

County Buildings
Wellington Square
AYR KA7 1DR
Telephone No. 01292 612169



9 March 2022

To: Councillors Dowey (Chair), D. Campbell, Clark, Cullen, Lyons, McCabe, Moonie and Spurling.

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 16 March 2022 at 10.00 a.m.** for the purpose of considering the undernoted business.

In light of the current COVID-19 pandemic, this meeting will be held remotely in accordance with the provisions of the Local Government (Scotland) Act 2003. The meeting will be live-streamed and available to view at <https://south-ayrshire.public-i.tv/>

Yours sincerely

CATRIONA CAVES
Head of Legal, HR and Regulatory Services

B U S I N E S S

1. Declarations of Interest.
2. Call-ins from Leadership Panel.
3. Minutes of previous meeting of 23 February 2022 (copy herewith).
4. Action Log and Work Programme (copy herewith).
- 5./

External Audit Reports

5. Annual Audit Plan 2021/22 – Submit report by the Head of Finance and ICT (copy herewith)

Internal Audit Reports

6. Proposed Internal Audit Plan 2022/23 (including Annual review of Internal Audit Charter) – Submit Report by the Chief Internal Auditor (copy herewith)

Other Governance Reports

7. Best Value Action Plan 2021/22 Update – Submit report by the Assistant Director - People

For more information on any of the items on this agenda, please telephone Janice McClure,
Committee Services on 01292 612169, 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 remote meeting on 23 February 2022 at 10.00 a.m.

Present: Councillors Martin Dowey (Chair), Laura Brennan-Whitefield, Douglas Campbell, Alec Clark, Lee Lyons, Helen Moonie, Derek McCabe, and Arthur Spurling.

Attending: E. Howat, Chief Executive; T. Baulk, Head of Finance, and ICT; L. Reid, Assistant Director – Place; W. Carlaw, Service Lead – Democratic Governance; Cecilia McGhee, Chief Internal Auditor; W. Wesson, Service Lead – HR, Payroll and Employee Services; J. Hodge, Housing Asset Management Co-ordinator; A. Nelson, Co-ordinator, Democratic Services; C. Buchanan, Committee Clerk, E. Moore, Clerical Assistant.

Opening Remarks.

The Chair

- (1) welcomed everyone to the meeting and in particular Councillor McCabe to his first meeting of the Panel, and thanked Councillor Hunter for his contribution to the work of the Panel.
- (2) took the sederunt and intimated that no apologies had been received; and
- (3) outlined the procedures for conducting this meeting and advised that this meeting would be broadcast live.

1. Declarations of Interest.

There were no declarations of interest by Members in terms of Council Standing Order No. 17 and the Councillors' Code of Conduct.

2. Call-ins from Leadership Panel.

The Panel noted that there were no call-ins from the Leadership Panels of 18 January 2022 or 15 February 2022.

3. Minutes of Previous Meeting.

The Minutes of the meeting of 1 December 2021 (issued) 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 Head of Finance and ICT provided the Panel with an update on the status of the Action Log and Work Programme and advised that all actions had now been completed.

The Panel

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

External Audit Report

5. **External Audit Reports – Progress to 31 December 2021.**

There was submitted a report (issued) of 15 February 2022 by the Head of Finance and ICT providing Members with an update on the progress that the Council was making in relation to external audit improvement actions.

The Head of Finance and ICT advised Members that there had been a supply chain delay and Covid issues relating to the delivery of the microphone system being installed in the County Buildings. The system had now been installed and training for staff and Elected Members would be forthcoming.

The Panel, having scrutinised the contents of the report,

Decided: to note the report.

Internal Audit Report

6. **Internal Audit – Progress Report – (i) Progress of Internal Audit Plan 2020/21; and (ii) Implementation of Internal Audit Action Plans.**

There was submitted a report (issued) of 15 February 2022 by the Chief Internal Auditor advising Members of Internal Audit's progress against the 2021/22 Internal Audit Plan and of directorate progress in implementation of Internal Audit action plans.

Questions were raised by Members in relations to:-

- (1) the recruitment process within the Internal Audit Team and one Members asked for an update. The Chief Internal Auditor advised that the recruitment process was unsuccessful at the beginning of the year and that she would continue to explore ways to take the recruitment forward with a view to filling the current vacancy in the near future.
- (2) whether the timescales in the Action Plans would be met. The Chief Internal Auditor intimated that, pending any large-scale investigations, she was confident that the timescales would be met in the Action Plans.
- (3) whether there were any issues in relation to Items 13 and 23 of Appendix 1 – Progress Against 2021/22 Internal Audit Plan. In terms of Item 13 – Ayrshire

Growth Deal – review of internal governance arrangements, the Chief Internal Auditor advised that there were no areas of concern and in terms of Item 23 – Review of Covid-19 Business Grants, the Chief Internal Auditor advised Members that Internal Audit had provided advice and guidance to the Service throughout the pandemic and that there were no areas of concern.

- (4) whether best value was being achieved by using external audit teams or whether it would be more efficient to increase the staff resource within South Ayrshire's Internal Audit Team. The Chief Executive advise that if Internal Audit had its full complement of staff there would be no requirement to use external audit teams and that she would work with the Chief Internal Auditor on the recruitment process and the demands of the service and report back to Members. The use of East Ayrshire Council's Internal Audit team was due to an issue relating to Ayrshire Roads Alliance.

The Panel, having scrutinised the contents of the report

Decided: to note the report.

7. **Revised Internal Audit Plan 2021/22.**

There was submitted a report (issued) of 15 February 2022 by the Chief Internal Auditor requesting approval by Panel Members for a revision to the 2021/22 Internal audit plan.

The Panel, having scrutinised the contents of the report,

Decided: to approve the revised 2021/22 Internal Audit Plan.

Exclusion of press and public

The Panel resolved, in terms of Section 50A(4) of the Local Government (Scotland) Act 1973, that the press and public be excluded during consideration of the remaining item of business on the grounds that it involved the likely disclosure of exempt information in terms of paragraphs 1 of Part 1 of Schedule 7A of the Act.

8. **Audit Report**

There was submitted a confidential report of 17 February 2022 by the Chief Executive advising Members of the results of a fact-finding audit undertaken by Audit Glasgow (the Internal Audit Team from Glasgow City Council) and seeking approval for proposed actions.

The Panel, having scrutinised the contents of the report at length,

Decided: to consider the confidential Addendum to the report and confirmed agreement to the actions proposed at 4.3 of the report.

9. **Consideration of Disclosure of the above Audit Report**

The Service Lead – Democratic Governance advised that in accordance with Standing Order 32.4 and by virtue of Paragraph 1 of Part 1 of the Schedule 7A of the Local Government (Scotland) Act 1973 the report and Addendum should not be disclosed.

Decided: by virtue of Paragraph 1 of Part 1 of the Schedule 7A of the Local Government (Scotland) Act 1973 that the report and Addendum should not be disclosed.

The meeting ended at 11:49 a.m.

AUDIT AND GOVERNANCE PANEL

Agenda Item No. 4

ACTION LOG

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

AUDIT AND GOVERNANCE PANEL

WORK PROGRAMME 2022

No	Issue	Actions	Assigned To	Due Date To Panel	Latest update
1	Internal Audit - Progress Report (i) Progress of Annual Internal Audit Plan 2021/22 (ii) Implementation of Internal Audit Action Plans	Report to Panel	Chief Internal Auditor	Quarterly reports throughout the year (Jan, May, Sept, Nov)	
2	External Audit Progress Reports	Report to Panel	Head of Finance and ICT	Regular reports throughout the year	
3	Corporate Fraud Team Activity Report	Report to Panel	Chief Internal Auditor	Six monthly (May and Dec)	Report to June 2022
4	Strategic Risk Report	Report to Panel	Head of Legal, HR and Regulatory Services	Six monthly	
5	Best Value Assurance Report - quarterly updates on progress against the action plan	Report to Panel	Assistant Director – People	Quarterly reports throughout the year	First report to this Panel following Best Value Review 2021
6	Audit Scotland: Local Government in Scotland - Financial Overview 2020/21	Report to Panel	Head of Finance and ICT	TBC	Pending publication of Audit Scotland Report

AUDIT AND GOVERNANCE PANEL

7	Annual Audit Plan 2021/22	Report to Panel	Head of Finance and ICT	16/03/22	Report to this Panel
8	Proposed Internal Audit Plan 2022/23 (including Annual Review of Internal Audit Charter)	Report to Panel	Chief Internal Auditor	16/03/22	Report to this Panel
9	Corporate Lets	Report to Panel	Assistant Director - People	June 2022	
10	Delivering Good Governance – 2021/22 Assessment	Report to Panel	Head of Legal, HR and Regulatory Services	June 2022	
11	Internal Audit Annual Report 2021/22	Report to Panel	Chief Internal Auditor	June 2022	

South Ayrshire Council

**Report by Head of Finance and ICT
to Audit and Governance Panel
of 16 March 2022**

Subject: Annual Audit Plan 2021/22

1. Purpose

- 1.1 The purpose of this report is to provide background to the presentation by Deloitte on the Annual Audit Plan.

2. Recommendation

- 2.1 It is recommended that the Panel considers and agrees the attached 2021/22 audit plan (Appendix 1).**

3. Background

- 3.1 Deloitte LLP have set the following audit quality objectives for this audit:
- 3.1.1 a robust challenge of the key judgements taken in the preparation of the financial statements;
 - 3.1.2 a strong understanding of the Council's internal control environment; and
 - 3.1.3 a well-planned and delivered audit that raises finding early with those charged with governance.

- 3.2 The auditor will also consider other wider scope work such as Best Value, strategic audit priorities, National Fraud Initiatives, performance audits, indicators and reports, as outlined on pages 23 to 30 of the attached report (Appendix 1).

4. Proposals

- 4.1 The Director's introduction within the Deloitte report (pages 3 to 4 of the attached Appendix 1) provides a summary of the key messages contained within the Audit planning report.
- 4.2 A schedule of continuous communication and reporting summarises the planned outputs of the audit team and reporting expectations on page 8 of the Planning Report (Appendix 1).
- 4.3 A supplementary section on 'Technical Updates' is included on pages 32 to 36 of the Planning Report. This section highlights issues affecting the public sector that Deloitte LLP consider to be of interest to the Audit and Governance Panel, including information on new accounting standards to be introduced for 2021/22.

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 specific financial implications in respect of this report.

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 recommendation. This paper is based on Deloitte'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 Deloitte LLP in order to agree a mutually acceptable audit plan for 2021/22.

9. Equalities

9.1 The proposals in this report have been assessed through the Equalities Impact Assessment Scoping process, and there are no significant positive or negative equality impacts of agreeing the recommendations, therefore an Equalities Impact Assessment is not required. A copy of the Equalities Scoping Assessment is attached as Appendix 2.

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 Commitment 1 of the Council Plan: Fair and Effective Leadership/ Leadership that promotes fairness.

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 Brian McGinley, Portfolio Holder for Resources and Performance, and the contents of this report reflect any feedback provided.

Background Papers **None**

Person to Contact **Tim Baulk, Head of Finance and ICT**
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Date: **10 March 2022**



South Ayrshire Council

Planning report to the Audit and Governance Panel on the 2021/22 audit

Issued on 8 March for the meeting on 16 March 2022

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Introduction

The key messages in this report

Audit quality is our number one priority. We plan our audit to focus on audit quality and have set the following audit quality objectives for this audit:

- A robust challenge of the key judgements taken in the preparation of the Annual Report and Accounts.
- A strong understanding of your internal control environment.
- A well planned and delivered audit that raises findings early with those charged with governance.

I have pleasure in presenting our planning report to the Audit and Governance Panel ('the Panel') of South Ayrshire Council ("the Council") for the 2021/22 audit. I would like to draw your attention to the key messages of this paper:

Audit plan

We have updated our understanding of the Council, including discussion with management and review of relevant documents. This has included consideration of the continuing impact the COVID-19 pandemic is having on the Council. Based on these procedures, we have developed this plan in collaboration with the Council to ensure that we provide an effective audit service that meets your expectation and focuses on the most significant areas of importance and risk to the Council.

Key risks

We have taken an initial view as to the significant audit risks the Council faces. These are presented as a summary dashboard on page 11.

Audit dimensions

The Code of Audit Practice sets out four audit dimensions which set a common framework for all public sector audits in Scotland.

In carrying out our annual risk assessment, we have considered the arrangements in place for each dimension, building on our findings and conclusions from previous years' audits as well as planning guidance published by Audit Scotland. Our audit dimension significant risks are presented on pages 24 to 27.

As part of our work on the audit dimensions, we will consider the arrangements in place to secure Best Value (BV) as well as other wider scope requirements set out on pages 28 to 30.

Introduction (continued)

The key messages in this report (continued)

Regulatory change

IFRS 16, Leases, comes into effect on 1 April 2022, therefore will be first implemented in financial year 2022/23. This will require adjustments to recognise on balance sheet arrangements currently treated as operating leases. Further details are provided on page 33 and as part of the 2021/22 audit, we will evaluate the adequacy of the arrangements in place for compliance with the new standard.

Our commitment to quality

We are committed to providing the highest quality audit, with input from our market leading specialists, sophisticated data analytics and our wealth of experience.

Managing transition to 2022/23 audits

2021/22 is the final year of the current audit appointments. We will minimise disruption to all parties, and maximise the transfer of knowledge of the Council, by working in partnership with Audit Scotland and the incoming auditors.

Added value

Our aim is to add value to the Council through our external audit work by being constructive and forward looking, by identifying areas of improvement and by recommending and encouraging good practice. In this way, we aim to help the Council promote improved standards of governance, better management and decision making and more effective use of resources.

We have also shared our recent research, informed perspectives and best practice from our work across the wider public sector on pages 34 to 36 of this plan.

Pat Kenny
Audit Director

Responsibilities of the Audit and Governance Panel

Helping you fulfil your responsibilities

Why do we interact with the Audit and Governance Panel?

To communicate audit scope

To provide timely and relevant observations

To provide additional information to help you fulfil your broader responsibilities

As a result of regulatory change in recent years, the role of the Audit and Governance Panel has significantly expanded. We set out here a summary of the core areas of Audit and Governance Panel responsibility to provide a reference in respect of these broader responsibilities and highlight throughout the document where there is key information which helps the Audit and Governance Panel in fulfilling its remit.

- At the start of each annual audit cycle, ensure that the scope of the external audit is appropriate.
- Implement a policy on the engagement of the external auditor to supply non-audit services.

Oversight of external audit

Integrity of reporting

Internal controls and risks

- Review the internal control and risk management systems (unless expressly addressed by separate risk Panel).
- Explain what actions have been, or are being taken to remedy any significant failings or weaknesses.

Oversight of internal audit

Whistle-blowing and fraud

- Ensure that appropriate arrangements are in place for the proportionate and independent investigation of any concerns raised by staff in connection with improprieties.

- Impact assessment of key judgements and level of management challenge.

- Review of external audit findings, key judgements, level of misstatements.

- Assess the quality of the internal team, their incentives and the need for supplementary skillsets.

- Assess the completeness of disclosures, including consistency with disclosures on business model and strategy and, where requested by the Council, provide advice in respect of the fair, balanced and understandable statement.

- Consider annually whether the scope of the internal audit programme is adequate.

- Monitor and review the effectiveness of the internal audit activities.

We use this symbol to highlight areas of our audit where the Audit and Governance Panel needs to focus attention.



Your control environment

What we consider when we plan the audit

We expect management and those charged with governance to recognise the importance of a strong control environment and take proactive steps to deal with deficiencies identified on a timely basis.

Responsibilities of management

Auditing standards require us to only accept or continue with an audit engagement when the preconditions for an audit are present. These preconditions include obtaining the agreement of management and those charged with governance that they acknowledge and understand their responsibilities for, amongst other things, internal control as is necessary to enable the preparation of the Annual Report and Accounts that are free from material misstatement, whether due to fraud or error.

Responsibilities of the Audit and Governance Panel

As explained further in the Responsibilities of the Audit and Governance Panel slide on the previous page, the Audit and Governance Panel is responsible for:

- Reviewing the internal control and risk management systems (unless expressly addressed by a separate risk Panel).
- Explaining what actions have been, or are being taken to remedy any significant failings or weaknesses.

As stakeholders tell us that they wish to understand how external audit challenges and responds to the quality of an entity's control environment, we are seeking to enhance how we plan and report on the results of the audit in response. We will be placing increased focus on how the control environment impacts the audit, from our initial risk assessment, to our testing approach and how we report on misstatements and control deficiencies.

Reliance on controls



We will seek to undertake design and implementation testing on controls in respect of our identified significant risk areas. In accordance with recent revisions to ISAs, we will assess inherent risk and control risk associated with accounting estimates.

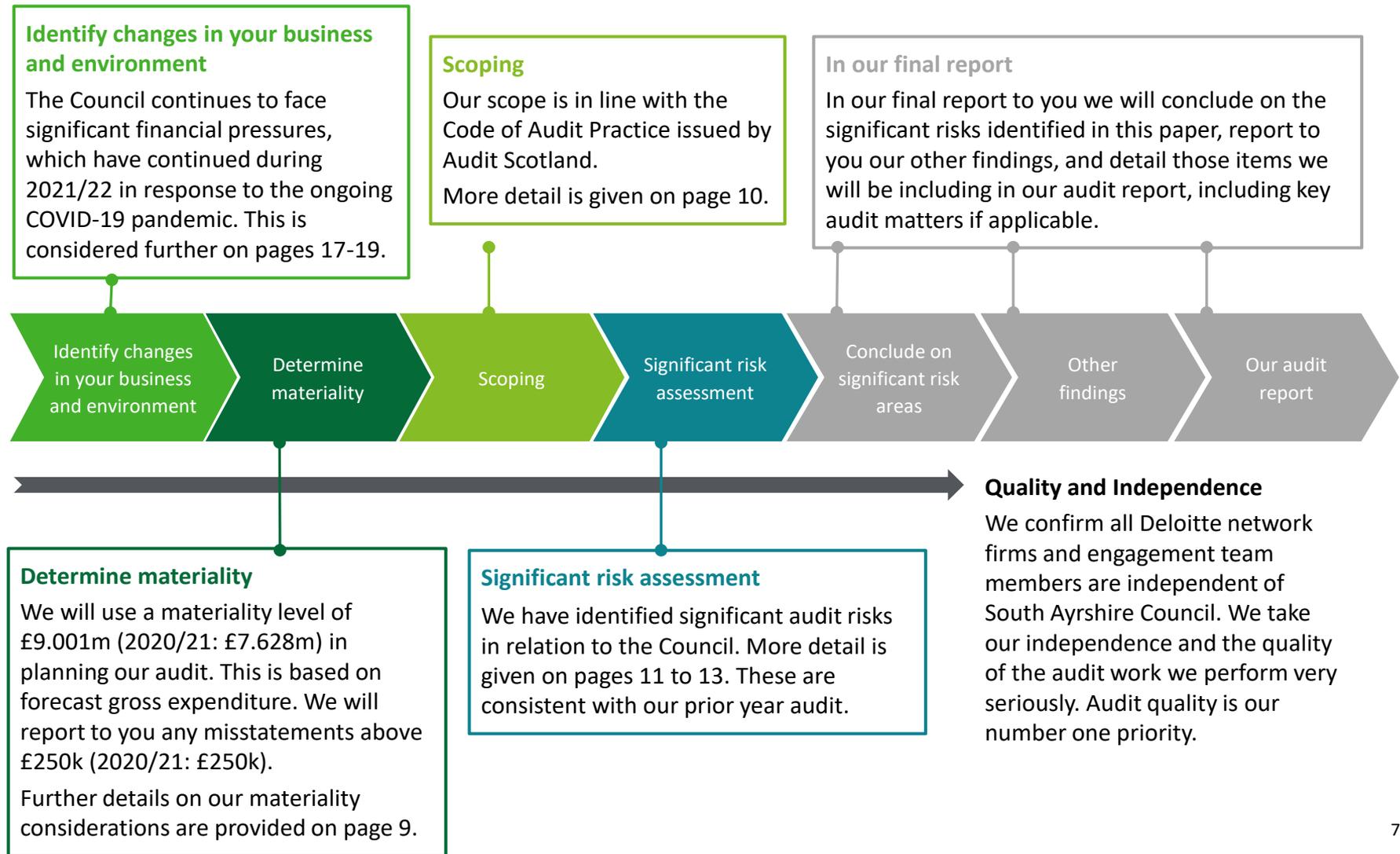
Performance materiality



We set performance materiality as a percentage of materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed materiality. We determine performance materiality, with reference to factors such as the quality of the control environment and the historical error rate. Where we are unable to rely on controls, we may use a lower level of performance materiality.

Our audit explained

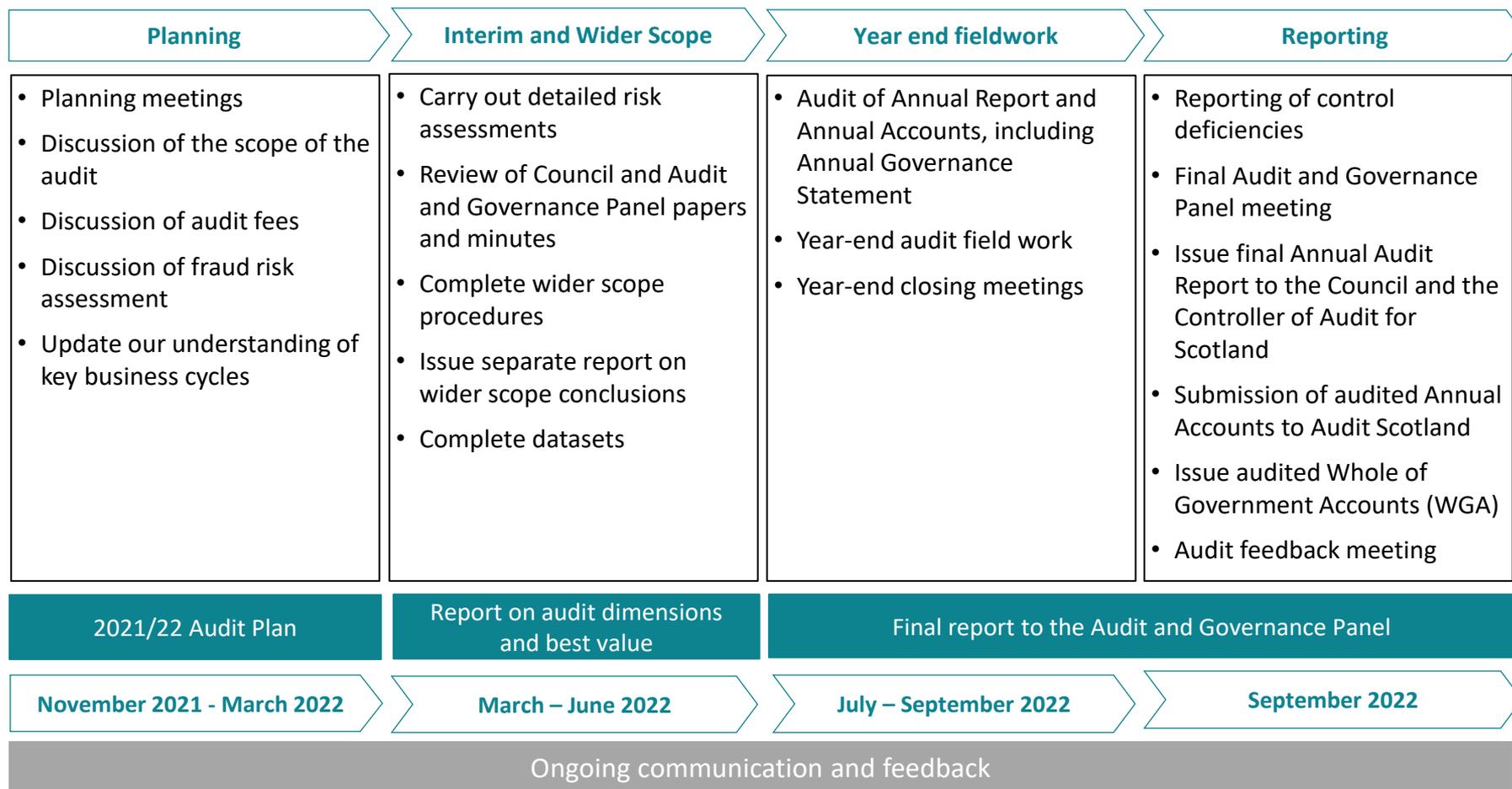
We tailor our audit to your business and your strategy



Continuous communication and reporting

Planned timing of the audit

As the audit plan is executed throughout the year, the results will be analysed continuously, and conclusions (preliminary and otherwise) will be drawn. The following sets out the expected timing of our reporting to and communication with you.



Materiality

Our approach to materiality

Basis of our materiality benchmark

- The Audit Director has determined materiality for the group as £9.001m (2020/21: £7.628m) and performance materiality as £6.300m (2020/21: £5.339m), based on professional judgement, the requirements of auditing standards and the financial measures most relevant to users of the Annual Report and Accounts.
- We have used 1.8% of forecast gross expenditure as the benchmark for determining materiality (2020/21: 1.8%) and applied 70% (2020/21: 70%) as performance materiality. We have judged expenditure to be the most relevant measure for the users of the accounts.
- The approach is consistent with previous years.
- For the audit of South Ayrshire Council (Council only), a materiality of £8.55m (2020/21: £7.246m) and performance materiality of £5.985m (2020/21: £5.072m) have been determined.

Reporting to those charged with governance

- We will report to you all misstatements found in excess of £250k (2020/21: £250k).
- We will report to you misstatements below this threshold if we consider them to be material by nature.

- Our approach to determining the materiality benchmark is consistent with Audit Scotland guidance which states that the threshold for clearly trivial above which we should accumulate misstatements for reporting and correction to the Audit and Governance Panel must not exceed £250k.

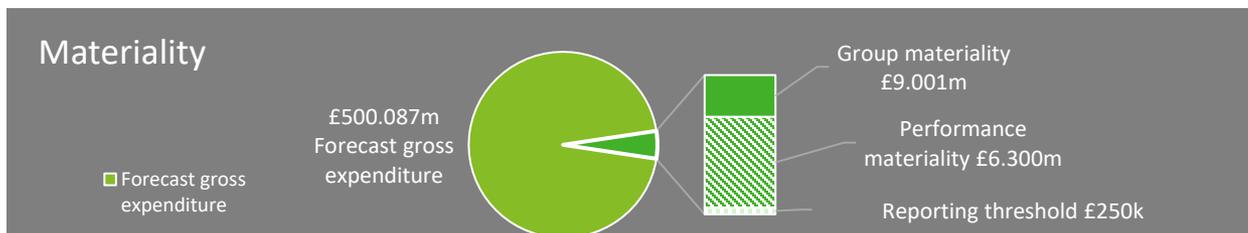
Our Annual Audit Report

We will:

- Report group materiality, Council only materiality and the range we use for component materialities;
- Provide comparative data and explain any changes in materiality compared to prior year;
- Explain any normalised or adjusted benchmarks we use; and
- Explain the concept of performance materiality and state what percentage of materiality we used, with our rationale.

Group scoping

The significant components for the group comprise South Ayrshire Council and South Ayrshire IJB. Full audit procedures will be performed on each entity. All non-significant components will be covered by desktop reviews at the group level.



Although materiality is the judgement of the Audit Director, the Audit and Governance Panel must satisfy themselves that the level of materiality chosen is appropriate for the scope of the audit.



Scope of work and approach

Our key areas of responsibility under the Code of Audit Practice

Core audit work	Planned output	Proposed reporting timeline to the Panel	Audit Scotland/ statutory deadline
1. Auditing the annual accounts	Annual Audit Plan	16 March 2022	31 March 2022
	Independent auditor's report	28 September 2022	31 October 2022
2. Audit dimensions	Annual Audit Plan	16 March 2022	31 March 2022
	Wider Scope Report	29 June 2022	N/A
	Annual Audit Report	28 September 2022	31 October 2022
3. Contributing to performance audits	Dataset for overview report	N/A	Available in March 2022 (submission deadline TBC)
4. Other wider scope audit work	Fraud Returns	N/A	30 Nov 2021*, 28 Feb 2022 *, 31 May 2022, 31 Aug 2022
	Current issues returns	N/A	21 Jan 2022*, 22 Apr 2022, 22 Jul 2022 21 Oct 2022
	National Fraud Initiative (NFI) audit questionnaire	N/A	28 February 2022
	Best Value Return	N/A	30 June 2022
	Assurance Statement on Whole of Government Accounts (WGA) return	N/A	TBC
	Certify grant claims (Housing Benefit and Non-Domestic Rates)	N/A	TBC

* All returns have been submitted in accordance with the Audit Scotland / statutory deadlines.

Significant risks

Significant risk dashboard

Risk	Fraud risk	Planned approach to controls	Level of management judgement	Page no
Management override of controls				12
Recognition of COVID-19 related income				13

Level of management judgement



High degree of management judgement



Some degree of management judgement



Limited management judgement

Controls approach adopted



Assess design & implementation

Significant risks

Management override of controls



Risk identified

Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent Annual Report and Accounts by overriding controls that otherwise appear to be operating effectively.

Although management is responsible for safeguarding the assets of the entity, we planned our audit so that we had a reasonable expectation of detecting material misstatements to the Annual Report and Accounts and accounting records.



Deloitte response and challenge

In considering the risk of management override, we plan to perform the following audit procedures that directly address this risk:

Test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the Annual Report and Accounts. In designing and performing audit procedures for such tests, we plan to:

- Test 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 and other adjustments;
- Select journal entries and other adjustments made at the end of a reporting period; and
- Consider the need to test journal entries and other adjustments throughout the period.

Review accounting estimates for biases and evaluate whether the circumstances producing the bias, if any, represent a risk of material misstatement due to fraud. In performing this

review, we plan to:

- Evaluate whether the judgments and decisions made by management in making the accounting estimates included in the Annual Report and Accounts, even if they are individually reasonable, indicate a possible bias on the part of the entity's management that may represent a risk of material misstatement due to fraud. If so, we will re-evaluate the accounting estimates taken as a whole; and
- Perform a retrospective review of management judgements and assumptions related to significant accounting estimates reflected in the Annual Report and Accounts of the prior year.

For significant transactions that are outside the normal course of business for the entity, or that otherwise appear to be unusual given our understanding of the entity and its environment and other information obtained during the audit, we shall evaluate whether the business rationale (or the lack thereof) of the transactions suggests that they may have been entered into to engage in fraudulent financial reporting or to conceal misappropriation of assets.

Significant risks (continued)

Recognition of COVID-19 related income



Risk identified and key judgements

ISA 240 states that when identifying and assessing the risks of material misstatement due to fraud, the auditor shall, based on a presumption that there are risks of fraud in revenue recognition, evaluate which types of revenue, revenue transactions or assertions give rise to such risks.

We have assessed the income streams of the Council, the complexity of the recognition principles and the extent of any estimates used, and concluded that, with the exception of the funding received in 2021/22 in response to the COVID-19 pandemic, there is no significant risk of fraud.

During 2021/22, the Council has received additional funding in relation to COVID-19 mobilisation costs, although all funding has not yet been confirmed. In addition, there are a number of business support schemes designed to help eligible businesses during the COVID-19 pandemic that are being administered by Councils on behalf of the Scottish Government.

We have pinpointed the significant risk to the completeness and occurrence of the funding for COVID-19 mobilisation costs and the completeness and accuracy of the agency arrangement disclosures.

The key judgements for management are assessing:

- Any conditions associated with the mobilisation cost funding; and
- Whether the Council is acting as a principal or agent in administering the business support schemes.



Deloitte response and challenge

We will perform the following:

- Assess the design and implementation of the controls in relation to the accounting treatment of all COVID-19 related funding;
- Test a sample of funding for COVID-19 mobilisation costs and confirm these have been recognised in accordance with any conditions applicable;
- Test the agency arrangement disclosures to confirm, where it is concluded that the Council is acting as an agent, that:
 - Transactions have been excluded from the Comprehensive Income and Expenditure Statement;
 - The Balance Sheet reflects the debtor or creditor position at 31 March 2022 in respect of cash collected or expenditure incurred on behalf of the principal; and
 - The net cash position at 31 March 2022 is included in the financing activities in the Cash Flow Statement; and
- Test the completeness of funding recognised through agreement to Scottish Government Finance Circular.

Other areas of focus

Expenditure recognition



Risk identified and key judgements

In accordance with Practice Note 10 (*Audit of Annual Accounts of public sector bodies in the United Kingdom*), in addition to the presumed risk of fraud in revenue recognition set out in ISA (UK) 240, as discussed further on page 13, auditors of public sector bodies should also consider the risk of fraud and error on expenditure. This is on basis that most public bodies are net spending bodies, therefore the risk of material misstatement due to fraud related expenditure may be greater than the risk of material misstatement due to fraud related to revenue recognition.

We have considered this risk for the Council and concluded that we are satisfied that the control environment is strong and there is no history of errors or audit adjustments. This has therefore not been assessed as a significant risk area, but will continue to be an area of audit focus in line with Practice Note 10.



Deloitte response and challenge

We will perform the following procedures to address the risk:

- Detailed analytical procedures on all invoices processed in the year to assess the risk of a material misstatement; and
- Testing of creditors balances at the year-end to assess completeness of expenditure.

Other areas of focus (continued)

Pension liability



Risk identified and key judgements

The Council participates in two defined benefits schemes:

- Scottish Teachers' Superannuation Scheme, administered by the Scottish Government; and
- The Strathclyde Pension Fund, administered by Glasgow City Council.

The net pension liability increased from £94.090m in 2019/20 to £117.523 in 2020/21. The increase was combination of an increase in the fair value of the assets and an increase in the liabilities as a result of demographic changes and financial assumptions. The liability also continues to be affected by the McCloud and Goodwin legal cases.

Hymans Robertson LLP are the Council's appointed actuary, who produce a detailed report outlining the estimated liability at the year-end along with the associated disclosure requirements.

The pension liability valuation is an area of audit focus due to the material value and significant assumptions used in the calculation of the liability. The valuations are prepared by a reputable actuary using standard methodologies which have been considered as appropriate in previous years and no significant changes in the membership of the scheme or accrued benefits are expected in the current year. As a result, we have not identified this as a significant risk.



Deloitte response and challenge

We will perform the following procedures to address the risk:

- Assess the independence and expertise of the actuary supporting the basis of reliance upon their work;
- review and challenge the assumptions made by Hymans Robertson;
- Obtain assurance from the auditor of the pension fund over the controls for providing accurate data to the actuary;
- Assess the reasonableness of the Council's share of the total assets of the scheme with the Pension Fund annual accounts;
- Review and challenge the calculation of the impact of the McCloud and Goodwin cases on pension liabilities; and
- Review the disclosures within the accounts against the Code.

Other areas of focus (continued)

Severance payments and additional responsibility allowances



Risk identified and key judgements

As part of our planning work, we have been made aware of potential issues relating to severance payments and additional responsibility allowances that have been made to Council employees who have since retired. We have carried out some preliminary investigation work and the outcome of which will be reported in our annual audit report to the Panel in September 2022 in accordance with guidance received from Audit Scotland. As a result of this preliminary audit work undertaken, the following risks have been identified which will be a key area of focus during the audit of the Annual Report and Accounts:

- There is a risk that additional responsibility allowances and changes in working patterns have been approved without a robust business case, taking into account value for money; and
- In approving additional responsibility allowances or changes to working patterns in a period before retirement, the financial implications for both the Council and the Pension Fund, have not been fully considered.



Deloitte response and challenge

We will perform the following procedures to address the risk:

- Review the outcome of any internal audit work being performed in the year in relation to severance payments and additional responsibility allowances;
- Consider the Council's current processes for approving additional responsibility allowances, changes to working patterns prior to retirement and severance payments to assess whether they are fit for purpose;
- Perform detailed sample testing of severance payments made during the year, as disclosed within the Remuneration Report; and
- Perform focussed testing of additional responsibility allowances awarded during the year to assess whether they are supported by a clear business case.

Our conclusions from this work will be considered as part of our wider audit dimensions work on value for money.

Coronavirus (COVID-19) outbreak

Impact on our audit

The COVID-19 pandemic had a significant impact on the 2019/20 and 2020/21 audit process.

Requirements

A key element of the reporting requirements for the Council, which will continue for 2021/22, is communicating risks and governance impacts in narrative reporting, consistent with the Financial Reporting Council's guidance to organisations on the importance of communicating the impact of COVID-19 and related uncertainties, including their impact on resilience and going concern assessments.

Entity-specific explanations of the current and expected effects of COVID-19 and the Council's plans to mitigate those effects should be included in the narrative reporting (including where relevant the Annual Governance Statement), including in the discussion on Principal Risks and Uncertainties impacting an organisation.

Actions

We would expect organisations as part of their reporting to conduct a thorough assessment of the current and potential future effects of the COVID-19 pandemic including:

- Consideration of the impact across the Council's operations, including on its income streams, supply chains and cost base, and the consequent impacts on financial position;
 - The scenarios assumed in making forecasts and on the sensitivities arising should other potential scenarios materialise (including different funding scenarios); and
 - The effect of events after the reporting date, including the nature of non-adjusting events and an estimate of their financial effect, where possible.
-

Coronavirus (COVID-19) outbreak (continued)

Impact on our audit (continued)

Impact on the Council and management actions	Impact on Annual Report and Accounts	Impact on our audit
<p>We will consider the key impacts on the Council such as:</p> <ul style="list-style-type: none">• Interruptions to service provision• Supply chain disruptions• Unavailability of personnel• Reduction in service income	<p>We will consider the impact of the outbreak on the Annual Report and Accounts, discussed further on the next slide including:</p> <ul style="list-style-type: none">• Narrative reporting, including disclosures on financial sustainability• Principal risk disclosures• Impact on property, plant and equipment valuations• Impairment of non-current assets• Allowance for expected credit losses• Events after the reporting period and relevant disclosure	<p>We will continue to assess the impact on the audit including:</p> <ul style="list-style-type: none">• Resource planning• Timetable of the audit• Impact on our risk assessment• Logistics including meetings with entity personnel

Impact on Annual Report and Accounts

Impact on Property, Plant and Equipment

The Royal Institute of Chartered Surveyors issued a practice alert, as a result of which valuers identified a material valuation uncertainty at 31 March 2020 for most types of property valuation. This practice alert was withdrawn in September 2020. Valuation reports at March 2020 typically identified a need to consider potential impairments in future periods, and this year's valuations may reflect more significant movements.

The Council will need to consider the approach to its valuation (including any changes as a result of the pandemic and consequent service and organisational changes on the "modern equivalent asset" assumed in valuations). Councils will also need to consider whether there are any indications of impairment of assets requiring adjustment at 31 March 2022.

Coronavirus (COVID-19) outbreak (continued)

Impact on our audit (continued)

Impact on Annual Report and Accounts

Expected credit losses

While most debtors are with public sector entities (where significant changes in recoverability are not expected), for non-public sector debtors, the Council will need to consider the level of provision required for expected credit losses under IFRS 9.

Narrative and other reporting issues

The following areas will need to be considered by the Council:

- Narrative reporting as well as the usual reporting requirements will need to cover the effects of the pandemic on services, operations, performance, strategic direction, resources and financial sustainability.
- Reporting judgements and estimation uncertainty, the Council will need to report the impact on material transactions including decisions made on the measurements of assets and liabilities.

Going concern assessment

The Annual Report and Accounts should include disclosure on the basis of the Council's going concern assessment, including related uncertainties.

The Council also needs to report on the impact of financial pressures and its financial sustainability in the narrative report, as well as any relevant liquidity reporting requirements under IFRS 7 Financial Instruments: Disclosures.

Events after the reporting period and relevant disclosures

Events are likely to continue to move swiftly, and the Council will need to consider the events after the reporting period and whether these events will be adjusting or non-adjusting and make decisions on a transaction by transaction basis.

Reporting hot topics

Increased focus on quality reporting



Deloitte view

The expectations of corporate reporting, reflected in the Financial Reporting Council's ('the FRC') monitoring and enforcement priorities, are increasing. While the focus is primarily on corporate entities, we highlight these areas where improved disclosures would help meet stakeholder expectations.



The ongoing uncertainty about the UK's future relationship with the EU

The UK-EU Trade and Cooperation Agreement (the 'Deal') agreed on 24 December 2020 has brought certainty and clarification about many (but importantly not all) of the changes arising from the UK's departure from the EU. Councils should update their assessments of the impact of Brexit on their operations and business model, and on the Annual Report and Accounts (both the recognition and measurement of assets and liabilities and the related disclosures).

Clear disclosure should be provided of the key assumptions used in cash flow forecasts and the significant judgements and estimates made in recognising and measuring the amounts in the Annual Report and Accounts.

ACTION: Depending upon events through to the date of signing, we would expect to see Annual Report and Accounts reflecting at least:

- relevant risks and uncertainties, and actions taken to manage those risks; and
- consideration of whether there is any impact on critical accounting judgements and areas of estimation uncertainty.

We will discuss with the Council closer to the time areas where disclosures may be appropriate.

Reporting hot topics (continued)

Increased focus on quality reporting



Climate-related risks

The PRI and other investors groups have published an open letter confirming their view that climate-related risks are material factors that should be reflected appropriately in Annual Report and Accounts statements. The IIGCC has also published a report reiterating their expectations for the Paris Agreement to be considered in drawing up accounts.

Investors are challenging companies that are not factoring the effects of the Paris Climate Agreement into their critical accounting judgements and are not disclosing comprehensively these judgements, assumptions, sensitivities and uncertainties.

In November 2020, the FRC published its review of climate-related considerations which includes the FRC's expectations of companies, financial statements and auditors. The FRC highlights that "the implications of climate change will affect a wide range of companies. In developing a company's strategic direction, Councils "should be taking into account all the possible effects of climate change" and that "corporate reporting should address the company's impact on the environment, the resilience of its business model and the impact of climate change on its financial statements." The [FRC's year-end letter to CEOs, CFOs and Audit and Governance Panel Chairs](#) highlights that "users expect companies to provide full information about the future impact of climate change on the business and how the company's activities affect the environment" and that financial statements should explain the impact of climate-related risks, policies and strategies on measurement and disclosure.

The path to mandatory TCFD reporting is also clear:

- TCFD disclosures are required under a new listing rule for all premium listed companies, initially, on a comply or explain basis **from 1 January 2021**;
- The UK Government has published a consultation on requiring mandatory climate-related disclosures for publicly quoted companies, large private companies and LLPs in line with the four pillars of TCFD and its roadmap towards mandatory climate-related disclosures across the economy by 2025; and
- The European Commission (EC) has published proposals for a Corporate Sustainability Reporting Directive (CSRD) that would make sustainability reporting mandatory for all EU listed and large companies. The EU has stated that its approach to standard-setting should take account of existing standards and frameworks, including TCFD. TCFD is already included in voluntary guidance on the Non-Financial Reporting Directive.

ACTION: Climate change is a strategic issue and should be on the Council agenda. We therefore expect the narrative within the Annual Report and Accounts to include the following:

- An explanation of how climate change is assessed as a strategic issue
- Clarity of whether climate change represents a principal or emerging risk and how it is being managed
- If climate-related targets or metrics are disclosed, an explanation of how those targets or metrics fit into strategic targets/ approach.
- An assessment of the readiness to make disclosures in line with the four areas recommended by the TCFD.

Audit quality

Our commitment to audit quality



Our objective is to deliver a distinctive, quality audit to you. Every member of the engagement team will contribute, to achieve the highest standard of professional excellence.

In particular, for your audit, we consider that the following steps will contribute to the overall quality:

We will apply professional scepticism on material issues and significant judgements by using our expertise in the local government sector and elsewhere to provide robust challenge to management.

We have obtained a deep understanding of your business, its environment and of your processes in income and expenditure recognition, payroll expenditure and capital expenditure enabling us to develop a risk-focused approach tailored to the Council.

Our engagement team is selected to ensure that we have the right subject matter expertise and industry knowledge. We will involve property specialists to support the audit team in our work on the valuation of land and buildings and our pension specialists will support the audit team in our work on the pension liability.

In order to deliver a quality audit to you, each member of the core audit team has received tailored learning to develop their expertise in audit skills, delivered by Pat Kenny (Audit Director) and other sector experts. This includes sector specific matters and audit methodology updates.



Engagement Quality Control Review

We have developed a tailored Engagement Quality Control approach. Our dedicated Professional Standards Review (PSR) function will provide a 'hot' review before any audit or other opinion is signed. PSR is operationally independent of the audit team, and supports our high standards of professional scepticism and audit quality by providing a rigorous independent challenge.

Wider scope requirements

Overview

The Code of Audit Practice sets out four **audit dimensions** that frame the wider scope of the audit of the accounts. The audit dimensions provide a common framework for all the audit work conducted for the Auditor General and for the Accounts Commission.

In addition, the wider scope of audit in local government comprises the statutory duty of auditors to be satisfied that bodies have made proper arrangements to secure **Best Value (BV)** and to publish **statutory performance information**. The Commission also sets out five **Strategic Audit Priorities** that it expects auditors to consider in local government audits.

In carrying out our annual risk assessment, we have considered the arrangements in place, building on our findings and conclusions from previous years' audits as well as planning guidance published by Audit Scotland. The following pages summarise the significant risks identified and our planned audit response.



Wider scope requirements (continued)

Audit dimensions

Audit dimension	Significant risks identified	Planned audit response
Financial sustainability	<p>While the Council has historically achieved short term financial balance, there remains a risk that robust medium to long term planning arrangements are not in place to ensure that the Council can manage its finances sustainably and deliver services effectively.</p> <p>This is based on a number of factors, including:</p> <ul style="list-style-type: none">• While the Council is projecting an underspend position for 2021/22, there remains uncertainty around the progress of, and recovery from, the COVID-19 pandemic.• The cumulative funding gap over the next three years, as reporting in the updated Medium Term Financial Plan to the Leadership Panel in October 2021, ranges from £8.6m and £52.3m. In the longer term, the 10-year financial outlook has identified a cumulative funding gap of between £36.236m and £171.492m.• As reported in our previous audit reports throughout our audit appointment, and as concluded within the Best Value Audit Report ("BVAR"), the Council's approach to transformation has been slow and inconsistent lacking drive and urgency.• The meeting between the Council and the Accounts Commission to discuss the findings of the BVAR mainly focussed on the improvements required to financial planning, workforce planning and transformation. All of these issues had been previously identified in annual audit reports and recommendations made for improvement.	<p>We will assess the development of the 2022/23 budget and review the updated Medium Term Financial Plan and Long Term Financial Outlook, specifically following up on the recommendations made in our previous years report.</p> <p>We will also assess the progress being made in implementing the Strategic Change Programme, specifically following up on the recommendations made in our previous audit reports and the recommendations made in the BVAR in relation to capacity and skills, embedding workforce planning and the alignment of the transformation work with the COVID-19 recovery planning.</p>

Wider scope requirements (continued)

Audit dimensions (continued)

Audit dimension	Significant risks identified	Planned audit response
Financial management	<p data-bbox="340 405 1203 511">In previous years we have concluded that the Council had strong financial management arrangements in place and a sufficiently qualified and experienced finance team.</p> <p data-bbox="340 558 1203 776">We did, however, recommend as part of our 2020/21 financial statements audit that management should consider the capacity within the finance team and allocation of responsibilities to help improve the timeliness of the provision of working papers. The Leadership Panel approved the creation of eleven temporary posts within Corporate Support, which includes one finance post.</p> <p data-bbox="340 823 1203 891">We have not identified any significant risks in relation to financial management during our planning.</p>	<p data-bbox="1224 405 1833 472">We will continue to review the financial management arrangements in place.</p> <p data-bbox="1224 519 1833 624">We will specifically follow up on the progress made with the planned review of the finance team capacity.</p>

Wider scope requirements (continued)

Audit dimensions (continued)

Audit dimension	Significant risks identified	Planned audit response
Governance and transparency	<p>The BVAR concluded that there was good working relationships between officers and elected members, however the Council's leadership – elected members and management – had made limited progress on key aspects of Best Value. Progress had been particularly slow in community planning, financial and workforce planning, transformation and some aspects of community empowerment. While there had been some very recent progress, the BVAR concluded that the Council's leadership needs to increase its ambition, pace and focus to deliver improvements in these important areas. This therefore remains a risk.</p> <p>We also concluded in previous years that the Council's governance arrangements continued to work effectively. In the interest of continuous improvement, we recommended that the Council should progress its work to allow members of the public access to Council meetings through webcasting, whether live or access to on demand recordings. This was also a specific recommendation in the BVAR report and from October 2021 all Council meetings have been live streamed. We have therefore not identified any specific risks in this area.</p>	<p>We will review the work of the Council and its Committees to assess whether the arrangements are operating effectively, including assessing whether there is effective scrutiny, challenge and informed decision making.</p> <p>We will assess the work that the Council's leadership has done to increase its ambition, pace and focus to deliver improvements as part of our consideration of the progress on transformation change discussed under "financial sustainability".</p>

Wider scope requirements (continued)

Audit dimensions (continued)

Audit dimension	Significant risks identified	Planned audit response
Governance and transparency (continued)	<p>There have been a number of changes within the Internal Audit function during the year, with the Chief Internal Auditor post being vacant for a number of months while recruitment was carried out and a permanent replacement appointed in December. There have also been vacancies at the Senior Internal Auditor and Auditor level. This therefore presents a risk which needs to be closely monitored to ensure that the sufficient assurance can be provided inclusion in the Annual Governance Statement. We have had early discussions with the newly appointed Chief Internal Auditor and plans are in place to provide the assurance required.</p>	<p>We will consider the work of internal audit, and any impact that the resourcing issues have had, as part of our audit of the Annual Governance Statement.</p>
Value for money	<p>The BVAR concluded that performance reports to members were detailed and balanced and there was good scrutiny by members. However, the report identified a number of areas where performance reporting could be improved. This therefore remains an area of risk.</p> <p>The COVID-19 pandemic is expected to continue to have a substantial impact on performance reporting. There therefore also remains a risk that the Council is unable to demonstrate that resources are being used effectively with a focus on continuous improvement.</p>	<p>We will review the performance reports presented at the Council to assess the extent of openness and transparency during the year. This will incorporate consideration of the effectiveness and appropriateness of the arrangements for collecting, recording and publishing the Statutory Performance Information (SPIs).</p> <p>In particular, we will follow-up on the recommendations made in the BVAR in relation to improving performance reporting.</p>

Wider scope requirements (continued)

Best value and Strategic Audit Priorities

Considering Best Value arrangements

We have a statutory duty to be satisfied that local government bodies have made proper arrangements for securing BV.

2021/22 is the final year of the extended six-year approach to auditing BV in councils. BV audit work is integrated with the annual audit and we will work closely with Audit Scotland's Performance Audit and Best Value (PABV) team to plan, perform and report on the BV audit work.

A key feature of the approach to auditing BV is the Controller of Audit providing a Best Value Assurance Report (BVAR) to the Accounts Commission for each Council once over the audit appointment. The BVAR for SAC was published in October 2021. We will continue to follow up on the progress with the recommendations as part of the annual audit work, considering the pace and depth of continuous improvement. Our BV audit work will be integrated into our audit approach, including our work on the audit dimensions discussed on pages 24 to 27.

In 2021/22, we are also required to complete a return to demonstrate when we have reported our audit work on each of the BV themes. The latest judgement on the pace and depth of continuous improvement in the Council is also to be included. These returns will provide intelligence for the handover of audits for 2022/23, when the new approach to BV audit, fully integrated with the annual audit, will be introduced.

Strategic Audit Priorities

In its 2019-24 strategy, the Accounts Commission sets out five Strategic Audit Priorities (SAPs):

- Having clear priorities with a focus on outcomes, supported by effective leadership and long-term planning;
- The strategic appraisal of options to re-shape services in line with priorities. This should consider good practice, innovation and collaborative working with partners;
- Ensuring that members and officers have the right knowledge, skills and support to design, develop and deliver effective services in the future;
- Empowering local communities and involving them in the design and deliver of local services and planning for their local area; and
- Reporting councils' performance in a way that enhances accountability to citizens and communities, helping them contribute better to the delivery of improved outcomes.

In recognition of the demands on auditors' time and the challenges of remote auditing, the Commission has agreed that auditors are not required to specifically consider and report on the SAPs as part of the 2021/22 audit. The SAPs continue to be important but it is expected that the Controller of Audit will be able to use information reported elsewhere in Annual Audit Reports in respect of the audit dimensions for the purposes of adequately reflecting progress with the SAPs.

Wider scope requirements (continued)

Statutory Performance Information and National Fraud Initiative

Statutory Performance Information

The Accounts Commission has a statutory responsibility to define the performance information that councils must publish. This responsibility links with the Commission's BV audit responsibilities. In turn, councils have their own responsibilities, under their BV duty, to report performance to the public.

The Accounts Commission issued a revised **2018 Statutory Performance Information Direction** in December 2018 which continues to apply in 2021/22 and requires a council to report on:

- Performance in improving local public services provided by the Council (on its own and with its partners and communities), and progress against agreed desired outcomes;
- Its own assessment and independent audit assessments of how it is performing against its duty of BV, and how it plans to improve these assessments; and
- How it (with its partners where appropriate) has engaged with and responded to its diverse communities.

We have a statutory responsibility to satisfy ourselves that Council's have made the necessary arrangements for collecting, recording and publishing the statutory performance information. The COVID-19 pandemic is expected to have had a substantial impact on performance reporting. We will therefore consider the effectiveness and appropriateness of the current arrangements as part of our audit dimensions work.

- National Fraud Initiative (NFI)

The NFI in Scotland is a biennial counter-fraud exercise led by Audit Scotland, and overseen by the Cabinet Office for the UK as a whole. It uses computerised techniques to compare information about individuals held by different public bodies, and on different financial systems that might suggest the existence of fraud and error.

Participating bodies received matches for investigation from January 2021. Most matches should have been investigated by 30 September 2021 and the results recorded on the NFI system. However, some investigations may continue beyond this date.

We have completed a short questionnaire for each body participating in the NFI and submitted it to Audit Scotland by the 28 February 2022 deadline.

Wider scope requirements (continued)

Other requirements

Contributing to performance audits

As in previous years, the Accounts Commission will publish two overview reports (financial and performance) covering the local government sector.

The reports use information from the audited accounts and Annual Audit Reports. However, we will also be requested to provide important supplementary information collected as a dataset.

The local government dataset is expected to be available in March 2022.

Shared Risk Assessment and Joint Scrutiny Planning

We continue to play a key role in the Shared Risk Assessment (SRA) process which is the vehicle for scrutiny bodies to share intelligence and agree scrutiny risks at each council. As the local auditor, we lead the Local Area Network (LAN), which comprises representatives from the main local government scrutiny bodies.

The COVID-19 pandemic has impacted on the work of all local government scrutiny and will continue to affect plans going forward. The Strategic Scrutiny Group is considering how scrutiny partners can best respond in a co-ordinated way to the challenges and changes brought about by COVID-19. We will provide management with any updates as this develops.

Current issues returns

Timely communication by auditors of intelligence is important in helping Audit Scotland to maintain a good level of awareness across the public sector and to keep the Auditor General, the Controller of Audit and Accounts Commission informed.

Current Issue Returns for local government represent an important source of intelligence for reporting to the Commission's Financial Audit and Assurance Panel.

Other areas

We are required to also carry out the following areas of work:

- Assurance on approved grant claims and other financial returns
- Assurance on WGA returns
- Preliminary enquiries on all correspondence received
- Consider and report on any statutory objections received
- Submission of fraud returns

Purpose of our report and responsibility statement

Our report is designed to help you meet your governance duties

What we report

Our report is designed to establish our respective responsibilities in relation to the Annual Report and Accounts audit, to agree our audit plan and to take the opportunity to ask you questions at the planning stage of our audit. Our report includes:

- Our audit plan, including key audit judgements and the planned scope; and
- Key regulatory and corporate governance updates, relevant to you

Use of this report

This report has been prepared for the Audit and Governance Panel, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose. Except where required by law or regulation, it should not be made available to any other parties without our prior written consent.

We welcome the opportunity to discuss our report with you and receive your feedback.

What we don't report

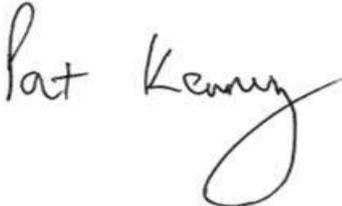
As you will be aware, our audit is not designed to identify all matters that may be relevant to the Council.

Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by management or by other specialist advisers.

Finally, the views on internal controls and business risk assessment in our final report should not be taken as comprehensive or as an opinion on effectiveness since they will be based solely on the audit procedures performed in the audit of the Annual Report and Accounts and the other procedures performed in fulfilling our audit plan.

Other relevant communications

We will update you if there are any significant changes to the audit plan.


Pat Kenny
for and on behalf of Deloitte LLP
Glasgow | 8 March 2022

Technical update and sector developments



Changes to accounting standards

IFRS 16 - Leases

Background

IFRS 16 comes into effect on 1 April 2022. HM Treasury have decided that IFRS 16 will be adopted without retrospective restatement: this means that when it is implemented in 2022/23, Councils will recognise the cumulative impact of applying the standard as at 1 April 2022, with all adjustments to opening balances at that date taken through the General Fund.

IFRS 16 introduces a single lessee accounting model that results in more faithful representation of a lessee's assets and liabilities, and improves comparability between leased and purchased assets operated by Councils. The standard also introduces enhanced disclosures which are intended to improve transparency of financial reporting; full disclosure will be required in 2022/23 financial statements and beyond.

IAS 8 requires entities to disclose an assessment in their 2021/22 accounts of the possible impact of implementing IFRS 16. All Councils should be in a position to estimate this impact before 1 April 2022 and make these disclosures unless immaterial.

Next steps

We are aware that CIPFA are currently consulting on proposals for updating the 2021/22 Code, which includes deferring the implementation of IFRS 16 for a further year. We will discuss the impact for the Council with management once the outcome of the consultation is concluded and final decisions made

Practical Challenges

There are a number of practical challenges that Councils need to consider in preparing for implementation of the new standard, including:

- **Additional cost of asset ownership** – IFRS 16 will increase the amount of fixed assets an organisation will need to maintain information regarding to inform valuation assessments for instance (revaluation or impairment)
- **Completeness of data** – Obtaining and assessing all of the relevant data. Completeness of the lease registers/ Assets records will require greater level of detail.
- **Estimates and judgements** – Separating lease and non-lease components, consideration of extension and termination options
- **Judgements around existing arrangements** – Lack of documentation around the lease agreement, in some cases, will require judgements as to the extent of the arrangements and what accounting treatment is appropriate.
- **Lease Management** – after the initial implementation Councils will have to continue maintaining control of the lease arrangements. Regular reassessment reviews etc.

There are many colleagues within Councils and externally who can assist with challenges and issues you come across when implementing the new Standard – Finance, Estates teams, contract owners, HM Treasury, Other Councils/ IJB/ Local Authorities, National Bodies and Auditors.

Climate change

Consideration of the impact on the audit annual report and accounts

Role of Audit

In June 2021, the Auditor General for Scotland published a blog “making climate change an audit priority” that sets out the challenges for the public sector in tackling climate change and the role audit could play in this.

In July, Audit Scotland held a roundtable to help inform its approach to auditing climate change. The roundtable was made up of the climate change leads for the Accounts Commission and key stakeholders from across Scotland. They posed some challenging questions around the opportunities and challenges of tackling climate change and what it meant for the public sector. Several **key themes and challenges** emerges which were published in an update in October 2021 [Auditing climate change: An update \(audit-scotland.gov.uk\)](https://www.audit-scotland.gov.uk/auditing-climate-change-an-update):

- Climate ambition v plans and actions.
- Importance of adaption.
- Paying for it.
- Critical role of the public.
- Joined up working.
- Public sector leadership role.

The time is right for independent audit and scrutiny to help achieve Scotland’s climate change ambitions.

Annual Report and Accounts considerations

As part of our planning discussions with management, we have shared an illustrative framework. The potential impacts of climate change are extensive and pervasive, therefore we recommend the framework is adopted and continually reviewed. Specific areas to start considering in advance of drafting the Annual Report and Accounts include key risks, mitigating actions (for **narrative disclosure**) and impact on **judgements and estimates** made by management:

Acute physical risks, e.g. extreme weather events causing supply change disruption or severe damage to PPE.

Chronic physical risks, e.g. rising sea levels causing damage to PPE; or increased temperatures resulting in higher heat stress to employees.

Policy and Legal transition risks, e.g. direct and indirect tax compliance as tax legislation develops.

Technology transition risks, e.g. development and use of emerging technologies such as renewable energy and battery storage.

Market transition risks, e.g. changing consumer trends resulting in services becoming obsolete.

Reputation transition risks, e.g. damage to reputation through failure to transition effectively to a lower-carbon economy.

Financing risks.

The State of the State 2021-22

Towards a new public sector normal

Background and overview

Now in its ninth year, this report brings together Deloitte and think tank Reform to provide an annual snapshot of the UK's public sector.

This year's report features an exclusive Ipsos MORI survey of more than 5,000 members of the UK public – including almost 900 Scottish adults – plus analysis of interviews with more than 50 senior figures across the UK's public sector. This blend of quantitative and qualitative research offers a unique perspective on government and public services.

What will I learn from this year's State of the State?

Since March 2020, the UK's governments and public services have led radical, exhaustive, and dynamic responses to the coronavirus pandemic. This year's State of the State finds them dealing with both the pandemic and its wider repercussions as a 'new normal' emerges.

Looking beyond the pandemic, the UK Government has set out its ambition to 'build back better' through infrastructure investment, levelling up economic outcomes across the regions and revitalising the UK's place in the world. At the same time, the policies and politics of Scotland, Northern Ireland and Wales continue to diverge from Westminster and Whitehall as well as each other. The State of the State explores all of these developments.

Next steps

A summary of some of the key Scottish findings are provided on the next page. The full report is available at [The State of the State 2021/22 \(deloitte.com\)](https://www.deloitte.com/uk/en/insights/industry/public-sector/state-of-the-state-2021-22.html)



The State of the State 2021-22 (continued)

Towards a new public sector normal (continued)

Public spending

This year has seen a shift in attitudes to public spending amongst Scottish people. Historically, the keenest in the UK on a higher tax and higher spend environment, views in Scotland are now broadly the same as those in the rest of the UK; possibly driven by the cost of the pandemic on the public purse and worries over household incomes.

29% of the public want to see higher levels of spending after the pandemic.

30% want to see the same balance of tax and spending as before the pandemic began

27% would like to see tax cuts and spending cuts to match.



Social mobility

40% of Scots believe skills and employability are the most important factors when trying to get ahead in life. However, Scots feel more strongly than the UK average that wealth and region are also important indicators on getting ahead in society.



Spending priorities

The Scottish public's views were in line with the rest of the UK with public health and social care the most frequently named priorities.

Support for the growth in green industries and technologies is also high in Scotland, sitting behind housing but on a par with primary and secondary schools and reducing inequality between UK regions.

Appendices



Our other responsibilities explained

Fraud responsibilities



Your Responsibilities:

The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations.



Our responsibilities:

- We are required to obtain representations from your management regarding internal controls, assessment of risk and any known or suspected fraud or misstatement.
- As auditors, we obtain reasonable, but not absolute, assurance that the Annual Report and Accounts as a whole are free from material misstatement, whether caused by fraud or error.
- As set out in the significant risks section of this document, we have identified risks of material misstatement due to fraud in relation to Recognition of COVID-19 related income, and management override of controls.
- We will explain in our audit report how we considered the audit capable of detecting irregularities, including fraud. In doing so, we will describe the procedures we performed in understanding the legal and regulatory framework and assessing compliance with relevant laws and regulations.



Fraud Characteristics:

- Misstatements in the Annual Report and Accounts can arise from either fraud or error. The distinguishing factor between fraud and error is whether the underlying action that results in the misstatement of the Annual Report and Accounts is intentional or unintentional.
- Two types of intentional misstatements are relevant to us as auditors – misstatements resulting from fraudulent financial reporting and misstatements resulting from misappropriation of assets.

Our other responsibilities explained (continued)

Fraud responsibilities (continued)

We will make the following inquiries regarding fraud and non-compliance with laws and regulations:



Management:

- Management's assessment of the risk that the Annual Report and Accounts may be materially misstated due to fraud, including the nature, extent and frequency of such assessments.
- Management's process for identifying and responding to risks of fraud.
- Management's communication, if any, to those charged with governance regarding its processes for identifying and responding to the risks of fraud.
- Management's communication, if any, to employees regarding its views on business practices and ethical behaviour.
- Whether management has knowledge of any actual, suspected or alleged fraud affecting the entity.
- We plan to involve management from outside the finance function in our inquiries.

Internal audit



- Whether internal audit has knowledge of any actual, suspected or alleged fraud affecting the entity, and to obtain its views about the risks of fraud.

Those charged with governance



- How those charged with governance exercise oversight of management's processes for identifying and responding to the risks of fraud in the entity and the internal control that management has established to mitigate these risks.
- Whether those charged with governance have knowledge of any actual, suspected or alleged fraud affecting the entity.
- The views of those charged with governance on the most significant fraud risk factors affecting the entity.



Independence and fees

As part of our obligations under International Standards on Auditing (UK), we are required to report to you on the matters listed below:

Independence confirmation

We confirm the audit engagement team, and others in the firm as appropriate, Deloitte LLP and, where applicable, all Deloitte network firms are independent of the Council and will reconfirm our independence and objectivity to the Audit and Governance Panel for the year ending 31 March 2022 in our final report to the Audit and Governance Panel.

Fees

The audit fee for 2021/22, in line with the fee range provided by Audit Scotland is £290,160, as analysed below:

	£
Auditor remuneration	180,110
Audit Scotland fixed charges:	
Pooled costs	18,770
Contribution to AS costs	9,610
Contribution to PABV	81,670
Total proposed fee	290,160



In addition, the audit fee for the charitable trusts audit is £1,000.

The above fee does not take into account the additional work required in relation to severance payments and additional responsibility allowances discussed further on page 16. Once completed, the impact on the fee will be discussed and agreed with management

There are no non-audit services fees proposed for the period.

Non-audit services

In our opinion there are no inconsistencies between the FRC's Ethical Standard and the company's policy for the supply of non-audit services or any apparent breach of that policy. We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.

Relationships

We have no other relationships with the Council, its directors, senior managers and affiliates, and have not supplied any services to other known connected parties.

Our approach to quality

AQR team report and findings

Executing high quality audits remains our number one priority. We are committed to our critical public interest role and continue to embed our culture of quality and excellence into all of our people. This includes using new technology and tools to continue to transform our audit approach.

In July 2021 the Financial Reporting Council (“FRC”) issued individual reports on each of the seven largest firms, including Deloitte, on Audit Quality Inspections providing a summary of the findings of its Audit Quality Review (“AQR”) team for the 2020/21 cycle of reviews.

We greatly value the FRC reviews of our audit engagements and firm wide quality control systems, a key aspect of evaluating our audit quality.

In that context, overall FRC inspection results, showing an improvement since last year from 76% to 79% of all inspections assessed as good or needing limited improvement, reflect the progress we are making. The overall profile of our ICAEW inspections and our internal inspection programme also show a similar overall improvement since last year.

The results for the inspections of FTSE 350 entities fell short of our overall scores, reflecting specific findings on those particular audits rather than issues pervasive across other audits. Our objective continues to be for all of our audits to be assessed as good or needing limited improvement and we know we still have work to do in order to meet this standard.

We agree with and accept the FRC’s findings on the individual inspections. The FRC has recognised improvements following the actions and programmes for previous years and we welcome the good practice points raised, including in respect of impairment and revenue where individual findings continue to occur.

Overall, we are pleased that there have been no significant findings over our firm wide processes and controls over the last three inspection cycles in the areas subject to rotational review by the FRC. However, we are continually enhancing our processes and controls across our business and such changes will directly or indirectly affect audit quality.

All the AQR public reports are available on its website. <https://www.frc.org.uk/auditors/audit-quality-review/audit-firm-specific-reports>



Our approach to quality (continued)

AQR team report and findings (continued)

The AQR's 2020/21 Audit Quality Inspection Report on Deloitte LLP

"We reviewed 19 individual audits this year and assessed 15 (79%) as requiring no more than limited improvements. Of the 11 FTSE 350 audits we reviewed this year, we assessed eight (73%) as achieving this standard".

"Our key findings related primarily to the need to:

- Improve the evaluation and challenge of management's key assumptions of impairment assessments of goodwill and other assets.
- Enhance the consistency of group audit teams' oversight of component audit teams.
- Strengthen the effectiveness and consistency of the testing of revenue."

"The firm has taken steps to address the key findings in our 2019/20 public report, with actions that included increasing the extent of consultations, and enhanced learning, coaching and support programmes.

We have identified improvements, for example, in the extent of challenge of management by audit teams in respect of the estimates used for model testing. This was identified as a key finding last year.

We also identified good practice in a number of areas of the audits we reviewed (including robust procedures relating to going concern and evidence to support the challenge of management in areas of key judgement) and in the firm-wide procedures (including establishing a centre of excellence focused on credit for banking audits to encourage the consistent application of the firm's methodology and guidance)."



Our approach to quality (continued)

Quality of public audit in Scotland – Annual Report 2020/21

Audit Scotland published its annual assessment of audit quality carried out on the audit work delivered by Audit Scotland and appointed firms. A copy of the full report is available: [Quality of public audit in Scotland annual report 2020/21 | Audit Scotland \(audit-scotland.gov.uk\)](#)

The **public audit model in Scotland** is fundamentally different to the private sector audit regime and is well placed to meet the challenges arising from the reviews of the auditing profession.

The audit profession remains under scrutiny after high-profile corporate collapses in the private sector. The Brydon review, alongside the Kingman review, the Competition and Markets Authority market study of the audit services market and the Business, Energy and Industrial Strategy Panel's report on the Future of Audit all placed a strong focus on the need for independence of auditors from the bodies they audit.

Public audit in Scotland is well placed to meet the challenges arising from the reviews of the auditing profession. It already operates many of the proposed features to reduce threats to auditor independence including:

- independent appointment of auditors by the Auditor General for Scotland and Accounts Commission
- rotation of auditors every five years (current appointments extended to six years due to Covid-19)
- independent fee-setting arrangements and limits on non-audit services
- a comprehensive Audit Quality Framework.

Environment

The global pandemic has changed and challenged most aspects of our lives. Public bodies have been at the forefront of managing the effects of the COVID-19 pandemic. Public bodies have focused on supporting those most affected. Many bodies had new obstacles to overcome as they prepared financial statements and responded to auditors.

The Scottish Government delayed the accounting and auditing deadlines for NHS and local government bodies to help accommodate these competing pressures. The Auditor General for Scotland and Accounts Commission revised their work programme and prepared COVID-19 specific briefing papers to support public bodies and auditors to respond to the pandemic.

The Auditor General for Scotland and Accounts Commission recognised that the safety and wellbeing of audit staff and staff in public bodies was paramount and that auditors would need to take a pragmatic and flexible approach to their work in 2020/21. They were clear that audit quality should not be compromised.

Our approach to quality (continued)

Quality of public audit in Scotland – Annual Report 2020/21 (continued)

Key messages

1. The application of the Audit Quality Framework (AQF) continues to identify improvement areas and good practice in audit quality. Across the range of evidence used to assess audit quality the conclusion is that the quality of audit work is good in Performance audit and Best Value audit and accountancy firms, with improvement required and planned in Audit Scotland's Audit Services Group where the financial audit quality results do not meet the expected standards.
2. **Areas of Good Practice**
 - ICAS have reviewed compliance with International Standard on Quality Control 1 for all auditors and did not note any issues or matters for further consideration. [\(One Deloitte file reviewed in 2020/21\)](#)
 - All 2019/20 annual audit opinions were signed off by 9 March 2021. [\(All Deloitte opinions signed by 31 October 2020\)](#)
 - Two financial audits reviewed were awarded the highest scores available by the Institute of Chartered Accountants of Scotland (ICAS) with no areas for improvement identified. [\(One Deloitte file reviewed – awarded score of 2A – limited improvement required\)](#)
 - All of the Performance audit and Best Value audits reviewed achieved expected quality standards with limited concerns identified. All audit providers have confirmed that there continued to be a strong culture of support for performing high-quality audit during the pandemic. [\(One Deloitte Best Value file reviewed – awarded score of 2A – limited improvement required\)](#)
 - Stakeholder feedback shows further improvement in the level of satisfaction with external audit services provided, the usefulness of the annual audit report and shows that audit work has had impact.
3. **Areas for improvement**
 - Seven of the eleven (64 per cent) 2019/20 Audit Services Group financial audits reviewed did not meet the expected standard. [\(Not applicable to Deloitte audits\)](#)
 - For two audits, auditors need to investigate the risk of material misstatement in the financial statements and ensure that any such misstatement is resolved appropriately. [\(Not applicable to Deloitte audits\)](#)
 - An area that continues to be an issue for most audit providers is on audit staff views of having sufficient time and resources to deliver high quality audit. [\(An area continually monitored in planning all audits\)](#)



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South Ayrshire Council Equality Impact Assessment Scoping Template

Equality Impact Assessment is a legal requirement under the Public Sector Duty to promote equality of the Equality Act 2010. Separate guidance has been developed on Equality Impact Assessment's which will guide you through the process and is available to view here: [Equality Impact Assessment including Fairer Scotland Duty](#)

Further guidance is available here: [Assessing impact and the Public Sector Equality Duty: a guide for public authorities \(Scotland\)](#)

The Fairer Scotland Duty ('the Duty'), Part 1 of the Equality Act 2010, came into force in Scotland from 1 April 2018. It places a legal responsibility on Councils to actively consider ('pay due regard to') how we can reduce inequalities of outcome caused by socio-economic disadvantage, when making strategic decisions. See information here: [Interim Guidance for Public Bodies](#) in respect of the Duty, was published by the Scottish Government in March 2018.

1. Policy details

Policy Title	Annual Audit Plan 2021/22
Lead Officer (Name/Position/Email)	Tim Baulk, Head of Finance and ICT – tim.baulk@south-ayrshire.gov.uk

2. Which communities, groups of people, employees or thematic groups do you think will be, or potentially could be, impacted upon by the implementation of this policy? Please indicate whether these would be positive or negative impacts

Community or Groups of People	Negative Impacts	Positive impacts
Age – men and women, girls & boys	-	-
Disability	-	-
Gender Reassignment (Trans/Transgender Identity)	-	-
Marriage or Civil Partnership	-	-
Pregnancy and Maternity	-	-
Race – people from different racial groups, (BME) ethnic minorities and Gypsy/Travellers	-	-
Religion or Belief (including lack of belief)	-	-
Sex – gender identity (issues specific to women & men or girls & boys)	-	-
Sexual Orientation – person's sexual orientation i.e. LGBT+, lesbian, gay, bi-sexual, heterosexual/straight	-	-
Thematic Groups: Health, Human Rights & Children's Rights	-	-

3. What likely impact will this policy have on people experiencing different kinds of social disadvantage? (Fairer Scotland Duty). Consideration must be given particularly to children and families.

Socio-Economic Disadvantage	Negative Impacts	Positive impacts
Low Income/Income Poverty – cannot afford to maintain regular payments such as bills, food, clothing	-	-
Low and/or no wealth – enough money to meet Basic living costs and pay bills but have no savings to deal with any unexpected spends and no provision for the future	-	-
Material Deprivation – being unable to access basic goods and services i.e. financial products like life insurance, repair/replace broken electrical goods, warm home, leisure/hobbies	-	-
Area Deprivation – where you live (rural areas), where you work (accessibility of transport)	-	-
Socio-economic Background – social class i.e. parent’s education, employment and income	-	-

4. Do you have evidence or reason to believe that the policy will support the Council to:

General Duty and other Equality Themes Consider the ‘Three Key Needs’ of the Equality Duty	Level of Negative and/or Positive Impact (High, Medium or Low)
Eliminate unlawful discrimination, harassment and victimisation	Low
Advance equality of opportunity between people who share a protected characteristic and those who do not	Low
Foster good relations between people who share a protected characteristic and those who do not. (Does it tackle prejudice and promote a better understanding of equality issues?)	Low
Increase participation of particular communities or groups in public life	Low
Improve the health and wellbeing of particular communities or groups	Low
Promote the human rights of particular communities or groups	Low
Tackle deprivation faced by particular communities or groups	Low

5. Summary Assessment

<p>Is a full Equality Impact Assessment required? (A full Equality Impact Assessment must be carried out if impacts identified as Medium and/or High)</p>	<p>YES</p> <p>NO</p>
<p>Rationale for decision:</p> <p>The report submits Deloitte’s report on the annual audit plan, and asks Members to approve the summary assurance plan. Their decision on this has no specific equality implications</p>	
<p>Signed : Tim Baulk Head of Service</p> <p>Date: 8 March 2022</p>	

South Ayrshire Council

Report by Chief Internal Auditor
to Audit and Governance Panel
of 16 March 2022

**Subject: Proposed Internal Audit Plan Quarter 1 2022/23
(including Annual Review of Internal Audit Charter)**

1. Purpose

1.1 The purpose of this report is to submit, for Panel approval, the proposed internal audit plan for the first quarter of 2022/23.

2. Recommendation

2.1 It is recommended that the Panel:

2.1.1 approves the 2022/23 Internal Audit plan for quarter 1- [Appendix 1](#); and

2.1.2 approves changes to the Internal Audit Charter - [Appendix 2](#)

3. Background

3.1 Local authorities are required to have an internal audit service under paragraph 7 of The Local Authority Accounts (Scotland) Regulations 2014. The local authority '*must operate a professional and objective internal auditing service in accordance with recognised standards and practices in relation to internal auditing*'. Internal Audit works to the [Public Sector Internal Audit Standards \(PSIAS\)](#).

3.2 PSIAS describes internal auditing as '*an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes*'.

4. Proposals

4.1 *Basis for the Internal Audit Plan*

4.1.1 The annual Internal Audit Plan is usually presented to the Audit and Governance Panel in March each year. However Internal Audit continues to be impacted by resourcing issues which have resulted in vacancies within key roles and, although options available to address these issues are currently being explored, they are unlikely to be fully resolved before the start of 2022/23. . Therefore, to allow time to fully assess audit resources available in 2022/23 and for approval to be given for audit work

undertaken prior to the elections, the proposed plan included in [Appendix 1](#) only covers audit work for completion within the first quarter of 2022/23. The full annual Plan will be developed and presented for approval to the first meeting of the new Audit and Governance Panel in June 2022.

- 4.1.2 The basis for the plan is the PSIAS requirement (PSIAS section 2000) to establish a risk-based plan to determine the priorities for internal audit, which should be consistent with the Council's objectives. The risk-based plan must consider the requirement to produce an annual internal audit opinion (PSIAS section 2010). PSIAS requirements have been complied with in preparation of the 2022/23 Internal Audit Plan for quarter one and will be fully demonstrated when the full 2022/23 Internal Audit Plan is prepared in June 2022.

4.2 **Resources**

- 4.2.1 The budgeted establishment for Internal Audit is 3.6 full time equivalents (FTE). All posts within the section are professionally qualified. There is currently one full time vacancy (Senior Auditor) within the section and one full time member of staff (Auditor) on maternity leave until September 2022. The hours of the part time auditor have been increased to full time to cover the period of maternity leave. The process to recruit into the Senior Auditor vacancy is currently ongoing.
- 4.2.2 This plan has been produced taking into consideration the number of available working days and it is estimated that 109 days will be available to undertake direct audit work in the quarter one. It should be noted that this can be subject to amendment during the year (e.g. for any periods of absence). Consideration will also be given to outsourcing audit services to cover the staff vacancy, this will be subject to the success of recruitment processes.

4.3 **Internal Audit Charter**

- 4.3.1 The Internal Audit Charter is a formal document which defines the internal audit activity's purpose, authority and responsibility. The Chief Internal Auditor reviews the charter on an annual basis, and presents any changes to the Panel for approval.
- 4.3.2 The current Internal Audit Charter has been reviewed. Only minor changes have been made to update the Council's Monitoring Officer's job title from Head of Regulatory Services to Head of Legal, HR and Regulatory Services (section 3) and the change to Internal Audit's reporting line from the Depute Chief Executive and Director – People to the Assistant Director – People. No further changes to the content of the Charter are proposed at this time. The revised Internal Audit Charter is attached at [Appendix 2](#).

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 Any costs resulting from the requirement to outsource services will be met from underspends in employee costs arising through staff vacancies.

7. Human Resources Implications

- 7.1 There has been a temporary increase in the part-time auditor's hours until 2 September 2022 to help address staff vacancies within the service.

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 Failure to comply with the Public Sector Internal Audit Standards (PSIAS) and meet our obligation to provide an annual internal audit opinion.

9. Equalities

- 9.1 The proposals in this report have been assessed through the Equalities Impact Assessment Scoping process, and there are no significant positive or negative equality impacts of agreeing the recommendations, therefore an Equalities Impact Assessment is not required. A copy of the Equalities Scoping Assessment is attached at [Appendix 3](#).

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 Commitment 1 of the Council Plan: Fair and Effective Leadership/ Leadership that promotes fairness.

13. Results of Consultation

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

Background Papers [Public Sector Internal Audit Standards \(PSIAS\)](#)

[Internal Audit Charter – 20 March 2019](#)

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Date: 21 February 2022

PROPOSED INTERNAL AUDIT PLAN 2022/23 – QUARTER 1

Appendix 1

Audit Area	Objectives	Link to Council Plan	Days	Total
Key Corporate Systems				
Benefits	Follow Up of 2020/21 SWF Findings		3	3
ICT Auditing				
System Access Controls	Review of procedures and policies in place to manage and control access to council systems.	1.3	30	30
Directorates and Other Systems				
Planning, Economic Dec, regulatory	Review of COVID-19 business grants	4.4	20	20
Other Entities				
AVJB	Support to AVJB - Including preparation of Annual Report	-	1	
IJB	Support to IJB - Including preparation of Annual Report	-	1	2
Other				
Investigations and client requests	Allowance for investigations of irregularities. client requests, advice and consultancy	-	5	
Contingency	Contingency budget for unplanned commitments arising during the year	-	5	
Closure of prior year assignments	Allowance of time for the closure of prior year audit work into 2021/22	-	25	
Management and Audit development	Internal Audit planning, annual reporting, and quarterly reporting	-	7	
EQA2	South Ayrshire Council independent review of Renfrewshire Council's compliance with PSIAS	-	10	
QAIP	Annual self-assessment of compliance with PSIAS	-	2	54
TOTAL				109

South Ayrshire Council Internal Audit Charter

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.*

South Ayrshire Council has adopted the Public Sector Internal Audit Standards (PSIAS), which defines internal auditing as:

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

PSIAS, effective from 1 April 2013 (updated April 2017), requires that the purpose, authority and responsibility of the Internal Audit activity must be formally defined in an Internal Audit Charter which is consistent with the *Definition of Internal Auditing*, the *Code of Ethics* and the *Standards*.

The Standards and Code of Ethics are available via this link: [PSIAS](#).

2. Core Principles

The Core Principles, taken as a whole, articulate internal audit effectiveness. For an internal audit function to be considered effective, all principles should be present and operating effectively:

- Demonstrates integrity
- Demonstrates competence and due professional care
- Is objective and free from undue influence (independent)
- Aligns with the strategies, objectives, and risks of the organisation
- Is appropriately positioned and adequately resourced
- Demonstrates quality and continuous improvement
- Communicates effectively
- Provides risk-based assurance
- Is insightful, proactive, and future-focussed
- Promotes organisational improvement.

The *Core Principles for the Professional Practice of Internal Auditing*, the *Code of Ethics*, the *Standards* and the *Definition of Internal Auditing* are mandatory.

3. Roles and Definitions

The PSIAS requires the Council to define its interpretation of the following generic terms for the purposes of internal audit activity:

- 'The Board' – the Audit and Governance Panel
- 'The Chief Audit Executive' – the Chief Internal Auditor
- 'Senior Management' – the Executive Leadership Team

Other roles laid out in the PSIAS are defined in South Ayrshire Council as:

- 'The Head of Paid Service' – Chief Executive
- 'The Monitoring Officer' – ~~Head of Regulatory Services~~ **Head of Legal, HR and Regulatory Services**
- 'The Chief Financial Officer' – Head of Finance and ICT

4. Role of the Audit Committee

The Audit and Governance Panel acts as the Council's audit committee. In that capacity it has the following responsibilities:

- approving the internal audit charter;
- approving the risk based internal audit plan;
- receiving communications from the Chief Internal Auditor on Internal Audit performance relative to its plan and other matters; and
- making appropriate enquiries of management and the Chief Internal Auditor to determine whether there are inappropriate scope or resource limitations placed on the service.

5. Role of Senior Management

Internal Audit is involved in the determination of its priorities in consultation with those charged with governance.

Accountability for the response to the advice and recommendations of Internal Audit lies with management. Managers must either accept and implement the advice and recommendations, or formally reject them accepting responsibility and accountability for doing so.

6. Mission of Internal Audit

To enhance and protect organisational value, by providing risk-based and objective assurance, advice and insight.

7. Authority of Internal Audit

The authority of Internal Audit is contained in the Financial Regulations of the Council (updated December 2018) and Internal Audit reports administratively to the Depute Chief Executive and Director – People, and in line with PSIAS reports functionally to the Audit and Governance Panel.

Officers of Internal Audit have authority per the Financial Regulations, on production of identification, to:

- enter at all reasonable times any Council premises or land;
- have unrestricted access to all records, personnel, assets, documents and correspondence relating to any financial or other transaction of the Council;
- have access to all IT hardware/software running systems on behalf of South Ayrshire Council, including hardware/software owned by third party service providers;
- require and receive such explanations as are necessary concerning any matter under examination; and
- require any employee of the Council to produce cash, stores or any other Council property under his/her control.

8. Position of Internal Audit

Internal Audit is an independent review activity. It is not an extension of, or a substitute for, the functions of line management. Internal Audit must be independent and therefore remain free from undue influence or other pressures affecting its actions and reporting and to that end:

- Internal Audit has a direct reporting line to the ~~Depute Chief Executive and Director – People Assistant Director – People~~ and functionally to the Council's Audit and Governance Panel in its role as the Council's audit committee.
- the Chief Internal Auditor has unfettered access to the Chief Executive and Executive Leadership Team;
- the Chief Internal Auditor meets regularly with the Chair of the audit committee;
- the Chief Internal Auditor attends all audit committee meetings; and
- all audit reports are issued directly by, and in the name of, the Chief Internal Auditor.

9. Responsibilities and Objectives of Internal Audit

A professional, independent and objective internal audit service is one of the key elements of good governance, as recognised throughout the UK public sector. The main objectives of Internal Audit are:

- Examine, evaluate and report on the adequacy of internal controls as a contribution to the efficient, effective and economic use of resources;
- Follow up, on a sample basis, the implementation of audit action points;
- Maintain independence and integrity to permit the proper performance of the audit function;
- Prepare an annual evidence based opinion on the adequacy of the Council's internal control systems;
- Assist officers and members of the authority in the effective discharge of their responsibilities including the Section 95 Officer responsible for ensuring the proper administration of the authority's financial affairs; and
- To support the Chief Executive in discharging his/her overall responsibilities as Head of Paid Service.

The Chief Internal Auditor's annual report is presented to the Audit and Governance Panel and is used to support the Council's Annual Governance Statement.

10. Independence and Objectivity

Internal Audit is completely independent of all financial systems operating within the Council. Internal Audit will determine its priorities with those charged with governance.

Senior management is responsible for ensuring that internal control arrangements are sufficient to address the risks facing their services. Line management is responsible for maintaining internal control, including the maintenance of proper accounting records and other management information suitable for running the affairs of the Council.

Internal Audit will not be responsible for the development or implementation of any activity which it would normally review. Staff of Internal Audit will not assume responsibility for the design, installation, operation or control of any procedures within directorates. Internal Audit can however advise on the internal control implications of any proposed systems changes, including new systems being introduced. Internal Audit should be informed by management of all proposals for new systems and major alterations to current systems. Internal Audit will work with relevant managers to ensure that appropriate mechanisms are incorporated to minimise control risks.

The internal audit team will ensure that independence and objectivity are maintained in line with the PSIAS including where non-audit work is undertaken. Internal auditors will have no operational responsibilities. Internal Auditors are required to complete an annual Declaration of Interest and an objectivity register is in place to ensure an accurate and up to date register of all potential conflicts is maintained.

Internal auditors will treat as confidential the information they receive in carrying out their duties. There must not be any unauthorised disclosure of information unless there is a legal or professional requirement to do so. Confidential information gained in the course of an audit will not be used to effect personal gain.

11. Planning

Internal Audit's primary task will be to review the systems of internal control operating throughout the Council. The responsibility for the production and execution of the risk based audit plan and subsequent audit activities rests with the Chief Internal Auditor.

The Chief Internal Auditor will:

- prepare an annual audit plan which will be regarded as flexible and will be continually amended and updated in the light of experience gained from audit work carried out, emerging risks to the Council and the changing environment in which audit work is carried out.
- agree the annual plan with the Chief Executive;
- seek elected members approval of the plan via the Audit and Governance Panel in its role as the Council's Audit Committee; and
- present a report each year to members outlining the actual audit work undertaken in the previous financial year and also giving an overall opinion on the adequacy of the systems and controls operated by the Council. This will include a statement confirming internal audit's compliance with PSIAS.

12. Arrangements for Appropriate Resourcing

As stated in the CIPFA Application Note, *"No formula exists that can be applied to determine internal audit coverage needs. However, as a guide, the minimum level of coverage is that required to give an annual evidenced-based opinion. Local factors within each organisation will determine this minimum level of coverage"*.

The annual audit plan is based on the number of audit resources available for the year with the objective of giving an evidence based opinion. High risks identified during the audit planning process are accommodated. Different areas of key financial systems are audited on an annual basis scheduled over a multi-annual cycle to ensure coverage of the whole systems.

If during the risk assessment at the planning stage a shortfall in resources available is identified, the Chief Internal Auditor will advise the Chief Executive followed by the Executive Leadership Team and Audit and Governance Panel as required to assess the associated risks or to recommend additional resources are identified.

Internal audit work is prioritised according to risk, through the judgement of the Chief Internal Auditor, informed by the Council's risk registers and in consultation with the Corporate Leadership Team.

Should circumstances arise, during the year, that resources fall or appear to be falling below the minimum level required to provide an annual evidence based opinion the Chief Internal Auditor will advise the Chief Executive, the Executive Leadership Team and the Audit and Governance Panel.

13. Assurance Services

Internal Audit work covers all Council activities, systems and processes and includes (but is not limited to):

- examining and evaluating the adequacy of the Council's system of internal control, including those pertaining to the deterrence, detection and investigation of fraudulent or illegal acts;
- reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify and report such information;
- reviewing the systems established to ensure compliance with those policies, plans, procedures, laws and regulations which could have a significant impact on operations;
- reviewing the means of safeguarding assets and, as appropriate, verifying the existence of such assets;
- appraising the economy and efficiency with which resources are employed;
- reviewing the identification and assessment of risk by management;
- reviewing aspects of the control environment affected by significant changes to the organisation's risk environment;
- reviewing the Council's procedures and activities in relation to best value;
- co-ordinating Internal Audit activities with the work of the external auditors and assisting the external auditors as required;
- recommending, in consultation with management, appropriate solutions to identified systems weaknesses;
- ensuring management has confirmed action has been taken to implement audit recommendations; and
- in line with the principles of Following the Public Pound Internal Audit shall review, appraise and report on all services and other activities for which the Council is responsible or accountable, whether delivered directly or by third parties through contracts, partnerships or other arrangements.

14. Consultancy Services

The PSIAS defines consulting services as follows:

“Advisory and client related service activities, the nature and scope of which are agreed with the client, are intended to add value and improve an organisation's governance, risk management and control processes without the internal auditor assuming management responsibility. Examples include counsel, advice, facilitation and training”.

Consultancy and advice services, including work on fraud related matters may be undertaken from time to time at the request of senior management. A provision is included in the annual audit plan for this type of work.

When undertaking such work auditors will not take on management responsibility for the project. Ultimate responsibility for the decisions taken within the area under review remains with senior management. Acceptance of any assignment will be dependent on available resources, the nature of the assignment and any potential impact on future assurances. The objectivity of individual audit staff will be managed in assigning any subsequent assurance work. Auditors involved in consultancy work will not audit that area for a minimum of one year after the completion of the consultancy work.

Significant consultancy assignments will be reported separately to the audit committee. Any significant consulting exercise, not included in the annual audit plan, should have the approval of the audit committee. Significant is defined as any single assignment equivalent to 5% of annual planned days.

15. Non Audit Work – Counter Fraud

Internal audit does not have responsibility for the prevention or detection of fraud and corruption. Managing the risk of fraud and corruption is the responsibility of management. Internal auditors will, however, be alert in all their work to risks and exposures that could allow fraud or corruption.

The Corporate Fraud Team who sits within the remit of the Chief Internal Auditor will assist management in the effective discharge of this responsibility and will also undertake proactive work to identify potentially fraudulent activity.

Any evidence or reasonable suspicion of irregularities should be dealt with in accordance with the Council's Special Investigations Procedure and Anti-Fraud and Anti-Bribery Strategy. It is the responsibility of each member of the Corporate Leadership Team to promote awareness of and adherence to these procedures.

In accordance with the Council's Special Investigations Procedure and Anti-Fraud and Anti-Bribery Strategy the Chief Internal Auditor will be notified of all suspected or detected fraud, corruption or impropriety, to inform the annual audit opinion and the risk-based plan.

The Corporate Fraud Team activity will be reported to the Audit and Governance Panel twice yearly separately from the Internal Audit progress against plan.

16. Other Parties Outwith the Council

The Chief Internal Auditor is responsible for presenting an annual statement on the adequacy and effectiveness of the internal control system of the Ayrshire Valuation Joint Board (AVJB). The Chief Internal Auditor has also been appointed as the Chief Internal Auditor of the South Ayrshire Integration Joint Board (IJB).

The spirit of this Internal Audit Charter will also apply to the IJB and AVJB.

17. Quality Assurance and Improvement Programme (QAIP)

The Chief Internal Auditor will develop and maintain a Quality Assurance and Improvement Programme that covers all aspects of the internal audit activity. This includes both internal and external assessments.

All audit work is subject to in-house quality control procedures whereby each audit review is subject to peer review. The audit service will undertake an annual self-assessment using the PSIAS checklist.

An external assessment will be carried out at least once every five years by a suitably qualified, independent assessor and may be a full assessment or validation of a self-assessment in line with the PSIAS. The results of these assessments will be communicated to the Audit and Governance Panel with exception reporting of outstanding action points thereafter.

The feedback of the Chief Executive and the Chair of the Audit and Governance Panel will be sought during the performance appraisal of the Chief Internal Auditor.

18. Approval

This Charter was submitted to, and approved by, the Audit and Governance Panel, in its role as the Council's audit committee, on 16 March 2022. It will be subject to annual review and update as required. All amendments will be subject to approval by the Audit and Governance Panel.



South Ayrshire Council Equality Impact Assessment Scoping Template

Equality Impact Assessment is a legal requirement under the Public Sector Duty to promote equality of the Equality Act 2010. Separate guidance has been developed on Equality Impact Assessment's which will guide you through the process and is available to view here: [Equality Impact Assessment including Fairer Scotland Duty](#)

Further guidance is available here: [Assessing impact and the Public Sector Equality Duty: a guide for public authorities \(Scotland\)](#)

The Fairer Scotland Duty ('the Duty'), Part 1 of the Equality Act 2010, came into force in Scotland from 1 April 2018. It places a legal responsibility on Councils to actively consider ('pay due regard to') how we can reduce inequalities of outcome caused by socio-economic disadvantage, when making strategic decisions. See information here: [Interim Guidance for Public Bodies](#) in respect of the Duty, was published by the Scottish Government in March 2018.

1. Policy details

Policy Title	Internal Audit Progress report – Quarter 3 (i) Progress of Annual Internal Plan 2021/22 (ii) Implementation of Internal Audit Action Plans
Lead Officer (Name/Position/Email)	Cecilia McGhee, Chief Internal Auditor - Cecilia.McGhee2@south-ayrshire.gov.uk

2. Which communities, groups of people, employees or thematic groups do you think will be, or potentially could be, impacted upon by the implementation of this policy? Please indicate whether these would be positive or negative impacts

Community or Groups of People	Negative Impacts	Positive impacts
Age – men and women, girls & boys	No	No
Disability	No	No
Gender Reassignment (Trans/Transgender Identity)	No	No
Marriage or Civil Partnership	No	No
Pregnancy and Maternity	No	No
Race – people from different racial groups, (BME) ethnic minorities and Gypsy/Travellers	No	No
Religion or Belief (including lack of belief)	No	No
Sex – gender identity (issues specific to women & men or girls & boys)	No	No

Community or Groups of People	Negative Impacts	Positive impacts
Sexual Orientation – person’s sexual orientation i.e. LGBT+, lesbian, gay, bi-sexual, heterosexual/straight	No	No
Thematic Groups: Health, Human Rights & Children’s Rights	No	No

3. What likely impact will this policy have on people experiencing different kinds of social disadvantage? (Fairer Scotland Duty). Consideration must be given particularly to children and families.

Socio-Economic Disadvantage	Negative Impacts	Positive impacts
Low Income/Income Poverty – cannot afford to maintain regular payments such as bills, food, clothing	No	No
Low and/or no wealth – enough money to meet Basic living costs and pay bills but have no savings to deal with any unexpected spends and no provision for the future	No	No
Material Deprivation – being unable to access basic goods and services i.e. financial products like life insurance, repair/replace broken electrical goods, warm home, leisure/hobbies	No	No
Area Deprivation – where you live (rural areas), where you work (accessibility of transport)	No	No
Socio-economic Background – social class i.e. parent’s education, employment and income	No	No

4. Do you have evidence or reason to believe that the policy will support the Council to:

General Duty and other Equality Themes Consider the ‘Three Key Needs’ of the Equality Duty	Level of Negative and/or Positive Impact (High, Medium or Low)
Eliminate unlawful discrimination, harassment and victimisation	Low
Advance equality of opportunity between people who share a protected characteristic and those who do not	Low
Foster good relations between people who share a protected characteristic and those who do not. (Does it tackle prejudice and promote a better understanding of equality issues?)	Low
Increase participation of particular communities or groups in public life	Low
Improve the health and wellbeing of particular communities or groups	Low
Promote the human rights of particular communities or groups	Low
Tackle deprivation faced by particular communities or groups	Low

5. Summary Assessment

Is a full Equality Impact Assessment required? (A full Equality Impact Assessment must be carried out if impacts identified as Medium and/or High)	YES NO <div style="border: 1px solid black; display: inline-block; padding: 2px 5px; margin-left: 20px;">X</div>
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Rationale for decision:
 This report updates Members on progress against the 2021/22 internal audit plan and management progress with implementing audit action points. Their consideration of this report has no specific equality implications.

Signed : Cecilia McGhee **Chief Internal Auditor**

Rationale for decision:

This report updates Members on progress against the 2021/22 internal audit plan and management progress with implementing audit action points. Their consideration of this report has no specific equality implications.

Date: 22 February 2022

South Ayrshire Council

**Report by Assistant Director - People
to Audit and Governance Panel
of 16 March 2022**

Subject: Best Value Action Plan 2021-22 - Update

1. Purpose

- 1.1 The purpose of this report is to advise members of the progress made in delivering the actions identified in the Best Value Assurance Report - [Action Plan 2021-22](#).

2. Recommendation

- 2.1 **It is recommended that the Panel scrutinises the content of the first Best Value Action Plan 2021-22 update report .**

3. Background

- 3.1 The Local Government in Scotland Act 2003 places statutory duties on Councils in relation to Best Value. The audit of Best Value is a continuous process that forms part of the annual audit of every Council. Findings are reported each year through the Annual Audit Report.
- 3.2 In addition, the Controller of Audit will present a Best Value Assurance Report to the Accounts Commission at least once during the five-year audit appointment for each Council. Audit Scotland published the Council's [Best Value Assurance Report published](#) in October 2021.
- 3.3 In response to the recommendations in the report, an [action plan](#) was developed by officers and agreed by Council in December 2021. Members agreed that progress on the action plan should be reported to the Audit and Governance Panel quarterly. This is the first report since the plan was agreed.

4. Proposals

- 4.1 It is proposed that members of the Audit and Governance Panel scrutinise the attached report ([Appendix 1](#)) and offer feedback to officers.

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 There are no risks associated with rejecting the recommendations.

9. Equalities

9.1 The action plan was assessed using the Equalities Impact Assessment Scoping process.

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 Commitment 1 of the Council Plan: Fair and Effective Leadership/ Leadership that promotes fairness.

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 Peter Henderson, Portfolio Holder for Corporate, and the contents of this report reflect any feedback provided.

13.3 Consultation has taken place with Member/ Officer Best Value Working Group and the contents of this report reflect any feedback provided.

Background Papers [**Audit Scotland - Best Value Assurance Report - published on 27 October 2021**](#)

[**Best Value Assurance Report - Action Plan 2021-22**](#)

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Date: 10 March 2022

Best Value Assurance Report - Action Plan 2021-22

Recommendation 1 The Council should confirm that it has the capacity and skills required to increase its pace of improvement in key aspects of Best Value, such as community empowerment, financial and workforce planning and transformation Where appropriate external support should be sought from other Councils, or the Improvement Service, to help with focussing its areas of improvement. (paragraph 119)

Action	Managed By	Progress	Current Due Date	Assessment of Progress	Latest Note
Secure additional funding to add temporary resources to key areas of Best Value	Eileen Howat	10%	31-Dec-2022	On target	Following creation of Director of Education post, Chief Executive requested to bring forward further structural proposals in due course - anticipate that these will now be post May 2022
Engage the Improvement Service on aspects of Best Value	Eileen Howat	10%	31-Dec-2022	On target	Discussions took place with Improvement Service when report was published and they have identified some areas for potential support for discussion on 7 February

Recommendation 2 The Council prepare both medium and long-term financial plans. The plans should consider changes to both income and expenditure, identify both budget gaps and set out the actions necessary to address those gaps. There should also be a clear linkage to Council priorities (paragraph 62)

Action	Managed By	Progress	Current Due Date	Assessment of Progress	Latest Note
Develop a Long-Term Financial Outlook (LTFO) that draws together all known factors which affect the Council's financial position and its financial sustainability over the longer term (i.e., a ten-year period). The LTFO will be refreshed bi-annually	Tim Baulk	100%	31-Dec-2022	Completed	A Long-Term Financial Outlook (LTFO) and Medium-Term Financial Plan (MTFP) was considered and approved by Leadership Panel in 2021.
Develop a Medium-Term Financial Plan (MTFP) that provides a clear understanding of the anticipated resources available to the Council in the short and medium term (i.e. three years) in	Tim Baulk	100%	31-Dec-2022	Completed	Plan developed and approved

order to deliver its priorities and objectives. The MTFP will be updated annually					
Ensure clear and continued linkage between the LTFO and MTFP with other key strategic documents, including the Council Plan, Workforce Plan, Long Term Financial Linkage evidenced in future strategic developments. Executive Leadership Team (ELT) and Corporate Leadership Team (CLT) Ongoing and aligned to Council Plan and Workforce Plan Strategy and Treasury Management Strategy	Corporate Leadership Team; Executive Leadership Team	0%	31-Dec-2022	Not due to start	This work be taken forward after elections in May 2022
Develop a public-facing communication plan to publicise and explain the significant financial challenges facing the Council for the foreseeable future	Executive Leadership Team	0%	31-Mar-2022	Not due to start	A communications plan will be developed at the appropriate time.
Develop a clear understanding of public needs, preferences, and priorities through a robust and recurring engagement process, aligned with the local government electoral cycle	Corporate Leadership Team; Executive Leadership Team; South Ayrshire Council Elected Members	0%	31-Dec-2022	Not due to start	An engagement strategy will be developed and delivered through Thriving Communities teams at the appropriate time.
Develop processes to support Elected Members in setting clear, prioritised objectives based on the Council Plan and the projected needs of the public, including service redesign, reduction, and cessation where appropriate	Corporate Leadership Team; Executive Leadership Team	0%	31-Dec-2022	Not due to start	The development of these processes will be taken forward following Elected Member induction in May/June 2022
Engage with external partners (e.g. Improvement Service) to ensure that the design and delivery of community engagement improvement actions are effective and reflects best practice	Jane Bradley	10%	31-Mar-2022	On target	Meeting took place on 1 February with Improvement Service to discuss initial thoughts around engagement.

Recommendation 3 The Council should improve and embed workforce planning, so that service workforce plans are developed consistently across the Council. The plans should include clear links to the Council's priorities and to its strategic change programme. (paragraph 77)

Action	Managed By	Progress	Current Due Date	Assessment of Progress	Latest Note
Convene a Corporate Working Group to develop a workforce plan for 2022-25 that links to the Council's strategic priorities and improvement areas in relation to Best Value	Eileen Howat	100%	31-Dec-2021	Completed	
Workforce Plan Implementation	Eileen Howat	10%	31-Mar-2022	On target	Request has been issued to all service leads to provide completed template no later than 31 March 2022.

Recommendation 4 The Council should make sure that its transformation work is fully aligned and integrated to its covid recovery planning work and improve its approach to its Strategic Change Programme by: • Adding greater detail about individual projects • Setting clear timelines for each project • Developing a benefits realisation tracker to assess whether the Council has achieved its aims. (paragraphs 123 and 124)

Action	Managed By	Progress	Current Due Date	Assessment of Progress	Latest Note
Update Leadership Panel on the development and delivery of the South Ayrshire Way Strategic Change Programme	Stuart MacMillan	15%	31-Dec-2022	On target	The following updates are scheduled to take place this quarter: <ul style="list-style-type: none"> • Leadership Panel • Service and Performance Panel The updates will provide detail on progress to date, how the projects are moving forward and the production of project benefit trackers. All projects have detailed project scopes and timelines in place.
Development of a Communications Strategy including the roll out of key messages to staff, stakeholders, partners and the public on the launch of the Change Programme; key themes and outputs and the benefits that will be achieved	Stuart MacMillan	100%	31-Mar-2022	Completed	Communication Strategy approved and implemented, and updates provided to the Strategic Change Executive

Implementation of internal effective mechanisms for reporting programme progress and in particular tracking benefits	Stuart MacMillan	85%	31-Mar-2022	On target	<p>A Benefits Realisation Plan and Tracker has been developed and approved by the Strategic Change Executive. All projects are now developing benefit trackers to capture, record and monitor the delivery of project benefits. A link to the Benefit Realisation Plan which has the Tracker embedded is provided below.</p> <p>Options for reporting programme benefits have been considered with a preferred system identified. This will be trialled during March.</p> <p>Link to Benefit Realisation Plan</p>
Continue to progress the delivery of projects, focussing on moving projects from the scoping/exploratory phase and into delivery	Stuart MacMillan	95%	31-Mar-2022	On target	<p>There are 23 projects on the South Ayrshire Way Strategic Change Programme. Recent activity has enabled three projects to move from planning to implementation stage. This leaves two projects on the programme which are currently at planning/exploratory stage. It is expected that these projects will move to implementation stage by end March 2022.</p>
Review governance arrangements across the Council to integrate its approach to transformation and change; avoid duplication, promote recovery from covid and inform best practice	Donald Gillies	0%	31-May-2022		<p>Governance arrangements in place for the Strategic Change Programme only as managed by Place Directorate. Wider Governance arrangements will be required to identified and be adopted and integrated across whole Council by Senior Leadership.</p>

Recommendation 5 The Council needs to build on the Service Recovery and Improvement Plans and the Community Engagement Strategy to ensure that future community engagement and consultation is consistent, and fully involves communities to develop how Council services will operate in the future in response to the Covid-19 pandemic, in order that real change and outcomes can be delivered. (paragraphs 25 and 112)

Action	Managed By	Progress	Current Due Date	Assessment of Progress	Latest Note
Establish a new Thriving Communities service has been established to lead community engagement across South Ayrshire	Jane Bradley	100%	31-Mar-2022	Completed	A new Thriving Communities service has been established and implementation of new structure and formation of community based locality teams is ongoing
An annual log of all consultations and engagement will be published	Jane Bradley	10%	31-Dec-2022	On target	Officer Group being established led by Thriving Communities Team to develop mechanisms for logging all consultations and engagement activity.

Thriving Communities will be responsible for engaging with local communities to help develop local place plans – November – March 2022 already underway and planned	Jane Bradley	75%	31-Dec-2022	On target	Place plans are being developed across the villages and towns within South Ayrshire. The majority of these will be completed by March with the exception of a few areas which will be picked up prior to summer.
A new online platform will be launched in January 2022 and will provide an opportunity for residents to let public services and community groups know what is important to the people of South Ayrshire	Jane Bradley	75%	31-Jan-2022	On target	The tool is being tailored to a South Ayrshire Council design and will be launched in Wallacetown over the next few weeks.
A new officers group will be established to support and improve consultation across the organisation. We will continue to work alongside the Consultation Institute to improve our consultation processes	Jane Bradley	10%	31-Jan-2022	On target	Meetings have taken place with the Consultation Institute and discussions have taken place around the proposed model and content of delivery. We are awaiting dates for training for 12 officers from across the Council which should take place before the end of March.

Recommendation 6 The Council should improve performance reporting, by: • Setting targets for its KPIs • Including a summary of performance against KPIs in its performance reports to Members • Increasing the frequency of reports to Elected Members • Making performance reports more accessible to the public (paragraphs 32, 47 and 51)

Action	Managed By	Progress	Current Due Date	Assessment of Progress	Latest Note
Explore options for the future iterations of the Council Plan with Members and community planning partners and consider how reporting could be improved	Mike Newall	10%	31-Dec-2022	On target	Research by Performance team underway and discussion has taken place with the Improvement Service to explore options.
As part of the development of the new Council Plan a greater emphasis will be on measuring outcomes	Mike Newall	5%	31-Dec-2022	On target	Webinar on measuring outcomes attended by Service Lead and CP Lead Officer
Review the performance monitoring framework to improve public performance reporting	Mike Newall	100%	28-Feb-2022	Completed	The review of the Performance Monitoring Framework was approved at the Service and Performance Panel that took place on Tuesday 8th February 2022.

Recommendation 7 To help them carry out their roles, including their responsibilities under Best Value, Elected Members should take advantage of the learning and development opportunities provided by the Council. The Council should continue to work with Elected Members to understand and address reasons for variable uptake of training (paragraph 30)

Action	Managed By	Progress	Current Due Date	Assessment of Progress	Latest Note
Conversion of all training to on-line Coast training courses and production of online Member's pack	Catriona Caves	55%	30-Apr-2022 (amended from original date of 28-Feb-2022)	On target	Legal, HR , Health and Safety and Risk and committee services have all identified and uploaded new Coast Training Courses . The Chief Executive services are now considering at the point of any new training for members whether it can or should form a Coast Course. Head of Legal, HR and Regulatory Services has written to Organisational Development to ask them to consider how best to make that request of the wider Council Services. Material is being considered for an on-line Members Induction Pack – this can be concluded once the induction programme is finalised by the group co-ordinating this training.
Consideration of medium for delivery of training – ie by Hybrid training where Members can be both present in person and attending on-line	Catriona Caves	50%	31-May-2022	On target	Questionnaire sent to members to request their views of best mediums for training. Response awaited. Once feedback received then a proposal for how training could be delivered will be discussed with the Chief Executive. A request has been made to ICT to consider what options would be available for training to be provided in person and online at the same time. Once received this will be filtered into the proposal on training for members after the election.
Return to Personal Development Plan (PDP) and personalisation of training needs with new Members intake	Catriona Caves	30%	30-Apr-2022	On target	Head of Legal, HR and Regulatory Services has asked Organisational Development to provide the process they followed in the past for PDP when they trained new members. This will be considered and a process developed to provide PDPs.
Further develop new Member induction training	Catriona Caves	45%	30-Apr-2022	On target	Chief Executive has convened a group that is considering the timetable of meetings and training that will be delivered for new members. The training to deliver this programme is being developed by officers responsible for that training. Group is meeting regularly.
Report to Service and Performance Panel on training that is delivered with details of Member attendance	Catriona Caves	10%	31-Dec-2022	On target	Consideration is being made of how the different training attended by members could be captured and how that could be presented in a report to Service and Performance.