south
AYRSHIRE
C O U N C I L
Comhairle Siorrachd Àir a Deas

19 March 2025

To: Councillors Dettbarn (Chair), Bell, Cullen, Kilpatrick, Lamont, McGinley, Ramsay and Weir

All other Elected Members for information only

Dear Councillors

AUDIT AND GOVERNANCE PANEL

You are requested to participate in the above Panel to be held **on Wednesday, 26 March 2025 at 10.00 a.m.** for the purpose of considering the undernoted business.

This meeting will be held in the County Hall County Buildings, Ayr on a hybrid basis for Elected Members, will be live-streamed and available to view at https://south-ayrshire.public-i.tv/

Yours sincerely

CATRIONA CAVES
Chief Governance Officer

B U S I N E S S

1.   Declarations of Interest.

2.   Call-ins from Cabinet.

3.   Minutes of previous meeting of 26 February 2025 (copy herewith).

4.   Action Log and Work Programme (copy herewith).

External Audit Reports

5.   Annual Audit Plan 2024/25 – Submit report by the Chief Financial Officer (copy herewith).

6.   Best Value Thematic Management Report – Transformation – Submit report by the Director of Communities and Transformation (copy herewith).

Internal Audit Report

7.   Proposed Internal Audit Plan 2025/26 (including Annual Review of Internal Audit Charter) - Submit report by the Chief Executive and Chief Internal Auditor (copy herewith).

Other Governance Report

8.   Strategic Risk Management – Submit report by the Chief Governance Officer (copy herewith).

For more information on any of the items on this agenda, please telephone June Chapman, Committee Services on 01292 272015, Wellington Square, Ayr or
e-mail: committeeservices@south-ayrshire.gov.uk
www.south-ayrshire.gov.uk

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AUDIT AND GOVERNANCE PANEL

Minutes of a hybrid webcast meeting on 26 February 2025 at 10.00 a.m.

Present in County Hall:	Councillors Julie Dettbarn (Chair), Alan Lamont, Mary Kilpatrick, Brian McGinley, Cameron Ramsay and George Weir.
Present Remotely:	Councillors Kenneth Bell and Chris Cullen.
Attending in County Hall:	L. McRoberts, Depute Chief Executive and Director of Education, T. Baulk Chief Financial Officer; W. Carlaw, Service Lead – Democratic Governance; K. Anderson, Assistant Director of Corporate Policy, Strategy and Performance; C. McGhee, Chief Internal Auditor; T. Simpson, Service Lead, Corporate Accounting and Service Finance, D. Love, Corporate Finance Team Co-ordinator, K. Copland, Senior Accountant/Senior Finance Officer (Capital/Treasury), J. Chapman, Committee Services Officer; and E. Moore, Clerical Assistant.
Attending Remotely:	C. Cox, Assistant Director of Planning and Development; and L. Reid, Assistant Director of Communities and Transformation.

Opening Remarks.

The Chair

(1) welcomed everyone to the meeting; and

(2) outlined the procedures for conducting this meeting and advised that this meeting would be broadcast live.

1. Sederunt and Declarations of Interest.

The Chair called the Sederunt for the meeting and, having called the roll, confirmed that there were no declarations of interest by Members in terms of Council Standing Order No. 17 and the Councillors' Code of Conduct.

2. Call-in from Cabinet.

The Panel noted that there were no call-ins from Cabinet of 18 February 2025.

3. **Minutes of Previous Meetings.**

The Minutes of the meeting of 29 January 2025 (issued) and were submitted and approved.

4. **Action Log and Work Programme.**

There was submitted an update of the Action Log and Work Programme for this Panel (issued).

The Chief Financial Officer advised there was no actions outstanding.

The Panel

Decided: to note the current status of the Action Log and Work Programme.

External Audit Reports

5. **Best Value Action Plan – Progress Update – Submit report by the Depute Chief Executive and Director of Education**

There was a submitted a report (issued) of 18 February 2025 by the Assistant Director of Corporate Policy, Strategy and Performance updating Members on the progress toward delivering the Council's Best Value Action Plan.

A member required clarification as to who the Members were that were referred to on Page 16 of the report; and the Assistant Director - Corporate Policy, Strategy and Performance advised that these were all Elected Members referred to.

A Member questioned if it was possible to complete the last unfinished item on Page 23 as it was due to be completed by March 2025; and the Assistant Director - Corporate Policy, Strategy and Performance advised that he was confident it would be completed.

A member queried the use of the word "Implementation" in The Action and Workforce Plan and Implementation as he did not think this word was appropriate and required clarification if what was meant was the work on the Workforce Plan had been completed but the plan itself would not yet have been implemented. The Assistant Director - Corporate Policy, Strategy and Performance stated that was indeed correct and advised that when the Thematic Audit went forward next month, one of the actions would be that a new Workforce Plan would be completed by the end of the year. It would be about the completion of the plan and the implementation would be monitored through Service and Partnerships Performance Plan.

A member stated that he had a difficulty reading a lot of these activities as they were past activities and discreet activities from 2022, 2023 and that there was a lack of narrative. He was keen to know where best value was in the Council, was good progress being made, was it filtering down in the organisation, was the Council ensuring that decisions were being made about school trips or encouraging people to use access and facilities. Also, where was best value in the Council's thinking and where was best value in terms of outcome that was progressing for communities. The Assistant Director - Corporate Policy, Strategy and Performance advised that in terms of the narrative of the report he could see why individuals were disjointed as there were four different reports, actions from a large-scale Audit in 2021 and now three Thematic Audits since then had developed those actions so it probably would not read in the way one action would read and on reflection these could be archived, discussions could be made with the Chair if she was happy for that to occur. In terms of where the Council lay as a Local Authority, he could see a big change in the last 18 months. His impression from the Council Leadership Team was that this was very much at the forefront of their agenda. He could not guarantee this was filtered through the organisation but could certainly be hopeful and optimistic from the language that was used.

The Depute Chief Executive and Director of Education advised that Best Value was an Audit tool that was introduced and created work to allow officers to complete the report and to have a positive report. This was about improvement across the organisation and how the Council used Best Value and the actions of Best Value and the information obtained from Auditors to drive that improvement right across the system.

The Chair commented that it was helpful to have the whole journey in the report and there was a conversation to be had about archiving; she stated that she liked to see people being able to evidence their journey, that was an important thing to do, even though some information was quite dated. She advised that she was happy with the report and was pleased to see the huge amount of improvement activity taking place.

The Panel

Decided: to note the report,

(1)   **having scrutinised the content of the Best Value Action Plan update report; and**

(2)   **having considered the progress through the narrative set out within Appendix 1.**

Internal Audit Report

6. Internal Audit – Progress Report (Quarter 3 2024/25)

There was a submitted a report ([issued](#)) of 17 February 2025 by the Chief Internal Auditor advising Members of progress of the 2023/24 internal audit plan, progress of the 2024/25 internal audit plan, directorate's progress against implementation of internal audit action plans and the status of the current Quality Assurance and Improvement Action Plan.

A member asked for clarification as to who the four clients were that rated the Internal Audit four out of four; and the Chief Internal Auditor advised that there were two for Housing, one for Property Maintenance and one for ICT. At the end of the year, a questionnaire would be issued to all Directors, Assistant Directors and to Members to obtain feedback on the Audit Service.

A member queried if the client list would include the external bodies that were worked with e.g., HSBC, Highlands and Islands and would they be included or was that out with the Audit; and the Chief Internal Auditor stated that an Audit Plan was delivered for the IJP and the AVJB, that they would receive questionnaires that would feed into their annual report, and this would be reported through their Audit Committees.

A member queried Page 4, item 4.10 which referred to the occurrence of a link change to grant recipient bank details and questioned the final point on that paragraph where it stated 'new procedures for one-time payments to third parties have been developed and are available to all relevant staff. And finance staff work with the bank to secure repayment of the fraudulent payment.'; and did that refer to that particular payment or was it referring to a general process or policy. The Chief Internal Auditor advised that it was both, that Finance did work with the bank and managed to recover that payment, steps were always taken in an attempt to recover any fraudulent payments that went through the bank.

A member advised that the action on Page 25 had a comment requesting the due date be revised and asked for clarification if that revision should be indicated somewhere. He also asked for clarification as to who the request was directed to and if it should not appear on the table. The Chief Internal Auditor advised that the request was directed at herself, but due to the date not being until April 2025, she would have a full discussion with the Service prior to this being agreed; that the latest note was taken directly from Pentana or ID agenda and that was what the Service had input against that action when they were updating the progress. She further advised that contact would be made with them closer to the date, as part of the next update to ascertain why and what the proposed change would be.

A member queried the overdue actions in Appendix 4 and questioned as if consideration was given to the impact on the delay in services due to second and

third extensions; and the Chief Internal Auditor advised that the first consideration would be the level of risk that the original action was, if it was a high risk, if they were exposed to that risk, she would work with them to get that action implemented. The second consideration would be how far off they were and had they been able to put interim arrangements in place. The impact on the service was always considered.

The Chair sought clarification if there were any concerns about the Actions with extensions; and the Chief Internal Auditor stated that she had no concerns and that extensions would not have been granted if she had any concerns, these actions would have been brough to the next Panel to take forward.

The Panel, having thanked officers for their work on this matter,

Decided: to note the report.

Other Governance Reports

7. **International Financial Reporting Standard 16 – Update to Accounting for Lease Contracts - Submit report by the Chief Financial Officer**

There was submitted a report ([issued](#)) of 17 February 2025 by the Chief Financial Officer informing Members of the upcoming changes to the reporting of leases due to the mandatory implementation of International Financial Reporting Standard (IFRS) 16 and seeking approval to add a new accounting policy in advance of the 2024/25 financial year end.

A member questioned if the changes being described on Page 2, Section 4.1.4, the setting of the de-minimis policy were to achieve a more accurate reflection of asset value; and the Chief Financial Officer advised that getting the value right was an important factor but the implementation of IFRS 16 was aimed at recording assets that the Council had the right to use rather than just getting the actual value right.   It was about recording leased assets on the balance sheet that had not previously been recorded as such.

A Member asked if the point about the de-minimis policy meant that items under roughly £6,000 would not be included; and expressed concern that if there were a large number of items about £6,000, then there would a significant amount missing as, if it was a matter of value, that value might not be in the accounts. The Service Lead - Corporate Accounting stated that the reason the Council had a de- minimis was to have a cut-off point and that where an asset was above a certain level, the Council would capitalize, depreciate it and treat it as a Capital Asset. That where the value of the asset was below that level the de-minimis gave the option to account for it through the revenue account rather than capitalizing it, an asset did not get missed, there was a difference in terms of where it was accounted.

A member asked how Appendix 1 worked and how it benefited the Council. The Chief Financial Officer advised that Schools PPP contracts had embedded leases

within them and had been in place for many years. The IFRS16 mandatory changes required the recording of the cost of using that Asset over the life of the Asset rather than the life of the contract and the actual contract payments would remain the same. The Council would record the payments in the bank account as any other payment, but it would be accounted for in a different way by stretching the recording of the payment e.g., if there was a budget of £5 million, it went to the contractor and they received the payment, the Council recorded that £5 million over a longer period in the annual accounts as a technical treatment that reduced costs in that particular year, over the period of the contract and over the life of the asset. Appendix 1 stated that £128 million would be paid under the previous mechanism of recording it, and it still stated £128 million under the new mechanism, it was how it was recorded each year in the annual accounts and in the revenue account, and it brought a financial benefit due to recording less of a cost in a given year.

A member stated that he wished to understand what happened when the payment stopped but was still in the books. The Chief Financial Officer gave an example that if the Council had a budget in the revenue account to pay £5 million each of the next five years for the contract, once the actual contract had ceased, some budget must be retained beyond the end of the contract for a number of years in order for it to be recorded correctly. The Council was not going to have the benefit of a reduced cost in the revenue account once the contract ceased, as a proportion of budget would remain in place for longer in order to match the extended payment timeline.

A member enquired if an example could be given for the lease of transport for the Council, was it treated as a whole and would it be subject to IFRS16. The Corporate Finance Team Co-ordinator advised that the Council currently had operating leases for all of the fleet and all ground maintenance and golf equipment, and these would be dealt with through the new IRFS16 regulations.

By way of an example, if the Council had a current operating lease vehicle valued at say £20,000, it would be above the de-minimis level, therefore it would come under IRFS16, and would now be recorded on the balance sheet as a Right of Use Asset. There were two exemptions for inclusion under IFRS16 which were if a contract was under one year (365 days), it would be still categorized as Revenue and if it was under the de-minimis level then it would still be categized as Revenue and not be entered on the balance sheet.

The Panel

Decided:

(1)   to note the mandatory implementation of IFRS16 for 2024/25; and

(2)   to approve the introduction of a new draft IFRS16 Accounting Policies shown in 4.3 of the report.

8.   **Treasury Management and Investment Strategy Quarter 3 Update Report 2024/25**

There was a submitted report (issued) of 17 February 2025 by the Chief Financial Officer providing Members with an update on the 2024/25 treasury prudential indicators for the period October-December 2024 (Quarter 3) and providing an update on the latest wider economic position.

A member stated that the report was a very interesting read and enquired as to how the uncertainty of further interest rate cuts and inflation was managed as it is a difficult time to predict what might occur over the next six months, what did that mean for the Council and what was the thinking behind the implications of the report.

The Chief Financial Officer advised that officers relied on advice from external advisors who had a greater detailed understanding of what was happening in the economy and markets. Advice was taken on a daily and weekly basis to minimise risks.

A member commented that it was referenced in Page 12 to the graph on Page 13 being in colour and that it was not in colour. The Chief Financial Officer stated that he would take that on board.

The Chair commented that she was assured by recent developments that the Council's finances remained on track.

The Panel, having scrutinised the contents of the report,

Decided: that the Quarter 3 Update Report be submitted to the next Cabinet meeting on 18 March 2025 for approval.

The meeting ended at 10:59 a.m.

Audit and Governance Panel

Action Log

No	Date of Meeting	Issue	Actions	Assigned/ Re-assigned to	Update	Completed
			No outstanding actions			

Audit and Governance Panel

Work Programme 2025

	Issue	Actions	Assigned To	Due Date to Panel	Latest update
1.	**Annual Audit Plan 2024/25**	Report to Panel	Chief Financial Officer	26 March 2025 (Annually)	Report to this Panel
2.	**Proposed Internal Audit Plan 2025/26 (including Annual Review of Internal Audit Charter)**	Report to Panel	Chief Internal Auditor	26 March 2025 (Annually)	Report to this Panel
3.	**Best Value Thematic Management Report - Transformation**	Report to Panel	Depute Chief Executive	26 March 2025	Report to this Panel
4.	**Strategic Risk Management**	Report to Panel	Chief Governance Officer	26 March 2025 (Biannually)	Report to this Panel
5.	**External Audit Reports – Progress to 31 March 2025**	Report to Panel	Chief Financial Officer	7 May 2025 (Quarterly)	Being drafted
6.	**Best Value Action Plan – Progress Update**	Report to Panel	Depute Chief Executive and Director of Education	7 May 2025 (Quarterly)	Being drafted
7.	**Audit Scotland: A Review of Housing Benefit Overpayments 2018/19 to 2021/22**	Report to Panel	Chief Financial Officer	7 May 2025	Being Drafted
8.	**Audit and Governance Panel – 2024/25 Annual Report**	Report to Panel	Chief Financial Officer/ Chief Governance Officer	4 June 2025 (Annually)	Not yet started

Audit and Governance Panel

	Issue	Actions	Assigned To	Due Date to Panel	Latest update
9.	**Corporate Fraud Team- Activity Report and 2023/2024 National Fraud Initiative Update**	Report to Panel	Chief Internal Auditor	4 June 2025	Not yet started
10.	**The Global Internal Audit Standards (GIAS) in the UK Public Sector**	Report to Panel	Chief Internal Auditor	4 June 2025	Not yet started
11.	**Annual Accounts 2024/25**	Report to Panel	Chief Financial Officer	25 June 2025 (Annually)	Not yet started
12.	**Corporate Lets**	Report to Panel	Director of Communities and Transformation	25 June 2025 (Annually)	Not yet started
13.	**Delivering Good Governance – 2024/25 Assessment**	Report to Panel	Chief Governance Officer	25 June 2025 (Annually)	Not yet started
14.	**Internal Audit Annual Report 2024/25**	Report to Panel	Chief Internal Auditor	25 June 2025 (Annually)	Not yet started
15.	**Treasury Management Annual Report 2024/25**	Report to Panel	Chief Financial Officer	25 June 2025 (Annually)	Not yet started
16.	**Audit Scotland: Integration Joint Boards – Finance and Performance 2025**	Report to Panel	Chief Financial Officer	September 2025 (Annually)	Not yet started
17.	**Internal Audit Annual Update Report – Integration Joint Board (IJB) Performance and Audit Committee (PAC)**	Report to Panel	Chief Internal Auditor	September 2025 (Annually)	Not yet Started
18.	**Internal Audit – Progress Report Quarter 1**	Report to Panel	Chief Internal Auditor	September 2025 (Annually)	Not yet started

Audit and Governance Panel

	Issue	Actions	Assigned To	Due Date to Panel	Latest update
19.	**Treasury Management and Investment Strategy Quarter 3 Update Report 2025/26**	Report to Panel	Chief Financial Officer	September 2025 (Quarterly)	Not yet started
20.	**South Ayrshire IJB External Annual Audit Report 2024-25**	Report to this Panel	Director of Health & Social Care	November 2025 (Annually)	Not yet started
21.	**Audit and Governance Panel – 2025 Annual Self-Assessment Outcome**	Report to Panel	Chief Financial Officer/ Chief Governance Officer	December 2024 (Annually)	Not yet started

South Ayrshire Council

**Report by Chief Financial Officer
to Audit and Governance Panel
of 26 March 2025**

Subject: **Annual Audit Plan 2024/25**

1. Purpose

1.1 The purpose of this report is to provide background to the presentation by Audit Scotland of their Annual Audit Plan 2024/25 (the Audit Plan).

2. Recommendation

2.1 It is recommended that the Panel agrees the attached Annual Audit Plan 2024/25 (Appendix 1).

3. Background

3.1 This is the third year of Audit Scotland's appointment as the Council's external auditor, which will cover the period until 2026/27 (inclusive).

4. Proposals

4.1 The Audit Plan sets out the scope of the audit along with the respective responsibilities of the auditor and the Council.

4.2 Audit Scotland have identified the following three significant risks of material misstatement to the Annual Accounts, which have the greatest impact on their planned audit approach:

4.2.1 Fraud caused by management override of controls;

4.2.2 Valuation of property, plant and equipment; and

4.2.3 Accounting for IFRS 16 Leases.

4.3 The audit goes beyond simply providing assurance on the financial statements and the Council's internal control environment. The Code of Audit Practice (the Code) requires auditors to consider the adequacy of the arrangements in place for the following four wider scope areas in audited bodies: **financial management**; **financial sustainability**; **vision, leadership and governance**; and **use of resources to improve outcomes**.

4.4   Although Audit Scotland's risk assessment process did not identify any significant risks in respect of those wider scope areas, the challenging financial environment in which the Council, along with other public sector bodies, is operating in has been identified as an area of audit focus.

4.5   Audit Scotland will report not only on progress made with the Council's improvement actions arising from the auditor's 2023/24 audit work, but also on the 2024/25 Best Value thematic review covering service transformation.

4.6   Audit Scotland's reporting arrangements and planned audit outputs are summarised in Exhibit 5 of the Audit Plan (Appendix 1).

5.   Legal and Procurement Implications

5.1   There are no legal implications arising from this report.

5.2   There are no procurement implications arising from this report.

6.   Financial Implications

6.1   There are no financial implications arising from of this report.

7.   Human Resources Implications

7.1   There are no human resource implications arising from this report.

8.   Risk

8.1   *Risk Implications of Adopting the Recommendations*

      8.1.1   There are no risks associated with adopting the recommendation. This paper is based on Audit Scotland's analysis of the risks facing the Council.

8.2   *Risk Implications of Rejecting the Recommendations*

      8.2.1   If the recommendation is rejected, then detailed discussion and negotiation will be required between the Council and Audit Scotland in order to agree a mutually acceptable audit plan for 2024/25.

9.   Equalities

9.1   The proposals in this report do not require to be assessed through an Integrated Impact Assessment.

10.   Sustainable Development Implications

10.1   *Considering Strategic Environmental Assessment (SEA)* - This report does not propose or seek approval for a plan, policy, programme or strategy or document otherwise described which could be considered to constitute a plan, programme, policy or strategy.

11/

11.   Options Appraisal

11.1   An options appraisal has not been carried out in relation to the subject matter of this report.

12.   Link to Council Plan

12.1   The matters referred to in this report contribute to Priority 4 of the Council Plan: Efficient and effective enabling services.

13.   Results of Consultation

13.1   There has been no public consultation on the contents of this report.

13.2   Limited consultation has taken place with Councillor Ian Davis, Portfolio Holder for Finance, Human Resources and ICT, and the contents of this report reflect any feedback provided.

Background Papers   None

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Date: 19 March 2025

South Ayrshire Council

Annual Audit Plan 2024/25

✓AUDIT SCOTLAND
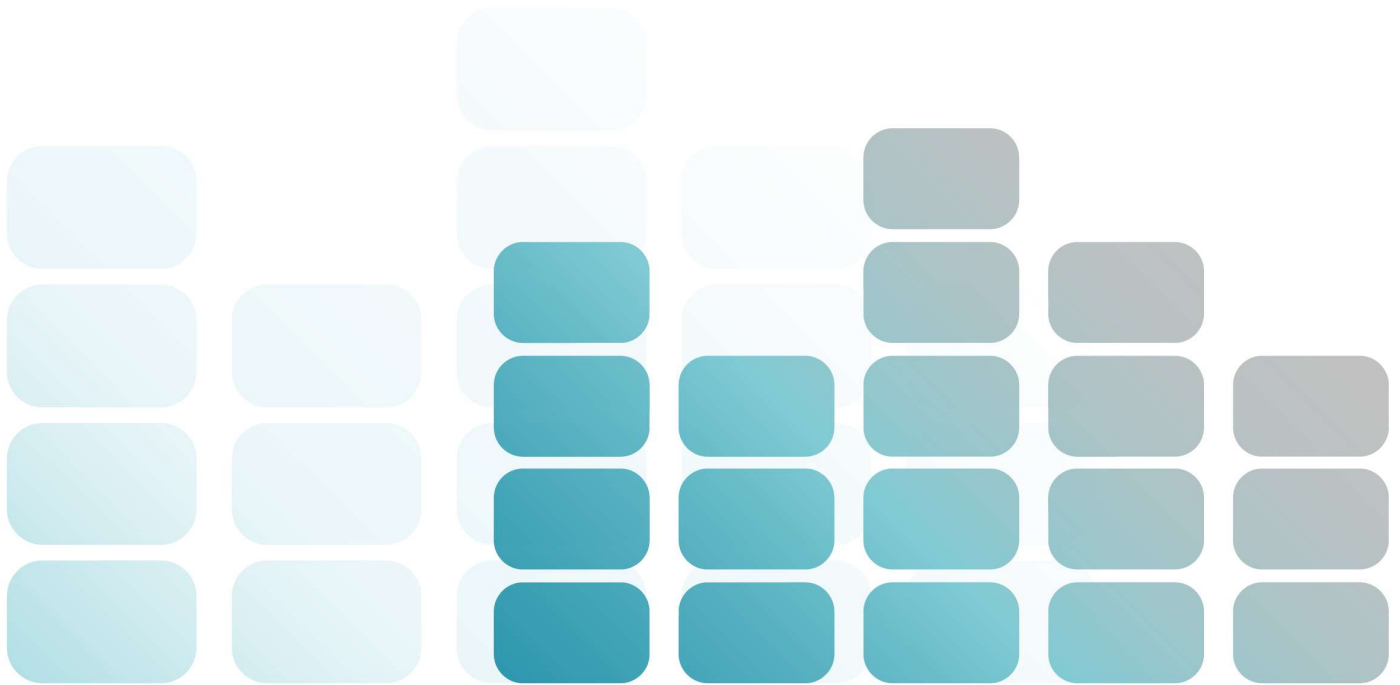
Prepared for South Ayrshire Council
March 2025

Contents

Introduction

Purpose of the Annual Audit Plan

1. The purpose of this Annual Audit Plan is to provide an overview of the planned scope and timing of the 2024/25 audit of South Ayrshire Council's (the council) Annual Accounts. It outlines the audit work planned to meet the audit requirements set out in auditing standards and the Code of Audit Practice, including supplementary guidance.

Appointed auditor and independence

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

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

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

Audit scope and responsibilities

Scope of the audit

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

- An audit of the financial statements and an opinion on whether they give a true and fair view and are free from material misstatement.

- An opinion on statutory other information published with the financial statements in the Annual Accounts, the Management Commentary, and the Annual Governance Statement, and an opinion on the audited part of the Remuneration Report.

- Conclusions on the council's arrangements in relation to the wider scope areas: Financial Management, Financial Sustainability, Vision, Leadership, and Governance, and Use of Resources to Improve Outcomes.

- Reporting on the council's arrangements for securing Best Value.

- Providing assurance on the Housing Benefit Subsidy Claim, Non--Domestic Rates Return and the Whole of Government Accounts return.

- A review of the council's arrangements for preparing and publishing statutory performance information.

- Provision of an Annual Audit Report setting out significant matters identified from the audit of the Annual Accounts and the wider scope areas specified in the Code of Audit Practice.

Responsibilities

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

Auditor's responsibilities

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

reported within the Annual Accounts and concluding on the council's arrangements in place for the wider scope areas.

The council's responsibilities

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

- Establishing arrangements to ensure the proper conduct of its affairs.

- Preparation of Annual Accounts, comprising financial statements and other information that gives a true and fair view.

- Establishing arrangements for the prevention and detection of fraud, error and irregularities, and bribery and corruption.

- Implementing arrangements to ensure its financial position is soundly based.

- Making arrangements to secure Best Value.

- Establishing an internal audit function.

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

Audit of the Annual Accounts

Introduction

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

Materiality

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

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

13. The materiality levels determined for the audit of the council and its group are outlined in exhibit 1.

Exhibit 1
2024/25 materiality levels for the council and its group

Materiality	Council only	Group
Planning materiality: based on an assessment of the needs of users of the financial statements and the nature of the council's operations, the benchmark used to determine materiality is gross expenditure based on the audited 2023/24 financial statements. Materiality has been set at 2 per cent of the benchmark.	£12.720 million	£12.730 million
Performance materiality: this acts as a trigger point. If the aggregate of misstatements identified during the audit exceeds performance materiality, this could indicate that further audit procedures are required. Using professional judgement, performance materiality has been set at 65 per cent of planning materiality.	£8.270 million	£8.275 million
Reporting threshold: all misstatements greater than the reporting threshold will be reported.	£0.630 million	£0.650 million

Source: Audit Scotland

Significant risks of material misstatement to the financial statements

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

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

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

Exhibit 2
Significant risks of material misstatement to the financial statements

Risk of material misstatement	Planned audit response
Fraud caused by management override of controls Management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.	The audit team will: • Evaluate the design and implementation of controls over journal entry processing. • Make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries. • Test journals entries, focusing on those that are assessed as higher risk, such as those affecting revenue and expenditure recognition around the year-end. • Evaluate, and consider the reasonableness, of any significant transactions outside the normal course of business. • Assess the adequacy of controls in place for identifying and disclosing related party relationships and transactions in the financial statements. • Assess changes to the methods and underlying assumptions used to prepare accounting estimates and assess these for evidence of management bias.

Risk of material misstatement	Planned audit response
Valuation of property, plant and equipment The council held £998 million of property, plant, and equipment (PPE) at 31 March 2024, of which £855 million was land and building assets. The council is required to value land and building assets at existing use value where an active market exists for these assets. Where there is no active market, these assets are valued on a depreciated cost replacement (DRC) basis. As a result, there is a significant degree of subjectivity in these valuations which are based on specialist assumptions, and changes in the assumptions can result in material changes to valuations.	The audit team will: • Evaluate the design and implementation of controls over the valuation process. • Review the information provided to the valuer and assess this for completeness and accuracy. • Evaluate the competence, capabilities, and objectivity of the valuer. • Obtain an understanding of management's involvement in the valuation process to assess if appropriate oversight has occurred. • Review the appropriateness of the key data and assumptions used in the 2024/25 valuation process, and challenge these where required. • Review management's assessment that the value in the balance sheet of assets not subject to a valuation process in 2024/25 is not materially different to current value at the year-end, and challenge this where required.
Accounting for IFRS 16 From 1 April 2024, a new International Financial Reporting Standard, IFRS 16, came into effect for Local Authorities. IFRS 16 introduces a new 'Right of Use' asset class to the Balance Sheet and recognises the corresponding lease liability. This applies to all leases - property, land, vehicles, plant and equipment. Specifically, this will impact on the council's school service concession arrangements (PPP and DBFM). IFRS 16 will change the way in which the council accounts for operating leases, including recognising assets and liabilities for the rights and obligations arising from leases previously classified as operating leases. IFRS 16 is a complex accounting standard, and the council has awarded Link Treasury Services the contract for the procurement of leasing advice.	The audit team will: • Evaluate the design and implementation of controls established by the council over the implementation of IFRS 16. • Assess whether service concession arrangements have been accounted for in accordance with the requirements of IFRS 16. • Test the IFRS 16 transitional accounting adjustments and confirm these are accurate and comply with the financial reporting framework. • Review the information provided to management's expert (Link Financial Services) and assess this for completeness and accuracy. • Evaluate the competence, capabilities, and objectivity of management's expert.

Source: Audit Scotland

Key audit matters

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

18. In determining key audit matters, auditors consider:

- Areas of higher or significant risk of material misstatement.

- Areas where significant judgement is required, including accounting estimates that are subject to a high degree of estimation uncertainty.

- Significant events or transactions that occurred during the year.

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

Group audit

20. The council is part of a group and prepares group financial statements. The group is made up of seven components, including the council which is the parent of the group. The auditing standard applicable to the audit of group financial statements has been revised for 2024/25 resulting in additional requirements for both parent and component auditors. This revised approach requires additional risk assessment procedures to be performed to identify if there are any risks of material misstatement to the group financial statements, or any components where audit procedures are required for the purposes of the group audit. The outcome of the risk assessment procedures on the group audit are outlined in exhibit 3.

Exhibit 3
Outcome of risk assessment procedures on the group audit

Group component	Accounting treatment	Risk of material misstatement	Audit procedures required	Auditor
South Ayrshire Council	Consolidated on a line-by-line basis	Yes – exhibit 2	Yes – full scope audit	Audit Scotland
The Common Good Fund	Consolidated on a line-by-line basis	No – but is material to the group financial statements (PPE balance)	Yes – analytical procedures at group level	Audit Scotland
Strathclyde Partnership for Transport	Accounted for on equity basis	Yes – risk of material misstatement due to estimation in the valuation of the land and buildings balance included in the council's share of SPT net assets.	Yes – obtaining assurances on the audit procedures carried out on the valuation of land and buildings in SPT	Audit Scotland
Strathclyde Concessionary Travel Scheme Joint Board	Accounted for on equity basis	No – not material	Yes – analytical procedures at group level	Audit Scotland
Ayrshire Valuation Joint Board	Accounted for on equity basis	No – not material	Yes – analytical procedures at group level	Audit Scotland
Ayr Renaissance LLP	Consolidated on a line-by-line basis	No – not material	Yes – analytical procedures at group level	N/A – the LLP is in the process of being wound up
South Ayrshire Integration Joint Board	Accounted for on equity basis	No – not material	Yes – analytical procedures at group level	Audit Scotland

Source: Audit Scotland

21. Where audit procedures are required on a component's financial statements, and the component auditor is different to the council's appointed auditor, group audit instructions will be issued to the component auditor outlining expectations and requirements in performing these audit procedures.

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

Audit of the Annual Accounts of the four section 106 charities administered by the council

23. Elected members of the council are trustees for four registered Scottish charities:

- **South Ayrshire Charitable Trust**: charity number - SC045677

- **South Ayrshire Council Charitable Trusts:** charity number - SC025088

- **McKechnie Trust:** charity number - SC012759

- **David Elder Edward Fund:** charity number - SC016728

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

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

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

27. Our duties as auditors of the charities administered by South Ayrshire Council are to:

- express an opinion on whether the charity's financial statements properly present the charity's financial position and are prepared in accordance with charities legislation.

- read the Trustees' Annual Report and express an opinion as to whether it is consistent with the financial statements.

- report on other matters, by exception, to the Trustees and to the Office of the Scottish Charity Regulator (OSCR).

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

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

Exhibit 4
2024/25 materiality levels for the charitable trusts

Charitable trust	Planning Materiality	Performance Materiality	Reporting Threshold
McKechnie Library Trust (SC012759)	£125 (Based on 2 per cent of audited 2023/24 net asset value)	£95 (Based on 75 per cent of planning materiality)	£50
David Elder Edward Fund (SC016728)	£15,825 (Based on 2% per cent of audited 2023/24 net asset value)	£11,870 (Based on 75 per cent of planning materiality)	£790
South Ayrshire Council Charitable Trusts (SC025088)	£800 (Based on 2 per cent of audited 2023/24 net asset value)	£600 (Based on 75 per cent of planning materiality)	£50
South Ayrshire Charitable Trust (SC045677)	£675 (Based on 2 per cent of audited 2023/24 net asset value)	£510 (Based on 75 per cent of planning materiality)	£50

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

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

32. Our work on the Trustees Annual Report and Financial Statements of the charities will be undertaken in line with the audit timetable set out in exhibit 5.

Wider scope and Best Value

Introduction

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

- **Financial Management:** this means having sound budgetary processes. Factors that can impact on the council being able to secure sound financial management include the strength of the financial management culture, accountability, and arrangements to prevent and detect fraud, error and other irregularities, bribery and corruption.

- **Financial Sustainability:** this means looking forward over the medium and longer term in planning the services to be delivered and how they will be delivered effectively. This is assessed by considering the council's medium- to longer-term planning for service delivery.

- **Vision, Leadership and Governance:** this means having a clear vision and strategy, with set priorities within the vision and strategy. This is assessed by considering the clarity of plans in place to deliver the vision and strategy and the effectiveness of the governance arrangements to support delivery.

- **Use of Resources to Improve Outcomes:** this means using resources to meet stated outcomes and improvement objectives through effective planning and working with partners and communities. This is assessed by considering the council's arrangements for ensuing resources are deployed to improve strategic outcomes, meet the needs of service users, and deliver continuous improvement.

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

Best Value

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

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

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

37. At least once over the five-year appointment, the Controller of Audit will report to the Accounts Commission on the council's performance in meeting its Best Value duties. The second year of this programme runs from October 2024 to August 2025. The Accounts Commission considered the Controller of Audit report on the council in October 2023.

Significant wider scope and Best Value risks

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

Financial sustainability

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

Governance of the capital plan

40. A recommendation was made in the 2023/24 Annual Audit Report regarding the updated business case for Ayr Citadel Leisure Centre. We are aware that internal audit is undertaking a review of the governance arrangements surrounding the council's ward capital projects and we will consider the results of this work.

Reporting arrangements, timetable and audit fee

Audit outputs

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

- This Annual Audit Plan.

- An Independent Auditor's Report to the council and the Accounts Commission setting out opinions on the Annual Accounts.

- An Annual Audit Report to the council and the Accounts Commission setting out significant matters identified from the audit of the Annual Accounts, conclusions from the wider scope and Best Value audit, and recommendations, where required.

42. The matters to be reported in the outputs will be discussed with the council for factual accuracy before they are issued. All outputs from the audit will be published on Audit Scotland's website, apart from the Independent Auditor's Report, which is included in the audited Annual Accounts.

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

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

Audit timetable

45. Achieving the timetable for production of the Annual Accounts, supported by complete and accurate working papers, is critical to delivery of the audit to agreed target dates. Exhibit 5 includes a timetable for the audit, which has been agreed with management. Agreed target dates will be kept under review as the audit progresses, and any changes required, and their potential impact, will be discussed with the council and reported to those charged with governance, where required.

Exhibit 5
2024/25 audit timetable

Audit activity	Audit team target date	Relevant committee date
Issue of this Annual Audit Plan	26 March 2025	26 March 2025
Issue of Best Value Management Report	26 March 2025	26 March 2025
Annual Accounts:		
• Consideration of unaudited Annual Accounts by those charged with governance		25 June 2025
• Submission of unaudited Annual Accounts and all working papers to audit team	By 30 June 2025	
• Latest date for audit clearance meeting. Issue of draft Letter of Representation, proposed Independent Auditor's Report, and proposed Annual Audit Report	12 September 2025	
• Approval by those charged with governance and signing of audited Annual Accounts		September 2025
• Signing of Independent Auditor's Report and issue of Annual Audit Report	September 2025	

Source: Audit Scotland

Audit fee

46. The council's audit fee is determined in line with Audit Scotland's fee setting arrangements. The audit fee for the 2024/25 audit is £352,740 (2023/24: £346,130). A separate fee of £1,200 (2023/24: £1,150) applies to the audit of the charitable trusts. In setting the audit fee, it is assumed that the council has effective governance arrangements in place and the complete Annual Accounts will be provided for audit in line with the agreed timetable. The audit fee assumes there will be no significant changes to the planned scope of the audit. Where the audit cannot proceed as planned, for example, due to incomplete or inadequate working papers, the audit fee may need to be increased.

Other matters

Internal audit

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

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

Audit quality

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

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

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

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

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

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

53. Audit Scotland may periodically seek the views of the council on the quality of audit services provided. The audit team would also welcome feedback at any time.

South Ayrshire Council
Annual Audit Plan 2024/25

AS.5.0

South Ayrshire Council

**Report by Director of Communities and Transformation
to Audit and Governance Panel
of 26 March 2025**

Subject: **Transformation - Best Value Thematic Work in South Ayrshire Council 2024/25**

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1. Purpose

1.1 The purpose of this report is to present Members with Audit Scotland's thematic report on transformation in South Ayrshire.

2. Recommendation

2.1 **It is recommended that the Panel:**

2.1.1 **scrutinises the content of Audit Scotland's thematic report on transformation in South Ayrshire;**

2.1.2 **notes the improvement actions identified in Appendix 1 of the report; and**

2.1.3 **agrees for these actions to be incorporated within the existing Best Value Action Plan and reported quarterly to the Audit and Governance Panel and the Best Value Working Group.**

3. Background

3.1 The Accounts Commission's approach to Best Value has evolved since Best Value was introduced 20 years ago and is now fully integrated within annual audit work. Best Value at the Council will be assessed comprehensively over the period of the audit appointment and will include an annual evaluation of the Council's approach to demonstrating improvement in the effective use of resources and public performance reporting.

3.2 In addition to the annual work on Best Value, thematic reviews as directed by the Accounts Commission are undertaken and in 2022/23 the focus was on the effectiveness of Council leadership in developing new local strategic priorities following the elections in May 2022. In 2023/24 the thematic focus was on workforce innovation.

3.3 An action plan based on the recommendations from Audit Scotland is reported to Audit and Governance panel on a quarterly basis.

3.4   This years (24/25) report focuses on transformation and considers:

- To what extent does the council have clear plans for transformation that link to its priorities and support long-term financial sustainability?

- To what extent do the council's programme management arrangements facilitate effective oversight of its transformation plans?

- To what extent are partners and communities involved in the development and delivery of the council's plans for transformation?

- To what extent has the council considered the impact of its transformation activity, including on vulnerable or protected groups?

4.   Proposals

4.1   Audit Scotland's report is attached as Appendix 1.

4.2   The report draws out key messages and these include:

- The council has made substantial budgetary savings in recent years whilst still achieving improved service performance.

- The Council has not evidenced the impact of pervious transformation programmes.

- The new Transformation Board provides the strategic integration and ownership of the council's transformation plans.

- There are strong governance arrangements in place to facilitate the effective oversight of these plans and the council has demonstrated a more collegiate approach across its senior leadership to deliver the transformational change needed.

- The council should ensure its plans are sufficiently ambitious to credibly respond to its financial challenges.

- The council, alongside the Community Planning Partnership, has engaged an external consultant, Mutual Ventures, to support service redesign across South Ayrshire. This aims to shift from a service focused approach to one that is person centric, with an emphasis on removing duplication, empowering the third sector, and enhancing outcomes for citizens.

4.3   A draft improvement action plan is included at Appendix 1 of the Audit Scotland report. This sets out audit recommendations in key areas, and the Council's planned response including responsible officers and dates for implementation.

4.4   The improvement actions will be added to Pentana and reported to panel in line with existing Best Value reporting arrangements.

5.   Legal and Procurement Implications

5.1   There are no legal implications arising from this report.

5.2   There are no procurement implications arising from this report.

6.   Financial Implications

6.1   Not applicable.

7*.*   Human Resources Implications

7.1   Not applicable.

8.   Risk

8.1   *Risk Implications of Adopting the Recommendations*

        8.1.1   There are no risks associated with adopting the recommendations.

8.2   *Risk Implications of Rejecting the Recommendations*

        8.2.1   Rejecting the recommendations would result in reputational damage and criticism from Audit Scotland, the Accounts Commission and the Scottish Government.

9.   Integrated Impact Assessment (including Equalities)

9.1   The proposals in this report allow scrutiny of performance. The report does not involve proposals for policies, strategies, procedures, processes, financial decisions and activities (including service delivery), both new and at review, that affect the Council's communities and employees, therefore an Integrated Impact Assessment is not required.

10.   Sustainable Development Implications

10.1   *Considering Strategic Environmental Assessment (SEA)* - This report does not propose or seek approval for a plan, policy, programme or strategy or document otherwise described which could be considered to constitute a plan, programme, policy or strategy.

11.   Options Appraisal

11.1   An options appraisal has not been carried out in relation to the subject matter of this report.

12.   Link to Council Plan

12.1   The matters referred to in this report contribute to delivery of all the Council's strategic objectives and strategic outcomes.

13.   Results of Consultation

13.1   There has been no public consultation on the contents of this report.

13.2   Consultation has taken place with Councillor Martin Dowey, Portfolio Holder for Corporate and Strategic, and the contents of this report reflect any feedback provided.

13.3   The report has been shared with members of the Best Value Working Group.

Background Papers   **Report to Audit and Governance Panel of 28 June 2023 – Best Value Thematic Work in South Ayrshire Council 2022/23**

Report to Cabinet of 29 August 2023 – Best Value Thematic Work in South Ayrshire Council 2022/23

Report to Audit and Governance Panel of 4 October 2023 – Best Value Action Plan 2023

Report to South Ayrshire Council of 7 December 2023 – Accounts Commission's Findings on Best Value in South Ayrshire

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Date: 19 March 2025

South Ayrshire Council

Best Value thematic management report

Transformation – How councils are redesigning and delivering more efficient services to achieve planned outcomes

Contents

Key messages

1   In 2023 we reported that the pace of improvement had been slow in some key areas of Best Value, including a lack of progress with transformation in the council.

2   The council has made substantial budgetary savings in recent years whilst still achieving improved service performance. However, it is not clear how the council's established transformation programmes contributed to these savings. Historically, the council's transformation programmes were hampered by a lack of strategic leadership and the silo nature of the programmes resulted in limited buy-in across council services.

3   In 2024 we reported on a greater strategic focus on improving the pace of change. The new Transformation Board provides the strategic integration and ownership of the council's transformation plans. There are strong governance arrangements in place to facilitate the effective oversight of these plans and the council has demonstrated a more collegiate approach across its senior leadership to deliver the transformational change needed. With the governance, resources, and funding in place the council now needs to take forward proposals and deliver on its transformation priorities.

4   We reported in 2024 that the council's underlying cost base is not sustainable. The latest update to the Medium-Term Financial Plan shows a cumulative budget gap of £32.9 million. Savings of £25.8 million need to be delivered in 2026/27 and 2027/28. Savings of £6.6 million have so far been identified to bridge this gap.

5   To date savings of just over £1 million have been identified from the transformation projects in the new programme but this does not represent the full savings forecast as the savings, benefits trackers, and realisation reports, for most projects are in development. The council should ensure its plans are sufficiently ambitious to credibly respond to its financial challenges.

6   The council acknowledges that its transformation programme is not expected to realise the full savings needed to bridge its budget gap. It should therefore clearly set out the extent to which savings from transformation will contribute to bridging its budget gap, prioritising transformation projects that will deliver the most savings. Recent audit reports have been critical of the reporting on

the council's previous transformation programme noting a lack of detail around the projects expected benefits and outcomes. Reporting of progress against delivery of the planned transformation benefits in the new programme will be introduced to allow oversight and scrutiny by officers and elected members. The first reports are planned for March 2025.

7   Alongside this as part of its budget preparations the council is considering areas where costs can be saved and income increased. As part of this picture, financial plans now need to be aligned to the workforce plans to demonstrate how services will be sustainable in the future. Alongside this, it is exploring opportunities for greater partnership working to help contribute to the required savings.

8   Officers and elected members need to work together in identifying how resources are to be effectively prioritised towards delivery of the council plan priorities. Elected members need to make difficult decisions on how the use of resources is prioritised going forward, within the council's recurring funding envelope.

9   The council, alongside the Community Planning Partnership, has engaged an external consultant, Mutual Ventures, to support service redesign across South Ayrshire. This aims to shift from a service focused approach to one that is person centric, with an emphasis on removing duplication, empowering the third sector, and enhancing outcomes for citizens. The new delivery model is being developed and will be piloted in Ayr North during 2025 before being integrated into the transformation programme.

10   The council has a history of collaborating with East and North Ayrshire, for example, through the Ayrshire Growth Deal and Ayrshire Roads Alliance. There are discussions ongoing across the senior leadership of the three councils to explore further opportunities for collaboration in areas such as tourism and economic development. These developments are now to be discussed with elected members.

11   The council has included the requirement for community engagement and integrated impact assessments on specific transformation projects, where applicable, in its new transformation processes. Projects are still being developed, but arrangements are in place to demonstrate that this is happening, particularly on those projects that affect vulnerable groups.

Introduction

1. Transformation is about radically changing how councils operate and deliver services to achieve planned outcomes in a financially sustainable way (Transformation in councils, Accounts Commission, October 2024). The 2023 Local Government Overview (LGO) notes that councils have never faced such a challenging situation. Service demands have increased after the Covid-19 pandemic and funding is forecast to reduce in real terms. Transformation, through greater collaboration with partners, will be key for councils to deliver more sustainable service models in challenging financial climates.

2. This report sets out how the council is redesigning and delivering more efficient services to achieve planned outcomes.

3. The Accounts Commission's Strategy (2021-26) sets out its priorities to focus on inequalities, funding, communities, and recovery. The Code of Audit Practice sets out the Best Value work required to report on these priorities.

4. This report covers the thematic aspect of the Best Value audit requirements. The Commission has directed auditors to report on transformation and how councils are redesigning and delivering more efficient services to achieve planned outcomes. In carrying out the work auditors have considered the following questions:

- To what extent does the council have clear plans for transformation that link to its priorities and support long-term financial sustainability?

- To what extent do the council's programme management arrangements facilitate effective oversight of its transformation plans?

- To what extent are partners and communities involved in the development and delivery of the council's plans for transformation?

- To what extent has the council considered the impact of its transformation activity, including on vulnerable or protected groups?

5. An improvement action plan is included at Appendix 1 of this report. This sets out audit recommendations in key areas, and the council's planned response including responsible officers and dates for implementation.

6. The coverage of the work is in line with the expectations for council's arrangements for the seven Best Value themes in the Local Government in Scotland Act 2003, Best Value Statutory Guidance 2020 and we have

considered the Accounts Commission's transformation principles set out in
Transformation in councils.

Principle	
Vision	Have a clear vision that sets out the intended end state of any transformation activity, focused on: • delivering large-scale recurring savings or generating income for the council, contributing to its longer-term financial sustainability • improving outcomes for citizens in line with council priorities • taking a whole-system approach to see and realise opportunities both within councils and more widely • meeting the needs of the people who use services and reduce inequalities • focusing on preventative activity, where applicable, to reduce the demand for services and to make them sustainable in the longer term.
Planning	• Be clear on the scale of the change required and ensure transformation plans are sufficiently ambitious to credibly respond to the scale of the challenge. • Commit staff with appropriate skills, time, and resources to ensure transformation occurs at the scale and pace required and that there is enough capacity for the changes to be embedded. • Be clear about the timescales, costs, outcomes, and anticipated impacts of transformation projects. • Show urgency and progress projects at pace without compromising appropriate governance on projects.
Governance	• Have a clear process for monitoring, evaluating, and reporting progress. • Put in place effective governance and escalation processes so that the transformation activities are well managed in their own right, but also able to be given priority alongside other business-as-usual activities.
Collaboration	• Develop better working relationships with communities and/or partners to achieve a sustainable model of service delivery. • Actively consider the opportunities offered by regional or national sectoral collaboration, or by integrating services locally with partners, or by supporting individuals and communities to achieve desired outcomes in place of an existing service. • Learn from good practice across Scotland and beyond.
Innovation	• Implement new ways of thinking, including innovation, creativity and a desire, willingness, and action to change and do things in new and different ways that achieve the outcomes needed. • Embed the right culture and behaviours to manage change and help maximise the contribution of all the team.

Transformation planning

7. The council needs to ensure it can deliver sustainable services now and in the future, and difficult decisions will need to be made to achieve this. The Accounts Commission's Local government budgets 2024/25 briefing noted that councils' cumulative funding gap between 2025/26 and 2026/27 is £780 million. This means that, cumulatively, councils need to identify and deliver recurring measures such as savings or increased income of five per cent of their overall revenue budget to be financially sustainable in the short-term.

8. In 2023 we reported that the pace of improvement had been slow in some key areas of Best Value including a lack of progress with transformation in the council. In 2024 we reported on a greater strategic focus on improving the pace of change but that the council now needs to deliver on its transformation priorities.

9. The latest update to South Ayrshire Council's Medium-Term Financial Plan (MTFP) shows a cumulative budget gap of £32.9 million to 2029/30, with savings of £25.8 million needing to be delivered across 2026/27 and 2027/28.

Findings	Evidence
Clearer plans for transformation have been developed under a revised approach approved in March 2024 when sound project management and governance arrangements were established.	The council revised its approach to transformation in March 2024 to address issues raised by Audit Scotland on pace of change. It is strengthening its approach, drawing on expertise from the Improvement Service and Angus Council.
	The council agreed enhanced leadership and new governance arrangements including a Transformation Board and a Transformation Fund.
	The council has an overarching transformation plan, Shaping Our Future Council, that includes four transformation priorities and a three-year transformation portfolio. Projects within the portfolio are mostly at early stages and some are still to be fully approved.
	Sound project management and governance arrangements have been established enabling plans for individual projects to be clearly set out and monitored.

The council's project management framework for transformation work includes the requirement to quantify the costs and benefits of projects. Information is being collated as proposals progress in line with the governance approach in place.

Governance arrangements are in place to ensure that the council identifies and reports on the costs and benefits of transformation projects. This includes cashable and non-cashable benefits.

The council is at the early stages of project implementation and is in the process of implementing benefits trackers and benefits realisation reports.

As at November 2024, the council had approved business cases for 12 projects out of 32 to be prioritised in 2024/25. There are 58 projects being taken forward from 2024/25 to 2026/27.

Individual projects align with the council's priorities and financial plans.

Project management and governance arrangements ensure that approved transformation projects align with the council's plans for transformation, council plan priorities and medium-term financial plans.

Our November 2023 Controller of Audit report repeated previous concerns about the lack of progress with the council's transformation programme urging the council to move at pace and highlighting the need for decisive and focused leadership to deliver the required transformation.

In September 2024, we reported that at 31 March 2024 total usable reserves are now only £42 million, and the underlying service cost base is not sustainable. The council approved a balanced budget for 2024/25, but only after planning to utilise £4 million of reserves and £10.253 million from reduced pension contributions. Given the reducing levels of reserves, future savings must be made through the urgent transformation of services to bridge this gap.

Savings of £25.8 million need to be delivered in 2026/27 and 2027/28. To date savings of £6.6 million have been identified to bridge this gap.

The council has identified savings of just over £1 million from 2025/26 to 2027/28 from its transformation projects. While this does not represent the full savings forecast as many projects have still to identify projected savings each year, there is still a significant funding gap that needs bridged.

The council advised that its transformation programme is not expected to realise the full savings needed to bridge its budget gap.

Pay-related costs account for around 50 per cent. At the December 2024 Council meeting it was acknowledged that a reduction in overall staffing numbers may be required to achieve these savings.

The council now needs to be clear on how it will balance the workforce that it needs, and what it can afford, to deliver its priorities and outcomes in a sustainable way. Given the significant savings required over this period, difficult and transparent discussions and decisions will need to be made including on the council's workforce. As we reported in our year two BV thematic, there remains a need for the council to clearly align its workforce plan to its MTFP. Additionally, from our review of the transformation programme, whilst workforce is listed as one of the four workstreams, from the projects currently identified, it is not clear what is being considered as part of this.

The assets of the council is another of the four transformation workstreams. This workstream will look to ensure the council estate is being fully utilised to deliver services. This may present it with the opportunity

The council has significant budget savings to make in 2026/27 and 2027/28 and transformation is urgently needed to bridge this gap. While not all savings are forecast across the transformation portfolio, the savings projected so far are only around £1 million.

to rationalise the number of buildings occupied and for savings and a reduction in the council's carbon footprint to be realised. In May 2023 Cabinet considered a report from an external consultant on transforming the council's estate. A number of recommendations, including the implementation of a three-phased approach to the transformation of the council's estate were presented and members agreed these together with a further review of the proposals. An update report on progress was due to be provided to Cabinet in June 2024. We have not seen this presented to members. Whilst the new transformation programme was established after this initial report, given the potential opportunities identified regarding cost savings together with investment in key assets to aid income generation, we would have expected this to feature in the current list of transformation projects. From our review of the list, it is not clear how this is being progressed, if at all.

The council has currently identified over 50 projects in its three-year transformation portfolio. Ongoing projects include process automation, technology upgrades (e.g. Microsoft 365), property maintenance process improvement and the introduction of an early payment discount scheme. Some more ambitious projects are at early exploratory stages (Mutual Ventures and the Ayrshire Collaborative).

Previous audit reports have said that the council's historic approach to transformation has been slow, inconsistent, and lacked drive and urgency. The council now needs to demonstrate that its new programme is progressing e with pace to deliver the transformation required (recommendation 1).

Officers and elected members need to work together in identifying how resources are to be effectively prioritised towards delivery of the council plan priorities. Elected members need to make difficult decisions on how the use of resources is prioritised going forward, within the council's recurring funding envelope.

Recommendation 1

The council should ensure its plans are sufficiently ambitious to credibly respond to its financial challenges. It should clearly set out the extent to which savings from transformation will contribute to bridging its budget gap, prioritising transformation projects that will deliver the most impact and savings.

Programme management

10. It is essential that the council has good programme management arrangements in place to ensure it is making sufficient progress against its transformation plans. It is important that the council has the structures and the staffing resource in place to deliver its transformation ambitions. In addition, the council must ensure that both senior officers and elected members have appropriate oversight of progress.

Findings	Evidence
Strong governance arrangements are in place to facilitate effective oversight of transformation plans. These arrangements demonstrate a more collegiate approach across senior leadership to deliver transformational change at the council.	The council established a Transformation Board in March 2024 that meets quarterly. The Board is responsible for upholding and implementing the council's vision for transformation, maintaining the scope of the portfolio and ensuring transformation is resourced and managed effectively to deliver tangible benefits.
	There is strong senior leadership ownership from across the council with the Board being chaired by the Chief Executive and membership comprising Directors, Assistant Directors, Heads of Service, and the Chief HR Advisor.
	Previously, the council's transformation activities, the Change Programme, were under the direction of one Director.

The council has created the capacity to deliver its transformation agenda through the establishment of a Transformation Service and a £5 million Transformation Fund. It is developing how it works with services to deliver the transformation agenda.

It is procuring additional capability through a Transformation Partner.

The council created capacity to deliver its transformation programme by setting up the Transformation Service. The new Transformation Service was established in May 2024. It brings together what was ICT Enterprise Architecture, the Strategic Change Team and resource from elsewhere, notably Organisational Development, and comprises 24 dedicated members of staff. Through this the council has built capacity to deliver its new transformation programme.

A Transformation Delivery Group has been established that meets every four weeks. It is chaired by the Assistant Director Transformation and is responsible for the operational oversight of the projects.

Alongside the Transformation Service a three-year £5 million Transformation Fund has been established to invest in transformation projects.

The council is contracting an external Transformation Partner to build capability in specific scope areas.

The council recognises that all transformation activities need engagement and buy in from services to be effective. This risk is being mitigated through the development of a communications approach and plan for the portfolio. The transformation service is engaging with services on the programme to raise awareness and embed its approach.

The council has effective scrutiny arrangements in place for reporting progress to the senior leadership team and elected members. The first reporting, including benefits tracking, will be presented to members in March 2025.

A Transformation Scrutiny and Reporting Schedule was approved by Cabinet in October 2024.

The Transformation Board comprises senior leadership. It receives updates on the overall status of the portfolio and individual projects which show a RAG status for time, costs, and benefits. It also monitors spend from the Transformation Fund, the delivery timescales for all the projects and project benefits trackers when prepared. The first update paper to SPPP is due in March 2025 and the next update to Cabinet will be October 2025.

In October 2024, Cabinet agreed that reports, including benefits reporting will be brought back to Cabinet and Service Partnerships and Performance Panel (SPPP) as described in the schedule.

Partnership working and community engagement

11. The Best Value in Scotland report noted that councils must now rethink how they work together, and with local partners and communities, to provide financially sustainable services. Few councils provide services jointly or share support services across different councils to a great extent.

Findings	Evidence
There are discussions ongoing across the senior leadership of South Ayrshire, North Ayrshire, and East Ayrshire Councils to explore further opportunities for collaboration in areas such as tourism and economic development. These developments are to be discussed with elected members. Scottish Government support is needed for more radical transformation across Ayrshire.	The council is involved in exploring a Pan-Ayrshire approach with North Ayrshire Council and East Ayrshire Council, with a view to potentially sharing services. There are some barriers to this level of joint working including the siloed approach to national funding allocations, governance, and reporting arrangements. Also, in Ayrshire the three different councils have different political make-ups. The council refers to the vital role of national government in enabling more transformational partnership working between different bodies.
The council, alongside the Community Planning Partnership, has engaged an external consultant, Mutual Ventures, to support service redesign across South Ayrshire. This aims to shift from a service focused approach to one that is person centric, with an emphasis on removing duplication, empowering the third sector, and enhancing outcomes for citizens.	The council is at an early, exploratory stage of 'Radical Place Leadership,' working with Mutual Ventures to develop a place-based approach with its partners to think more radically about how to support residents and meet collective financial challenges (Exhibit 1). The council notes that this work is intended to sit under the Transformation Programme but will be CPP-led with a focus on empowering the third sector.

The council has some good examples of working with partners and communities but there is still a way to go to transform services to better meet the needs of its communities.	The council works with a variety of partners and communities to improve services. For example, on The Promise in South Ayrshire, to help create a comprehensive support network for care-experienced children and young people, the council works alongside South Ayrshire HSCP, The Promise Scotland, local community groups, schools, and colleges. Community planning partners' initiatives include the Ageing Well Strategy, Working for Wallacetown approach and CCTV. The council has also worked with neighbouring authorities on the Ayrshire Growth Deal and the roads operating model, Ayrshire Roads Alliance.
The council does not have any joint funding arrangements in place with partners for transformation projects, but it is exploring opportunities to engage the Community Planning Partnership with its Transformation Programme.	The Radical Place Leadership Baseline Report in October 2024 found that a lack of shared budgets or resource hampers long term partnership working. Collaborations across organisations were often project specific with limited funding. The council has confirmed its Transformation Fund can be used to fund joint projects. It will provide the Community Planning Partnership with details on its Transformation programme and fund in May 2025 to highlight the opportunity for greater collaboration.

The council has included the requirement for community engagement on specific transformation projects, where applicable, in its new transformation processes. Projects are still being developed, and we have yet to see any evidence of this being carried out and influencing planned changes.

The council has in place arrangements to demonstrate that this engagement is happening. As the programme progresses, we will look for evidence of the council demonstrating its consideration of the impact of projects on vulnerable groups.

The council's business case template asks whether consultation with the community has taken place. We are yet to see examples of where this has taken place in the new programme, as the business cases approved to date have not required consultation, although the council intends to engage with communities on its Mutual Ventures and Community Venues projects. Additionally, the requirement for an Integrated Impact Assessment forms part of the business case development and we will review these as and when they are completed.

It has demonstrated good community involvement in its Ageing Well Strategy and the South Ayrshire Promise, both of which involve people with lived experience helping shaping decisions and, as such, represent a more co-design approach. As it progresses its revised transformation programme we will review the council's monitoring of projects, and their completed Integrated Impact Assessments. We will be looking for evidence that the council follows its established arrangements to engage with communities and consider the impact of projects on vulnerable groups (recommendation 2).

There are also examples where the council has tended to provide information to communities on transformation projects rather than involving them in development or delivery. For example, the council issued a news release on the new transformation programme linking to the Shaping Our Future Council October 2024 update report.

Exhibit 1
Radical Place Leadership

The council is working with Mutual Ventures to adopt its Radical Place Leadership approach to service delivery. This aims to shift from a service focused approach to one that is person centric, with an emphasis on removing duplication, empowering the third sector, and enhancing outcomes for citizens.

The working group has reviewed how the sharing of data and intelligence from community engagement can help to identify specific cohorts of people needing additional support within the population.

Ayr North has been selected to pilot a new integrated way of working in a neighbourhood to test, learn, and integrate the approach. This will include examining how frontline teams can be co-located to work more effectively and well as learn from other stakeholders who have successfully implemented different approaches.

Source: South Ayrshire Council

Recommendation 2

The council should demonstrate it is engaging with its communities as it progresses its revised transformation programme, particularly on those projects that affect vulnerable groups. It should set out clearly how these activities influence any planned changes.

Impact of transformation

12. It is important that the council has success measures in place to demonstrate the impact of its transformational activity on service quality; outcomes for people who use services, inequalities, and/or savings.

Findings	Evidence
The council has made substantial budgetary savings of over £75 million since 2011 However, it is not clear how the council's established transformation programmes contributed to these savings. It is too early to comment on delivery of the current programme, but arrangements are now in place to better identify and capture the impact of transformation projects. This includes cashable and non-cashable benefits.	As reported in previous audit reports, historically, the council's transformation programmes were hampered by a lack of strategic leadership and the silo nature of the programmes resulted in limited buy-in across council services. Whilst significant savings have been achieved, it is not clear how the council's established transformation programmes contributed to these, how the savings were aligned with the council's strategic priorities, and if the impact of these savings on service delivery and outcomes were assessed. In March 2025, the council reported on the impact of its previous transformation activity covering August 2021 to March 2024. This highlighted that of the 40 projects covered by the programme, 28 were delivered with 12 realising cashable benefits, including cost avoidance, savings, and income generation, of £1.6 million. The council now has arrangements in place to better identify and capture impact on specific projects. A benefits realisation plan has been approved which provides guidance on the different types of benefits and outlines roles and responsibilities for capturing and reporting on benefits. Benefits trackers are being developed and introduced to measure success. This includes savings, improvements to service delivery and outcomes. This is embedded in the project management and governance. The council has committed to reporting this information to members and has a clear process established. The first report is planned to be presented to the Service, Partnerships and Performance Panel in March 2025. We have included a recommendation on this area given its importance. (recommendation 3). The council is preparing a portfolio level assessment of benefits.

Together, the two examples of successful transformation provided by the council set out one-off savings of £0.850 million and recurring savings of £0.300 million.

The council was asked to provide Audit Scotland with two examples of successful transformation projects. The examples provided were The Promise in South Ayrshire and the council's Thriving Communities service review.

The council has set out in detail the expected impact of the Promise in terms of improvements to service quality and outcomes. The Promise runs until 2030 and therefore the majority of benefits have yet to be realised.

The council's work on The Promise details the expected benefits to service quality and outcomes as well as setting out, but not quantifying, areas where cost benefits may occur. However, this work runs until 2030 and so the majority of benefits have yet to be realised.

The council has set out areas where cost benefits are likely to arise, e.g. the reduction of the long-term costs associated with poor outcomes for care-experienced individuals, such as health issues, unemployment, and involvement with the criminal justice system, but these have not yet been quantified. To date it has reported that there have been one-off savings of £0.850 million.

The Thriving Communities service review generated recurring savings of £0.300 million through the deletion of posts and the reallocation of European match funding. This service is responsible for developing and delivering a range of employability programmes that help support young people and adults into sustainable employment.

Cabinet agreed a new integrated impact assessment tool in September 2024 following a trial period using a draft tool. The tool looks at the potential impact on protected characteristics, socio-economic disadvantage, human rights, the environment, and some cross-cutting issues.

The council has recently developed a new integrated impact assessment tool which is embedded in the project management and governance arrangements, but we have not yet seen any that have been carried out for projects in the new transformation portfolio.

Integrated Impact Assessments (IIA) are required to be carried out, where applicable, prior to business case approval so that they will inform the development of the transformation project. The council advised that so far impact assessments have not been carried out on projects in the new programme due to the internal nature of these. However, there will be assessments completed for upcoming projects covering community venues and the Radical Place Leadership project. For projects that progress to the business case stage officers need to consider whether the full IIA needs to be completed. This section will include a free text box for officers to explain their rational for not completing the full IIA e.g. it is not applicable due to the nature of the project.

The HSCP did carry out a full impact assessment before publishing South Ayrshire's Parenting Promise 2021-2030. This did not identify any negative impacts on young people with protected characteristics or affected by socio-economic disadvantage. The CPP carried out an integrated impact assessment on the Ageing Well Strategy as part of the trial of the new tool. They did identify mitigating measures where negative or unclear impacts were identified.

Recommendation 3

The council is introducing reports which will include benefits tracking and realisation progress for all approved projects. These reports are to be provided to members and should set out clearly what has been achieved compared to the expected benefits and the outcomes these changes have delivered.

Appendix - Improvement action plan

Issue/risk	Recommendation	Agreed management action
1. Impact and ambition of transformation plans The council has significant budget savings to make in 2025/26 and 2026/27 and transformation is urgently needed to bridge this gap. While not all savings are forecast across the transformation portfolio, the savings projected so far are only around £1 million.	The council should ensure its plans are sufficiently ambitious to credibly respond to its financial challenges. It should clearly set out the extent to which savings from transformation will contribute to bridging its budget gap, prioritising transformation projects that will deliver the most savings. Transformation planning	**Management response** **Action 1-** Update council reporting format to ensure all transformation activity and proposed benefits are captured. **Responsible officer-** Assistant Director - Transformation. **Due date-** April 2025. **Action 2-** Develop a new workforce plan linked to the medium-term financial plan, Council Plan and LOIP. **Responsible Officer-** Chief HR Officer. **Due date-** December 2025. **Action 3-** Deliver briefings to members and partners as discussions relating to shared services progress. **Responsible officer-** Chief Executive. **Due date-** March 2026. **Action 4-** Develop a project brief relating to Radical Place Leadership in Ayr North for consideration/approval by the Transformation Board. **Responsible officer-** Assistant Director - Corporate Policy Strategy and Performance **Due date-** June 2025. **Action 5-** Provide an update report to Council detailing the financial and carbon impact of the 'Transforming our Estate' strategy. **Responsible officer-** Assistant Director of Planning and Development. **Due date-** July 2025.

Issue/risk	Recommendation	Agreed management action
2. Community engagement Projects are still being developed, and so we have yet to see any evidence of this being carried out and influencing planned changes.	The council should demonstrate it is engaging with its communities as it progresses its revised transformation programme, particularly on those projects that affect vulnerable groups. It should set out clearly how these activities influence any planned changes. Partnership working and community engagement	**Management response** We will include details of the impact community engagement has had on relevant transformation projects as part of the reporting regime. **Responsible officer-** Assistant Director - Transformation. **Actioned by** March 2026.
3. Benefits tracking and delivery reporting Benefits trackers are still being developed to report progress on projects to elected members.	The council is introducing benefits trackers and realisation reports. These reports are to be provided to members and should set out clearly what has been achieved compared to the excepted benefits and the outcomes these changes have delivered. Impact of transformation	**Management response** Benefits realisation and tracking reports now clearly set out what has been achieved compared to the expected benefits and is reported to Members. **Responsible officer-** Assistant Director - Transformation. **Actioned by** March 2025.

South Ayrshire Council

Transformation – How councils are redesigning and delivering more efficient services to achieve planned outcomes

AS.5.0

AUDIT SCOTLAND

South Ayrshire Council

**Report by Chief Internal Auditor
to Audit and Governance Panel
of 26 March 2025**

Subject: **Proposed Internal Audit Plan 2025-26 (including Annual Review of Internal Audit Charter)**

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1.   Purpose

1.1   The purpose of this report is to seek Audit and Governance Panel approval for the proposed Audit Strategy and Internal Audit Plan and reserve list for 2025-26 and for the revised Internal Audit Charter. The report also sets out a summary of changes relevant to the audit planning process resulting from the new Global Internal Audit Standards (GIAS) in the UK Public Sector for noting.

2.   Recommendation

2.1   It is recommended that the Panel:

   2.1.1   notes the summary of changes relevant to the annual planning process resulting from the new Global Internal Audit Standards (GIAS) in the UK Public Sector (Paras 3.3 and 4.1) and agrees that a report outlining all requirements and responsibilities of the new standards be brought to a future Audit and Governance Panel;

   2.1.2   approves the Audit Strategy (Appendix 1);

   2.1.3   approves the Annual audit plan and reserve list for 2025-26 (Appendix 2); and

   2.1.4   approves the revised Internal Audit Charter (Appendix 3).

3.   Background

3.1   Internal Audit is an assurance function that primarily provides an independent and objective opinion to the Council on the control environment comprising governance, risk management and control by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.

3.2   Under paragraph 7 of The Local Authority Accounts (Scotland) Regulations 2014, a local authority must operate a professional and objective internal auditing service in accordance with recognised standards and practices in relation to internal auditing. The Global Internal Audit Standards (GIAS) came into effect in January 2025,

replacing the Public Sector Internal Audit Standards 2013 (updated 2017). The GIAS guide the professional practice of internal auditing worldwide and serve as a basis for evaluating and elevating the quality of the Internal Audit function. The Application Note: GIAS in the UK Public Sector, effective from 1 April 2025, provides a framework for the practice of Internal Audit in the UK Public Sector when taken together with the GIAS. The Application Note: GIAS in the UK Public Sector sets out interpretations and requirements which need to be applied to the GIAS, to form a suitable basis for Internal Audit (IA) practice in the UK Public Sector. In addition, CIPFA produced a new Code of Practice for the Governance of Internal Audit in Local Government to support compliance with the principles and standards in Domain III (Governing the IA Function) of the GIAS (UK Public Sector).

3.3   Many aspects of how the Internal Audit function undertakes audits and the principles under which it operates have not fundamentally changed and overall, current arrangements reflect the new Standards and best practice.   However, the GIAS (UK Public Sector) formalise some requirements. Key changes relevant to the annual planning process include:-

- a new Purpose statement;
- clearer roles and responsibilities for senior management and the audit committee;
- development and approval of an Internal Mandate and Charter; and
- development and implementation of an audit strategy.

3.4   Consideration was given to the GIAS (UK Public Sector) when developing the proposed Audit Strategy and Internal Audit Plan for 2025-26 and the Internal Audit Charter which are being presented for approval as part of this report.

3.5   An allocation of time is included within the proposed audit plan for 2025-26 as part of the Quality Assurance Improvement Programme (QAIP) to complete a self-assessment of the current audit process to ensure compliance with the new standards. An action plan to address issues identified during the self-assessment will be developed if required. The results of the self-assessment and the action plan will be reported to the Audit and Governance Panel once completed.

4.   Proposals

4.1   Domain III (governance of the Internal Audit function) of the GIAS (UK Public Sector) sets out a role for those 'charged with governance' within an organisation. The main elements are to:-

- provide the mandate setting out the authority, role and responsibilities under which Internal Audit operates
- obtain assurance that Internal Audit is fulfilling its mandate
- review and approve the internal audit charter as reflecting the Committee's expectations of the internal audit service that will be delivered within the Council
- meet with the Chief Audit Executive (CAE)[1] or on a periodic basis

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[1] The Chief Internal Auditor is the CAE in South Ayrshire Council

- 'champion' and demonstrate support for Internal Audit

- review the governance, management and reporting arrangements of the internal audit function

- assist with setting audit priorities

- review and approve arrangements for the external assessment

4.2   Within South Ayrshire Council, the AGP is determined to be 'charged with governance' therefore the new Standards have a specific relevance to this Panel. The role of the AGP includes review and approval or the Internal Audit Strategy and Audit Plan and the Internal Audit Charter. Full details on the areas overseen by the AGP are included in section 5 of the Internal Audit Charter at (Appendix 3)**.**

4.3   It is proposed that that a report outlining all requirements and responsibilities of the new standards be brought to a future Audit and Governance Panel.

4.4   The proposed 2025/2026 Internal Audit Plan has been prepared in compliance with the GIAS in the UK Public Sector and is being presented to the AGP together the required Audit Strategy and updated Internal Charter for approval. Audit assignments undertaken in 2025/2026 and Annual Report going forward will also reflect the requirements of the new Standards.

Internal Audit Strategy

4.5   The GIAS (UK Public Sector) require the CAE to develop and implement a strategy for the internal audit function that 'supports the strategic objectives and success of the organisation and aligns with the expectations of the board, senior management, and other key stakeholders.' The proposed internal audit strategy included at Appendix 1 underpins the Internal Audit Plan and outlines:

- the approach to annual planning;

- How the annual audit plan will be delivered, including allocation of internal audit resources and the proposed areas of work for 2025-26; and

- Performance monitoring.

4.6   The Inernal Audit strategy will be reviewed on an annual basis and will be presented to the AGP for approval, together with the Internal Audit plan and Internal Audit Charter.

Internal Audit Plan 2025-26

4.7   As outlined in the GIAS (UK Public Sector), the CAE is required to create an internal audit plan that supports the achievement of the Council's objectives. The proposed audit plan at Appendix 2 is based on the Chief Internal Auditors assessment of the Council's priorities as detailed within the Council Plan 2023-2028 and the strategic risks included within the Council's current Strategic Risk Register and Directorates' Risk Registers. This assessment has also been informed by input from the CLT and the AGP and the Chief Internal Auditor's understanding of the Council's governance, risk and control processes.

4.8   The proposed plan should be considered to be flexible and will be kept under review, and amended as required to reflect any new arrangement or changing risks and priorities. Any future changes will be based on a full risk assessment during the year and will be presented to the Panel for approval.

Internal Audit Charter

4.9   The CAE is required to provided 'the board and senior management with the information necessary to establish the internal audit mandate' and must develop an Internal Audit Charter covering the governance arrangements for internal audit. The Charter must include the mandate derived form relevant regulations, plus any additional agreed mandate, and include internal audit's reporting line to the audit committee and the administrative reporting arrangements for internal audit and the CAE.

4.10   The Internal Audit Charter at Appendix 3 sets out the purpose of Internal Audit, the Internal Audit mandate, organisational position, reporting relationships, scope of work, types of services, and other specifications in accordance with the GIAS (UK Public Sector).

4.11   The Inernal Audit Charter will be reviewed on an annual basis and will be presented to the AGP for approval, together with the Internal Aduit Strategy amd Internal Audit plan.

5.   Legal and Procurement Implications

5.1   There are no legal implications arising from this report.

5.2   There are no procurement implications arising from this report.

6.   Financial Implications

6.1   Not applicable.

7.   Human Resources Implications

7.1   The GIAS in the UK Public Sector require Internal Audit to have sufficient staff and other resources to enable it to carry out the objectives of the Charter and to deliver a programme of independent and objective audit assurance work alongside other available sources of assurance to enable the CAE to prepare annual opinions on the adequacy of the overall control environment. The proposed Internal Audit plan will be delivered using existing internal audit staff resources (3.4 FTE). Should staff resources fall below this level within the year alternative external resources may be sought to bridge the gap.

8.   Risk

8.1   The risks included within the Strategic Risk Register as at September 2024 and current Directorate Risk Registers were considered in the development of this plan.

8.2   *Risk Implications of Adopting the Recommendations*

        8.2.1   There are no risks associated with adopting the recommendations.

8.3   *Risk Implications of Rejecting the Recommendations*

        8.3.1   Failure to comply with the Global Internal Audit Standards (GIAS) in the UK Public Sector and meet our obligation to provide and annual internal audit opinion.

9. Equalities

9.1 The Internal Audit work is carried out in accordance with the appropriate legislation and professional standards (GIAS in the UK Public Sector). The latter includes compliance by those in the Internal Audit function with the Code of Ethics. The proposal in this report are in relation to the Councils requirements under the GIAS in the UK Public Sector in relation to the operation of the Internal Audit function. Therefore an Integrated Impact Assessment it is not required for this report.

10. Sustainable Development Implications

10.1 *Considering Strategic Environmental Assessment (SEA)* - This report does not propose or seek approval for a plan, policy, programme or strategy or document otherwise described which could be considered to constitute a plan, programme, policy or strategy.

11. Options Appraisal

11.1 An options appraisal has not been carried out in relation to the subject matter of this report.

12. Link to Council Plan

12.1 The matters referred to in this report contribute to the three priorities in the Council Plan; Spaces and Places; Live, Work, Learn and, Civic and Community Pride.

13. Results of Consultation

13.1 The annual planning process includes consultation with Senior Managers and AGP Members. The results of the consultations were considered when developing the 2025-26 draft Internal Audit Plan.

13.2 Consultation has taken place with Councillor Ian Davis, Portfolio Holder for Finance, Human Resources and ICT, and the contents of this report reflect any feedback provided.

Background Papers	**Internal Audit Charter - March 2024**
	Local Authority Accounts (Scotland) Regulations 2014
	Global Internal Audit Standards
	The Application Note: GIAS in the UK Public Sector
	CIPFA Code of Governance of Internal Audit
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Date: 19 March 2025

South Ayrshire Council
Internal Audit Strategy

1.   Introduction

1.1   Internal Audit is defined as an 'independent, objective assurance and advisory service designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.'

1.2   The aim of an internal audit strategy is to direct the content of the annual audit plan to ensure a sound and effective plan is delivered which can inform an independent and objective assessment of the Council's governance, risk management and control frameworks.

2.   Strategic Objectives

2.1   The objectives of this strategy are to outline:
- the approach to annual planning;
- how the annual plan will be delivered, including allocation of internal audit resources and the proposed areas of work for 2025-26; and
- performance monitoring

2.2   The strategy aims to align audit work with the Council's risks, strategic goals and objectives in line with the GIAS (UK Public Sector), national regulations, guidance and other best practice.

3.   Annual Planning

3.1   The Internal Audit Plan is risk based. All areas which may be subject to Internal Audit review are recorded within the 'Audit Universe.' The Audit Universe is reviewed on an annual basis and updated to reflect changes in risk scores and new areas of risk identified throughout the previous year.

3.2   The Reserve List from the current year's plan is reviewed to identify assignments that have not been completed but remain an area of risk and which should be reconsidered for the current years' audit plan.

3.3   Consideration is also given to the current strategic and directorate risk registers along with key Council reports for example, the Council Plan, Best Value reports, external inspection reports and local and national Audit Scotland reports when developing audit plans. Panel, Cabinet and Council reports are reviewed on an ongoing basis to identify potential areas of high/increased risk and changes to or implementation of new policies or procedures for consideration during the audit planning process.

3.4   The audit planning process involves consultation with the Corporate Leadership Teams and other key stakeholders including Procurement, Transformation and ICT Service Leads. These consultations focus on areas of risk within the Service and included consideration of changes to organisational structure or operational practices resulting from service redesigns, changes in legislation or external reporting requirements, ICT system developments and additional funding where relevant. Views were also sought from the AGP prior to development of the draft 2025-26 Internal Audit Plan.

3.5 Other Areas to consider during planning process include:
- Materiality Value - Systems that process significant income or expenditure.
- Materiality – volume - An estimate of the number of transactions processed by the systems / activities per annum.
- Significance / profile - The significance of the system / process to the activities of the Council.
- Other areas of assurance (assurance mapping) - The extent to which a service / activity is monitored or audited by an external body
- Prior audits / audit knowledge - Highlighting areas of risk based on IA team knowledge (via output from previous audits, team knowledge/awareness).
- Fraud - Areas where there is 'opportunity' inherent within a system / activity for fraud and corruption to occur.
- Staff turnover - the turnover of staff, especially with key skills

4. Audit Resources

4.1 The budgeted establishment for Internal Audit is 3.4 full time equivalents (FTE) and comprises of, the Chief Internal Auditor, one Senior Auditor and two Auditors. All posts within the Internal Audit team are professionally qualified positions. The draft audit plan has been produced taking into consideration the number of available working days per Internal Audit staff members for 2025-26 allowing for non-audit duties including administrations, training and development and staff meetings. There is a total of 611 days available for direct audit work. It should be noted that this can be subject to amendment during the year, for example for any periods of unplanned long term absence.

4.2 Consideration will be given to engaging the services of Internal Audit from external providers, including from other local authorities, should it become apparent that sufficient work cannot be completed to allow the Chief Internal Auditor to provide an annual opinion.

5. Proposed Areas of Work

5.1 On the basis of the outcomes from 3 and 4 above, the planned audit assignment priorities for the forthcoming year that can be undertaken within the resource time available are identified.

5.2 The main risk factors influencing the proposed audit coverage for the 2025-26 plan include strategic planning, financial constraints, ICT/system changes, transformation and management of assets. The links to the strategic risk register are detailed in Annex 1

5.3 The available days for proposed 2025-26 audit plan is split into the following categories of audit activity:

Category	Description of Work	2024-25 Total Days	2025-26 Total Days
Key Corporate Systems	Systems audits are conducted to ensure expected controls are embedded within the system and are operating effectively.	45	60
Governance/Best Value	Best value is about ensuring that there is good governance and effective management of resources, with a focus	70	95

Category	Description of Work	2024-25 Total Days	2025-26 Total Days
	on improvement, to deliver the best possible outcomes.		
Transformation *(Note 1)*	Audit work will concentrate on providing assurance over delivery of the strategic approach Shaping Our Future Council	0	30
ICT Auditing	ICT audit work focuses on controls which are embedded within systems and technology across the organisation. As well as this specific category, ICT audit testing will also be used in other areas of the plan (e.g. using computer assisted audit techniques to perform continuous auditing and performing logical access testing when reviewing other systems).	15	30
Directorates/Other Systems	The internal audit plan takes account of the council's risk assessment process and includes a review of the strategic and directorate risk registers as well as the audit universe (a list of all auditable entities within the organisation). From this, specific areas are identified for inclusion in this section of the plan, audit assignments focus on internal control arrangements operating in services within the Council.	140	104
Regularity	These audits are used to determine the extent to which Council and departmental policies and procedures are being followed. Continuous auditing is used to analyse large amounts of data on an ongoing basis to ensure controls are operating as expected and highlight potential issues/risk areas which require further review.	80	44
Follow Up Reviews	Internal Audit recommendations due in the period April 2025 to March 2026 will be risk assessed and followed up to ensure implementation of all actions within all limited/no assurance audit reports and high risk actions within reasonable assurance reports including testing to confirm all actions are fully implemented. Medium risk actions will be included in audit testing where time permits.	37	30
Other Entities	The Chief Internal Auditor of the Council is also the Chief Internal Auditor of	50	55

Category	Description of Work	2024-25 Total Days	2025-26 Total Days
	Ayrshire Valuation Joint Board and the South Ayrshire Integration Joint Board and the plan includes resources allocated to these entities. An allocation of time to conduct this audit work is included in the proposed annual Internal Audit plans submitted to the AGP for approval but it is the responsibility of those bodies to approve the planned audit work for their respective areas. The Chief Internal Auditor takes assurance from work conducted by the audit team at East Ayrshire Council on Ayrshire Roads Alliance (ARA) and on the Ayrshire Growth Deal Programme Management Office.		
Other Commitments	Days are allocated in this area to carry out work which cannot be specified at the start of the year, including investigations and provision of ad-hoc advice and guidance. A contingency budget is also included for unplanned commitments arising throughout the year. Activity, and duties which are internal to the service such as reporting, planning, and audit development and review and completion of the Quality Assurance and Improvement Programme (QAIP) are included under other commitments.	191	163
Total of planned days		**628**	**611**

Note 1: 30 days was included within 'Other Commitments' in the 2024/25 Internal Plan to allow Internal Audit to provide advice & guidance and support to the Transformation Programme.

Note 2: The planning process for these organisations is the same as that laid out above for SAC

5.4 The proposed Internal Audit Plan for 2025-26 is appended to this Audit Strategy.

6.   Delivery of the Audit Plan

6.1   To facilitate delivery of the annual plan an operational programme of work will be developed which identifies the lead and review auditors responsible for all audit assignments, an indication of when work will be scheduled during the year, agreed with Senior Management, and the availability of Internal Audit staff resources.

6.2   A terms of reference detailing the objective, risk, scope and resources will be prepared and shared with the relevant Director and Service Lead/nominated service contact prior to commencement of the Internal Audit fieldwork. The risk of fraud and other appropriate cross-cutting risks including financial management, data protection, information governance, records management and climate change are considered when planning audit assignments.

6.3   Audit Test Programmes will be developed by Internal Audit for assignments included in the audit plan. However CIPFA, the Institute of Internal Auditors (IIA) and other professional bodies' test programmes may be used to deliver individual audit assignments where appropriated.

6.4   Audit testing will also consider and apply National Reports that give rise to introducing best practice arrangements or lessons learned from other local authorities or other public sector bodies. Internal Audit Engage proactively with, assist, and advise Management on best practice to evidence improvements.

6.5   The use of data analytics within audit assignment will be increased in 2025-26 and skills in this area developed to ensure data analytics is fully embedded within the audit process.

6.6   Audit reports detailing the results of the audit and an action plan where required will prepared and issued to Services for all deliverable assignments, briefing notes may also be used to report the results of investigations or to provide advice and guidance. Copies of the audit reports and briefing notes will also be shared with the Chief Executive, Chief Financial Officer the Chief Monitoring Officer and all Members. Distribution of the output from investigations may be restricted due to their nature.

6.7   All audit work will be completed in line with the Internal Audit Manual and in compliance with the GIAS (UK Public Sector)

7.   Performance

7.1   Progress against delivery of the annual Internal Audit plan and Directorates' progress against implementing Internal Audit actions is reported in the Internal Audit Quarterly Progress Reports to the AGP.

7.2   Performance indicators in relation to the delivery of the overall Internal Audit Service have been developed and are also included in all quarterly progress reports to the AGP. Performance of members of the team and identification of training needs will continue to be monitored by the Chief Internal Auditor and corrective action taken where required.

Measure	Description	Target	Reporting Frequency
1. Working Draft Report	Percentage of working draft reports issued within 3 weeks of completion of fieldwork.	90%	Quarterly
2. Final Report	Percentage of final reports issued within 2 weeks of agreeing draft report.	100%	Quarterly
3. Audit Plan Delivery	2023/24 Audit Plan completed to draft by 30 April 2024	90%	Annually
4. Audit Budget	Percentage of audits completed within budgeted days.	80%	Quarterly

Measure	Description	Target	Reporting Frequency
	Direct Audit Days delivered	85%	
5. Audit Recommendations	Internal Audit recommendations agreed (measured from 1 April 2024)	90%	Quarterly and Annually within the Annual Report
7. Client Feedback	Percentage of respondents who rated the overall quality of internal audit as satisfactory or above.	100%	Quarterly for Service Leads Annually for Senior Managers
8. Delivery of Annual Report	Annual opinion /report presented to AGP	By 30 June	Annually
9. Audit Plan	AGP Approval of audit charter and audit strategy and annual plan	By 31 March	Annually

7.3 Internal Audit Annual Plans include an allocation of time to develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit function. The programme will include external and self-assessments of the internal audit function's conformance with the GIAS (UK Public Sector), as well as performance measurement to assess the internal audit function's progress toward the achievement of its objectives and promotion of continuous improvement. The programme also will assess, if applicable, compliance with laws and/or regulations relevant to internal auditing. If applicable, the assessment will include plans to address the internal audit function's deficiencies and opportunities for improvement.

7.4 Self-assessments will be completed annually using the GIAS assessment toolkit developed by the Institute of Internal Auditors External assessments will be conducted at least once every five years by a suitably qualified, independent assessor as part of the exisitng Scottish Local Audthorites Chief Internal Auditors Group peer review framework. and results included within the Internal Audit quarterly progress reports to the AGP. The results of both internal self-assessment and external assessment will be ireport to the AGP once completed.

PROPOSED INTERNAL AUDIT PLAN 2025/26

No	Audit Area	Objectives[2]	Link to Council Draft Plan Priorities/ cross cutting themes	Link To Strategic Risk Register as at September 2024	Estimated Days	Total Days
Key Corporate Systems						
1	Main Accounts	Follow up actions from 2024/25 audit work and develop rolling programme of annual audit assignments	Best Value	3/5/12	15	
2	HR & Payroll	Follow up actions from 2024/25 audit work and develop rolling programme of annual audit assignments	Live, Work Learn/Best Value	3/5/12/13	20	
3	Procurement	Review of compliance with the updated One-time Payment process	Best Value	4/12	10	
4	Procurement	Review compliance with the new Framework Agreement procedures	Best Value	4/12	15	**60**
Governance/Best Value						
5	Financial Sustainability	To provide assurance that there are adequate arrangements in place within the Council to manage the Council's financial sustainability	Best Value	2/3/12	15	
6	National Fraud Initiative (NFI)	Co-ordination and Monitoring of Exercise	Best Value	4	10	
7	Following the Public Pound	Ayrshire Growth Deal - Follow Up of actions from 2023/24 Assignment (if required) and review of high risk areas.	Best Value	1	15	

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[2] *Objectives will be fully developed for each assignment during the audit planning stage of the audit process and may be subject to change*

No	Audit Area	Objectives[2]	Link to Council Draft Plan Priorities/ cross cutting themes	Link To Strategic Risk Register as at September 2024	Estimated Days	Total Days
8	Following the Public Pound	Obtain assurance that there are adequate arrangements in place across the Council to monitor the receipt and issue of grants.	Best Value	1	20	
9	Capital Contract Management	Review of updated contract management procedures, to provide assurance on the governance arrangements around the management of capital projects	Best Value/Spaces and Places	1/3/12/15	20	
10	Ward Capital Management	Review of the management and delivery of the Ward Capital programme to provide assurance that governance arrangements are in place and operating satisfactorily	Best Value/Civic and Community Pride	1/3/12/15	15	95
Transformation						
11	Transformation Programme	To provide assurance that approved governance arrangements are being applied consistently with transformation projects	Best Value/Reporting and Governance	6	30	30
ICT Auditing						
12	Cloud Based System	To provide assurance over the Council's arrangements to ensure data security where business is transacted through the Cloud.	ICT supports delivery of the whole Council Plan - not linked directly to individual priorities or cross cutting themes	14	15	
13	Business Continuity and Resilience	To provide assurance that there are adequate arrangements in place to ensure business continuity and resilience within Council hosted and cloud based ICT systems.		2/14	15	30

No	Audit Area	Objectives[2]	Link to Council Draft Plan Priorities/ cross cutting themes	Link To Strategic Risk Register as at September 2024	Estimated Days	Total Days
Directorates						
14	Health and Social Care Partnership	To provide assurance that the **Quality Assurance Process** in place is effective	The Promise/Our Ageing Population	7	15	
15	Corporate Policy and Strategy	To provide assurance that the updated **Housing Allocations Policy** and guidance adequately reflects statutory guidance	Live, Work , Learn	3/15	10	
16	Corporate Policy and Strategy	To follow up actions from 2024/25 **Climate Change** audit assignment and confirm Council polices and strategies are in place and effective	Sustainability, climate change and biodiversity	3/5/9	15	
17	Corporate Policy and Strategy	To provide assurance that the **Integrated Impact Assessment** is being completed where required	Equalities and the Fairer Scotland Duty	1/7	15	
18	Communities and Transformation	To provide assurance that there are adequate controls in place and operating effectively within the **Ambition Fund** programme	Live, Learn, Work/Civic and Community Pride	10	12	
19	Housing Operations and Development	To provide assurance that there are adequate controls in place to ensure the Council's estate is properly valued and managed in line with the **Asset Management Plan/Transforming Our Estate** project	Best Value/Spaces and Places	6/15	25	

No	Audit Area	Objectives[2]	Link to Council Draft Plan Priorities/ cross cutting themes	Link To Strategic Risk Register as at September 2024	Estimated Days	Total Days
20	Housing Operations and Development	Review Performance information included in the **Annual Return on the Charter (ARC)**.	Best Value/Live, Work , Learn	3	12	**104**
Regularity						
21	Continuous Auditing/Data Analytics	Account Payables, Bank Accounts, Payroll and Expenses and develop the use of Continuous Audit in other Council Services.	Best Value	4	30	
22	Grants	Audit of claims and annual review of procedures, Ayrshire Rural and Island Ambition Fund (ARIA).	Live, Work, Learn	4/10	10	
23	Grants	Review of evidence to support Network Support Grant claim.	Spaces and Places/Our Ageing Population	4/10	4	**44**
Follow Up Reviews						
24	Directorates	Follow up of Actions from 2024/25 Audit Assignment - **Malicious Damage**	-	5/15	5	
25	Governance and Best Value	Follow up of Actions from 2023/24 Audit Assignment -**Participatory Budgeting**	-	5/3	5	
26	Governance and Best Value	Follow up of Actions from 2024/25 Audit Assignment - **Use of Consultancy Services**	-	5/1	5	
27	Follow Up Contingency	Follow up of Actions from 2024/25 Audit Assignment not yet cocluded	-	5	15	**30**
Other Entities						

No	Audit Area	Objectives[2]	Link to Council Draft Plan Priorities/ cross cutting themes	Link To Strategic Risk Register as at September 2024	Estimated Days	Total Days
28	AVJB	To be approved by AVJB	-	-	25	
29	IJB	To be approved by IJB	-	-	25	
30	East Renfrewshire - Audit of Trust Accounts	Part of reciprocal arrangements between South Ayrshire, North Ayrshire and East Renfrewshire Council	-	-	5	**55**
Other						
31	Investigations	Allowance for investigations of irregularities.	-	4	20	
32	Advice and Guidance (general)	Client requests, advice and consultancy - including participation on working groups.	-	-	5	
33	Contingency	Contingency budget for unplanned commitments arising during the year.	-	-	20	
34	Closure of prior year assignments	Allowance of time for the closure of prior year audit work into 2024/25	-	-	53	
35	Management and Audit development	Update of procedures/process to reflect the requirements of the new GIAS in UK Public Sector, Internal Audit planning, annual reporting, and quarterly reporting and Chief Internal Auditor Review of assignments.	-	-	55	
36	Quality Assurance Improvement Programme (QAIP)	Annual self-assessment of compliance with Internal Audit Standards (GIAS in UK Public Sector).	-	-	10	**163**
TOTAL						**611**

PROPOSED RESERVE LIST 2025/26

Rank*	Audit Area	Description	Estimated Days
1	Ayrshire Roads Alliance (ARA) Service Level Agreement	To obtain assurance that there are adequate arrangements in place to monitor ARA's delivery of services to South Ayrshire Council	20
2	Asset Management System (Housing)	To obtain assurance that there adequate controls in place and operating effectively within the upgraded Housing Asset Management System (due to be completed by Nov 2025)	20
3	Regeneration	To obtain assurance that there are adeqaute controls around delivery of the Maybole regeneration project	20
4	Telephony Charges	To ensure there are adequate controls in place to ensure telephony charges incurred by Council Services are propoerly monitored and approved	20

*Ranked in order of risk assessment

LINKS BETWEEN STRATEGIC RISK REGISTER (SEPTEMBER 2024) AND THE 2025/26 INTERNAL AUDIT PLAN

Risk No	Risk Title	2025/26 Assignment
1	Decision making and governance	Ayrshire Growth Deal, Integrated Impact Assessments, Following the Public Pound (grants), Follow Up - Use of Consultancy Services
2	External factors including contingency planning	Financial Sustainability, Business Continuity and Resilience
3	Strategic planning	Main Accounts and HR and Payroll Fusion audits, Financial Sustainability, Capital Contract Management, Ward Capital Management, Housing Allocation Policy, Climate Change, Annual Return on the Charter, Participatory Budgeting
4	Integrity	One Time Payments, Framework Agreements, NFI, Continuous Auditing, Grant assignments, Investigations
5	Internal Audit Actions	Follow Up audit assignments, Main Accounts and HR and Payroll fusion audits, Climate Change
6	Transformation	Transformation, Asset Management
7	Adult and Child Protection	Quality Assurance Process
8	Public and Employee Protection	-
9	Sustainable Development and Climate Change	Climate Change
10	Financial Inclusion	Ambition Fund, grants
11	Ground Maintenance - Ash Tree Die Back	-
12	Financial Constraints	Main Accounts and HR and Payroll Fusion audits, One Time Payments, Framework Agreements, Financial Sustainability, Capital Contract Management, Ward Capital Management,
13	Employee Absence	HR and Payroll fusion audit
14	ICT – Digital Resilience, Protection and Capability	Cloud Based Systems, Business Continuity and Resilience
15	Management of Assets	Capital Contract Management, Ward Capital Management, Asset Management, follow up of Malicious Damage assignment

**South Ayrshire Council
Internal Audit Charter 2025-26**

1. Introduction

Under the Local Authority Accounts (Scotland) Regulations 2014 paragraph 7(1), a local authority must operate a professional and objective internal auditing service in accordance with recognised standards and practices in relation to internal auditing. From 1 April 2025 the recognised standards for Councils' are the Global Internal Audit Standards (GIAS), supported by The Application Note: GIAS in the UK Public Sector which provides a framework for the practice of Internal Audit in the UK Public Sector when taken together with the GIAS and the CIPFA Code of Practice for the Governance of IA in Local Government which support compliance with the principles and standards in Domain III (Governing the IA Function) within local government.

Standard 6.2 Domain III of the standards requires the Chief Audit Executive (CAE) to implement and maintain an Internal Audit Charter with sets out the Purpose of Internal Audit, the Internal Audit mandate, organisational position, reporting relationships, scope of work, types of services, and other specifications in accordance with the GIAS.

The Internal Audit Charter for South Ayrshire Council sets out these requirements and is based on the Institute of Internal Auditor's (IIA) 2024 Model Charter.

Commitment to Adhering to the Global Internal Audit Standards

The Internal Audit function is most effective when:

- Internal auditing is performed by competent professionals in conformance with the IIA's Global Internal Audit Standards, which are set in the public interest.
- The Internal Audit function is independently positioned with direct accountability to the Audit and Governance Panel
- Internal Auditors are free from undue influence and committed to making objective assessments.

The Council's internal audit function will adhere to the mandatory elements of the Institute of Internal Auditors' International Professional Practices Framework, which are the Global Internal Audit Standards (GIAS) and Topical Requirements, and the IASAB Application Note: Global Internal Audit Standards in the UK Public Sector and the new CIPFA Code of Practice for the Governance of Internal Audit in Local Government. The CAE will report annually to the AGP and senior management regarding the internal audit function's conformance with the Standards.

Definitions

The following definitions have been adopted as set out in the GIAS 2024 Glossary:

Internal Audit	*An independent, objective assurance and advisory service designed to add value and improve an organisation's operations. It helps an organisation establish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.*

Assurance services	*Services through which internal auditors perform objective assessments to provide assurance. The nature and scope of assurance services are determined by Internal Audit.*
Advisory services	*Services through which internal auditors provide advice to an organisation's stakeholders without providing assurance or taking on management responsibilities. The nature and scope of advisory services are subject to agreement with relevant stakeholders.*
Independence	*Freedom from conditions that threaten the ability of the internal audit activity to carry out internal audit responsibilities in an unbiased manner.*

The Key roles as included within the GIAS are defined within South Ayrshire Council as follows:

- Chief Audit Executive 'CAE' - the Chief Internal Auditor (CIA)
- Senior management - Corporate Leadership Team (CLT)
- the 'Board' – the Audit and Governance Panel (AGP)

2.   Purpose

The purpose of the internal audit function is to strengthen South Ayrshire Council's ability to create, protect, and sustain value by providing the Council's audit committee (the Audit and Governance Panel) and management with independent, risk-based, and objective assurance, advice, insight, and foresight.

The internal audit function enhances South Ayrshire Council's:

- Successful achievement of its objectives.
- Governance, risk management, and control processes.
- Decision-making and oversight.
- Reputation and credibility with its stakeholders.
- Ability to serve the public interest.

Internal Audit assurance is provided by delivering an annual programme of audit work that independently and objectively assesses the design and effectiveness of the controls established to manage the Council's most significant risks. The scope of Internal Audit covers all activities across the Council Group.

The CAE will report annually to the Audit and Governance Panel (AGP) and senior management on the function's conformance with the GIAS (UK Public Sector), which will be assessed through a quality assurance and improvement programme.

In addition to their primary role, the CAE will also support the Council's Chief Executive, the Section 95 Officer (Chief Financial Officer) and the statutory Monitoring Officer (Chief Monitoring Officer) in undertaking their duties. The CAE will also advise on the control implications of system or process changes; assist management in their duties to prevent and detect fraud and corruption; and aim to add value to the Council in all its undertakings.

3. Mandate

Authority

In local government in the UK, internal audit's primary mandate is drawn from the Local Authority Accounts (Scotland) Regulations 2014.

The mandate sets out the authority, roles and responsibilities, and empowers the Internal Audit function to provide the Audit and Governance Panel and senior management with independent, risk-based, and objective assurance, advice, insight, and foresight.

The internal audit function's authority is created by its direct reporting relationship to the Audit and Governance Panel which allows for unrestricted access. The authority of Internal Audit is also contained in the Council's Financial Regulations.

The internal audit function is authorised to:

- Have full and unrestricted access to all functions, data, records, information, physical property, and personnel pertinent to carrying out internal audit responsibilities. Internal auditors are accountable for confidentiality and safeguarding records and information.

- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques, and issue communications to accomplish the function's objectives.

- Obtain assistance from the necessary personnel of the Council, the South Ayrshire Integration Joint Board (SA IJB), the Ayrshire Valuation Joint Board and other specialised services from within or outside the Council to complete internal audit services.

The GIAS set out the duty on internal auditors to be faithful custodians of the information they gather, sharing only in limited, defined and controlled ways, and describes the need for awareness of responsibilities in protecting information and demonstrating respect for the confidentiality, privacy and ownership of information.

In line with the GIAS in the UK Public Sector, internal auditors must also be aware of circumstances under which sharing or publication of information will be required. They must be aware of their organisation's policies and procedures for routine publication of certain information and where there are statutory obligations to share or publish information, for example Freedom of Information requirements.

4. Independence, Organisational Position, and Reporting Relationships

The GIAS in the UK Public Sector state that the CAE should be positioned at a level in the organisation that enables internal audit services and responsibilities to be performed without interference from management, thereby establishing the independence of the internal audit function. Within South Ayrshire Council:

- Internal Audit has a direct reporting line to the Chief Executive and functionally to the Council's Audit and Governance Panel in its role as the Council's audit committee;

- the CAE has unfettered access to the Executive Leadership Team;

- the CAE meets regularly with the Chair and Vice Chair of the audit committee;

- the CAE attends all Audit and Governance meetings; and

- all audit reports are issued directly by, and in the name of, the CAE

This positioning provides the organisational authority and status to bring matters directly to senior management and escalate matters to the Audit and Governance Panel, when necessary, without interference and supports the internal auditors' ability to maintain objectivity.

The CAE will confirm to the AGP, at least annually, the organisational independence of the internal audit function. If the governance structure does not support organisational independence, the CAE will document the characteristics of the governance structure limiting independence and any safeguards employed to achieve the principle of independence. The CAE will disclose to the AGP any interference internal auditors encounter related to the scope, performance, or communication of internal audit work and results. The disclosure will include communicating the implications of such interference on the internal audit function's effectiveness and ability to fulfill its mandate.

To ensure that IA independence and objectivity is maintained for assurance services, IA will remain free from interference from anyone within the Council in relation to audit selection, scope, procedures, frequency, timing, and report content.

For advisory services, the IA role will be specifically restricted to providing guidance, views, and opinions. To comply with independence requirements, IA will not be involved in any aspects of operational decisions subsequently taken by management.

Additionally, IA will not be permitted to audit any activities for which they have previously been responsible within a period of one year and will not engage in any other activity that may impair judgment or independence.

5. Audit and Governance Panel Oversight

To establish, maintain, and ensure that South Ayrshire Council's internal audit function has sufficient authority to fulfill its duties, the Audit and Governance Panel will consider the following requirements for review or approval:

- Consider with the CAE and senior management the appropriate authority, role, responsibilities, scope, and services (assurance and/or advisory) of the internal audit function. *(Review)*

- Ensure the CAE has unrestricted access to and communicates and interacts directly with the AGP, including in private meetings without senior management present. *(Review)*

- Consider with the CAE and senior management other topics that should be included in the internal audit charter. *(Review)*

- Participate in discussions with the CAE and senior management about the 'essential conditions,' described in the Global Internal Audit Standards, which establish the foundation that enables an effective internal audit function. *(Review)*

- Approve the internal audit function's charter, which includes the internal audit mandate and the scope and types of internal audit services. *(Approve)*

- Review the internal audit charter annually with the CAE to consider changes affecting the organisation, such as the employment of a new CAE or changes in the type, severity, and interdependencies of risks to the organisation; and approve the internal audit charter *(Review)*

- Approve the risk-based internal audit plan. (Approve)

- Consider the Internal Audit function's budget and staff resources. (Review)

- Provide input to senior management on the appointment and removal of the CAE, ensuring adequate competencies and qualifications and conformance with the Global Internal Audit Standards. *(Review)*

- Review and provide input to senior management on the CAE's performance. *(Review)*
- Receive communications from the CAE about the internal audit function including its performance relative to its plan. *(Review)*
- Ensure a quality assurance and improvement programme has been established and review the results annually. *(Review)*
- Make appropriate inquiries of senior management and the CAE to determine whether scope or resource limitations are inappropriate. *(Review)*

6. Internal Audit Objectives and Responsibilities

Ethics and Professionalism

The CAE will ensure that internal auditors:

- Conform with the GIAS in the UK Public Sector, including the principles of Ethics and Professionalism: integrity, objectivity, competency, due professional care, and confidentiality.
- Understand, respect, meet, and contribute to the legitimate and ethical expectations of the Council and be able to recognise conduct that is contrary to those expectations.
- Encourage and promote an ethics-based culture in the Council.
- Report organisational behavior that is inconsistent with the Council's ethical expectations, as described in applicable policies and procedures.

Objectivity

The CAE will ensure that the internal audit function remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of engagement selection, scope, procedures, frequency, timing, and communication. If the CAE determines that objectivity may be impaired in fact or appearance, the details of the impairment will be disclosed to appropriate parties.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively such that they believe in their work product, do not compromise quality, and do not subordinate their judgment on audit matters to others, either in fact or appearance.

Internal auditors will have no direct operational responsibility or authority over any of the activities they review. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, or engage in other activities that may impair their judgment, including:

- Assessing specific operations for which they had responsibility within the previous year.
- Performing operational duties for South Ayrshire Council or its affiliates.
- Initiating or approving transactions external to the internal audit function.
- Directing the activities of any South Ayrshire employee that is not employed by the internal audit function, except to the extent that such employees have been appropriately assigned to internal audit teams or to assist internal auditors.

Internal auditors will:

- Disclose impairments of independence or objectivity, in fact or appearance, to the CAE at least annually.

- Exhibit professional objectivity in gathering, evaluating, and communicating information.

- Make balanced assessments of all available and relevant facts and circumstances.

- Take necessary precautions to avoid conflicts of interest, bias, and undue influence.

The CAE will disclose impairments of independence or objectivity to the Audit Committee at least annually.

Managing the Internal Audit Function

The CAE has the responsibility to:

- At least annually, develop a risk-based internal audit plan that considers the input of the AGP and senior management. Discuss the plan with the AGP and senior management and submit the plan to the AGP for review and approval.

- Communicate the impact of resource limitations on the internal audit plan to the AGP and senior management.

- Review and adjust the internal audit plan, as necessary, in response to changes in the Council's business, risks, operations, programmes, systems, and controls.

- Communicate with the AGP and senior management if there are significant interim changes to the internal audit plan.

- Ensure internal audit engagements are performed, documented, and communicated in accordance with the GIAS in UK Public Sector.

- Follow up on engagement findings and confirm the implementation of recommendations or action plans and communicate the results of internal audit services to the AGP and senior management quarterly and for each engagement as appropriate.

- Ensure the internal audit function collectively possesses or obtains the knowledge, skills, and other competencies and qualifications needed to meet the requirements of the GIAS in the UK Public Sector and fulfill the internal audit mandate.

- Identify and consider trends and emerging issues that could impact the Council and communicate to the AGP and senior management as appropriate.

- Consider emerging trends and successful practices in internal auditing.

- Establish and ensure adherence to methodologies designed to guide the internal audit function.

- Ensure adherence to the Council's 's relevant policies and procedures unless such policies and procedures conflict with the internal audit charter or the Global Internal Audit Standards. Any such conflicts will be resolved or documented and communicated to the AGP and senior management.

- Coordinate activities and consider relying upon the work of other internal and external providers of assurance and advisory services. If the CAE cannot achieve an appropriate level of coordination, the issue must be communicated to senior management and if necessary escalated to the AGP.

Communication with the Audit and Governance Panel and Senior Management

The CAE will report to the AGP and senior management on:

- The internal audit function's mandate.

- The internal audit plan and performance relative to its plan.

- Significant revisions to the internal audit plan.

- Potential impairments to independence, including relevant disclosures as applicable.

- Results from the quality assurance and improvement programme, which include the internal audit function's conformance with the GIAS in the UK Public Sector and action plans to address the internal audit function's deficiencies and opportunities for improvement.

- Significant risk exposures and control issues, including fraud risks, governance issues, and other areas of focus for the AGP that could interfere with the achievement of Council's strategic objectives.

- Results of assurance and advisory services.

- Resource requirements.

- Management's responses to risk that the internal audit function determines may be unacceptable or acceptance of a risk that is beyond Council's risk appetite.

Quality Assurance and Improvement Programme

The CAE will develop, implement, and maintain a quality assurance and improvement programme that covers all aspects of the internal audit function. The programme will include external and internal assessments of the internal audit function's conformance with the Global Internal Audit Standards, as well as performance measurement to assess the internal audit function's progress toward the achievement of its objectives and promotion of continuous improvement. The programme also will assess, if applicable, compliance with laws and/or regulations relevant to internal auditing. Also, if applicable, the assessment will include plans to address the internal audit function's deficiencies and opportunities for improvement.

Annually, the CAE will communicate with the AGP and senior management about the internal audit function's quality assurance and improvement programme, including the results of internal assessments (ongoing monitoring and periodic self-assessments) and external assessments. External assessments will be conducted at least once every five years by a suitably qualified, independent assessor.

7. Management Responsibilities

Management is responsible for ensuring that internal control arrangements are sufficient to address the risks facing their services.

Management will co-operate with Internal Audit on audits and provide access to records, systems and personnel as required within a reasonable timeframe following the request.

Assurance engagements will be subject to a written terms of reference and report.

Advisory will be agreed in writing (for example via email or written terms of reference) and a relevant output agreed (for example full report/summary findings, focused feedback or an action plan).

Management will nominate a senior point of contact for each engagement.

Audit reports are produced at the conclusion of each assignment, detailing the audit findings and recommended actions where required. Draft reports are shared with audit contacts for agreement as to the factual accuracy of draft findings raised.

It is management's responsibility to consider the recommended actions raised and agree to either:

- accept and fully implement all Internal Audit recommendations;
- agree to address the risks identified by adopting an alternative approach to that recommended by Internal Audit; or
- accept the risk associated with not implementing Internal Audit recommendations with supporting rationale.

Where action to address the risk is agreed management are required to detail the action to be taken, specify the officer responsibility and anticipated dates for the implementation. Internal Audit will consider the timeliness of implementation dates according to the associated risk level identified.

All actions agreed are added to Ideagen to allow implementation to be monitored.

Management is responsible for ensuring that agreed management actions are implemented in full and effectively sustained.

The GIAS in UK public Sector require the CAE to report to both senior management and the Audit Committee, details of management's response to risk that (based on the CAE's judgement) may be unacceptable to the Council. All Internal Audit findings where management has accepted the risk will be highlighted in Internal Audit reports and within the Quarterly Internal Audit progress reports to the AGP

8. Scope and Types of Internal Audit Services

The scope of internal audit services covers the entire breadth of South Ayrshire Council, the South Ayrshire Integration Joint Board and the Ayrshire Valuation Joint Board Council, and included all activities, assets, and personnel as detailed within the Audit Universe. The scope of internal audit activities also encompasses but is not limited to objective examinations of evidence to provide independent assurance and advisory services to the AGP and management on the adequacy and effectiveness of governance, risk management, and control processes for the Council.

The nature and scope of advisory services may be agreed with the party requesting the service, provided the internal audit function does not assume management responsibility. Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during advisory engagements. These opportunities will be communicated to the appropriate level of management.

Internal audit engagements may include evaluating whether:

- Risks relating to the achievement of the Council's strategic objectives are appropriately identified and managed.
- The actions of the Council's officers, directors, assistant directors, management, employees, and contractors or other relevant parties comply with Council's policies, procedures, and applicable laws, regulations, and governance standards.
- The results of operations and programmes are consistent with established goals and objectives.
- Operations and programmes are being carried out effectively, efficiently, ethically, and equitably.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact the Council.

- The integrity of information and the means used to identify, measure, analyse, classify, and report such information is reliable.
- Resources and assets are acquired economically, used efficiently and sustainably, and protected adequately.

9.   Internal Audit Work Programme

The CAE will submit an annual Internal Audit Plan which is designed to support provision of an evidence-based annual opinion to the AGP for review and approval. This Plan will be developed, based on a risk-based prioritisation of the audit universe. Input will be sought from a range of key stakeholders including AGP Members, the Chief Executive and the CLT.

The nature of evolving risks makes it likely that the audit assignments included work programme may be subject to change. Consequently, the IA work programme will be regularly reviewed and any proposed changes to the approved plan, due to emerging risks, suspected fraudulent activity or other factors that result in changes to planned IA activities, will be brought to the AGP for approval.

Other sources of assurance – coordination and reliance

The GIAS requires the CAE to coordinate with internal and external assurance providers to consider relying on their work and minimise duplication of effort. This is achieved via a shared risk assessment with the Council's external auditors and other sources of external assurance, where relevant.

The GIAS in the UK Public sector recognises that there are various relevant outside assurance providers whose authority flows from separate legal or regulatory sources beyond the control or influence of the CAE and they may not have any ability to access the work of those assurance providers or gain insight into the scope and timing of their work. Under these circumstances the CAE will consider whether it is possible or practical to co-ordinate. Where they do not co-ordinate, they will set out to the Committee the barriers which prevent effective co-ordination

Where adopted, a consistent process for the basis of reliance should be established as, where reliance is placed on the work of others, the CAE remains accountable and responsible for ensuring that there is adequate support for conclusions and opinions reached where reliance has been placed on work performed by other assurance providers.

Therefore, when dealing with an external party, the CAE will clearly define the respective roles, responsibilities, and other expectations (including restrictions on distribution of results of the engagement and access to engagement records).

IA also reserves the right to raise findings on areas that have not been specifically included in the IA work programme where significant or systemic control gaps are evident.

10.   Resourcing

The GIAS require the CAE to effectively deploy and manage financial, human and technological resources to implement the IA strategy and achieve its plan and mandate.

The Application Note: Global Internal Audit Standards in the UK Public Sector notes that funding processes for IA functions in the public sector vary and may prevent the CAE from being able to seek or obtain additional funding due to other funding priorities within the organisation. This may impact the way in which the CAE uses resources. In line with the GIAS (UK Public Sector) the basis for conformance is as follows:

- where there are constraints on resources, the CAE must develop a resource strategy which suggests practical approaches for consideration by the relevant Committee

- the CAE must inform the Committee of the impact of insufficient resources and any options available to mitigate that impact

- where there are constraints, the CAE must set out in the Charter what alternative approaches apply to the IA service, and then seek to manage financial, human and IT resources within those constraints.

The CAE must also inform the Committee of any resource management arrangements at the organisation that may put at risk the ability of the internal audit service to fulfil its mandate.

The Council's Internal Audit Plan includes the budgeted resource requirements needed to deliver proposed audit assignment. It will also include a contingency to address unplanned work. Should circumstances arise during the year that suggests that available resource levels will fall or appear to be falling below the level required to deliver the Plan, the CAE will communicate the impact of resource limitations to senior management and the AGP.

11. Fraud and Corruption

In line with the Council's Anti-Fraud and Anti-Bribery Strategy, management is responsible for the prevention and detection of fraud or corruption. The Council's Corporate Fraud Team sit within the remit of the CAE and, together with Internal Audit will assist management in the effective discharge of this responsibility. The Corporate Fraud Team activity will be reported to the AGP twice yearly separately from the Internal Audit progress against internal audit plan.

In addition, Internal Audit will assess the existence of fraud risk during the planning stage for all audit assignments and will exercise an appropriate level of professional skepticism during audit work and be alert to risks and exposures that could allow the opportunity for fraud or corruption to occur.

Discovery of any fraud or irregularity that affects the Council should be reported in line with the Council's Anti-Fraud and Anti- Bribery Strategy and information on suspected or actual fraud may inform the annual audit opinion and the risk-based Internal Audit work programme. The CAE may then direct Internal Audit resources to investigate, or assist management investigations, into suspected and actual cases. An allocation of time for investigations is included in the annual audit plan.

12. Annual Reporting and Overall Conclusion

In line with the GIAS in the UK Public Sector the CAE must, at least annually:

- conclude on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control (annual opinion)

- include a statement on conformance with the GIAS in the UK Public Sector and the results of the Quality Assurance and Improvement Programme.

The annual opinion for the Council is informed by a number of sources including:

- the audit work undertaken by Internal Audit during the year;

- the audit work undertaken by Internal Audit in previous years and knowledge of any significant audit findings after the year end;

- reports issued by the organisation's external auditors and other review and inspection agencies where relevant

- knowledge of the organisation'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.

The Council has adopted the following definitions for the overall annual audit opinion.

- **Substantial Assurance** A sound system of governance, risk management and control exists across the organisation, with internal controls operating effectively and being consistently applied to support the achievement of strategic and operational objectives.

- **Reasonable Assurance.** There are generally sound systems of governance, risk management and control in place across the organisation. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of some of the strategic and operational objectives.

- **Limited Assurance**. Significant gaps, weaknesses or non-compliance were identified across the organisation. Improvement is required to the system of governance, risk management and control to effectively manage risks and ensure that strategic and operational objectives can be achieved.

- **No Assurance** Immediate action is required to address fundamental control gaps, weaknesses or issues of non-compliance identified across the organisation. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of strategic and operational objectives.

13. Communication and Reporting

The CAE will report regularly on the progress with, and results of its work to the AGP enabling review and scrutiny of the following areas as required by the GIAS in the UK Public Sector:

Report	Frequency
Internal Audit annual Charter	annually
Internal Audit Strategy and annual plan	annually
Internal Audit Plan delivery progress	quarterly
Proposed changes to the Internal Audit Plan	At least six monthly
Open and overdue Internal Audit management actions, including ongoing achievement of key delivery performance indicators by both IA and management	quarterly
Annual overall conclusion (opinion), including: • effectiveness of the governance, risk management and control framework • Internal Audit independence • conformance with the GIAS in the UK Public Sector including ethics and professionalism requirements	Annually
Internal Quality Assessments	Annually

• results including corrective action plans • compliance with the CIPFA Code of Practice for the Governance of Internal Audit in Local Government	
External Quality Assessment	At least every five years

14. Approval and Review

The Internal Audit Charter is subject to approval by the AGP on an annual basis. Approval is evidenced through AGP meeting papers and minutes.

Circumstances may justify a follow-up discussion between the CAE, AGP and senior management on the internal audit mandate or other aspects of the internal audit charter. Such circumstances may include but are not limited to:

- A significant change in the Global Internal Audit Standards.
- A significant reorganisation within the Council.
- Significant changes in the CAE, AGP, and/or senior management.
- Significant changes to the Council's strategies, objectives, risk profile, or the environment in which the organization operates.
- New laws or regulations that may affect the nature and/or scope of internal audit services.

All amendments will be subject to approval by the Audit and Governance Panel.

This Charter was approved by the Audit and Governance Panel on 26 March 2025 (tbc following AGP). It will be subject to annual review and update as required.

South Ayrshire Council

**Report by Chief Governance Officer
to Audit and Governance Panel
of 26 March 2025**

Subject: Strategic Risk Management

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1.   Purpose

1.1   The purpose of this report is to update Members on the reviewed Strategic Risk Register (Appendix 1) in line with the agreed reporting framework.

2.   Recommendation

2.1   **It is recommended that the Panel:**

    2.1.1   considers the reviewed Strategic Risk Register (Appendix 1) updated by Chief Officers; and

    2.1.2   notes the 16 key risks and endorses the work currently being undertaken or proposed by risk owners to mitigate these risks.

3.   Background

3.1   The Strategic Risk Register is reported in accordance with the framework within the Corporate Risk Management Strategy.

3.2   The Strategic Risk Register was reported to the Audit and Governance Panel of 4 September 2024 for scrutiny and to Cabinet on 25 September 2024 for endorsement.

3.3   Risk Management is also undertaken at Directorate level, within the Health and Social Care Partnership and by leads undertaking complex projects.

4.   Proposals

4.1   The Strategic Risk Register has been reviewed by Chief Officers / Risk Owners and updates provided on progress against implementation of proposed risk mitigations. Risks are referenced against the themes of Governance, Protection and Resources. 16 Strategic Risks are being managed and these are listed as follows:

	Risk	*Risk Rating*	*Theme*
1.	Decision Making and Governance	8	Governance
2.	External Factors including Contingency Planning	10	Governance

	Risk	Risk Rating	Theme
3.	Strategic Planning	8	Governance
4.	Integrity	8	Governance
5.	Internal Audit Actions	6	Governance
6.	Transformation	9	Governance
7.	Child and Adult Protection	10	Protection
8.	Public / Employee Protection	10	Protection
9.	Sustainable Development and Climate Change	12	Protection
10.	Financial Inclusion	12	Protection
11.	Ash Tree Die Back	10	Protection
12.	Prevent – Counter-terrorism (New Risk)	10	Protection
13.	Financial Constraints	16	Resources
14.	Employee Absence	9	Resources
15.	ICT – Digital Resilience, Protection and Capability	8	Resources
16.	Management of Assets	6	Resources

4.2   Full detail of strategic risk management arrangements is provided within the register (Appendix 1).   Ownership is assigned to ensure there is clear accountability and responsibility in terms of risk management. The cause, potential effect, risk score and current mitigations are also recorded.

4.3   Unless considered 'ongoing' throughout the life of the risk register, proposed risk mitigations have a target completion date, and their progress is outlined by use of a percentage completion bar in the report. A status icon is also included which indicates whether or not the specific initiative is on target.

4.4   Members are requested to note that the Health and Social Care Partnership (HSCP) provide information on the risk management of Child and Adult Protection within the Council's Strategic Risk Register. HSCP also develop and report on wider Partnership risk issues within their own bespoke Strategic Risk Register which is presented to the HSCP Performance and Audit Panel on a 6 monthly basis for scrutiny. A link to the most recent HSCP risk register and related reports is provided on page 10 of Appendix 1.

4.5   It has also been considered appropriate to include a new risk in relation to Prevent Counter-terrorism (Risk 12). Current mitigations are in place and proposed mitigations have been identified with target timescales in order to further reduce the likelihood of risks occurring.

4.6   Members are also requested to note that Chief Officers regularly consider new or emerging risks and there is a process whereby significant operational risks, managed at directorate level, can be elevated to strategic level as required.

4.7   It is anticipated that Members will consider the strategic risk management arrangements outlined within this report and be assured that there is a robust system in place for identifying and managing those threats which could have a significant impact on the successful delivery of the Council's objectives.

5. Legal and Procurement Implications

5.1 The recommendations in this report are consistent with legal requirements.

5.2 There are no procurement implications arising from this report.

6. Financial Implications

6.1 There are no cost implications associated with the recommendations in this report.

7. Human Resources Implications

7.1 There are no human resource implications associated with the recommendations in this report.

8. Risk

8.1 *Risk Implications of Adopting the Recommendations*

    8.1.1 Risks have been identified and assessed in line with the Council's Risk Management process. This report seeks to confirm that risk mitigation at Strategic level is ongoing and that risks are being managed in line with an agreed approach and methodology.

8.2 *Risk Implications of Rejecting the Recommendations*

    8.2.1 Rejecting the recommendations may give rise to external criticism, breach of statute or legal challenge.

9. Equalities

9.1 The proposals in this report allow scrutiny of performance. The report does not involve proposals for policies, strategies, procedures, processes, financial decisions and activities (including service delivery), both new and at review, that affect the Council's communities and employees, therefore an equality impact assessment is not required.

10. Sustainable Development Implications

10.1 *Considering Strategic Environmental Assessment (SEA)* - This report does not propose or seek approval for a plan, policy, programme or strategy or document otherwise described which could be considered to constitute a plan, programme, policy or strategy.

11. Options Appraisal

11.1 An options appraisal has not been carried out in relation to the subject matter of this report.

12. Link to Council Plan

12.1 The matters referred to in this report contribute to the delivery of all Council strategic objectives.

13/

13.   Results of Consultation

13.1   Consultation has taken place with Councillor Martin Dowey, Portfolio Holder for Corporate and Strategic, and the contents of this report reflect any feedback provided.

Background Papers   None
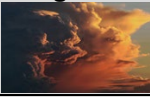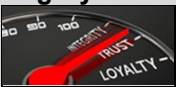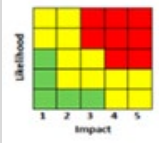
Person to Contact   **Stephanie Rodger, Acting Risk and Safety Service Lead**
River Terrace
Phone 01292 613068
E-mail stephanie.rodger@south-ayrshire.gov.uk

Date: 19 March 2025

SOUTH AYRSHIRE COUNCIL - STRATEGIC RISK REGISTER (DRAFT – JANUARY 2025)

Appendix 1
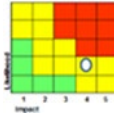
The following risks of strategic significance have been identified by Chief Officers in line with the themes of Governance, Protection and Resources.

Governance	Protection	Resources
1.Decision Making and Governance 4 x 2 = 8	**7. Adult and Child Protection** 5 x 2 = 10	**13. Financial Constraints** 4 x 4 = 16
2.External Factors including Contingency Planning 5 x 2 = 10	**8. Public and Employee Protection** 5 x 2 = 10	**14. Employee Absence** 3 x 3 = 9
3. Strategic Planning 4 x 2 = 8	**9. Sustainable Development and Climate Change** 4 x 3 = 12	**15. ICT – Digital Resilience, Protection & Capability** 4 x 2 = 8
4.Integrity 4 x 2 = 8	**10. Financial Inclusion** 4 x 3 = 12	**16. Management of Assets** 3 x 2 = 6
5. Internal Audit Actions 3 x 2 = 6 / **6. Transformation** 3 x 3 = 9	**11. Ash Tree Die Back** 5 x 2 = 10 / ***New***12. Prevent (Counter-terrorism) 5 x 2 = 10	

Input is provided by Risk Owners identified at Strategic level to ensure clear responsibility in terms of their management. Detail is provided on risk mitigations – both current and proposed. Target dates are recorded in respect of the achievement of the proposed mitigations, unless agreed as 'ongoing'. The successful mitigation of these risks will support the delivery of the Council Plan.

Page break

Risk 1		Risk Title – Decision Making and Governance			Risk Theme - Governance
Ownership	**Potential Risk**	**Cause**	**Potential Effect**	**Risk Score**	**Current Mitigations**
Accountable – ELT Responsible – CLT Risk Owner – Chief Governance Officer	1. There is a risk that key decisions are taken on behalf of the Council which may contradict agreed Council Plan objectives or increase risk exposure to the organisation.	Updates to Government legislation and advice. Changes to political structure. Levels of scrutiny on information made available or provided.	Lack of compliance. Failure to meet statutory requirements. Poor best value audit. Financial Impact Reputational damage.	 **4 x 2 = 8**	1. Members are supported by a range of training programmes to ensure effective Panel participation and good decision making. 2. Service Leads ensure there is full consultation with PFH's on Panel reports. 3. Webcasting/live broadcasting allows both hybrid meetings and public access. External public website has an area dedicated to this where meetings are live streamed, the future meeting schedule is visible and recordings of the meeting archive can be viewed. 4.Reports outline key headings on legal, procurement, financial, HR, risk, equalities and sustainable development implications of decision making. 5. The new Council Plan is complete and approved, as are the associated Service Plans across all Directorates. (Cross reference - Risk 3 - Strategic Planning).

Proposed Mitigations (with dates)	**Status**	**Progress Bar**
1.Members are supported to deliver good decision making through training and briefings. Officers in conjunction with Members felt that Members would benefit from further training on scrutiny and two training sessions were delivered on scrutiny of business cases by the Improvement Service. Both new and more experienced Members of the Service and Performance and Audit and Governance Panels felt this improved their understanding of scrutiny. A & G Panel also undertook a self-assessment and officers are implementing the recommendations identified by the Panel. Specific recommendations were previously made for one-to-one meetings with Members to assess training needs and produce an individualised plan. These take place by request from Members utilising the Improvement Service's Political Skills Self- Assessment tool and this allows Members to consider particular areas that they would benefit from training on. Further steps are being taken by the leads of Democratic Governance and Organisational Development to analyse this process and to fine tune the personal development process for Members. Members' briefings are available online and group officers encourage Members to access these, as well as maintaining records on uptake for future audit purposes. (June 2024)		95%

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SOUTH AYRSHIRE COUNCIL - STRATEGIC RISK REGISTER (DRAFT – JANUARY 2025)

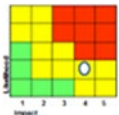| Risk 2	Risk Title – External Factors including Contingency Planning				Risk Theme - Governance
Ownership	**Potential Risk**	**Cause**	**Potential Effect**	**Risk Score**	**Current Mitigations**
Accountable – ELT Responsible – CLT Risk Owner – Chief Governance Officer	There is a risk that a range of external factors out with the Council's control such as pandemic, Brexit, Ukraine, cost of living crisis, inflation, industrial action, disruptive weather or other, may adversely impact on ability to fulfil Council objectives and deliver critical services.	Adverse incidents or Civil Emergencies. Factors imposed upon the Council such as legislative change, Government policy change, cost-of-living crisis, implications of Brexit, Ukraine, political change nationally or locally. Unanticipated updates to Government legislation and advice.	Requirement to re-allocate resources, failure to deliver services to an acceptable level or drive desired improvements. Restrictions on budget, reputational damage.	 **5 x 2 = 10**	1. Continued Horizon scanning to anticipate and respond to risks – four main civil contingencies risks identified for Ayrshire. 2. Watching brief and continual discussion on funding requirements for any unanticipated emergencies. 3. Dissemination of information to Officers and Members around CoSLA and Chartered Institute of Public Finance and Accounting (CIPFA) briefings. 4. The Ayrshire Civil Contingencies Team (ACCT) supports the Ayrshire Local Resilience Partnership (ALRP). Chief Executive attends Strategic ALRP. 5. The level of interaction between Health / Councils and partners has increased and allows for more efficient collaboration in emergency planning. The HSCP Risk and Resilience Forum is well established. 6. 24/7 on call service in place via Civil Contingencies for response and assistance in coordinating the Council emergency input to major incidents. 7. Staffing and resourcing arrangements are in place to support those individuals and families arriving in South Ayrshire from Ukraine. 8. *Cross reference to mitigations at Risk 10 – Financial Inclusion.*

Proposed Mitigations (with dates)	**Status**	**Progress Bar**
1.Practitioner Ayrshire Local Resilience Partnership (ALRP) and Strategic Ayrshire Local Resilience Partnership meet with required frequency to co-ordinate individual responses from all agencies to major incidents or adverse events. Ayrshire wide Tactical Groups are established where circumstances dictate. Additionally, the Ayrshire ALRP identifies and manages 4 concurrent civil contingencies risks to support an Ayrshire response. These are 1. Pandemic or Emerging Infectious Diseases, 2. Marauding Terrorist Attack, 3. Disruptive Weather and 4. National Electricity Transmission System (NETS) Failure (Power Resilience/Black Start) (ongoing)		*Ongoing*
2. Risk and Safety Team and the Ayrshire Civil Contingencies Team continue to support SAC civil contingency and business continuity arrangements. SAC Civil Contingencies Response Plan is reviewed annually and Council Incident Officer training has been rolled out to key Chief Officers, operational Service Leads and Coordinators. Council Managers undertake a rolling review of Service Business Continuity Plans on a 6 monthly basis. Civil Contingencies exercises to test plans continue to be developed and rolled out (ongoing).		*Ongoing*
3. The Council is anticipating new legislation (Martyn's Law) governing public safety at events. A business case has been prepared outlining the preliminary indicative resourcing required to demonstrate compliance. Future work in this regard will also allow for the establishment of a bespoke South Ayrshire Council Safety Advisory Group. A part-time seconded officer has been appointed since January 2025 and is currently investigating best practice across Ayrshire and the wider Scotland Local Authorities to develop a robust process to ensure that all events taking place in South Ayrshire are considered in advance of a decision to refer to the Safety Advisory Group (target date TBC)		40%

SOUTH AYRSHIRE COUNCIL - STRATEGIC RISK REGISTER (DRAFT – JANUARY 2025)

Risk 3			Risk Title – Strategic Planning			Risk Theme - Governance
Ownership	**Potential Risk**	**Cause**	**Potential Effect**	**Risk Score**		**Current Mitigations**
Accountable – ELT Responsible – CLT Risk Owner – Service Lead Performance, Community Planning and Sustainability	1. There is a risk that the Council fails to fulfil agreed strategic objectives in light of the cost-of-living crisis, staffing, budgetary or external pressures and therefore current service, financial and resource planning is not aligned. 2.There is an associated risk that corporate and service targets and performance measures may be adversely impacted. 3. There is a risk that the Council fails to meet the Accounts Commission Statutory Performance Information Direction (SPI). *(New)*	Recent pressures may have contributed to delays in Corporate and Directorate Planning processes.	Failure to deliver on Corporate and Directorate Plans or achieve priority outcomes. Failure to meet expectations of the public, partners, service users, local businesses. Reputational damage	**4 x 2 = 8**		1.Existing Council Plan with clearly defined priorities is in place, as are the individual Service Plans. Governance is included and underpinned by the enhanced requirement for performance measures and targets. 2.Plans have been developed by each Council Service Lead to take account of future operational delivery models. These include workforce planning considerations. 3.Delivering Good Governance framework and reporting in place. 4. Robust financial governance, linked to the Council Plan and priorities, is in place. 5.The Future Operating Model has been implemented and the Council is now operating its new ways of working. 6. Council Plan actions were reported to the Service and Partnerships Panel over 2023/24 as part of the Council Plan 23-28 Performance Management Framework. New Council Plan and Service Improvement actions have been developed by all services as part of the 24/25 performance reporting. Performance against the Council Plan and other KPIs are also subject of an annual report to Council. Performance against Council Plan and other KPIs were the subject of a 2023/2024 Annual Performance Report which was approved by South Ayrshire Council on the 12th December 2024. 7. Service Planning session took place with service leads in Feb 24 and new service planning guidance was made available to support planning and improvement. Service planning sessions were delivered and new Council Plan and Service Improvement plan actions have been uploaded to pentana.

Proposed Mitigations (with dates)	Status	Progress Bar
1. Quarterly budget monitoring continues and is reported by Financial Services in order to measure impact.	▶	*Ongoing*
2. Ensure that the Council's public performance reporting webpage is continually reviewed with relevant performance reports added	▶	*Ongoing*

Risk 4		Risk Title – Integrity				Risk Theme - Governance
Ownership	**Potential Risk**	**Cause**	**Potential Effect**	**Risk Score**	**Current Mitigations**	
Accountable – ELT Responsible – CLT Risk Owner – Chief Governance Officer	1. There is a risk that the integrity of the Council is breached through a range of failures such as Information / Asset Security, Cyber Crime, non-compliance with the General Data Protection Regulations (GDPR), CCTV Governance, Procurement Fraud, Contractual Failures, Vetting or Financial Irregularities. 2. There is a risk of failure to maintain sources of assurance and levels of scrutiny.	Existing Council Policy or systems may be ineffective or inconsistently implemented. Lack of ownership, training or communication. Difficulty to respond timeously to FOI and GDPR requests. Additional levels of Cybercrime and Fraud because of external global events.	Reputational damage, financial loss, fines, prosecution, civil liability.	4 x 2 = 8	1. Current policies / encryption / firewalls, specifically mandatory online Data Protection training, robust processes for reporting and dealing with data breaches. 2. Adherence to the Records Management Plan that has been agreed with the Keeper and is being implemented. 3. Standing Orders relating to Contracts and to Meetings, Scheme of Delegation, Financial Regulations, Council Procurement Policy. 4. SAC Code of Conduct, range of HR, H&S, Fleet policies, employee vetting processes. 5. Fraud Officers, Fidelity Guarantee Insurance Policy and National Fraud Initiative. 6. Internal Audit activity. 7. Establishment of Integrity Group / management of Integrity Group Risks. 8. Additional Communications with Staff and Public with advice re Cyber Crime and Fraud. 9. CCTV governance is set out in established policy. Duty Holders in relevant premises are responsible for compliance with GDPR as it relates to CCTV.	

Proposed Mitigations (with dates)	Status	Progress Bar
1. The actions referred to above are progressed by an Integrity Group, which monitors existing risks and identifies any new and emerging risks for SAC. The Group monitors and develops appropriate mitigations. The Chief Executive chairs the group and officers responsible for each key heading report on the risks. Various Service Leads attend and report on their operational areas as they relate to integrity. (ongoing).	▶	*Ongoing*
2. The reporting process of the risks from Integrity Group to Members has been reviewed. Reporting mechanisms include regular briefings from relevant Chief Officers or Service Leads on pertinent integrity matters to assist in Member awareness and further support good decision making. This is considered to be an ongoing mitigation through the life of the integrity group. (ongoing)	▶	*Ongoing*

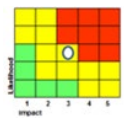# SOUTH AYRSHIRE COUNCIL - STRATEGIC RISK REGISTER (DRAFT – JANUARY 2025)

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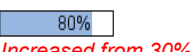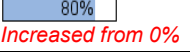| Risk 5	Risk Title – Internal Audit Actions	Risk Theme - Governance

Ownership	Potential Risk	Cause	Potential Effect	Risk Score	Current Mitigations
Accountable – ELT Responsible – CLT Risk Owner – Chief Internal Auditor and Service Leads	There is a risk that actions identified by Internal Audit are not progressed within agreed timeframes and improvements to the control environment not achieved.	Staffing resources. Competing Service priorities. Delays in implementation of corporate or service specific systems.	Service Governance arrangements are compromised. Depending on the significance of the outstanding action the Council may be exposed to risks relating to statutory compliance, public or employee safety, financial loss, reputational damage, legal challenge.	 **3 x 2 = 6**	1. The Audit Plan is formulated on an annual basis. There is also a mid-year review and approval is sought from Audit and Governance Panel for any changes. 2. Follow up Audits are undertaken for all 'red' reports as well as a sample of 'amber' reports, where resources permit. These include testing to confirm the service has evidence to support the completion of internal audit actions. 3. Progress against actions is included in Internal Audit update reports the Audit and Governance Panel.

Proposed Mitigations (with dates)	Status	Progress Bar
1. Service Leads are required to attend Audit and Governance Panel to explain any 'red' reports, any overdue or outstanding actions from these and further explanation of requests for more than 2 extensions to due dates. They may be required to bring a formal report to Panel if deemed appropriate. (Ongoing)	▶	*Ongoing*
2. Through the dissemination of Audit reports, Service Leads are reminded to ensure relevant risk registers are updated to reflect risks highlighted in the Audit reports where required. Managers are required to record progress against implementation of all actions in Ideagen (Pentana) and this is the information that is included within the Internal Audit update reports to the AGP. (Ongoing)	▶	*Ongoing*

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Risk 6			Title – Transformation			Risk Theme - Governance		
Ownership	**Potential Risk**	**Cause**	**Potential Effect**		**Risk Score**	**Current Mitigations**		
Accountable – CLT

Responsible – Director Communities & Transformation

Risk Owners – Director of Communities and Transformation, Assistant Director – Transformation, Service Lead - Transformation | There is a risk that the Council will fail to deliver its vision for transformation 'Shaping Our Future Council' set out in the four priority transformation areas (our workforce; our assets; our technology; our delivery model).

There is a risk the Council will fail to deliver the projects and programmes defined in the Transformation Portfolio.

There is a risk that staff will not engage with the Councils transformation requirements or develop 'change fatigue' | Lack of understanding from elected members and officers of the scope and breadth of change required to meet 'Shaping Our Future Council' aspirations.

Officers are not empowered to drive forward the required changes across the Council and services.

Services do not have capacity/ capability required to support and deliver the transformation agenda.

Staff and services are misinformed/ uninformed on the Councils transformation agenda and delivery activity. | The long-term financial sustainability of the Council cannot be achieved.

Transformation cannot be executed in a planned and managed way that delivers the best outcomes for the Council, staff, customers and stakeholders.

Instead of a joined up, strategic approach to transformation - 'salami slicing', service closure or cessation is adopted to meet financial pressures.

Transformation and change projects and programmes cannot be delivered due to lack of support from required Council services to take activity forward.

Transformation fails due to lack of elected member or staff buy in. | | **3 x 3 = 9** | 1. Transformation Partner procurement is progressing.
2. Transformation Reporting and Scrutiny Schedule is in place with first scrutiny report due to SPP on 11th March 2025.
3. The Council's Corporate Leadership Team undertook a benchmarking and self-evaluation exercise of its adoption of the five Audit Scotland transformation principles. An update was provided to AGP in January 2025. Remedial activity is ongoing.
4. The Council is currently being audited by Audit Scotland under a thematic review of Transformation. The final report is due in Spring 2025. Any recommendations will be considered in future risk mitigation actions.
5. There are specific examples of staff/ service buy-in or engagement not meeting expectations. Issues are discussed openly at the Transformation Board and escalated to the Chief Executive where appropriate.
6. Full review of the Strategic Change Programme and Lessons Learned complete. Remedial activity agreed with CLT. | | |

Proposed Mitigations (with dates)	**Status**	**% Progress**
1. Transformation Portfolio approval by Transformation Board. (August 2024)	✔	*Completed*
2. Scheme of Delegation reviewed to reflect requirements to drive forward Transformation activity at officer level and necessary authority required for approvals. (August 2024) – Assistant Director - Transformation	✔	*Completed*
3. Finalise Transformation Communications Plan and roll out comms activity. (September 2024) – Service Lead - Transformation	✔	*Completed*
4. Finalise Transformation Reporting and Scrutiny Schedule and seek Cabinet approval. (September 2024) – Service Lead – Transformation	✔	*Completed*
5. Tier 1 Project Briefs presented to Transformation Board. (August 2024) – Service Lead – Transformation	✔	*Completed*
6. Business Cases presented to Transformation Board including investment requirements and proposed benefits. (ongoing - various)	▶	*Ongoing*
7. Portfolio issue escalation to Chief Executive. (ongoing - Director Communities and Transformation)	▶	*Ongoing*

Risk 6 (Continued….)	Title – Transformation		Risk Theme - Governance
8. Launch of the Transformation Network. (January 2025)		▶	100% *Increased from 75%*
9. Transformation Partner appointed. (by April 2025)		▶	80% *Increased from 30%*
10. Scrutiny report to Service, Partnerships and Performance Panel. (March 2025)		▶	80% *Increased from 0%*
11. Remedial actions identified via CLT self-evaluation exercise and legacy Strategic Change Programme review. Owners identified and timescales for completion assigned (Ongoing and by June 2025) – Corporate Leadership Team		▶	60% *New*

	Risk Title - Adult and Child Protection				Risk Theme – Protection
Risk 7					

Ownership	Potential Risk	Cause	Potential Effect	Risk Score	Current Mitigations
Accountable – ELT Responsible - CLT Risk Owner – Director of Health and Social Care and Chief Social Work Officer (CSWO).	1.There are increased levels of hidden harm in our community as a result of a range of external factors leading to more complex family and adult needs. 2. There is a risk of failure to provide adequate protection and the necessary level of support to vulnerable adults and children. 3. There are additional risks facing the HSCP and these are being managed, monitored and reviewed via the HSCP Performance and Audit Panel. (link to latest reports – February 2025 – below).	Deprivation, cost of living crisis, changing demo- graphic and challenges in the care sector.	Potential harm to clients and vulnerable service users. Potential for litigation, financial loss or reputational damage.	**5 x 2 = 10**	1.There are quarterly Chief Officer Group (COG) meetings. 2.There are quarterly Public Protection subgroups (Child Protection; Adult Protection; Violence Against Women/Criminal Justice and Alcohol and Drugs Partnership) reporting into COG that are monitoring the operational context and responding in a coordinated way to issues. 3.HSCP Directorate Management Team meets regularly to provide leadership and oversight. 4. Established governance in place via Clinical and Care Governance, Social Work Governance and Adult Governance Groups. 5.APC and CPC meet regularly and review business plans 6.Multi Agency Public Protection Arrangements (MAPPA) including Management Oversight Group and Strategic Oversight Group) are in place and report quarterly to COG. 7.The Community Services Oversight Group supports in house and commissioned services and provides assurance on a range of issues to key local and national stakeholders. 8.Initial Referral Data (IRD) activity is now audited to provide scrutiny and assurance in relation to this key activity. There are now annual Child Protection 'Trend Analysis' produced for the CPC and COG to reflect on the changing culture in South Ayrshire towards Child Protection and to invite scrutiny of annual data. 9.Adult Support Protection Lead Officer engages first line managers in developing our response to vulnerable adults. 10.CSWO engages with operational staff in relation to complex cases in both adult and children's services where there are complex risk factors. 11. Care First implemented across all children and adult social work teams. 12. CPC/APC subgroup structure is now established and the Policy and Performance Subgroup is leading this review work and reports progress at each meeting 13.Governance on new policy and procedure is via CPC/APC through to COG. 14. Development of Practice Standards in Social Work is in progress to support the policy framework.

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Risk 7 (Continued…)			Risk Title - Adult and Child Protection			Risk Theme – Protection
Ownership	**Potential Risk**	**Cause**	**Potential Effect**	**Risk Score**	**Current Mitigations**	
					15. The quality assurance framework is operational providing triangulated information to the Community Services Oversight Group from a range of sources in order to ensure minimum standards are met across all commissioned services. 16. HSCP strategic and operational risk registers are complete and approved by HSCP Performance and Audit Committee. 17. New Adult Services structure fully implemented. 18 Learning reviews implemented in relation to ADP, Public Protection and Adult Social Work services. 19. The Adult Protection Self Evaluation Improvement Plan is reviewed regularly and a review of the impact of actions implemented in response to the Adult Support and Protection Inspection. The establishment of our locality model has also brought with it the formation of multi agency forums to review and support intervention and support for those in our communities with multiple complex needs to promote early intervention and prevention.	

Proposed Mitigations (with dates)	**Status**	**Progress Bar**
1.The ADP Is developing a framework in relation to risk around drug related deaths. Regular meetings have been established and we are working with Public Health Scotland and other agencies to share information / analyse trends and provide information to public and employees in regard to safety and harm reduction. We have a range of services such as naloxone, standards in relation to medical assisted treatment and through our Start team have established residential rehabilitation pathways to those we are assessed as ready (October 2024)	▶	100%
2.The implementation of the transformational work within Children and Families which has been supported by the Council. Belmont family support has commenced and the implementation of Signs of Safety is progressing in partnership with the National Signs of Safety organisation. This model is being further developed with our Family First Model being rolled out across all secondary schools in South Ayrshire.	▶	90%

Further explanation on progress to date in terms of implementation of the above mitigations can be found by cross-referencing to the Health and Social Care Strategic Risk Register Performance and Audit Committee - 18th February 2025 - Health and Social Care Partnership. Additional information is also provided within this document on a range of other risks being managed by the Partnership including; Climate Change & Sustainability, Communication and Reputation, External Factors including Contingency Planning, Financial Position, Good Governance, Strategic Planning and Business Resilience, ICT, Population, Premises, Provider Organisations,Service Quality, Workforce Protection and Workforce Capacity and Capability.

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| Risk 8 | | Risk Title - Public and Employee Protection | | | Risk Theme – Protection |

Ownership	Potential Risk	Cause	Potential Effect	Risk Score	Current Mitigations
Accountable – ELT Responsible – CLT Risk Owners – Service Lead – Risk and Safety and Service Lead – Asset Management	1. There is a risk of failure to provide the agreed standards of protection to the Public and Council Employees in line Health and Safety Executive and Scottish Fire and Rescue Service legislation and guidance. 2. There is a risk that health & safety risk assessments in some areas may not currently identify adequate mitigations to safeguard employees / service users from hazards such as Violence and Aggression. 3. There is a risk that proposals by Scottish Fire and Rescue Service to reduce response to fire alarms will impact people safety and property protection.	Staffing resourcing pressures. Budget constraints across Services. Ambiguity around responsibilities or inconsistent application of policy	Accident, incident, injury or ill health to employees /service users. Prosecution and Civil litigation. Damage to Council's reputation. Financial impact of claims, increased premiums, or fines.	5 x 2 = 10	1. Existing H&S Policies and procedures. H&S Guidance prepared and issued. Range of resources, information, links and training on H&S CORE page and Learn Pro platform. Sample H&S Risk Assessments developed for Service use. 2. Central H&S team undertake H&S Audits and Fire Risk Assessments (FRAs) over a 1,2 and 3-year rolling programme. Risk Assessment self-evaluation process rolled out. 3. The PDR process allows for identification of key H&S training requirements for all Council employees. 4. Risk Assessment Training & Support, plus Council Standard and a range of courses on Management of Actual or Potential Aggression, Dealing with Difficult Behaviour, De-escalation etc. 5. V&A measures across services including a range of security systems, Campus Police Officers, '2 to attend' protocols, panic buttons in offices, modifications to office design. 6. Review of causes of 'Unwanted Fire Alarm Signals' (UFAS) complete – processes in place to tackle via FRA programme. 7. Revised guidance has been issued along with new online training modules to reflect the changes implemented by SFRS on 1 July 2023. Asset Management team has rolled out bespoke fire panel training to all Council Duty Holders. Change in practice has now been implemented in order to mitigate false alarms including checking double knock systems are working.

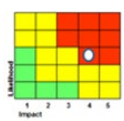| Proposed Mitigations (with dates)	Status	Progress Bar
1. Review and refresh a range of health and safety policies, guidance, sample risk assessments and work procedures. Development of new online health and safety training modules for managers / employees. (December 2024)	▶	65% *No change*
2. Asset Management team continue to review and action, based on risk priority, compliance and/or property related issues raised through Fire Risk Assessments, Health and Safety Audits and Vacant Property Inspections. These include the statutory HSB Engineering Inspections (ongoing).	▶	*Ongoing*
3. All duty holders / building managers monitoring and updating outstanding H&S actions via Pentana (ongoing)	▶	*Ongoing*
4. Continue to utilise self-evaluation method to ensure all Services have identified significant hazards and fully developed their H&S risk assessments – (Internal Audit Action). (Ongoing)	▶	*Ongoing*

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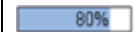# SOUTH AYRSHIRE COUNCIL - STRATEGIC RISK REGISTER (DRAFT – JANUARY 2025)

Risk 9	Risk Title - Sustainable Development and Climate Change					Risk Theme - Protection

Ownership	Potential Risk	Cause	Potential Effect	Risk Score	Current Mitigations
Accountable – ELT Responsible – CLT Risk Owners; Service Leads – Performance, Community Planning and Sustainability, Asset Management (buildings) and Neighbourhood Services (for Fleet)	There is a risk of failure to meet climate change duties, reduce emissions and support the community to adapt and mitigate risks in relation to climate change. Risk of failure to ensure a just transition and a green recovery.	Services do not necessarily recognise the role they need to play, lack of input and accountability by services leaving key areas inadequately addressed. Decisions and infrastructure while meeting short term goals are currently not fit for the future. Actions in place are currently not fully coordinated across services.	Reduction in emissions not achieved to 1.5 degrees scenario therefore accelerating the pace of climate change. United Nations Sustainable Development Goals not adequately addressed. South Ayrshire may not be resilient. Effect may be further detriment to those already disadvantaged, increasing inequalities and exacerbating deprivation. Communities may be unprepared for a low carbon future.	 4 x 3 = 12	1. Council approved Sustainable Development and Climate Change Strategy 2. Baseline data on Sustainable Development and Climate Change now assembled to allow future progress to be measured. 3. Proposals endorsed by the MOWG agreed at Cabinet and assigned for implementation. 4. Carbon budgeting in place. 5. Green recovery communications plan and climate literacy training plan in place. 6. Pan Ayrshire Energy Masterplan to be completed by 31st October 2024.

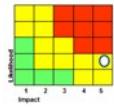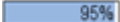| Proposed Mitigations (with dates)	Status	Progress Bar
1. Fully implement Climate Change Strategy (target date 2024, at which point strategy will be reviewed). Review to be pursued to ensure delivery of strategy outcomes in a changed landscape with increased national targets and new duties and supporting the new Local Outcome Improvement Plan (LOIP) which was approved in April 2024. In addition, there has been a new Scottish Government template released in draft form for all Scottish Local Authority Climate Change Strategies. The Co-ordinator will meet with key Service Leads spring time to agree their new targets and actions in relation to the template (along with a wider consultation process) which will form the basis of the refreshed strategy which will be published during 2025 (revised to Dec 2025).	⚠️	55% *Increased from 50%*
2. Review the means of 'cross cutting' the Strategy by embedding within Council policy making, as well as service planning. This is now going forward as part of the integrated impact assessment led by Performance, Policy and Community Planning with further climate literacy and service planning work required and likely to be included in the refreshed strategy. (Revised to Dec 2024). Full roll-out of the Integrated Impact Assessment (IIA) (following a test phase) was approved by Cabinet on the 25th September 2025 and is now being used across the Council. Briefing sessions were provided for staff. All completed IIAs and Summary Reports (along with guidance documents) can be accessed on a sharepoint site.	✔️	100% *Increased from 50%*
3.Investigation of scope 3 accounting methodologies for Council procurement emissions to develop existing carbon budgeting process. A final decision on this has been deferred pending the outcome of national research. Consultation has now been undertaken by Scottish Government on scope 3 reporting. We aim to build the outcomes into our forward pathway to be set out in refreshed strategy. (Revised to December 2024)	⚠️	30% *No change*
4. A Net Zero Estate Strategy review was completed in November 2021. Following this a Net Zero Board group was established in 2022 to drive forward this agenda. The Board has 6 agreed workstreams (noted in Cabinet log) and progress is being against each of these in order that the Council can meet both its own and SG's commitment to 'net zero' in 2045 (ongoing to 2045)	▶️	*Ongoing*
5.Adopt fleet decarbonisation strategy in line with targets and duties alongside ULEV (Ultra Low Emission Vehicles) infrastructure for both fleet (SAC) and public charging (ARA). Current position on small SAC vehicles reflects a position where 60 of 80 are now electric. NS continue to implement charging points for staff access and are investigating a charging 'hub' at a location within the vicinity of County Buildings. Ongoing progress is captured as part of Service Plan Improvement Action for NS and forms part of Service Plan Performance Reports to Council.	▶️	70% *Increased from 50%*
6. Local Heating Energy Efficiency Strategy (LHEES) strategy has been approved in Sept 2024 by South Ayrshire Council. An action plan has been undertaken. Post funded by Scottish Government for 5 years (up to 2028) to support this strategy.	▶️	10% *No change*

SOUTH AYRSHIRE COUNCIL - STRATEGIC RISK REGISTER (DRAFT – JANUARY 2025)

Risk 10			Risk Title – Financial Inclusion			Risk Theme – Protection
Ownership	**Potential Risk**	**Cause**	**Potential Effect**	**Risk Score**	**Current Mitigations**	
Accountable – ELT

Responsible - CLT

Risk Owner -

Assistant Director of Communities and Service Lead Thriving Communities | There is a significant risk that the cost-of-living crisis, rising inflation and the current economic climate is having a detrimental impact on the local community, both public and employees. | Rising energy and food costs. Economic uncertainty.

War in Ukraine. | Specific low-income groups are hardest hit.

Current crisis is bringing unaccustomed hardships to groups who have previously managed financially.

Impact on lowest paid Council staff. | **4 x 3 = 12** | **Measures in place at National level;** Withdrawal of the National Insurance increase. **Measures in place at Scottish Government level**; Increasing the Scottish Child Payment to £25 per week from 14 November 2022 Winter Heating Payments. Rent Freeze Bill - 'Protecting Tenants during Cost-of-Living Crisis Bill' temporary powers to protect tenants and landlords. Bridging Payments. Best Start Grants. 'One stop shop' website to help those struggling financially. National media campaign. Funding for Scottish Welfare Fund (Crisis Grants & Community Care Grants) and Discretionary Housing Payments **Measures in place at local level;** The Community Planning Partnership has a Financial Inclusion Strategic Delivery Group (SDP) who provide direction, identify any gaps in support and direct resources to areas of most need and demand. They consider themes linked to food, energy, money and community wellbeing.

A range of Council services provide support to people most affected by the cost of living crisis. These include Thriving Communities, Housing Services, the Information and Advice Hub and Revenues and Benefits. Cabinet approved a report on 23 May 2023 Financial Inclusion - Cost of Living Crisis which outlined trends identified and the provision of current help available across all Council Services to support residents. There was also a Cabinet paper in January Food Pantries and then again in May Food Pantries that provided information on the food pantries and projects that SAC has funded.

A Member Officer Working Group for the Cost-of-Living Crisis has been established to consider the activities being undertaken by the Council to mitigate the impact of the cost-of-living crisis. | |

Proposed Mitigations (with dates)	Status	Progress Bar
On 23 May 2023, Cabinet approved the development of a Strategy and Action Plan to address the agenda on Financial Inclusion - Cost of Living Crisis. This work is aligned to the Member / Officer Working Group and reports to Cabinet £1.055m was identified to support Financial Inclusion projects. Service Leads have completed requests for funding and a cabinet paper has agreed key projects in support of financial inclusion across SAC and partners. The financial inclusion projects that were funded continue to support a range of interventions and services and including Education, Information and Advice hub and Housing. Progress of these progress is being monitored and will be reviewed by the Service and Partnership and Performance Panel and CPP Financial Inclusion and Growth SDP. Concerns have been raised about the short term and temporary nature of these projects due to the funding that is available. Officers are exploring external funding opportunities and new ways of working that will support and mitigate some of the risks beyond the funding. (March 2025)	▶	80%

Risk 11			Risk Title - Ash Tree Dieback		Risk Theme - Protection
Ownership	**Potential Risk**	**Cause**	**Potential Effect**	**Risk Score**	**Current Mitigations**
Accountable – ELT Responsible – CLT Risk Owner – Assistant Director - Housing and Operations and Service Lead Neighbourhood Services	There is a risk of injury / damage to SAC residents and infrastructure as a result of Ash Dieback – a disease proliferating through SAC woodland. Disease has been identified and is spreading.	Principle cause is the spread of Ash Dieback throughout South Ayrshire /Scotland. Neighbourhood Services is currently not resourced to manage the extent of Ash Die Back.	Potential for fatality / injury to residents / employees. Potential for damage to property, listed structures, headstones, power / phone lines. Potential of falling Ash trees/limbs on roads/pavements/ footpaths within public open space and schools and associated obstruction to roads. Increased liability to Council in respect of above potential incidents. Financial pressure in terms of significant increased expenditure to mitigate risk including costs for replanting, cost of recruiting skilled operatives. Availability of skilled operatives likely to be restricted by market demand - this is a national problem. Potential for increased flooding risks for changes in waterways eg. banking failures due to tree failure. Loss of Ecosystems- air quality, biodiversity loss, increases in noise levels adjacent to roads, loss of visual screens. Increased liability and insurance premiums for residents due to property risks. Risk to European protected species (roosts/ food source). Loss of biodiversity of species dependant on Ash.	**5 x 2 = 10**	1.Survey of trees within lands managed by Neighbourhood Services has commenced. 2.Communication with ARA has taken place and regular meetings have been set up. 3.An Ash Dieback Plan has been developed and approved by Cabinet. This includes an inspection programme and cost projections for full implementation. 4.Year 1 delivery of plan almost complete. Yearly target exceeded. 5. SAC is collaborating with recognised arboricultural bodies on managing this disease. A communication plan is being developed to reflect the SAC Ash Dieback plan. Proposed text is with the Tree Council and the Forestry Commission for review and will form the basis of standard text to be used by a number of authorities. Awaiting feedback on this. Communications team involved.

Proposed Mitigations (with dates)	**Status**	**Progress Bar**
1.Funding for Year 2 of Ash Dieback Plan approved by Cabinet in January 2024, commenced in April 2024. Work is ongoing. A second survey has been completed and, at this moment in time, we have felled or managed 19% of the trees identified. With regards to year 3, there is concern around future funding in order to implement the ash tree dieback plan. Update Report is going to Cabinet in Feb 2025 in which information of works completed and expenditure is detailed. Funding for the new financial year is being requested to continue delivery. To date we have removed 601 Cat 4 trees; 760 Cat 3; 274 Cat 2 and 58 Cat 1. Second survey shows that 757 trees have progressed from Cat 1 to Cat 2; 114 from Cat 1 to 3. In Cat 2 ,337 progressed to Cat 3 and 155 to Cat 4. In Cat 3 247 have progressed to Cat 4. As of Mid Feb we are 95% complete for year 2.	▶	95% *Increased to 75%*
(New) 2. At Cabinet of 18th February Council agreed to provide funding for year 3 of Ash Dieback Plan (still subject to call in). As such, for new financial year and 3rd year of ADB Plan our status is showing not started and progbess bar at zero, as will not commence till 1st April	⚙	0%

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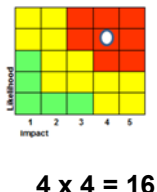
Risk 12			***New Risk*** Risk Title – Prevent (Counter-terrorism)			Risk Theme - Protection
Ownership	**Potential Risk**	**Cause**	**Potential Effect**	**Risk Score**	**Current Mitigations**	
Accountable – ELT Responsible – CLT Risk Owner – Mark Inglis, Prevent Single Point of Contact (SPOC)	There is a risk that of terrorist attack or event, with the potential of causing mass casualties and/or fatalities.	The unfettered development of radical groups, and local networks who are enabled to organise and coordinate significant fear and alarm in South Ayrshire for Political or Religious reasons.	Potential of causing mass casualties and/or fatalities. Terrorist attack which could cause significant infrastructure damage, to buildings, transport networks (including Prestwick Airport, Ferry Terminal and Train travel) and power and energy supply. Resulting in civil disobedience and reaction towards minority people groups who are misunderstood to hold similar radicalised and terrorist views, such as Islamic Fundamentalist and the impact upon law abiding Muslims in South Ayrshire.	 5 x 2 = 10	1. The use of the National Prevent strategy in South Ayrshire, together with Partners, specifically Police Scotland and their Prevent Specialist team. 2. The understanding of risk groups nationally will come from the Local Contest Delivery strategy, published by Scot Gov. every three years. 3. South West issues will be identified through Contest boards or Prevent data based on our region. 4. Local issues which become apparent will be passed to the SPOC to inform the Prevent Risk Assessment and appropriate mitigations	

Proposed Mitigations (with dates)	Status	Progress Bar
1. The implementation of the Prevent strategy in South Ayrshire	▶	100%
2. Raise awareness across all South Ayrshire Directorates, through the completion of the COAST Prevent Module, (likely to be revised to the New Home Office, Prevent duty training - GOV.UK.)	⚠	50%
3. Policies and procedures, for staff, commissioned services and use of SAC buildings and property to align with Prevent. This will ensure that:- • Staff understand how to raise a Prevent concern and that SAC Prevent PMAP process supports the prevention of vulnerable (or non vulnerable) individuals being drawn into Radicalisation and Terrorist activity • all SAC commissioned services understand the Prevent duty and have clear awareness raising approaches in place and know how to raise a concern into the SAC Prevent PMAP process. • SAC have clear policies and procedures in place to address radicalisation with staff groups and know how to raise a concern • SAC has a clear policy and procedure in place for letting and use of all Council properties and buildings, that non are used for the purpose of radicalisation or terrorist propagation and recruitment.	⚠	20%
4. Annual Audit and report to COG for Governance of Prevent and its application in SAC	▶	70%

Risk 13				Risk Title – Financial Constraints		Risk Theme – Resources
Ownership	**Potential Risk**	**Cause**	**Potential Effect**	**Risk Score**	**Current Mitigations**	
Accountable – ELT Responsible – CLT Risk Owner – Chief Financial Officer	1. There is a risk that current, planned or expected levels of service cannot be delivered.	UK and Scottish Government reductions in funding over a number of years. Impact of inflation on Council cost base.	Failure to deliver key services or meet change in service demands.	4 x 4 = 16	1. Annual 2024/25 budget prepared and approved in February 2024. 2. Council agreed a programme of future activity as part of the 2024-25 budget proposals to commence immediately following approval of the budget in order to address the significant budget gaps expected in the medium term. 3. £5m Transformation Fund established in February 2024 as part of the budget setting process. With a Transformation team being set up within the newly established Communities and Transformation Directorate in March 2024 to oversee change activity throughout the Council. 4. Maintain pressure on Scottish Government to agree settlements which reflect Local Authority needs through participation in CoSLA groups. 5. Updated five-year Medium Term Financial Plan approved by Council in December 2024 (next update due December 2025) 6. Annual Treasury Management Strategy prepared and approved by Council February 2024. Details credit and counterparty risk. Next update due in March 2025 Treasury Management Practices (TMP's) updated annually to reflect Treasury risk such as credit and counterparty risk management, liquidity risk management, interest rate risk management and exchange rate risk management.	

Proposed Mitigations (with dates)	Status	Progress Bar
1. Lobby Scottish Government through discussions via CoSLA, Directors of Finance and Solace to ensure required funding continues to be made available to Local Government (ongoing).	▶	*Ongoing*
2. Rolling annual update of new five-year Medium Term Financial Plan to be implemented (next update due December 2025)	▶	*Ongoing*
3. Assess the impact/outcomes from the new deal between Local Government and the Scottish Government signed in June 2023 (Verity House Agreement) and the associated new Fiscal Framework is being developed. (Ongoing) – Limited progress has been achieved between SG & Cosla to date but discussions are ongoing	▶	30% *No change*

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Risk 14	Risk Title – Employee Absence				Risk Theme - Resources
Ownership	Potential Risk	Cause	Potential Effect	Risk Score	Current Mitigations
Accountable – ELT Responsible – CLT Risk Owner – Chief HR Officer	1. There is a risk that employee absence levels fall below the standards which can be sustained by the organisation. 2. There is a risk that the cost of staff absence significantly increases the financial risk and budgetary constraints already impacting on the achievement of Council objectives. In 2022/23, the average number of days lost per employee due to absence was 9.53 days. In 2023/24, this figure decreased to 9.01 days per employee. However, despite this reduction, the cost of absence increased by 9% for Local Government Employees (LGE) and 16% for Teachers. Notably, the Council ranked first for both LGE and Teachers when compared to its Local Government Benchmarking Framework family group. Link to report: Report 3. There is a risk that the impact of employee absence creates an unsustainable burden and significant extra pressure on colleagues at all levels who are required to assume additional workloads as a result. 4. There is a risk that employee absence has an adverse effect on workforce planning arrangements.	Key reasons reported for employee absence; Psychological Musculoskeletal Hospitalisation Impact of employee 'culture' Further statistical information via report to S&P	Additional risk to Service Users, gaps in Service delivery, slippage on achievement of targets. Additional cost of temporary, agency, supply staff or other additional unbudgeted spend. Adverse impact on health of 'attending' employees.	 3 x 3 = 9	1. **Maximising Attendance Framework** – A structured approach to improving employee attendance and well-being. 2. **Occupational Health Services** – The Council has recently appointed a new Occupational Health provider, receiving positive feedback from both employees and line managers. 3. **Employee Assistance Programme (EAP)** – A comprehensive support service offering 24/7, year-round, in-the-moment telephone support for employees, including access to professional counselling services. Cognitive Behavioural Therapy (CBT) remains available through Occupational Health. 4. **Physiotherapy Services** – Supporting employees with musculoskeletal health and rehabilitation. 5. **Employee Self-Referral to 'Access to Work'** – A fully funded initiative providing non-medical interventions, support, and signposting to assist employees in maintaining workplace well-being. 6. **Flexible Working and Family-Friendly Policies** – A range of HR policies designed to promote work-life balance and accommodate employees' needs. 7. **Mentally Healthy Workplace Training** – Online training available to both managers and employees to support mental health awareness and resilience in the workplace. 8. **Be Well Live Well** programme – providing a range of employee events to support health and wellbeing.

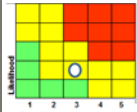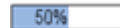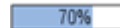| Proposed Mitigations (with dates)	Status	Progress Bar
1. A draft Supporting Employee Wellbeing Policy has been developed. Consultation will be undertaken, followed by the necessary approvals. The project is expected to be fully completed by June 2025.	▶	70% *Increased from 35%*
2. The Mental Health First Aid training has been successfully rolled out, with additional sessions to be provided as needed. A lifestyle screening health check pilot was also implemented and received positive feedback. Officers are currently coordinating future screening dates. Additionally, the Live Well Be Well (LWBW) programme has been developed and officially launched. A dedicated LWBW page is available on the Core, providing employees with access to further information and resources.	▶	100% *Increased from 30%*
3.HR, in conjunction with Trauma Informed Officer, is developing a Staff Wellbeing Strategy. The research phase has been completed, and the final employee consultation session is scheduled for 14th February 2025. Following this, the strategy will be developed, with finalisation targeted for March 2025. Subsequent consultation and approval processes will then be undertaken. The full project is expected to be completed by June 2025.	▶	70% *Increased from 20%*

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Risk 15		Risk Title – ICT Digital Resilience, Protection and Capability			Risk Theme - Resources
Ownership	**Potential Risk**	**Cause**	**Potential Effect**	**Risk Score**	**Current Mitigations**
Accountable – ELT Responsible – CLT Risk Owner/s – Service Leads - ICT	There is a risk that major or widespread ICT failure will adversely affect delivery of Council services. ICT failure risks include non-compliance, failure of business systems, cyber-attack, and failure of ICT equipment.	Lack of corporate ICT planning in a robust and consistent manner. Cyber intrusion. Outdated / obsolete equipment and systems. The Business Continuity Plans of some Services may lack effective arrangements for ICT loss.	Inability to provide key services and recover quickly. Reputational damage, financial loss, litigation.	 4 x 2 = 8	1. Resilient infrastructure in place with dual data centres, duplicated network communication paths, internet links, and server hardware. 2. External contracts established with service providers for technical support and expertise across critical technologies. 3. SAC Data Centre's services will be migrated to cloud data centres, with the first phase completed in April 2023. 4. A bespoke ICT Risk Register in place, which is subject to review as part of standard operating practice. 5. The Integrity Group meets regularly to consider cyber security issues and develop further mitigations as required. 6. Compliance standards established as part of technology and process governance framework. 7. Service BC plans include some level of 'manual work around' for resilience in respect of ICT failure. Updates to all BC plans are requested on a 6 monthly basis. 8. ICT Asset Management function established to ensure currency of technology assets is maintained. Additional capacity created. Rolling replacement plans are now in place for technology towers.

Proposed Mitigations (with dates)	Status	Progress Bar
1. Live services are provided by McCall's Avenue Data Centre, which has enterprise facilities management services, with County Buildings being used for resilience purposes. Work is complete in terms of live services being moved from County Buildings to McCall's Avenue, with low volume items remaining which have longer term timelines. (August 2024)	✔	Completed
2. A significant amount of services are now live in Microsoft Azure and phase 2 will complete by Dec 2024. Remaining on premises services will require to be redesigned and are subject to work with specific services.	▶	90%
3. PSN Accreditation achieved for 2024 and works are scheduled for 2025. This remains a recurring activity annually. (ongoing).	▶	Ongoing
4. In light of services migrating to a cloud data centre, work is required with all services to redefine the ICT element of their Business Continuity Plans. Engagement from ICT will take place to define priority applications which align to future plans for application rationalisation/replacement based on off-premises data centre provision. Scenario based planning exercises will require to take place in 2025 with services to take cognisance of increasing cyber threats. (target date March 2025).	⚙	0%

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Risk 16			Risk Title – Management of Assets		Risk Theme – Resources	
Ownership	**Potential Risk**	**Cause**	**Potential Effect**	**Risk Score**	**Current Mitigations**	
Accountable – ELT

Responsible – CLT

Risk Owner – Service Leads: Asset Management, Professional Design Services and Housing | 1.Delivery of the agenda linked to Transforming the Estate may be impacted by a range of factors which could delay any resulting financial gains.

2.There is a risk of delay to projects within the General Services capital programme due to inflation of construction costs which could impact on deliverability of the programme.

3. There is a risk that Council property insurance valuations are out of date – last property valuation exercise was undertaken in 2015. | Decisions re asset rationalisation, delays on asset disposal, staff placing logistics.

Inflation

Cost of Living Crisis

Lack of capacity and funding. | Impact on efficient recovery of Council services.

Failure to deliver Asset Management Plan.

Project delay or additional costs.
Adverse incidents and compliance failure.

Damage to Council's reputation.

In the event of a loss, where properties are underinsured, insurers will apply average clause – this would result in financial loss to the Council.

When insurance valuation exercise is undertaken, and if there is a significant increase in values, then service will incur an significant additional insurance premium. Such mid-term policy adjustments are costs which require to be met by service. |

3 x 2 = 6 | 1. The Transforming the Estate project is underway and has superseded the former Asset Management Plan.

2. Professional Design Services continue to monitor construction costs and contractor's ability to progress and deliver works.

3. Quarterly Capital Monitoring Reports are taken to Cabinet, updating on the progress of the General Services and Housing Capital Programmes. For 2024/25, the P3 (to 30th June) reports were approved by Cabinet of 27th August, 2024 and P6 (to 20th September) reports approved by Cabinet of 26th November, 2024. | |

Proposed Mitigations (with dates)	**Status**	**Progress Bar**
1. The proposed approach to the rationalisation of Council assets was approved by Cabinet on 23 May 2023 in a strategy 'Transforming the Estate'. It has been agreed to note the strategic recommendations following conclusion of an external consultant's review and undertake further work to review the proposals for each asset type and validate cashable benefits and costs for the Council. Substantial progress across each of the strategic themes has been made since May 2023. A report on progress and delivery will be taken to Service and Performance Panel in May 2025. The updated Asset Management Plan, reflecting the strategic objectives of Transforming the Estate, was approved by Council in December 2024.	▶	50%
Increased from 30%
2. A revised and updated 12 Year Capital Plan is taken to full Council each year, with the next being taken in March, 2025, which will cover the period 2025/26 to 2036/37. In addition, a Capital Review paper was approved by Special Council on 6th February, 2025 with reductions to the overall programme. Quarterly Capital Monitoring Reports will be taken to Cabinet in August and November 2025 and February and June 2025, updating on the progress of the General Services and Housing Capital Programmes. These reports will include any issues that required to be highlighted and any adjustments requested in light of this.	▶	70%
Increased from 25%
(New) 3. *Non-Residential Property Re-Valuation' Update*: Meeting to take place on 24th February 2025 to confirm resourcing and plan for implementation. Next Risk Register update will confirm timescales and progress.	⚙	TBC
(New) 4. *'Residential Property Re-Valuation'* Update: Meeting to take place on 24th February 2025 between Housing and Asset Management to confirm processes for instigating revaluation and resourcing. Next Risk Register update will confirm the processes that have been established and timescales for implementation.	⚙	TBC

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SOUTH AYRSHIRE COUNCIL - STRATEGIC RISK REGISTER (DRAFT – JANUARY 2025)

Guidance - Recording Risks

Risk No. x			Risk Title - xxxxx		Risk Theme – Resources / Protection / Governance	
Ownership	**Potential Risk**	**Cause**	**Potential Effect**	**Risk Score**	**Current Mitigations**	
Who is accountable and responsible for managing the risk?	What could go wrong?	What may have caused this risk?	Possible outcomes or adverse effects?	3 x 3 = 9	What is already in place to manage the risk?	
S	**A**	**M**	**P**		**L**	**E**

Proposed Mitigations (with dates)		Status	Progress Bar
1. What is planned to mitigate the risk further? (and when it is due to be completed) \<enter date\>			33% *Increased from…?*

A status icon (Figure 3) is displayed along with a calculation from Risk Owners on percentage completion of the mitigating actions.
This information is closely scrutinised by Chief Officers via CLT and Elected Members through the Audit and Governance Panel and Cabinet and this assists in determining decisions on reducing or increasing risk ratings utilising the matrix at Figure 1.
New risk identification is considered against a broad range of risk types and these are represented at Figure 2.
Risk types are cross-cutting and not considered in isolation.
Further explanation of SAC Council Risk Management Methodology is available within the Corporate Risk Management Strategy RM Strategy

Fig 1

Risk Themes		
Governance	Protection	Resources
Risk Rating		
Impact	**x**	**Likelihood**
1 Minor		1 Unlikely
2 Moderate		2 Possible
3 Major		3 Likely
4 Critical		4 Very Likely
5 Catastrophic		5 Almost Certain

Fig 2

Fig 3	Status
✔	Completed
▶	On Target
⚠	Not on target – some concerns
⬣	Not on target – major concerns
⚙	Not yet started