
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.

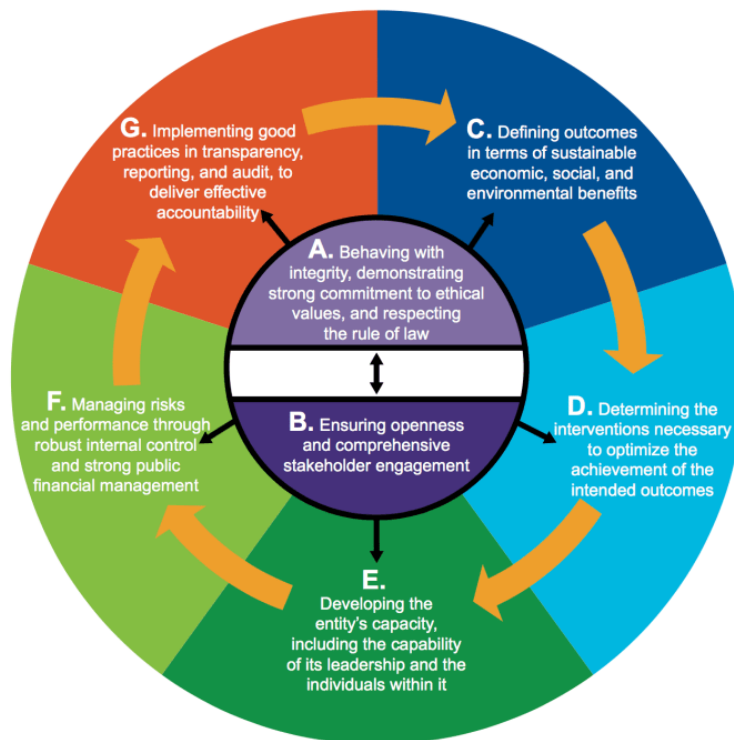
The Purpose of the Governance Framework

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