting.</p>

Action	b
Finding	<p>The review of the PMI Business Continuity Plan (BCP) document revealed the following:</p> <ul style="list-style-type: none"> • The document was last reviewed on 18/02/2022, contrary to the requirement for six-monthly updates set out in the BCP. • No evidence was provided that BCP was tested for areas/activities relating to Building and Estates Maintenance as indicated in the BCP document. BCP testing reports were not provided for review.
Action Description	The Team Manager (Property Assets & Rationalisation) should ensure that the BCP document is updated 6 monthly to

	incorporate learnings from workshops as well as testing the plan as required for continuity in meeting service needs.
Risk	Business failure or disruptions if BCP is not updated and tested.
Priority (1, 2, 3)	1
Paragraph Reference	3.2
Managed by	Head of Service (Sustainability, Transport & Corporate Property)
Assigned to	Senior Manager (Property, Maintenance and Investment) Team Manager (Property Assets & Rationalisation)
Due Date	Completed
Management Comment	This action is now complete. The PMI Business Continuity Plans have been reviewed and updated to reflect current arrangements, and the documents are now current.

Action	c
Finding	Strategic documents such as condition survey information and backlog maintenance to determine investment plans/funding gaps and business continuity plans for non-Education assets are still work in progress. Early work has already begun on a similar document for Connected Communities, where libraries and community centres have been listed, though this is still under development.
Action Description	The Team Manager (Property Assets & Rationalisation) should continue to extend a full set of condition surveys on all operational properties, to obtain assurance that a baseline to measure building element lifecycle replacement requirements across the corporate estate exist in line with section 6 of The Property Asset Management Plan (PAMP).
Risk	Comprehensive information to support strategic decision making may not be available thereby impacting on business continuity and leading to sub-optimal use of resources. Without completed and up to date condition surveys across the Council's entire estate, the Council cannot make fully informed decisions on investments and funding allocations.
Priority (1, 2, 3)	2
Paragraph Reference	3.4
Managed by	Head of Service (Sustainability, Transport & Corporate Property)
Assigned to	Senior Manager (Property, Maintenance and Investment) Team Manager (Property Assets & Rationalisation)
Due Date	30 April 2027
Management Comment	We acknowledge the need to extend the approach currently applied to the Education Estate and to develop a working document that consolidates relevant building information in a single, accessible location. There is a statutory requirement to report on the condition of school buildings to the Scottish Government and, as such, the priority to date has been to focus resources on the Learning Estate. Condition surveys are being undertaken out with Education, however there is currently a gap in bringing this information together into one document to support consistent analysis and investment planning. We will replicate the asset list used for Education across the other key service areas to support a consistent approach.

Action	d
Finding	We noted that condition surveys of some Education Estate properties are overdue with the last surveys performed in March and April 2019 for 3 schools: Dreghorn Primary School, Elderbank Primary School and Kilmory Primary School. The surveyor is currently working through the three schools on the list and expects to finish these by April 2026.
Action Description	The Team Manager (Property Assets & Rationalisation) should continue to track the completion of the overdue condition surveys for resolution in line with section 6 of the Property Asset Management Plan (PAMP).
Risk	Adequate information to support strategic decision making may not be available thereby impacting on business continuity.
Priority (1, 2, 3)	2
Paragraph Reference	3.7
Managed by	Head of Service (Sustainability, Transport & Corporate Property)
Assigned to	Senior Manager (Property, Maintenance and Investment) Team Manager (Property Assets & Rationalisation)
Due Date	31 May 2026
Management Comment	Progress with the condition survey programme has been impacted by ferry disruption to Arran. Notwithstanding this, surveys are progressing well and only one school, Elderbank Primary School, remains outstanding. The survey for Elderbank is currently underway and is expected to be completed by the end of May.

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

4 June 2026

Audit and Scrutiny Committee

Title: **Internal Audit and Corporate Fraud Action Plans: Quarter 4 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 of 31 March 2026.

Recommendation: That the Committee notes the current position with the implementation of Internal Audit and Corporate Fraud actions.

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 of 31 March 2026.

2. Background

- 2.1 The last report to the Audit and Scrutiny Committee on 12 March 2026 highlighted that there were 5 actions outstanding at the end of December 2025, with 3 having not passed their due date.
- 2.2 In addition to these 5 carried forward actions, there have been 9 new actions agreed, giving a total of 14 action points for review.

- 2.3 Services have completed 11 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 3 actions, 1 had yet to be completed as of 31 March 2026 and the remaining 2 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 1 action that was 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.

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 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 **Paul Brown, Senior Manager (Audit, Fraud, Safety, Risk and Insurance)**, on **01294324360**.

Background Papers

None.

Actions due by date

Generated on: 17 April 2026

Code	IA2026PA004a	Description	<p>Action Description: Processes relating to HRA capital should be incorporated into the Council’s Code of Financial Practice during the next scheduled update.</p> <p>Finding: The Council’s Code of Financial Practice does not define the process for budgeting and monitoring HRA capital expenditure.</p> <p>Risk: Lack of clarity surrounding the setting and monitoring of HRA capital budgets.</p>		
Priority	2	Latest Note	Amended wording has been drafted but the Codes of Practice won't be approved until September.		
Progress Bar		Original Due Date	31-Mar-2026	Due Date	31-Mar-2026
Parent Code & Title	IA2026PA004 Capital Monitoring			Managed By	Mark Boyd
				Assigned To	Alan Dunsmore

NORTH AYRSHIRE COUNCIL

4 June 2026

Audit and Scrutiny Committee

Title: Annual Governance Statement 2025/26

Purpose: To seek approval of the Council's Annual Governance Statement for 2025/26 which will be included within the draft Annual Accounts.

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

1. Executive Summary

- 1.1 The Council's Annual Governance Statement outlines the governance framework which is in place and changes which have been made to strengthen the framework during 2025/26.
- 1.2 Approval of the Annual Governance Statement will ensure that the Council complies with the requirements of the Local Authority Accounts (Scotland) Regulations 2014.

2. Background

- 2.1 North Ayrshire Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and used economically, efficiently, and effectively to achieve Best Value.
- 2.2 The Council is also responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
- 2.3 The Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE framework 'Delivering Good Governance in Local Government' and the 2025 addendum.
- 2.4 The Local Authority Accounts (Scotland) Regulations 2014 require that local authorities prepare an Annual Governance Statement, in accordance with proper practices in relation to internal control, and that the Statement should be approved by the Audit Committee or equivalent.

- 2.5 Following approval of the Annual Governance Statement, it requires to be signed by the Leader of the Council and the Chief Executive prior to its inclusion within the Council's draft annual accounts.
- 2.6 The Annual Governance Statement, which is attached in full at Appendix 1 to this report, explains how the Council complies with the Code of Corporate Governance. It identifies the main components of the Corporate Governance Framework which are in place, including the system of internal control, and details the changes which have taken place to the framework during 2025/26.
- 2.7 The Annual Governance Statement also identifies improvement actions which are planned to the governance framework during 2026/27. It concludes with an assurance statement by the Leader of the Council and the Chief Executive.

3. Proposals

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

4. Implications/Socio-economic Duty

Financial

4.1 None.

Human Resources

4.2 None.

Legal

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

Equality/Socio-economic

4.4 None.

Climate Change and Carbon

4.5 None.

Key Priorities

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

Community Wealth Building

4.7 None.

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 Internal consultation with management to support the preparation.

Mark Boyd
Head of Service (Finance)

For further information please contact **Paul Brown, Senior Manager (Audit, Fraud, Safety, Risk & Insurance)**, on **01294324360**.

Background Papers

None.

Annual Governance Statement

Executive Summary

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

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

The Council has approved and adopted a Local Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government' (2016). In 2025 an addendum was released to the 2016 Code which replaced chapter 7 of the Framework with the seven principles of the 2016 Code remaining unchanged. The Council has reviewed its governance arrangements to ensure that the Annual Governance Statement reflects these revisions. A copy of the local code is available [here](#).

This statement explains how North Ayrshire Council complies with the Code of Corporate Governance and meets the requirements of the 'Code of Practice for Local Authority Accounting in the UK: A Statement of Recommended Practice', in relation to the Statement on the System of Internal Financial Control. Based on the review, the Council considers that the governance arrangements operating during 2025/26 were fit for purpose and provided reasonable assurance over the achievement of objectives and the discharge of its responsibilities.

Arrangements were assessed as being effective in the following areas:

- Strong member oversight through Cabinet and the Audit & Scrutiny Committee, supported by a refresh of governance documents
- Effective risk management arrangements, including review of the Council's Strategic Risk Register
- Effective arrangements for financial management, supported by the development of a Medium-Term Financial Outlook and Plan.
- Positive Best Value Audit Scotland reports

Areas Requiring further development/strengthening/key challenges

A summary of the planned actions for 26/27 are included at the end of this statement. One of the main areas of focus is the strengthening of governance arrangements to support the HSCP. This is being progressed through the work of the Finance Working Group and closer Integration with all elected members through development of the annual budget process.

Improvement Actions

The Council has progressed a range of governance developments through 2025/26 which are included in the sections below.

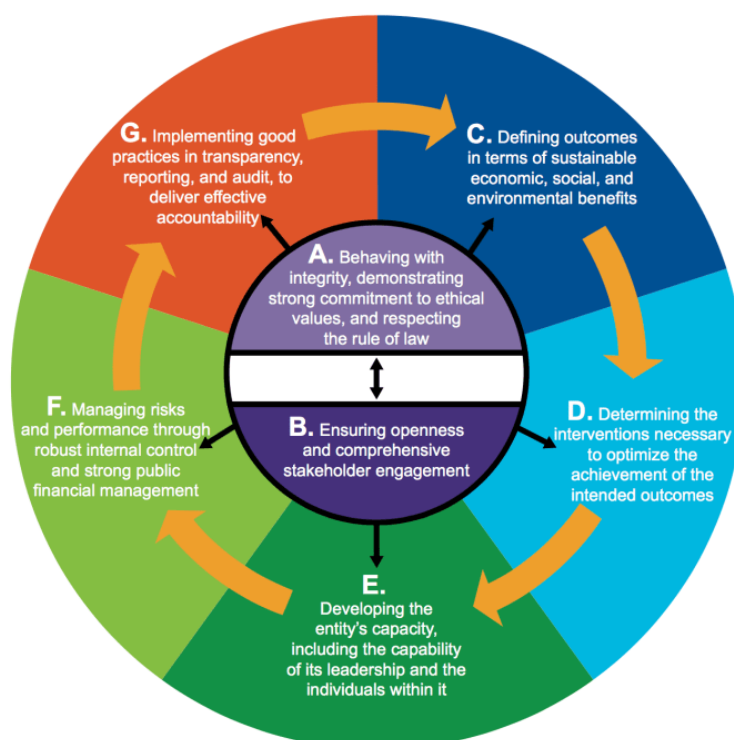
The Purpose of the Governance Framework

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

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

The Governance Framework

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



The key features of the governance framework that were in place during 2025/26 are included below:

- The Cabinet was the key decision-making Committee, comprising the Leader of the Council, the Depute Leader and four members of the Administration, each with a specific portfolio of duties. An Education Cabinet comprised the same members and included church and teaching profession representatives.
- The Audit and Scrutiny Committee, which is chaired by the Leader of an Opposition party, was in place to consider all matters in relation to Internal and External Audit, Risk Management, Scrutiny and Performance, as well as receiving reports on the findings of external scrutiny bodies. An annual self-evaluation was carried out in October 2025 and reported to the Audit and Scrutiny Committee in November 2025, utilising the CIPFA publication 'Audit Committees: Practical Guidance for Local Authorities and Police – 2022'. A cross-party Policy Advisory Panel assists in the development of policy proposals for consideration and approval by Cabinet.
- Strategic decision-making is governed by the Council's key constitutional documents including standing orders, scheme of administration, scheme of delegation to officers and financial regulations and associated codes of financial practice. These were refreshed and approved by the Council in September 2025.
- The Council has six Locality Partnerships, covering Irvine, Kilwinning, the Three Towns, Arran, the North Coast and the Garnock Valley. Chaired by a local Elected Member, the Partnerships provide the opportunity for Elected Members, Community Planning Partners and local community representatives to identify specific priorities for action in each area, with a corresponding action plan prepared alongside regular progress reports. A review of the Council's Locality Planning framework was completed last year through a self-assessment process with stakeholders and a number of improvement recommendations are currently being implemented.
- The Health and Social Care Partnership (HSCP) has an established governance framework through the Integration Joint Board and an integrated senior management structure to support delivery of its key objectives.
- The Council's mission, vision and key priorities are outlined in the Council Plan 2023-2028 which is underpinned by a delivery plan and a range of performance indicators. Regular interim reports are provided to both Cabinet and the Audit and Scrutiny Committee on progress towards meeting the Council Plan priorities.

- Progress with the Council's Transformation programme continues to be governed and monitored through the Transformation Board which is chaired by the Chief Executive.
- The Performance Management Strategy 2023-28 demonstrates how the Council supports a culture of continuous improvement and how the work of every employee is crucial to the achievement of the overall vision of a North Ayrshire that is Fair For All. Regular reporting to Elected Members takes place, and a wide range of performance information is available on the North Ayrshire Performance Dashboard.
- The Council has adopted a 'Code of Conduct' for all its employees. Elected Members adhere to the national 'Code of Conduct for Councillors' and a register of interests is in place. Annual refresher training on the Councillors' Code of Conduct is provided, and Standards Commission updates are sent to Elected Members on a regular basis – when received from the Commission.
- The approach to risk management is set out in the Risk Management Policy and Strategy: "Risk Focus". The Council's strategic risk register is refreshed annually and for 2025/26 was approved by Cabinet in March 2025. Monitoring of progress against action points is reported to the Audit and Scrutiny Committee at the mid-year point.
- Each Head of Service has a Workforce Plan for their portfolio of services which considers PESTLE, Workforce interventions and organisational change activities. These plans are aligned to the Council's Corporate Workforce Planning strategy.
- The Council has in place a development programme for all Elected Members. Learning and development interventions on a variety of topics are available in person and online for all employees. Leadership and management development opportunities are available through the Leadership Academy which is available for Leaders at all levels across the Council.
- The 'Our Time to Talk' approach is in place to ensure that managers and employees take time to discuss how each employee is getting on at work; this focusses on the employee's contribution to their team and the Council, their wellbeing, and any development needs that contribute towards meeting the team's objectives and the employee's career aspirations.
- The Council's approach to asset management planning is based on CIPFA guidance which covers six core classes of assets: property, open space, housing, roads, fleet, and ICT. Asset management plans continue to be maintained across each of these areas. The strategy and associated plans were recently reviewed, updated, and approved by Cabinet in December 2025.
- A Capital Programme and Assets Group (CPAG), consisting of senior officers from across Council services and chaired by the Head of Finance, is in place. This group monitors the delivery of the Council's capital programme, helping to ensure that projects are delivered on time and within budget. The work of this group is supported by individual Service Project Boards.
- The Council has a long-term financial outlook, which covers the period 2024/25 to 2033/34. This sets out the scale of the potential financial challenge and the approach to pro-actively address it, ensuring financial sustainability of the Council over the long-term.
- The Council has Internal Audit and Corporate Fraud teams to carry out independent and objective reviews of governance and internal control arrangements and investigate allegations of fraud and error both within and against the authority.
- An Information Governance framework is in place which complies with the General Data Protection Regulation (GDPR), supported by a central team of staff within Democratic Services. This is further supported through an Information Governance Procurement Framework. A corporate training module is in place to support ongoing training, development and awareness which is completed on an annual basis.
- The Council has a robust Corporate Health, Safety and Wellbeing Policy to help ensure it complies with health and safety legislation. A Corporate Health and Safety Group, consisting of Elected Members and various stakeholders, meet every quarter.
- An annual report is prepared for Cabinet by the Council's statutory Chief Social Work Officer.
- The Council has a two-stage Complaints Procedure, which provides a transparent and standardised process for customers who wish to complain and enables the Council to manage complaints more effectively and to identify any service improvements which may be required.

The governance framework has been in place at North Ayrshire Council throughout the year ended 31st March 2026.

The System of Internal Financial Control

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

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

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

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

Review of Effectiveness of the Governance Framework

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

The annual review of the Council's governance framework was undertaken with reference to the 2016 CIPFA Good Governance Framework and confirmed that core governance arrangements and structures are operating effectively, thereby providing the basis for the conclusion set out within the statement.

The Section 95 Officer has overall responsibility for Internal Audit in North Ayrshire Council. The Senior Manager (Audit, Fraud, Safety, Risk & Insurance) is responsible for the management of the section and reports directly to the Section 95 Officer on all audit matters, with the independent right of access to the Chief Executive and Chair of the Audit and Scrutiny Committee. With effect from 1 April 2025 the Public Sector Internal Audit Standards were replaced by the Global Internal Audit Standards. A self-assessment against the new standards has taken place as part of Internal Audit's quality assurance and improvement arrangements. The results of this will be reported in the Annual Internal Audit report. An associated action plan, setting out the improvements to be implemented, will be presented to the Audit & Scrutiny Committee during 2026/27. Regular reporting was made to the Council's Audit and Scrutiny Committee throughout 2025/26.

As detailed in the Internal Audit Charter, approved by the Audit and Scrutiny Committee in March 2025, the Internal Audit function has independent responsibility for examining, evaluating, and reporting on the adequacy of internal control. The Senior Manager (Audit, Fraud, Safety, Risk & Insurance) prepares an annual report, including an assurance statement containing a view on the adequacy and effectiveness of the governance, risk management and internal control frameworks. This was reported to the Audit and Scrutiny Committee on 29 May 2025 and the 2025/26 annual audit report will be presented to the 4 June 2026 Committee.

The Internal Audit Annual Report 2025/26 highlights a number of findings by the Council's Internal Audit section. Action plans are put in place to address control weaknesses on conclusion of each audit and implementation of audit actions is tracked on a quarterly basis by the Council's Audit and Scrutiny Committee. None of these are considered material enough to have a significant impact on the overall control environment and it is the opinion of the Senior Manager (Audit, Fraud, Safety and Risk) that the Council's systems of internal control continue to provide reasonable assurance against loss.

From 1 April 2025, the CIPFA 'Code of Practice for the Governance of Internal Audit in UK Local Government', operating alongside the new standards, replaced CIPFA's statement on 'The Role of

the Head of Internal Audit (2019)'. The self-assessment undertaken against the new standards incorporated a review of this Code and, together with an action plan being developed to ensure full conformance, forms part of Internal Audit's Quality Assurance and Improvement Programme.

The Council's Audit & Scrutiny Committee continues to adopt a proactive approach to requesting items for scrutiny.

Significant Governance Developments during 2025/26

A number of significant governance related development occurred during 2025/26. They include:-

Completed the annual review of the Council's key governance documents including Standing Orders relating to Meetings and Proceedings of the Council and Committees, Scheme of Administration, Scheme of Delegation to Officers, Guidelines on Member / Officer Relations, Standing Orders for Contracts, Financial Regulations and Codes of Financial Practice 2025.

North Ayrshire Council Unaudited Annual Accounts for 2024/25 were approved at Council in June 2025 and the Audited Accounts approved in September 2025 through the Audit and Scrutiny Committee.

Following Cabinet approval of an interim governance structure to develop a long-term town plan, North Ayrshire Council approved elected member representation to the Irvine Town Board. The Board will oversee development of a planned £20million investment for the area.

The Council's Housing Service completed an independent review of a number of key Annual Return on the Charter indicators, which are reported to the Scottish Housing Regulator. This resulted in further improvements in our approach to data collation, analysis and reporting.

The HSCP formed a Finance Working Group to address the current financial pressures and develop financial recovery plans and savings.

The Council's Best Value Section 102 report was carried out by Audit Scotland with the results presented to Council in December 2025. The report noted that the findings were extremely positive highlighting a culture of continuous improvement, a proactive approach to addressing inequalities and an exemplar in how to do transformation well.

The Best Value thematic review for Transformation was carried out by Audit Scotland with the findings presented to the Audit and Scrutiny Committee in May 2025.

The Medium-Term Financial Outlook covering the period 2025/26 to 2027/28 was presented to Council in October 2024. This also included the launch of an extensive Budget engagement and Consultation process across North Ayrshire communities. The feedback from which was presented to Council in February 2025 in advance of the Budget. The process resulted in several Petitions submitted from communities which were considered by the Council's Cabinet and Audit and Scrutiny Committee.

The Council's General Services Revenue Estimates covering the period 2026/27 to 2028/29 (the Budget) were approved on 25 February 2026.

Approval by the Audit and Scrutiny Committee of the Code of Corporate Governance statement for 2025/26. This set out details of how North Ayrshire Council complies with the Delivery of Good Governance in local Government; Framework. Approval of the 2026/27 Code of Corporate Governance took place in March 2026 at the Audit & Scrutiny Committee.

Review of the Council's main strategic risks delivered through the Council's Cabinet and Audit and Scrutiny committees.

In February 2026, the Council approved a shared Economic Development Service model in partnership with East Ayrshire Council. This revised service delivery model will go live in June 2026, supported by the establishment of a Project Board to oversee the governance and implementation of the service.

Planned Actions for 2026/27

The Council has a number of planned actions for 2026/27 which will help to further strengthen the governance framework:

- Further support to the HSCP in addressing the financial pressures faced and ensuring appropriate reporting and governance arrangements are in place throughout the year. Progress will initially be driven through the work of the Finance Working Group.
- Following the development and approval of a Council Artificial Intelligence policy, further evaluation of the effectiveness of the Council's Artificial Intelligence pilot programmes.
- Continuation of close monitoring of the Council's Absence management performance and governed through the Council's Executive Leadership team. This remains an area of focus for the Council.
- Continued support for the governance of the Irvine Town Board and Ayrshire Growth Deal programme as they continue to progress investment plans.
- Further support and progress for the Pride In Place programme for the Three Towns covering Stevenson, Saltcoats and Ardrossan.
- Progress delivery of the Council's Transformation programme across various project workstreams including regional collaboration programmes across Ayrshire. This will be underpinned by appropriate governance arrangements.
- Development of the Council's Medium-Term Financial Plan for the period 2027/28 to 2029/30 including a robust community and elected member engagement programme.

Assurance

Subject to the above, and based on the assurances provided, we consider the governance and internal control environment operating during 2025/26 to provide reasonable and objective assurance that any significant risks impacting on the achievement of our actions will be identified and actions taken to avoid or mitigate their impact. Systems are in place to continually review and improve the governance and internal control environment and action plans are in place to address identified areas for improvement.

Craig Hatton
Chief Executive
May 2026

Tony Gurney
Leader of the Council
May 2026

NORTH AYRSHIRE COUNCIL

4 June 2026

Audit & Scrutiny Committee

Title:	Strategic Risk Register 2026/27
Purpose:	To inform the Committee of the Council's agreed Strategic Risk Register for 2026/27.
Recommendation:	That Committee notes the Strategic Risk Register for 2026/27.

1. Executive Summary

- 1.1 The Strategic Risk Register has been reviewed and updated for 2026/27.
- 1.2 It is recommended that the eight previous risks remain on the Strategic Risk Register (SRR) at their existing risk scores.

2. Background

- 2.1 North Ayrshire Council is committed to ensuring that it is proactive in identifying and managing the risks impacting on the authority. The Council recognises that a certain amount of risk is inevitable if the organisation is to achieve its objectives.
- 2.2 The aim of risk management is to reduce the likelihood and/or impact of risk by identifying and controlling risks to the Council. If risk is to be managed appropriately, and Services are aware of these risks, risk management can contribute positively towards the organisation's decision-making processes, making the Council more innovative and effective in its approach to service delivery.
- 2.3 The most significant risks are identified through the Council's Strategic Risk Register, recognising the challenges facing the Council and demonstrating the arrangements in place to manage these risks.
- 2.4 The Strategic Risk Register has been reviewed and updated for 2026/27 and is attached at Appendix 1 to this report. For each of the risks detailed within the register a number of components are identified:
 - Risk proximity factors;
 - Risk score;
 - Potential effect on the Council's priorities;
 - Internal controls currently in place;

- Assessment of controls; and
- Additional actions identified

2.5 To assist in the assessment of each risk, the Council's agreed risk matrix was used to ensure consistency. This is used to assess the likelihood of occurrence (on a scale from 1 to 5) and the significance of the impact of the risk should it occur (on a scale from 1 to 5). The risk score is the product of likelihood multiplied by impact. Only those risks rated as high or very high (10 or above) will feature on the Strategic Risk Register to ensure a focus on managing the most significant risks.

2.6 All eight risks remain on the Strategic Risk Register at their existing risk scores.

2.7 Very High Risks

- **Financial Sustainability** – this risk reflects the ongoing and increasing financial challenge faced by the Council year on year (risk score 20).
- **Financial Sustainability of the Health and Social Care Partnership** – this reflects the significant ongoing financial challenges faced by the Partnership and the risk these present to the Council (risk score 25).
- **Inequalities** – this highlights the socio-economic inequalities faced in North Ayrshire (risk score 20).
- **Community Capacity Building and Empowerment** – this highlights the challenges associated with the community empowerment act (risk score 20).
- **Property Asset Risk** – This reflects the impact of long-term restricted budgets on the Councils ability to maintain these to a good standard (risk score 20).

High Risks

- **Cyber Security** – this reflects the ongoing risk from external cyber-attack which is being faced by all organisations (risk score 16).
- **Transformation** – this reflects the wider risks associated with delivering the current Transformation Programme and developing a pipeline of future initiatives (risk score 12).
- **Climate Change** – this risk has been on the Strategic Risk Register following the declaration by the Council of a Climate Change Emergency during 2019 (risk score 16).

2.8 Council services have identified high level strategic actions within their planning for 2026/27 to help the Council mitigate against its strategic risks. These actions are detailed in summary format in the Risk Management Action Plans following each Risk within Appendix 1. These actions will assist with performance monitoring and reporting on the strategic risks.

2.9 The Council's Internal Audit Plan 2026/27 was considered by the Audit and Scrutiny Committee on 12 March 2026 and is risk-based with clear links in place between the audit plan and key risks the Council faces.

Longer-term risks & Horizon Scanning

2.10 The Strategic Risk Register identifies the most significant risks which the Council faces at the present time.

2.11 The Corporate Risk Management Group identifies any new relevant risks through internal reviews and external horizon scanning utilising a number of sources.

3. Proposals

3.1 Committee is requested to note the Strategic Risk Register for 2026/27

4. Implications/Socio-economic Duty

Financial

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

Human Resources

4.2 None.

Legal

4.3 None.

Equality/Socio-economic

4.4 The risk to the Council is that North Ayrshire residents, and in particular certain groups, will experience increasing levels of poverty and its effects. Current control measures fall into two categories - measures to address the root causes of socio-economic inequalities - income through employment or benefits – and mitigation measures to minimise the impacts of poverty.

Climate Change and Carbon

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

Key Priorities

4.6 A successful risk management framework helps to underpin the delivery of the Council's strategic priorities in Our Council Plan 2023-2028.

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 The Strategic Risk Register has been reviewed in consultation the Corporate Risk Management Group and relevant Chief Officers.


Mark Boyd
Head of Service (Finance)





For further information please contact **Alex Fitzharris, Team Manager (Risk)**, on **01294324515**.

Background Papers

None.

Appendix 1 - Strategic Risk Report - 2026-27

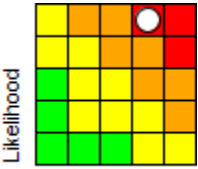
Risk Code	SRR2627_R01		Risk Title	Financial Sustainability		Latest Update	11-Feb-2026	
Risk Owner	Mark Boyd							
Risk Proximity Factors	Consequences / Impact		Existing Risk Control Measures			Likelihood	Impact	
<p>The risk is that the level of funding from Scottish Government to local government falls significantly below the level required to operate services effectively. This will require the Council to take increasingly difficult and challenging decisions. The revised 2026/27 local government settlement represents an increase in core funding of £4.961m compared to last year. This is against a backdrop of significant inflationary cost increases and risks, including the financial projections associated with the HSCP and the risks this presents to the Council. The remaining Budget gap for the Council in 26/27 following the settlement is £11m. This will be addressed as part of the Budget setting on 25 February 2026.</p> <p>The North Ayrshire position is further affected by a reducing overall population demographic and growing elderly population. This will further impact the Council's share of funding across the short, medium and long term.</p> <p>Scottish Government funding to support the Council's capital programme has also not kept pace with rising costs. Set against high inflationary driven construction costs there is a risk that the 10-year capital programme will be unaffordable. This could require projects to be reduced in scale or even ceased.</p>	<p>Funding not keeping pace with demand and inflationary cost pressures means that there will be a reduction in some service areas potentially resulting in higher risks for service users. The future delivery of balanced budgets will become increasingly challenging. The capital programme could also be significantly impacted, leading to reduced levels of capital investment.</p>		<p>Robust monitoring of the Council's revenue and capital budgets is in place as well as regular reporting of financial performance of the IJB to Cabinet and Audit and Scrutiny.</p> <p>To assist financial planning The Medium and Long-Term Financial Outlook (LTFO) to 2033/34 was approved at Council on 13 December 2023 – this is the cornerstone of the Council's financial planning in the medium to long term.</p> <p>The annual budget process for the General Fund revenue and Capital Programmes and financial performance monitoring process will continue to provide the framework from which control measures will continue in addressing the financial position. This is likely to result in more of a shift in financial resources to the HSCP and a potentially significant level of Council tax increase for 26/27.</p> <p>Delivery of the Council's Change Programme is also vital in addressing the Budget challenges and this is being progressed by the Council's Transformation Board, which is chaired by the Chief Executive.</p> <p>The Council will continue to address the financial challenges through a package of measures, including use of reserves, use of statutory powers, savings from the Change programme, sharing services and regional collaboration, the identification of savings, potential cuts to services and the setting of Council tax.</p>			4	5	
Status	Risk Score	Heat Map					Change in Score	Approach
Stable	20						No change	Treat


Strategic Risk Action Plan				Date Updated	11-Feb-2026
Analysis of Effectiveness of Controls	Further Action Required	Target Date for Completion	Officers Responsible	Current Status: RAG	
Regular financial monitoring of Revenue and Capital Budgets.	11 February 2026: Trending towards underspend position in 25/26, however, this is within the context of a projected overspend position with the HSCP, therefore, additional financial contribution will likely be required in 25/26.	31-Mar-2026	Mark Boyd		
Maintain Financial Governance Arrangements for IJB.	11 February 2026: Governance arrangements remain in place across the IJB and Council, however, current financial projections will require reductions to services. This continues to be progressed via the Finance Working Group.	31-Mar-2026	Mark Boyd		
Progress dialogue via COSLA with Scottish Government on a range of areas including fair funding, multi-year settlements, reduction in levels of ring-fenced resources, true costs of SG policy areas, financial flexibilities and a New Deal partnership with SG and local government.	11 February 2026: The recent budget settlement has seen a reduction in the number of conditions and restrictions to funding, however, the main challenge simply relates to the quantum of funding and especially the lack of additional funding to address the pressures in social care.	31-Mar-2026	Mark Boyd		
Develop the 2026/27 to 2028/29 revenue budget (medium-term financial strategy) and capital programme taking account of all pressures and savings via Directorates and Transformation programme.	11 February 2026: The 2026/27 Budget is due to be presented to Council on the 25 February 2026.	26-Feb-2026	Mark Boyd		

Risk Code	SRR2627_R02	Risk Title	Inequalities		Latest Update	27-Jan-26
Risk Owner	Caroline Cameron; Sam Anson; David Hammond					
Risk Proximity Factors	Consequences / Impact	Existing Risk Control Measures	Likelihood	Impact		
<p>North Ayrshire residents, and in particular certain excluded groups, will experience increasing levels of poverty and its effects, as a result both economic situation and further public sector funding challenges.</p> <p>Health inequality is closely linked to poverty, employment and people's earliest experiences as children, and will increase.</p> <p>The population of North Ayrshire is projected to fall over the next 10 years but there will also be a larger proportion of the population considered dependent (not economically active).</p>	<p>The impact on specific risk groups is greatest for our children, young people and families, unemployed people and those in- work poverty and people exposed to the risks of drug and alcohol addiction.</p> <p>Demand for HSCP and Council Services will increase.</p> <p>As reductions in resources increase, early intervention and prevention activities are at risk, thus increasing the potential for an increase in costly crisis interventions.</p> <p>The local economy will be impacted by reduced spending power by economically inactive residents.</p>	<p>The Collaboration for Health Equity in Scotland (CHES) is an innovative two-year partnership between Public Health Scotland, the Institute for Health Equity and to improve healthy life expectancy and reduce health inequalities. The CHES programme was officially launched in Saltcoats Townhall in February 2025. This work has resulted in establishing three workstreams which will provide an enhanced focus on the marmot principles below in identified geographic areas:</p> <p>Marmot principle 1 – Give every child the best start in life (Irvine Fullarton / Castlepark / Bourtreehill) Marmot principle 3 – Fair employment and good work (Three Towns, Saltcoats Central / Ardrossan Central / Stevenston Hayocks) Marmot principle 6 – Strengthen the role of ill health prevention (Garnock Valley)</p> <p>The aims of CHES are to answer two fundamental questions: 1) What are the most impactful areas for intervention in Scotland to make meaningful progress in closing inequities in healthy life expectancy, and 2) how can national and local organisations work more effectively to close the gap between policy intent and impact in these areas?</p> <p>One of the key priorities in the HSCPs current strategic plan is 'Tackling Inequalities', and over the previous year has continued to deliver actions aimed at reducing inequalities. For example, our social work teams continue to host events during the year at critical times, such as back to school and Christmas, to get children supplies they need and participation in social events.</p> <p>The Money Smart service continues to offer advice and support for financial inclusion, with self-referrals to the Welfare Reform Advice team doubling between 2023 and 2024. A new financial advice strategy has been developed this year and once published will outline plans for further support to offer the community. The team is also engaged in a two-year initiative to implement Welfare Rights services within eleven GP practices throughout North Ayrshire. Since the project's inception, three Income Advisers have secured nearly £4 million in benefits for local patients and residents.</p> <p>The Justice Service Unpaid Work Teams Employability Mentors work with people with convictions that may face stigma or inequality associated with declaring a criminal record, or an unwillingness by some employers to provide those with criminal convictions with job opportunities. The mentors assist service users involved with the Justice system to obtain skills that will enable them to gain employment and training opportunities to support reintegration into the community.</p> <p>The HSCP is currently revising its Strategic Plan where it aims to move towards focusing on health improvement and long-term planning to meet the changing needs of the population within more efficient systems.</p> <p>It outlines 3 Strategic Priorities that aim do address some of the causes of poor health and respond to the inequalities within the population: 1. Supporting the Improvement of Population Health 2. Addressing the Changing Needs of an Ageing Population 3. Tackling the Root Causes of Health and Care Inequality</p> <p>Over the 3-year period following approval of the new approach, the HSCP aims to research and identify whether any changes to service delivery could lead to improved health and care outcomes.</p>	5	4		

		<p>The HSCP also developed new Equality Outcomes in 2025, which aims to reduce inequalities when accessing health and care services for protected characteristics. A set of aims have been developed which include improving support for carers with additional barriers, such as ageing carers or those with disabilities, and improving accessibility for those with cultural or language barriers.</p> <p>Investment in early intervention teams and approaches in Children’s Services to support vulnerable families, including in Child Protection and Whole Family Support. The Council considers reducing inequalities to be at the heart of its work.</p> <p>The Communities & Housing Directorate leads the Community Planning Partnership for the Council, and the CPP’s Local Outcomes Improvement Plan has a central purpose of reducing inequalities. Locality Planning priorities and Community Investment Fund funded initiatives are also focused on a range of inequalities, including poverty, age-related inequalities and digital inequalities. Recent CIF-funded projects have focused on employability, addictions and community food. A recent review of locality planning has refocused activity on addressing inequalities. Communities staff support a range of community led projects which address poverty within their areas, such as the organisations who are part of the NA Fairer Food Network.</p> <p>Sam Anson, Executive Director (Education) and David Hammond, Executive Director (Communities & Housing) led the work of the Child Poverty and Cost of Living Board, chaired by the Council Leader. This work has now been mainstreamed by the Community Planning Partnership (CPP) to ensure greater partner visibility and impact. The work of the Partnership’s Wellbeing Alliance is also increasingly focused on the impact of child poverty and how this can be mitigated.</p> <p>Work to address child poverty and the Cost-of-Living crisis includes a range of employability initiatives to support parents and people with disabilities, each of whom are Scottish Government priority groups. Progress has been made with partners to undertake a review of the Child Poverty & Cost of Living approach, with recommendations being finalised for consideration by the Board. This is supported by the data and Single Shared Assessment projects being developed by the Transformation team, to provide holistic support for residents who need it most.</p> <p>The Child Poverty Early Intervention Fund is being used to address gaps in current planning and provision. Previous funding decisions were made as a consequence of the mini-enquiries to support employability and travel, childcare developments and support for care experienced young people and families. Further allocations are currently being developed and have been approved by the CPP Senior Officers Group.</p> <p>Through the Scottish Government’s Fairer Futures Partnership we have established a Child Poverty Strategy Team, who came into post in January 2025. This team are providing a key oversight role in collectively delivering holistic support, alongside the transition to a wellbeing economy, in reducing child poverty rates in North Ayrshire.</p> <p>The Scottish Government has provided a third year of funding to address inequalities on the islands. This has been used to fund energy support, welfare advice and support, third sector interventions and school activities.</p> <p>The commitment to reducing inequalities is also reflected in the following plans:</p> <ul style="list-style-type: none"> • The Educational Service Improvement Plan • Connected Communities strategic plans and • Facilities Management plans. <p>Examples of actions to reduce inequalities:</p> <ul style="list-style-type: none"> • Deployment of Scottish Attainment Challenge funding to reduce the poverty related attainment 		
--	--	---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--	--

		<p>gap in schools</p> <ul style="list-style-type: none"> • Use of the Pupil Equity Fund to ensure equity of pupil experience in schools, at the discretion of head teachers • Cost of the School Day actions to reduce, for example, the cost of school uniforms and clothing, food and outings • Support for care experienced young people, both in schools and through youth services • Additional national and local investment in Active Schools to focus on inequalities and equity • The mainstreaming of community buildings as warm spaces and events to mitigate energy use and social isolation • Work to support “New Scots,” in schools, with families and in community settings through language support and capacity building, including women’s groups • LGBT support groups for young people and those over 18 • Mentoring support for young people in secondary schools through a partnership with MCR Pathways. <p>Work is in hand with The Third Sector Chief Officers Group has co-designed and is co-delivering a collaborative change project which has been funded from the Child Poverty & Early Intervention Fund on three priorities relating to child poverty, namely childcare, support in employability and financial inclusion.</p> <p>In addition to the above, the HSCP re-affirmed its commitment to tackling Inequalities by continuing to consider it a key priority with the Partnership’s Strategic Plan.</p> <p>Through the HSCP strategic plan, the Partnership sets out actions to tackle inequality through its Partnership Pledge and across its strategic priorities. Tackling inequalities is addressed across HSCP service areas. An example of actions to help address local inequalities include:</p> <p>Establishing the Money Matters service in 9 GP practices and 7 local schools in the more deprived areas of North Ayrshire. This will improve accessibility of the service to those who would benefit most. Building on this approach through the launch of the Financial Inclusion Partnership bringing a range of key partners and stakeholders together to improve access and support for the most vulnerable NA residents.</p> <p>Increase the number of employability mentors in Justice Services, to support those with experience of the justice service into meaningful employment or training opportunities and to help divert away from criminal behaviours.</p> <p>Working closely with Housing colleagues to support transitions from care and ensuring care experienced young people can access a positive and stable housing destination.</p> <p>In our Drug and Alcohol Services, we are implementing actions to reduce the number of local drug and alcohol related harms and deaths. This includes implementing the national MAT (Medicated Assisted Treatment) standards and increasing the number of ABIs (Alcohol Brief Interventions) delivered across North Ayrshire.</p> <p>Through the Caring for Ayrshire programme, we have set out a phased approach to improve local primary care premises (GP Practices and Health Centres). This will improve overall professional capacity within GP practices for Multi-Disciplinary Teams, ensuring the right support is available for local people with health concerns.</p> <p>Investment in early intervention teams and approaches in Children’s Services to support vulnerable families, including in Child Protection and Whole Family Support.</p> <p>A range of strategies are in place to ensure our strategies and investment are informed by as wide a range of views as possible. The recent incorporation of the UNCRC has ensured that children and young people’s right to participate is upheld by all services.</p>		
--	--	------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--	--





Status	Risk Score	Heat Map			Change in Score	Approach
Stable	20		Heat Map		No Change	Treat

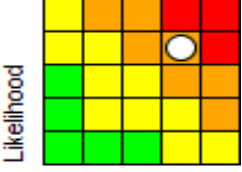
Strategic Risk Action Plan				Date Updated	27-Jan-26
Analysis of Effectiveness of Controls	Further Action Required	Target Date for Completion	Officers Responsible	Current Status: RAG	
<p>Global and national conditions which affect the cost-of-living and poverty continue to exacerbate local challenges. Despite that substantial work continues to attempt to mitigate inequalities, child poverty data continues to show an increase.</p>	<p>26 February 2026:</p> <p>The CPP Board continues to focus its strategic activity on CPCOL and the reduction of inequalities. Locality planning has a renewed focus on inequalities within areas and driving forward change at locality level including through current work to develop Locality Profiles and forthcoming strengthening of Locality Networks and public, third and private sector collaboration to tackle inequalities.</p> <p>As part of the budget setting process for 2026/27, an additional £276k allocation was made to address Child Poverty which will provide further project capacity linked to CHES, the Fairer Futures Partnership, Whole Family Support pilot and other initiatives.</p> <p>A new, cross-service 'Children & Families Plan' is being developed which will include within it our strategic approach to addressing child poverty over the period 2026-2029. That Plan is due to be presented to Cabinet in June and will detail priorities and next steps.</p> <p>The Third Sector Chief Officers Group have commenced implementation of the 'Money Max' project, offering additional resourcing capacity to provide wraparound support to the most vulnerable families as a prevention and early intervention test of change.</p> <p>We are working on the delivery of the action plan around childcare which is associated with child poverty work.</p> <p>We continue to work to build and support capacity in community and voluntary organisations which mitigate the impacts of poverty.</p> <p>Work has begun on the new Active Communities strategy which will have a focus on reducing health inequalities through supporting activity across North Ayrshire.</p> <p>The Wellbeing Alliance has refined its approach to focus on the impacts of child poverty over the next three years and will deliver a range of targeted projects.</p> <p>Continued support for the Fairer Food Network, including the allocation of additional £100k funding from the CPEIF, ensures continued access to dignified food provision.</p> <p>We are working in collaboration with the Island Plan Delivery Groups to ensure effective spend of funding to address island related inequalities.</p> <p>Access to support and information around other interventions is</p>	<p>*Ongoing*</p>	<p>David Hammond/Sam Anson/Caroline Cameron</p>		

	made available through the library service.			
--	---------------------------------------------	--	--	--

Risk Code	SRR2627_R03	Risk Title	Financial Sustainability of the Health and Social Care Partnership	Latest Update	22-Jan-26
Risk Owner	Caroline Cameron				
Risk Proximity Factors	Consequences / Impact	Existing Risk Control Measures	Likelihood	Impact	
<p>Resources have not kept pace with the demand for and cost of social care services. Financial modelling suggests significant ongoing challenges across the medium-term with 2026/27 being particularly challenging as the superannuation increase will cost £7.2m and this is prior to considering other pressures which takes the total pressures to £25m approx. There is no certainty around future funding against growing demand, increasing costs and demographic pressures, with one-year budget settlements remaining in place. The most recent Medium Term Financial Outlook identified that, based on the current assumptions made, there could be a budget gap across the period 2026-2029 ranging from £27.746m in the best case to £47.968m in the worst case if no new funding is provided.</p> <p>The 2026/27 Scottish Government budget settlement did not include any direct investment in social care. The level of 2026/27 funding will be subject to the agreement of the North Ayrshire Council budget. The ongoing work to review the Integration Scheme and to develop new risk-sharing arrangements between the Council and Health Board in relation to the acute set aside and primary care prescribing present a financial risk to the Partnership and Council.</p> <p>Unearmarked reserves are depleted, there is no scope to absorb in-year variances, with any overspends requiring additional funding from partners.</p> <p>The wider system financial challenges and impact across the whole system, for example the financial position of NHS AA and the decisions taken to reduce the Board's deficit may have impacts on other parts of the health and care system.</p> <p>The Partnership is projecting an overspend of £5m in 2025/26, reduced from £1.9m if the approved recovery plan is fully delivered.</p> <p>The financial position throughout 2025/26 and into 2026/27 remains challenging for the IJB.</p>	<p>Funding levels could result in savings being made that are not aligned with the strategic plan. This could impact on the future demand levels e.g. reduction in early intervention and prevention means that future demand is increased.</p> <p>This will include a review of the eligibility criteria for care as well as the provision of non-personal care and cost-capping.</p> <p>The in-year overspend position poses a financial risk to the Council and NHS Board as funding bodies.</p> <p>Funding levels increase the requirement to transform services at scale and pace.</p>	<p>The IJB actively monitors the financial position with regular detailed reporting. Directors of Finance of the Council and Health Board have oversight, and regular updates are provided to the Council's Cabinet. There is an integrated approach to managing the totality of NHS and Council resources delegated to the IJB. A three-year Medium-term Financial Outlook is updated on a rolling basis each year.</p> <p>Previous financial settlements have seen both partners meet the Scottish Government settlement conditions with any additional resources passed to the IJB.</p> <p>The Partnership has developed a new 3-year Transformation Plan 2024-2027 which was approved by the IJB in March 2024.</p> <p>Services will continue to work towards implementing the recovery plan to deliver cost reduction targets while carefully managing the level of risk. The management actions and governance framework agreed in 2024/25 will continue throughout 2025/26.</p> <p>Additional actions approved for 2025/26:</p> <ul style="list-style-type: none"> Recruitment delay – there will be a recruitment drag with vacancy scrutiny approved vacancies being held for four weeks before they are advertised to create more payroll turnover. This will be for all vacancies except clinical or registered services vacancies or those which will incur cover costs. High-cost care package group – the remit of this group will be expanded to include care packages for children with a disability and all UNPACs placement requests. Oversight group for looked after and accommodated children in residential care – this group meets fortnightly to actively review all placement. The following recovery actions were approved at the 11th December 2025 IJB: <ul style="list-style-type: none"> Care home placements – move to one admission for every two discharges as per PSMT approval on 20th November 2025. The care placements at CARG to be approved on the basis of risk and need rather than current care setting. These levels will be exceeded where the risk to adults remaining in the community is considered too great and the only alternative is in immediately accessing a care placement. This may impact on delayed discharges within our acute and community hospitals. Care at home – recruitment freeze to gradually reduce the overspend position. Again, this will impact on wait times and 	5	5	



			<p>service performance.</p> <ul style="list-style-type: none"> • All care packages (out with in house care at home and older people placements agreed via CARG) will be considered for approval by the high-cost care package group. <p>In preparation for the 2026/27 a six week budget engagement was undertaken with the public, staff, providers and community groups.</p> <p>Budget updates have also been provided regularly to the IJB Finance working group.</p>		
Status	Risk Score	Heat Map		Change in Score	Approach
Stable	25			No Change	Treat

Strategic Risk Action Plan				Date Updated	22-Jan-26
Analysis of Effectiveness of Controls	Further Action Required	Target Date for Completion	Officers Responsible	Current Status: RAG	
Budget Monitoring - Regular budget monitoring reports to IJB are effective.	22 January 2026: Regular budget monitoring updates to the IJB which include the projected outturn, recovery plan actions and the associated risks.	31-Mar-2027	Caroline Cameron		
Corrective Action – Transformation Board is effective	22 January 2026: The December 2025 Transformation Board approved an updated Terms of Reference and a refreshed Transformation Plan. This will see a reduction in the number of projects as a result of the following actions: <ul style="list-style-type: none"> • Condensing any workstreams into one singular project with defined benefits. • Closing or accelerating to completion any projects that are nearing their end and/or unlikely to deliver benefits. • Removing items from the Plan which are not projects, e.g. research, reviews, strategy updates. • Ensuring any remaining projects have clearly defined objectives and benefits and support the HSCP's financial plans. 	31-Mar-2027	Caroline Cameron		
Enhanced Financial Controls	22 January 2026: Regular budget monitoring updates to the IJB which include the projected outturn, recovery plan actions and the associated risk. Additional recovery plan actions were approved at the December 2025 IJB.	31-Mar-2027	Caroline Cameron		
National Influence/Escalation	22 January 2026: Continued representation at the Chief Officer and CFO networks, Participation in SG sessions to outline the local and national financial position of IJBs.	31-Mar-2027	Caroline Cameron		

Risk Code	SRR2627_R04		Risk Title	Cyber Security		Latest Update	21-Jan-26	
Risk Owner	Fiona Walker							
Risk Proximity Factors	Consequences / Impact		Existing Risk Control Measures			Likelihood	Impact	
<p>The potential compromise of business operations or a data breach orchestrated via either digital channels or the IT infrastructure. This can include targeting the user base. Risk derives from both Council operations and those of its supply chain.</p> <p>The increasing importance of delivering services through digital channels and maximising efficiency through effective and secure use of technology. This includes a growing adoption of cloud-based computing resources which extend processing capabilities, and associated risks, beyond the Council's network.</p> <p>Hybrid remote and mobile working is now the normal working practice for over 3,000 staff. Such a distributed work force increases the complexity of protecting against cyber and data protection risks.</p>	<p>Failure by Services to adopt and comply with strategies, policies and procedures may result in a failure to adequately ensure the desired levels of cyber-security required to maintain and protect council systems and data.</p> <p>There may be a significant impact on the authority through the release of personal and/or sensitive information resulting in a loss of public confidence and significant financial loss incurred through fines and service disruption.</p> <p>A successful cyber-attack (malicious external or internal action) on the Council's IT environments could also result in significant service disruption, loss of income streams and possible data loss/exposure. Impacts of a cyber-attack could include economic (i.e. inability to collect online payments), societal disruption (i.e. loss of diaries and client appointments), and reputational damage (i.e. loss of public confidence in digital services).</p>		<p>It is recognised that it is not possible for any organisation to expect to be completely protected against continually evolving cyber threats. A threat actor with sufficient motivation, resource and capability will be able to compromise the most secure system.</p> <p>The Council takes a sociotechnical approach to reducing risk by continually developing protective measures through technical, Organisational and people-focused controls.</p> <p>Technical controls are implemented in areas such as network defences, secure configuration of systems, user authentication, malware protection, and vulnerability management. These are based on best practice and independently tested on an annual basis to confirm their effectiveness in accordance with compliance schemes.</p> <p>The Council employ a fully managed Security Operations Centre (SOC) service which provides advanced monitoring, detection and response capabilities on 24/7, 365 days a year basis.</p> <p>The Council maintains a comprehensive set of policies, standards, guidelines, metrics and reporting mechanisms as part of its information security governance structure. A comprehensive training and awareness programme is delivered to nurture a cyber- aware workforce and culture.</p> <p>Recent high profile cyber incidents affecting both the UK retail and public sectors demonstrate a continued increase in the sophistication and severity of cybercrime. However, the bolstering of the Council's Cyber Security programme through additional resource, technology and improved processes alongside wider efforts in improving the Council's resilience mean that the overall risk severity score remains stable. The cyber security landscape continues to evolve rapidly, and this position will be routinely monitored and reviewed.</p>			4	4	
Status	Risk Score	Heat Map					Change in Score	Approach
Stable	16						No change	Treat

Strategic Risk Action Plan				Date Updated	21-Jan-26
Analysis of Effectiveness of Controls	Further Action Required	Target Date for Completion	Officers Responsible	Current Status: RAG	
<p>Incident Detection and Response – Recent cyber-attacks on public sector organisations highlight the need for robust incident detection and response procedures and technologies. The current response procedures been shown to be effective based on incidents experienced so far, however detection capabilities will need to be reviewed and improved.</p>	<p>21 January 2026: The Council’s Managed Security Operations Centre (SOC) has now fully transitioned into business-as-usual operation. Detection, response and escalation routines are well established, and telemetry sources have been optimised to ensure comprehensive visibility across our estate. The Cyber Security Team will continue to work in partnership with the SOC provider to mature capabilities through an ongoing programme of tuning, refinement and continuous improvement. This will ensure detection and response remain effective as the threat landscape evolves.</p>	<p>31-Mar-2025 – achieved. Ongoing</p>	Fiona Walker	●	
<p>Training and Awareness</p>	<p>21 January 2026: The most recent phishing simulation exercise shows a continued downward trend in user interactions, reflecting the impact of recent awareness raising efforts, including the revamped mandatory Cyber Security iLearn course.</p> <p>A key focus has been improving reporting behaviours, enhanced messaging and new reporting mechanisms have resulted in a significant increase in staff reporting suspicious emails and activity. Early reporting aids prompt intervention which is vital in limiting the impact of potential cyber incidents.</p> <p>Efforts continue to extend cyber security engagement to the Education service. The Cyber Security Team hosted a table at a recent Great Place to Work event which took place in a secondary school and was visited by over 400 staff, and additional communications and initiatives are being tailored for school based staff. This remains a priority given recent cyber incident affecting the Education estates of other Scottish local authorities.</p>	<p>Ongoing</p>	Fiona Walker	●	

Risk Code	SRR2627_R05	Risk Title	Transformation	Latest Update	05-Feb-26
Risk Owner	Mark Boyd				
Risk Proximity Factors	Consequences / Impact	Existing Risk Control Measures		Likelihood	Impact
There is a risk that transformation and change activities, which are core to the future delivery models and long-term financial sustainability of both the Council and Health and Social Care Partnership, fail to deliver at the level of scale and pace required.	<p>Failure to deliver transformational change will impact on the Council's financial sustainability, effectiveness of service delivery and delivery of the outcomes set out in the Council Plan 2023-28 and the Local Outcome Improvement Plan (LOIP).</p> <p>Failure to deliver the HSCP Transformation programmes across the Partnership, involving North Ayrshire Council (NAC) and NHS Ayrshire & Arran (NHSAA) services may lead to the identified outcomes not being delivered; resulting in financial instability, reduced performance, deteriorating patient outcomes, and reputational damage within North Ayrshire Health and Social Care Partnership (NAHSCP).</p> <p>Failure to embed cultural transformation activities may lead to difficulties in building future workforce capacity and in ensuring we have an engaged, skilled and knowledgeable workforce to meet service demand.</p>	<p>The transformation programme aligns to the Council Plan and is monitored via the Transformation Board. The Board is chaired by the Chief Executive.</p> <p>Workstreams have been developed across Transport and Travel, Digital, Land and Property assets, Sustainability, Financial Inclusion as well as ongoing reviews across Waste Services, ELC, Learning Resources and Housing.</p> <p>HSCP have an established Transformation Board to closely monitor progress with plans, regular updates on programme to the IJB and regular meetings with the Chief Executive and S95 Officer to review progress and mitigation plans. Cultural transformation activities continue to evolve to support the Council's transformation and improve effectiveness and capability. This includes sharing learning and skills, engagement, design experiments and a whole systems approach to transformation and change.</p> <p>Our workforce planning approach utilises a variety of tools and techniques, such as career development, succession planning, vacancy management, redeployment and early release schemes to ensure our workforce requirements for the future, in terms of skills and capabilities, are planned. Each Head of Service has a workforce plan, and these are monitored six-monthly with continued HR support and guidance to ensure service review and redesign of the workforce is on track.</p>		3	4
Status	Risk Score	Heat Map		Change in Score	Approach
Stable	12			No Change	Treat

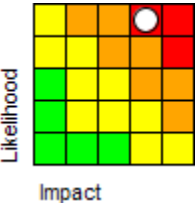
Strategic Risk Action Plan			Date Updated	05-Feb-26
Analysis of Effectiveness of Controls	Further Action Required	Target Date for Completion	Officers Responsible	Current Status: RAG
Existing project level governance and controls remain effective and are constantly reviewed.	11 February 2026: Governance arrangements remain robust and good progress continues across all workstreams. Programme will undergo further review following the 26/27 Budget.	Quarterly	Mark Boyd / Chief Executive and Executive Directors	
Review current governance arrangements and project delivery in view of land and property workstream to seek optimal delivery aligned to the council's net zero ambitions.	11 February 2026: Energisation achieved for the 2 solar farms for Nethermains and Shewalton. Council continues to make good progress in reducing energy consumption across the estate with robust monitoring arrangements in place.	31-March-2027	Mark Boyd / Chief Executive and Executive Directors	






Risk Code	SRR2627_R06	Risk Title	Climate Change	Latest Update	05-Feb-26
Risk Owner	Russell McCutcheon				
Risk Proximity Factors	Consequences / Impact	Existing Risk Control Measures		Likelihood	Impact
<p>Climate change is expected to continue and worsen in the future if no action is taken, with increases to mean global temperatures, sea level rises and the increasing frequency and severity of weather events such as floods, heatwaves, droughts and storms. More frequent and intense heavy rainfall events increase the risk of soil erosion and flooding.</p> <p>Rises in mean sea level increases risks of coastal erosion, flooding, saltwater intrusion and soil salinisation (risk to agricultural land and freshwater habitats).</p> <p>Severe weather is already affecting public services across Scotland, with operational, reputational, financial and legal consequences.</p> <p>There is also an ongoing impact of severe winter weather including snowfall and freezing temperatures which impact service delivery and the integrity of our roads open space and buildings infrastructure. This shift in weather patterns caused by climate change is also affecting biodiversity across Scotland.</p>	<p>Increased frequency of severe weather conditions and flooding events may lead to more instances of damage to Council infrastructure and property, interruptions to service delivery and increased demands on services, often with little notice.</p> <p>Risk to life, transport disruption and pollution to the local environment, as well as impact adversely on the local economy if businesses are unable to operate.</p> <p>Council requirement to provide immediate response and manage the adverse effects of more frequent and severe weather emergency situations, including support to local communities and businesses.</p> <p>The Council is required to comply with the 'Public Bodies Climate Change Duties' under the Climate Change (Scotland) Act 2009. These duties require the Council to assess the risks, threats and opportunities associated with climate change and identify actions to increase resilience to climate change.</p>	<p>North Ayrshire Council declared a Climate Emergency in June 2019, committing to act on climate change and reduce carbon emissions. In January 2020 the Council approved the target to become net-zero carbon by 2030, for both Council estate emissions and area-wide emissions.</p> <p>Following implementation of the Council's third Environmental Sustainability and Climate Change Strategy (2021-23), Cabinet approved the new Sustainable North Ayrshire Strategy (2024-27) in December 2023. This strategy provides a road map to achieve the net zero carbon emissions by 2030 target.</p> <p>There are 5 workstreams within the Sustainable North Ayrshire strategy, namely Energy, Nature, Transport, Waste and Adaptation. We continue to utilise Adaptation Scotland's Capability Framework to ensure North Ayrshire takes a strong, proactive approach to adapting to climate change. Officers are participating in the Sustainable Scotland Network's 'Adaptation Scotland Benchmarking Group' to learn and share best practice with other local authorities.</p> <p>Adaptation actions are identified within the Ayrshire Flood Risk Management Plan (2021), the Ayrshire Local Flood Risk Management Plan (2022), the Ayrshire Shoreline Management Plan and in the Adaptation Capability Framework. Flood studies are undertaken to help the Council identify areas that are at risk of flooding and to appraise options to reduce flood risk to communities and infrastructure.</p> <p>In addition, actions to mitigate Climate Change risk are held within strategies such as the Local Transport and Active Travel Strategy, Local Biodiversity Action Plan, Vacant and Derelict Land Strategy and Weather and Winter Emergencies Plan. Asset management plans are in place which are regularly reviewed for our Roads, Fleet, Housing, Property and Open Spaces.</p> <p>Furthermore, through the Ayrshire Civil Contingencies Team there are emergency planning arrangements in place in the event of severe weather and flooding conditions causing major disruption and damage to the area or to individual communities within it.</p>		4	4
Status	Risk Score	Heat Map		Change in Score	Approach
Stable	16			No change	Treat

Strategic Risk Action Plan				Date Updated	05-Feb-26
Analysis of Effectiveness of Controls	Further Action Required	Target Date for Completion	Officers Responsible	Current Status: RAG	
<p>Reducing Carbon Emissions: North Ayrshire Council declared a Climate Emergency in June 2019, committing to act on climate change and reduce carbon emissions. In January 2020 the Council approved the target to become net-zero carbon by 2030, for both Council estate emissions and area-wide emissions.</p> <p>The Council has taken action against climate change since our first Carbon Management Plan in 2006/07, by working to reduce emissions associated with Council services, and using the baseline year of 2005/06 from which to measure progress.</p> <p>Since the baseline year of 2005/06, Council estate emissions have reduced by 67%, from 63,334 tonnes of carbon dioxide equivalent (tCO₂e) to 20,745 tCO₂e. Area-wide emissions are published by BEIS. Current records show total emissions have reduced across North Ayrshire by 42.6%, from 1,454 kilo-tonnes of carbon dioxide (ktCO₂) in 2005 to 835 ktCO₂ in 2019.</p> <p>To ensure North Ayrshire Council can develop a leading, cross-sector and community led approach we established a Climate Change Steering Group (CCSG) in 2021. The CCSG is chaired by the Cabinet Member for Green Environment and Economy, and brings together young people, local businesses and community organisations from across North Ayrshire.</p> <p>Existing controls remain effective and are under review as our response to climate change develops and we progress towards achieving net zero by the 2030 target.</p>	<p>11 September 2025 Following delays in the testing and energisation of the Solar Farms, these will now be connected to the grid and generating clean electricity (and income to the Council) in the Autumn of 2025.</p> <p>A recent SALIX recycling funding application has secured £184k, to be match funded by the Council. This will assist us in our on-going work to decarbonise the estate.</p> <p>Reporting to ELT of energy use and site-by-site performance across the Council now takes place.</p> <p>A programme of 14 Electric Vehicle Charge point installation is underway. In addition, work continues in partnership with the Ayrshire Roads Alliance to deliver 307 charge points across Ayrshire. It is anticipated that a contractor will be appointed for this work in Q1 2026.</p>	31-Mar-2027	Russell McCutcheon	●	

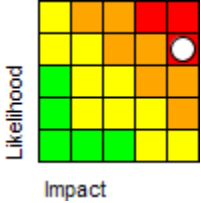
Strategic Risk Action Plan				Date Updated	05-Feb-26
Analysis of Effectiveness of Controls	Further Action Required	Target Date for Completion	Officers Responsible	Current Status: RAG	
<p>Flood Risk Management Plan: Cycle 2 of the Ayrshire Local Flood Risk Management Plan has been developed and was published on 31st December 2022. Studies and modelling will be undertaken to identify and prioritise vulnerable areas where financial damage and risk to life are most likely.</p> <p>There is an ongoing programme of monthly inspections of debris screens which have been installed to prevent vulnerable culverts from blocking and causing flooding. CCTV inspections of culverts are also undertaken to identify blockages and deterioration of assets that might cause flooding. This has been effective in reducing flooding, although there are capacity issues h that this process cannot address.</p> <p>The Upper Garnock Valley FPS has been completed and is currently providing flood protection.</p> <p>Ayrshire Shoreline Management Plan: The Ayrshire Shoreline Management Plan will be replaced with a Coastal Change Adaptation Plan. The adaptation plan will enable the Council and other stakeholders to effectively plan our future actions whilst allowing for flexibility in response to future changes. It will incorporate recent international and UK advances in adaptation and shoreline management planning to allow for local interpretation and involvement.</p>	<p>05 February 2026:</p> <ol style="list-style-type: none"> 1. The construction of the Millport Coastal Flood Protection Scheme is complete. The scheme performed well during Storm Éowyn and no significant reports of coastal flooding in Millport were received. 2. Millport Mill Burn Flood Protection Scheme has been awarded and began construction in Jan 2026, with anticipated completion by summer 2026. 3. The first stage of the Three Towns Flood Study was completed in February 2025 and the scope has been agreed for the second stage. 4. The scheduled clearance and repair work continues to be implemented to help reduce flood impacts to people and property. 5. Following completion of the coastal management studies for Stevenston & Irvine, progress is ongoing to develop local Coastal Change adaptation plans for the study areas. A site investigation is planned to confirm the presence of contaminated spoil and how exposed this material could be to future coastal erosion. 6. Following completion of the Upper Garnock Flood Protection Scheme and an update of the Lower River Irvine hydraulic model, a consultant has now updated the relevant parts of the Council's flood resilience plan, including measures at Cunninghame House and Marress House. 	30-Jun-2028	Thomas Reaney	●	

Risk Code	SRR2627_R07	Risk Title	Community Capacity Building and Empowerment		Latest Update	15-Jan-26
Risk Owner	Rhonda Leith					
Risk Proximity Factors	Consequences / Impact	Existing Risk Control Measures	Likelihood	Impact		
<p>Unrealistic timescales for progressing aspects of legislation of the Community Empowerment Act (Scotland) 2015, such as Community Asset Transfer.</p> <p>Potential changes to national legislation and unintended consequences that impact upon our local community structures and support.</p> <p>Pressure to support community capacity building and reduce council portfolio with reduced staff capability.</p> <p>Complying with the complex and resource intensive consultation legislation in service redesign e.g. . Equality Impact Assessments</p> <p>Duplication of effort across HSCP and Locality Partnerships to foster community participation and deliver engagement activities.</p> <p>Budget savings and pressure on property maintenance budgets.</p> <p>Cat fund: 200k was removed from the CAT Start up Fund as a budget pressure. Coupled with that, the additional demand placed on the fund for internal upgrading of NAC properties has had a big impact on the fund. The continuation of the post in TACT is critical to the work.</p>	<p>Failure to meet legal requirements such as deadlines. Accelerating asset transfer risks losing services and facilities and risks the ability to plan, connect and deliver strategic services. Where the risk is not managed effectively the potential benefits of community capacity building and empowerment may be lost. Widening inequality gap between those communities where levels of capacity and engagement with the empowerment agenda are high and those with less social capital where interest remains low, which constrains the ability to influence the planning and delivery service.</p> <p>Any disconnect between the Council's aspirations, community appetite for increasing ownership of assets and what communities themselves feel able and prepared to commit to can result in community assets reverting back to Council.</p> <p>Over-engagement carries disengagement and engagement fatigue. Resource reduction risks failure to meet legislative consultation protocols.</p> <p>Risks a disconnect in priorities and waste in resources by duplicating effort. Increased property costs can be a deterrent for organisations engaging and completing the CAT process. Furthermore, it can be a deterrent for expanding use of Community Facilities and impact income generation.</p> <p>Lack of budget to undertake proactive maintenance is resulting in NAC buildings falling into disrepair detracting organisations from progressing to lease and or ownership of NAC assets.</p> <p>Without the post and a small operational budget for legal costs etc the delivery of the CAT process will be left in a critical position.</p>	<p>A collaboration and shared resource approach across Connected Communities Teams will be taken to ensure the Service deliver on this priority. Careful monitoring of staffing capacity to ensure legislation is met. Standing item at Senior Manager Meetings to assess impact. Utilising national links to share our expertise.</p> <p>Ongoing commitment to community empowerment and locality partnerships from CPP. Enabling approach with community partners and support with third sector interface to build capacity and identify opportunities for growth and sustainability. External funding bid helps groups through regular meetings with third sector, funders and funding officers. Joint support for training with Scottish Community Development Centre. Standing item at Senior Manager Meetings to assess impact Utilising National links to share our expertise. Reviewed guidance and processes relating to community empowerment functions.</p> <p>Six locality partnerships and alignment with HSCP locality arrangements Leadership of the CPP Senior Officers' Group.</p> <p>External funding bid support for groups through regular meetings with third sector, funders and funding officer. Joint support for training with Scottish Community Development Centre.</p> <p>Continue collaborative meetings with PMI partners and escalate property issues/safety standards with PMI and H&S for mitigation measures to be put in place. Increased site visits to assess conditions and safety standards.</p> <p>Ring fenced CAT funding which will be utilised to target buildings earmarked for potential CAT. Further internal revenue investment focused on building condition.</p>	<p>5</p>	<p>4</p>		


Status	Risk Score	Heat Map		Change in Score	Approach
Stable	20			No change	Treat

Strategic Risk Action Plan				15-Jan-26
Analysis of Effectiveness of Controls	Further Action Required	Target Date for Completion	Officers Responsible	Current Status: RAG
Implementation of Community Empowerment Act: Existing controls remain effective and are kept under review.	15 January 2026: Continue to assess compliance and capacity to adhere to legislation and demands.	31-Mar-2027	Rhonda Leith	
Staff capacity: Existing controls remain effective however forthcoming reductions in CLD temp posts and reduction in library service capacity will prompt close monitoring of staff capacity.	15 January 2026: Capacity remains a concern. Ongoing monitoring taking place. Regular review at weekly SMT to assess levels and priorities.	31-Dec-2027	Rhonda Leith	
Duplication of effort: Capacity is a restriction to clearly defined roles and lean processes are reviewed and maintained to avoid duplication of effort and minimise time and resource wastage. The team foster open communication channels with both staff and key stakeholders.	15 January 2026: Consideration of admin functions remains a focus. Alignment of HSCP and wider engagement methods in development.	31-Dec-2027	Rhonda Leith	
Consultation: Existing controls remain effective and hybrid engagement models have been implemented and embedded to encourage and provide greater access to participation.	15 January 2026: Early planning for forthcoming consultation to ensure balanced approach meeting legislation and allocating resources. Joint training with Scottish Community Development Centre is being planned following the Connected Leadership programme on Communities and Local Democracy.	31-Mar-2027	Rhonda Leith	
Increased property costs and lack of investment in community assets.	15 January 2026: Strategic plan continues to be delivered with ELT oversight. Connected Communities and PMI staff meet regularly to prioritise work and assess any high-risk areas in terms of building condition and safety. External funding routes are being explored and maximised on an ongoing basis.	31-Mar 2027	Rhonda Leith	

Risk Code	SRR2627_R08	Risk Title	Property Asset Risk	Latest Update	26-Jan-26
Risk Owner	Russell McCutcheon				
Risk Proximity Factors	Consequences / Impact	Existing Risk Control Measures		Likelihood	Impact
<p>Restricted capital budgets are leading to a gradual decline in the condition of the Council's property assets, increasing long-term investment requirements.</p> <p>Nationally recognised building safety issues, including RAAC, alongside ageing heating and mechanical systems, have highlighted the growing burden of asset management.</p> <p>Several near-misses and critical failures have occurred, with limited ability to replace assets on a planned basis.</p> <p>Ongoing inflation and volatility in construction costs further constrain the Council's capacity to address competing priorities.</p>	<p>Maintenance failures are increasingly likely to disrupt service delivery and compromise health, safety, and statutory compliance.</p> <p>Significant property incidents requiring closures, decants, or major interventions are becoming more frequent and often coincide with severe weather events.</p>	<p>Property condition data is recorded within the Council's asset management system to inform lifecycle planning and prioritisation of limited investment across the estate. Reactive maintenance and statutory compliance are delivered corporately by PMI using appropriately trained staff.</p> <p>Property rationalisation is being progressed through the Transformation Programme to reduce estate size, financial burden, and carbon emissions. Risk-based property reviews are underway to assess impacts on service delivery, informing both investment and business continuity planning. This work is ongoing within the school estate and is being extended to other assets.</p> <p>Post-incident reviews are undertaken to capture lessons learned and implement actions where feasible. Business continuity planning, recognising the risks associated with potential building unavailability, is being strengthened.</p> <p>Following one such review where significant damage was sustained at Greenwood Campus, PMI has submitted a Pressure Bid to request funding for an annual roof maintenance program. If this budget is approved, it will support regular flat roof inspections on buildings that are both more vulnerable and of higher value, allowing for proactive maintenance to take place.</p> <p>A joint Sustainability/PMI working group coordinates this investment to maximise both condition and energy performance benefits.</p> <p>An additional £0.5M has been allocated to the Property Lifecycle Budget for 2025/26 to address condition-related concerns, with a further £0.5M designated for energy efficiency initiatives. This increased investment has contributed to addressing priority issues throughout the property estate.</p> <p>Due to the delayed construction schedule for Ardrossan Campus, there will be increased requirements to sustain operations and prolong the functionality of Ardrossan Academy and Winton Primary. Enhanced inspection protocols will be implemented to rigorously monitor the condition of both schools. Where necessary, investment will be pursued to address any urgent maintenance issues that may arise, ensuring the longevity of the facilities.</p>		4	5

Status	Risk Score	Heat Map		Change in Score	Approach
				No Change	Treat
Stable	20				

Strategic Risk Action Plan				Date Updated	26-Jan-26
Analysis of Effectiveness of Controls	Further Action Required	Target Date for Completion	Officers Responsible	Current Status: RAG	
CC&M team within PMI managing reactive maintenance and statutory compliance.	<p>Team resources stretched; however, restricted budgets are principal risk.</p> <p>26 January 2026: Recent vacancies and periods of staff absence have been addressed, and the team is now approaching full attendance.</p>	Ongoing	Russell McCutcheon	●	
Asset management team within PMI collecting asset condition information and leading prioritisation of lifecycle investment.	<p>Improved asset management system is being investigated; however, restricted budgets are principal risk.</p> <p>26 January 2026: Ongoing cyclical condition surveys are being conducted throughout the estate, with the collected data informing decisions about key investment needs.</p> <p>A decision is still pending regarding the Pressure Bid for putting a new IWMS asset management system in place.</p>	Ongoing	Russell McCutcheon	●	
Property rationalisation programme	<p>Locality based property review work currently underway to increase scale and pace of implementation.</p> <p>26 January 2026: PMI and connected Communities have completed two workstreams on property use, combining proposals for asset consolidation, colocation, and potential disposal into one document. This information was reviewed in a workshop with the Transformation Board. Proposals are now being prioritised, and action plans with timelines and governance milestones are being set.</p>	Ongoing	Russell McCutcheon	●	

<p>Risk based property review process</p>	<p>Requires up to date property information, including client information and cross service buy-in to be effective.</p> <p>26 January 2026: Regular meetings between PMI and key service area leads are held to quickly identify and address new challenges and risks.</p>	<p>Ongoing</p>	<p>Russell McCutcheon</p>	
-------------------------------------------	---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	----------------	-------------------------------	-------------------------------------------------------------------------------------

NORTH AYRSHIRE COUNCIL**4 June 2026****Audit and Scrutiny Committee**

Title: **Accounting Policies 2025/26****Purpose:** To seek the Audit and Scrutiny Committee's approval of the accounting policies which will be adopted in the preparation of the Council's annual accounts for the year to 31 March 2026.**Recommendation:** That the Audit and Scrutiny Committee approves the accounting policies as detailed in Appendix 1.

1. Executive Summary

- 1.1 The annual accounts for the 2025/26 financial year summarise the Council transactions during the year and its position at the year end of 31 March 2026. Under the Local Authority Accounts (Scotland) Regulations 2014, the Council is required to prepare an annual Statement of Accounts and Section 12 of the Local Government in Scotland Act 2003 requires that these accounts are prepared in accordance with the proper accounting practices.
- 1.2 These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2025/26 ("the Code"), supported by International Financial Reporting Standards (IFRS). These are issued jointly by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Local Authority (Scotland) Accounts Advisory Committee (LASAAC) and are designed to give a "true and fair view" of the financial performance of the Council.
- 1.3 The accounting policies to be adopted by North Ayrshire Council are reviewed on an annual basis in line with the CIPFA Code and submitted to the Audit and Scrutiny Committee for approval in advance of the financial statements being prepared.
- 1.4 The proposed accounting policies for 2025/26 have been updated to reflect changes in the guidance received from CIPFA during 2025/26.
- 1.5 The accounting policies have been updated for the adoption of indexation with effect from the year ended 31 March 2026.

2. Background

- 2.1 Accounting policies are defined in paragraph 3.3.2.1 of the Code as ‘the specific principles, bases, conventions, rules and practices applied by an authority in preparing and presenting financial statements’.
- 2.2 Councils are required to select accounting policies and apply changes to accounting policies in accordance with International Accounting Standard 8 - Accounting Policies.
- 2.3 The Council is required to adopt the accounting policies most appropriate to its particular circumstances for the purpose of giving a true and fair view. The accounting policies adopted should be reviewed regularly to ensure that they remain appropriate and consider the required treatment of any new policies relevant to the Council’s particular circumstances. Sufficient information should be disclosed in the financial statements to enable users to understand the accounting policies adopted and how they have been implemented.
- 2.4 The draft accounting policies proposed for adoption are detailed in Appendix 1 and include the following revisions identified during 2025/26:
- (i) Indexation addition – ‘North Ayrshire Council conducts rolling five-year valuations for their operational property assets, these valuations are conducted by our internal valuation team who are all members of the Royal Institute of Chartered Surveyors. In addition to these professional valuations, the 2025/26 Code brings in a requirement to apply annual indexation to these assets in the years between formal valuations, to ensure the value of an asset is kept materially up to date as an approximation of market changes. From 2025/26 annual indexation will be applied in each of the intervening years in accordance with the Code, using published indices identified by our internal valuers.’
 - (ii) Impairment addition – ‘For assets not formally valued in year, a wider review is completed to identify any changes which require a valuation. This review takes account of obsolescence, market conditions and changes in the specific physical condition of the asset.’
 - (iii) Intangible Assets deletion as option withdrawn in the 25/26 code - Amounts are not revalued, as the fair value of the assets held by the Council cannot be determined by reference to an active market’.

3. Proposals

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

4. Implications/Socio-economic Duty

Financial

- 4.1 None.

Human Resources

4.2 None.

Legal

4.3 None.

Equality/Socio-economic

4.4 None.

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 and focussing our investment on 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 The council's appointed external auditors for 2025/26, Audit Scotland, were consulted on the changes detailed in this report.

Mark Boyd
Head of Service (Finance)

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

Background Papers

None

Accounting Policies

General Principles

The Accounts summarise the Council's transactions for the 2025/26 financial year and its position at the year-end of 31 March 2026. The Council is required to prepare an annual Statement of Accounts by the Local Authority Accounts (Scotland) Regulations 2014 and Section 12 of the Local Government in Scotland Act 2003 requires that they are prepared in accordance with proper accounting practices.

These practices, under Section 21 of the 2003 Act, primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2025/26, supported by International Financial Reporting Standards (IFRS) and statutory guidance under Section 12 of the 2003 Act.

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

The accounts have been prepared on a going concern basis.

Accruals of Income and Expenditure

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

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

Allocation of Central Support Costs

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

Cash and Cash Equivalents

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

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

Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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

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

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

Charges to Revenue for Non-Current Assets

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

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

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

Employee Benefits

Benefits Payable during Employment

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

Termination Benefits

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

Post-Employment Benefits

The Council participates in two separate pension schemes:

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

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

The Local Government Pension Scheme

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

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

Assets and liabilities are discounted to their value at current prices, as advised by the actuaries, Hymans Robertson, using an appropriate discount rate.

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

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

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

Service Costs:

- Current service cost – the increase in liabilities as a result of service earned by employees this year. This is allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
- Past service cost (including curtailments) – the increase in liabilities as a result changes to the scheme, including amendments or curtailments, where the changes impact on the service earned by employees in previous years. These costs are charged to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.

- Net interest on the net defined benefit liability (asset), i.e. net interest expense for the Council – the change during the period in the net defined benefit liability or asset that arises from the passage of time. This is charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period – taking into account any changes in the net defined benefit liability or asset during the period as a result of contribution and benefit payments.

Remeasurements:

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

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

Discretionary Benefits

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

Events After the Reporting Period

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

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

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

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

Financial Instruments

Financial Liabilities

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

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

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

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

Financial Assets

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

- Amortised cost.
- Fair value through profit or loss.
- Fair value through other comprehensive income.

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

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised costs are recognised on the Balance Sheet when the Council becomes party to the contractual provisions of a financial asset and are initially measured at fair value and then carried at amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument.

For the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

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

Expected Credit Loss Model

Potential impairment losses on Financial Assets Measured at Amortised Cost are determined using the Expected Credit Loss Model. The Council recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month or lifetime basis. Only lifetime losses are recognised for trade receivables (debtors).

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

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

Government Grants and Contributions

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

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

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant have been satisfied.

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

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

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

Heritage Assets

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

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

Measurement

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

Disclosure

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

Intangible Assets

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

Interest in Companies and Other Entities

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

Internal Transactions

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

Inventories

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

Investment Properties

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

Leases

The Council adopted IFRS16 (Leases) with effect from 1 April 2024. The main impact of the requirements of IFRS16 is that, for arrangements previously accounted for as operating leases (i.e. without recognising the leased vehicles, plant, equipment, property and land as an asset, and future rents as a liability), a right-of-use asset and a lease liability are now included on the balance sheet from 1 April 2024.

As noted under Public Private Partnership, Non Profit Distributing and similar contracts, with effect from 1 April 2024 IFRS16 also applies to Service Concession Agreements and recognition of the resultant remeasurement of the lease liability.

The Council as Lessee

The Council classifies contracts as leases based on their substance. Contracts and parts of contracts, including those described as contracts for services, are analysed to determine whether they convey the right to control the use of an identified asset, through rights both to obtain substantially all the economic benefits or service potential from that asset and to direct its use. The scope of IFRS16 Leases has been expanded to include arrangements with nil consideration, peppercorn or nominal payments.

Initial measurement

Leases are recognised as right-of-use assets with a corresponding liability at the date from which the leased asset is available for use (or from 1 April 2024, if later). The leases are typically for fixed periods in excess of one year but may have extension options. The Council initially recognises lease liabilities measured at the present value of lease payments, discounting by applying the Council's incremental borrowing rate wherever the interest rate implicit in the lease cannot be determined.

Lease payments included in the measurement of the lease liability include:

- Fixed payments, including in-substance fixed payments.
- Variable lease payments that depend on an index or rate, initially measured using the prevailing index or rate as at the adoption date.
- Amounts expected to be payable under a residual value guarantee.
- The exercise price under a purchase option that the Council is reasonably certain to exercise.
- Lease payments in an optional renewal period if the Council is reasonably certain to exercise an extension option.
- penalties for early termination of a lease, unless the Council is reasonably certain not to terminate early.

The right-of-use asset is measured at the amount of the lease liability, adjusted for any prepayments made, plus any direct costs incurred to dismantle and remove the underlying asset or restore the underlying asset on the site on which it is located, less any lease incentives received.

However, for peppercorn, nominal payments or nil consideration leases, the asset is measured at fair value.

Subsequent measurement

The right-of-use asset is subsequently measured using the fair value model. The Council considers the cost model to be a reasonable proxy except for:

- Assets held under non-commercial leases.
- Leases where rent reviews do not necessarily reflect market conditions.
- Leases with terms of more than five years that do not have any provision for rent reviews.
- Leases where rent reviews will be at periods of more than five years.

For these leases, the asset is carried at a revalued amount. In these financial statements, right-of-use assets held under index-linked leases have been adjusted for changes in the relevant index, while assets held under peppercorn or nil consideration leases have been valued using market prices or rentals for equivalent land and properties.

The right-of-use asset is depreciated straight-line over the shorter period of remaining lease term and useful life of the underlying asset as at the date of adoption.

The lease liability is subsequently measured at amortised cost, using the effective interest method.

The liability is remeasured when:

- There is a change in future lease payments arising from a change in index or rate.
- There is a change in the group's estimate of the amount expected to be payable under a residual value guarantee.
- The Council changes its assessment of whether it will exercise a purchase, extension or termination option.
- There is a revised in-substance fixed lease payment.

When such a remeasurement occurs, a corresponding adjustment is made to the carrying amount of the right-of-use asset, with any further adjustment required from remeasurement being recorded in the income statement.

Low value and short lease exemption

The Council has elected to apply recognition exemptions to low value assets (below £10,000 when new) and to short term leases i.e. existing leases that expire on or before 31 March 2026, and new leases with a duration of less than 12 months.

Lease expenditure

Expenditure in the Comprehensive Income and Expenditure Statement includes interest, straight line depreciation, any asset impairments and changes in variable lease payments not included in the measurement of the liability during the period in which the triggering event occurred. Lease payments are debited against the liability. Rentals for leases of low-value items or shorter than 12 months are expensed.

Depreciation and impairments are not charges against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the capital adjustment account from the General Fund balance in the Movement in Reserves Statement.

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

The Council as Lessor

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

The Council leases out property under non-cancellable leases. Income received is recognised in the Comprehensive Income and Expenditure Statement against the services managing the leases. Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet.

Property, Plant and Equipment

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

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

Recognition

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

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

- Council Dwellings - Fair value, determined using the basis of existing use value for social housing.
- Other Land and Buildings - Fair value, determined by the amount that would be paid for the asset in its existing use. Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost is used as an estimate of fair value.
- Other Land and Buildings (Schools) - Fair value, because of the specialist nature of the asset, depreciated replacement cost is used as an estimate of fair value.
- Vehicles, Plant and Equipment - depreciated historical cost.
- Infrastructure Assets - depreciated historical cost.
- Community Assets - depreciated historical cost.
- Surplus Assets - fair value based on market value in highest and best use.
- Assets Under Construction - historical cost.
- Investment Properties (Common Good and Trusts only) - fair value based on market value in highest and best use.

North Ayrshire Council conducts rolling five-year valuations for their operational property assets, these valuations are conducted by our internal valuation team who are all members of the Royal Institution of Chartered Surveyors. In addition to these professional valuations, the 2025/26 Code brings in a requirement to apply annual indexation to these assets in the years between formal valuations, to ensure the value of an asset is kept materially up to date as an approximation of market changes. From 2025/26 annual indexation will be applied in each of the intervening years in accordance with the Code, using published indices identified by our internal valuers.

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

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

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

Impairment

Assets are assessed at each year-end to establish whether there is any indication that an asset may be impaired. For assets not formally valued in year, a wider review is completed to identify any changes which require a valuation. This review takes account of obsolescence, market conditions and changes in the specific physical condition of the asset. Where indications exist, and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

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

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

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

Depreciation

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

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

Where a Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. For the purposes of component accounting the Council considers significant components being those with a cost that is at least 20% of the overall cost of the asset. Individual assets shall be disregarded for component accounting where their carrying value is below £2 million.

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

Disposals

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale.

The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously recognised losses.

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

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

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

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

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

Public Private Partnership, Non Profit Distributing and similar contracts

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

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

The amounts payable to the Public Private Partnership and Non Profit Distributing operators each year are analysed into four elements:

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

With effect from 1 April 2024, IFRS16 (Leases) also applies to service concession arrangements. Under IFRS16, where indexation affects future service concession payments, the lease liability requires to be remeasured. Instead of expensing the increased payment, the net present value of future payments that comprise the liability is recalculated based on the revised level of payments.

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

Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

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

Contingent Liabilities

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

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

Contingent Assets

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

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

Reserves

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

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

Revenue Expenditure Funded from Capital Under Statute

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

Value Added Tax

All income and expenditure excludes amounts relating to Value Added Tax, as all Value Added Tax collected is payable to His Majesty's Revenue and Customs and net Value Added Tax paid is fully recoverable by the Council.

Fair Value Measurement

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

The Fair Value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

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

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

NORTH AYRSHIRE COUNCIL

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

0

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>
------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-------------------------------

NORTH AYRSHIRE COUNCIL

4 June 2026

Audit & Scrutiny Committee

Title: Disclosure Scotland Act

Purpose: To provide the Audit & Scrutiny Committee with an overview of the recent legislative and procedural changes to the PVG Scheme and to outline how North Ayrshire Council has implemented and are managing these changes.

Recommendation: It is recommended that the Committee note the content of the report.

1. Executive Summary

- 1.1 This report provides an overview of recent legislative and procedural changes to the Protecting Vulnerable Groups (PVG) Scheme and Disclosure checks and outlines the resulting operational impact for the Council and how these changes are being managed.
- 1.2 Disclosure checks are used to support safer recruitment by providing information about an individual's criminal history where appropriate. These checks are administered by Disclosure Scotland and are required for certain roles, particularly those involving trust or responsibility.
- 1.3 The Protecting Vulnerable Groups (PVG) Scheme is a central safeguarding measure designed to prevent unsuitable individuals from working with children (under 18) or protected adults. PVG membership includes continuous monitoring, meaning Disclosure Scotland can consider new information and, where necessary, bar individuals from regulated roles.
- 1.4 A regulated role usually involves direct contact with vulnerable groups however, this contact must form part of the individual's normal duties, rather than being incidental or a one-off interaction.
- 1.5 The list of regulated roles created by Disclosure Scotland confirms that Elected Members require PVG membership if their specific duties involve direct, unsupervised contact with children or protected adults, or if they are a full or designated substitute member of a committee (or sub-committee) concerned with education, accommodation, social services or healthcare. All North Ayrshire Council Elected Members who are required to have a check, have them in place.

2. Background

The PVG Scheme was first introduced in February 2011. It replaced previous disclosure arrangements and introduced continuous monitoring helping to prevent individuals who are barred from working with children or protected adults from entering regulated roles.

2.1 Which roles require a PVG membership?

Regulated roles are characterised by duties which involve activities such as caring for, teaching, supervising or being in sole charge of children or protected adults, providing advice, guidance or assistance, or carrying out certain positions of responsibility where there is regular or unsupervised contact with vulnerable groups.

Close liaison with Services takes place to ensure the identification of posts across the Council requiring a PVG or Disclosure check. There are over 300 job roles identified as regulated across the Council. Each position requiring a PVG/Disclosure check has an “associated licence” recorded against it on the HR/Payroll system. This ensures the necessary checks are completed as part of our pre-employment checks.

The PVG Scheme only extends to Elected Members where their specific duties involve direct, unsupervised contact with children or protected adults, or if they are a full or designated substitute member of a committee (or sub-committee) concerned with education, accommodation, social services or healthcare. All North Ayrshire Council Elected Members who currently require a PVG check have one in place.

The PVG Scheme extends beyond paid employment and covers voluntary work too. Where a volunteer requires a PVG check this is carried out by the Service utilising the volunteer, for example, a parent volunteering in a school. In this instance, the PVG check would be carried out by the Education Resourcing Team.

2.2 Legislative Changes

The Disclosure (Scotland) Act 2020 was given royal assent during July 2020, and changes were implemented over a two-year period commencing in 2025.

The phased implementation of the Disclosure (Scotland) Act 2020 reflected the scale of the reform, which replaced and modernised Scotland’s disclosure system and PVG scheme. The delayed approach was deliberate to allow for system redesign, stakeholder consultation, digital development and a managed transition for employers and existing scheme members.

Changes in effect from 1st April 2025:

- **PVG membership became a Legal Requirement**
Legislation now requires anyone working in a regulated role with children, protected adults, or both must have a PVG check completed before they begin their duties.
- **“Regulated Work” became “Regulated Roles”**
“Regulated work” under the previous legislation was defined through detailed activity-based criteria, which could be complex to apply in practice. The Disclosure

(Scotland) Act 2020 introduced “regulated roles”, a role-based approach which focuses on the purpose of the role and the level of responsibility, power or influence over children and protected adults.

- **New Disclosure Structure (for Non PVG posts)**
The previous Basic/Standard and Enhanced disclosures were replaced with a simplified disclosure structure consisting of Level 1 (Basic) and Level 2 (Standard) checks. Enhanced Disclosures replaced by Level 2 along with a barred list check where required. These level of checks cover a few specific roles, such as Solicitor.
- **Greater Control for Individuals**
Applicants have greater control over their disclosure information; they can communicate directly with Disclosure and receive their certificate direct rather than this being shared with organisations automatically.

Changes in effect from 1 April 2026:

- **End of Lifetime Membership – New Members**
PVG membership has moved from a lifetime membership to a five-year renewable membership. This change applied to new applications made on or after the 1st April 2026.
- **End of Lifetime Membership – Existing Members**
Existing members who joined before the 1st April 2026, transition to the new five-year model in phases, starting with those who joined the scheme the earliest.
- **Memberships approaching expiry (after 5 years)**
Disclosure Scotland will contact both PVG members and employer organisations three months before the five-year expiry date to arrange renewal. Renewals will be completed through online accounts, with an offline process available for those unable to use the digital service.

Where an individual fails to renew their PVG membership, they will no longer be legally permitted to carry out regulated work.

2.3 Support and Guidance

Guidance on the Protecting Vulnerable Groups (PVG) Scheme is available via the Council’s intranet (Connects). This includes a dedicated Disclosure Scotland page outlining the purpose of the PVG Scheme, the types of information contained within PVG disclosures, and the process for determining whether a post requires a disclosure check.

Supporting this are corporate policies and HR guidance documents which set out the different levels of disclosure available, when PVG Scheme membership is required, and the legal requirement that individuals undertaking regulated roles must have appropriate PVG clearance in place prior to commencing duties.

A new HR Guide: Volunteering with the Council is available which includes guidance on PVGs requirements and frequently asked questions on PVGs required specifically within educational establishments.

These resources provide a consistent framework to support compliance with statutory safeguarding responsibilities and ensure appropriate checks are undertaken for posts involving contact with children and protected adults.

3. Proposals

- 3.1 Audit & Scrutiny Committee is asked to note the content of the report outlining the legislative and procedural changes to the PVG Scheme.

4. Implications/Socio-economic Duty

Financial

- 4.1 None

Human Resources

- 4.2 The HR Resourcing team will continue to maintain responsibility for ensuring all PVG and Disclosure requirements are applied consistently, and that all roles requiring checks are accurately recorded and monitored.

Where a PVG scheme membership is approaching expiry, a proactive and robust communications process will be implemented between HR and the relevant manager to prevent any lapse in membership. Where an employee fails to renew their PVG membership, they will no longer be legally permitted to undertake regulated work.

Legal

- 4.3. Disclosure Scotland has confirmed it will notify both PVG members and organisations three months prior to the expiry date to support renewals. However, the Council must still ensure that renewal takes place, as the responsibility for maintaining a valid membership ultimately relies on the employee taking the appropriate action to maintain their membership.

Equality/Socio-economic

- 4.4 None

Climate Change and Carbon

- 4.5 None

Key Priorities

- 4.6 None

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 No consultation was required in the preparation of this report.

Fiona Walker
Head of People & ICT

For further information please contact **Jackie Smillie, Senior Manager (People Services)**, on jackiesmillie@north-ayrshire.gov.uk.

Background Papers

None

NORTH AYRSHIRE COUNCIL

04 June 2026

Audit and Scrutiny Committee

Title: Roads Maintenance and Repairs: Policies and Procedures

Purpose: To inform the Committee of the arrangements for monitoring and control of utility works on the public road network and for planning, scheduling and undertaking Council operations.

Recommendation: That the Committee notes the processes in place for undertaking, co-ordinating and monitoring street works.

1. Executive Summary

- 1.1 At the Audit and Scrutiny Committee meeting on 29 January 2026 members were invited to consider potential items of scrutiny business for future meetings. It was proposed a report be submitted outlining the Council's roads maintenance and repairs policies and procedures, including the arrangements for works led by the Council and those delivered by third parties. The report was requested to include information on how this is monitored, enforced and implemented, as well as how the Council liaises with third parties in relation to works in common areas, including coordination and scheduling, and the reinstatement of road markings.

2. Background
Road Maintenance

- 2.1 North Ayrshire Council has a statutory obligation under the Roads (Scotland) Act 1984 to manage and maintain its public road network.
- 2.2 The Roads (Scotland) Act 1984 Section 1, states that "...a local roads authority shall manage and maintain all such roads in their area as are for the time being entered in a list (in this Act referred to as their "list of public roads") prepared and kept by them under this section."
- 2.3 The adopted road network within North Ayrshire has a total length of 1055km.

Planned Works

- 2.4 The [Roads Structures & Streetlighting Maintenance Programme 2026/27](#) details the process followed for the various different road assets to identify the locations for their annual programme. Programmes are considered to support joint priorities and co-ordinated scheduling to encourage shared road closures and avoid uncoordinated excavations. Where priorities are diverse, mitigations like installing ducting for future use before surfacing is considered.
- 2.5 The Council's Roads Service has adopted an asset management approach to road maintenance to allocate available road maintenance funds to locations that will offer the most beneficial return on the investment.
- 2.6 This programme is delivered through a combination of inhouse operations teams and external contractors. Where external contractors are used, they are procured and managed via the Roads Minor Works framework Contract, which is a joint contract between the three Ayrshires and West Lothian Council.

Reactive Works

- 2.7 The [Road asset safety inspection policy](#) has been developed to encourage a consistent approach to safety inspections and defect categorisation. The policy is based on the Scottish Collaboration of Transportation Specialists (SCOTS) Risk Based Approach (RBA) guidance.
- 2.8 'Well-Managed Highway Infrastructure: A Code of Practice', UKRLG, October 2016' has specific recommendations regarding inspections of all road elements. This Policy document specifically relates to the procedure for carrying out road safety inspections. Recommendation 7 of the code of practice is that Road Authorities should adopt a Risk Based Approach to all aspects of road maintenance.
- 2.9 Inspectors will assess and categorise safety defects in accordance with the policy which may result in an instruction for repair being created. The instruction will then be passed to the operation workforce to schedule the repair, subject to resources.
- 2.10 The reactive repairs (non-Emergency) are then co-ordinated with other scheduled repairs and services where appropriate in the same manner as planned works.

Coordination of Roadworks

- 2.11 With such a significant volume of works being undertaken on our roads, including those by essential utility services such as gas, water, drainage, electricity and telecommunications; it is essential that they are well planned, well managed and well co-ordinated with the aim of ensuring that they are completed as quickly as possible causing the minimum inconvenience to the public.
- 2.12 Section 118(1) of the New Roads and Street Works Act 1991 (the 1991 Act) places a duty on road works authorities to co-ordinate the execution of works of all kinds (including works for road purposes) in roads for which they are responsible:
- a) in the interests of safety;

- b) to minimise inconvenience to persons using the road; and
- c) to protect the structure of the road and integrity of apparatus in it.

2.13 Although primary legislation and regulations set out the general framework for the co-ordination and planning of works on roads, it is the Code of Practice for the Co-ordination of Works in Roads which sets in place the practical guidance which allows the process to operate on a day-to-day basis.

Scottish Road Works Register

2.14 The main component that allows co-ordination to function is the Scottish Roads Works Register (SRWR), the system that all road works are recorded through by local Road Authorities (RA) and Statutory Undertakers (SU). This system is managed by the office of the Scottish Road Works Commissioner (SRWC), and they monitor performance on a national level.

2.15 Each quarter the SRWC circulates the current performance of organisations in the form of their predetermined KPIs with updates circulated via Roads Authorities and Utilities Committee of Scotland (RAUCS). Each organisation is required to monitor their KPIs and report to the SRWC quarterly on any indicators that haven't achieved the targets set by the Commissioner.

2.16 The SRWC provides each Chief Executive an annual performance review. These reviews consider how well organisations are meeting their statutory obligations and highlight areas the Scottish Road Works Commissioner wishes to see improve. For the last monitoring period, 2024/25, our performance was considered Satisfactory.

3rd Party Utility Works

2.17 In relation to road works being carried out by Statutory Undertakers (SU), they have a duty to coordinate with the Local Authority (LA) as well as each other. Where required, the SU must apply to the LA for a Temporary Traffic Regulation Order prior to installing traffic management on the road network.

2.18 Installation and maintenance of utility networks, including high speed fibre networks, is undertaken by Statutory Undertakers such as BT, Vodafone, Scottish Water, Scottish Gas etc. Unfortunately, North Ayrshire Council has no control over the private infrastructure investments which these organisations may make. However, North Ayrshire Council registers all planned capital projects in advance on the Scottish Road Works Register. This affords an opportunity for Statutory Undertakers to identify locations that may be of communal interest and co-ordinate works, particularly where shared excavation would be advantageous. All Statutory Undertakers are obliged to do the same with their own projects to ensure that road works in the region are planned and coordinated. Where the opportunity arises, we are more than happy to discuss coordination of excavation works with Statutory Undertakers to minimise disruption.

2.19 At the start of each financial year, each LA & SU must agree the number of sample inspections that the LA will carry out on the SU road works. This allocation is generated by the SRWR and is based on the number of works the undertaker usually carries out. The sample inspections are split into 3 categories:

- Sample A – Undertaken while the works are in progress
- Sample B – Undertaken within 6 months following reinstatement.
- Sample C – Undertaken 3 months prior to the guarantee period ending

- 2.20 These inspections are carried out via the SRWR apps and allows the SRWC to monitor performance of the SU across the country based on each LA inspections. It also allows each LA to monitor the performance of SU at the local level.
- 2.21 Third Party inspections can also be recorded where the LA receives an external report of an issue with the works.

3. Proposals

- 3.1 It is proposed that the Committee notes processes in place for undertaking, co-ordinating and monitoring street works.

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 Roads Services helps to support the efficient delivery of the strategic priorities within Our Council Plan 2023-2028.

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 None.

Thomas Reaney
Head of Service (Neighbourhood Services)

For further information please contact **Gary Wilson, Senior Manager (Roads)**, on **gwilson@north-ayrshire.gov.uk**.

Background Papers None

