

Public Document Pack



To: Councillor Malik, Convener; Councillor Houghton, Vice-Convener; and Councillors Allard, Alphonse, Bonsell, Massey, McRae, van Sweeden and Yuill.

Town House,
ABERDEEN 11 February 2026

AUDIT, RISK AND SCRUTINY COMMITTEE

The Members of the **AUDIT, RISK AND SCRUTINY COMMITTEE** are requested to meet in **Committee Room 2 - Town House on THURSDAY, 19 FEBRUARY 2026 at 2.00 pm.**

JENNI LAWSON
CHIEF OFFICER - GOVERNANCE

BUSINESS

NOTIFICATION OF URGENT BUSINESS

1.1 There are no items of urgent business at this time

DETERMINATION OF EXEMPT BUSINESS

2.1 Members are requested to determine that any exempt business be considered with the Press and Public excluded

DECLARATIONS OF INTEREST

3.1 Members are requested to intimate any declarations of interest

DEPUTATIONS

4.1 There are no requests at this time

MINUTE OF PREVIOUS MEETING

5.1 Minute of Previous Meeting of 27 November 2025 (Pages 5 - 12)

COMMITTEE PLANNER

6.1 Committee Business Planner (Pages 13 - 16)

NOTICES OF MOTION

7.1 There are none at this time

REFERRALS FROM COUNCIL, COMMITTEES AND SUB COMMITTEES

8.1 There are none at this time

COMMITTEE BUSINESS

Risk Management

9.1 ALEO Assurance Hub Workplan and Terms of Reference - CORS/26/033
(Pages 17 - 30)

Legal Obligations

9.2 Use of Investigatory Powers Annual report - CORS/26/032 (Pages 31 - 40)

Scrutiny

9.3 Lessons learned following the decision of the Court of Session: Norman Esslemont v Aberdeen City Council - CRE/26/035 (Pages 41 - 90)

Internal Audit

9.4 Corporate Landlord Responsibilities- Follow Up Report - F&C/26/034
(Pages 91 - 96)

9.5 Internal Audit Charter - IA/26/002 (Pages 97 - 116)

9.6 Internal Audit Update Report - IA/26/001 (Pages 117 - 134)

9.7 RAAC Response - AC2610 (Pages 135 - 158)

9.8 Agency Costs - AC2604 (Pages 159 - 182)

9.9 City Region Deal - AC2611 (Pages 183 - 206)

9.10 Trade Waste - AC2614 (Pages 207 - 226)

9.11 Internal Audit Plan 2026-2029 - IA/26/003 (Pages 227 - 250)

EXEMPT/CONFIDENTIAL BUSINESS

10.1 There is no exempt business at this time

Integrated Impact Assessments related to reports on this agenda can be viewed here
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Should you require any further information about this agenda, please contact Karen
Finch, tel 01224 053945 or email kfinch@aberdeencity.gov.uk

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AUDIT, RISK AND SCRUTINY COMMITTEE

ABERDEEN, 27 November 2025. Minute of Meeting of the AUDIT, RISK AND SCRUTINY COMMITTEE. Present:- Councillor Malik, Convener; and Councillors Allard, Alphonse, Bonsell, Clark (as substitute for Councillor McRae), Massey, van Sweeden and Yuill.

The agenda and reports associated with this minute can be found [here](#).

Please note that if any changes are made to this minute at the point of approval, these will be outlined in the subsequent minute and this document will not be retrospectively altered.

MINUTE OF PREVIOUS MEETING OF 11 SEPTEMBER 2025

1. The Committee had before it the minute of its meeting of 11 September 2025.

The Committee resolved:-

to approve the minute as a correct record.

COMMITTEE BUSINESS PLANNER

2. The Committee had before it the Committee Business Planner prepared by the Chief Officer – Governance.

The Committee resolved:-

to note the content of the business planner.

ALEO ASSURANCE HUB UPDATE REPORT - CORS/25/268

3. The Committee had before it a report by the Executive Director of Corporate Services which provided assurance on the governance arrangements, risk management and financial management of Arm's Length External Organisations (ALEOs) as detailed within the ALEO Assurance Hub's terms of reference.

The report recommended:-

that the Committee -

- (a) to note the level of assurance provided by each ALEO on governance arrangements, risk management and financial management respectively and the risk ratings applied by the ALEO Assurance Hub, as detailed in appendices B-H; and
- (b) to note that the ALEO Assurance Hub would discuss any outstanding issues specified in the appendices with ALEO representatives, with a view to maintaining low/very low risk ratings and improving any medium risk ratings to low/very low.

The Assurance Manager advised that the governance risk rating was low in relation to BPJV.

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In response to a question relating to Aberdeen Performing Arts, and what the acronym CE stood for, to note that this was Cyber Essentials.

In response to questions relating to Bon Accord Care and whether a formal business plan and medium term financial plan would be put in place, the Chief Officer – Finance advised that work was ongoing to complete the medium term financial plan for 2025-26 to 2027-28.

The Committee resolved:-

- (i) to note the update provided in relation to the governance risk rating of BPJV; and
- (ii) to otherwise approve the recommendations contained in the report.

COUNTER FRAUD POLICY - CORS/25/269

4. The Committee had before it a report by the Executive Director of Corporate Services which presented the updated Counter Fraud Policy.

The report recommended:-

that the Committee -

- (a) approves the Counter Fraud Policy attached at Appendix A; and
- (b) notes the associated Counter Fraud Policy Guidance attached at Appendix B.

In response to a question relating to the Integrity Group, the Counter Fraud Officer advised that the group was made up of officers from across the Council whose role was to oversee the new Fraud Risk Management framework and that they reported to the Risk Board.

In response to a question relating to the main changes in the versions of the policy, the Counter Fraud Officer advised that the new policy provided effective guidance to officers to identify, manage and record evidence of fraud.

In response to questions relating to the Counter Fraud Officers and the Fraud Sharepoint site, the Counter Fraud Officer advised that the Counter Fraud Officers were Council employees who operated under the Chief Officer – Finance and that a fraud page was available on the intranet which was available to officers and Councillors.

In response to a question relating to the terminology used in fraud models and why personality analysis was used in the fraud pentagon model, the Counter Fraud Officer advised that the fraud models had developed over time to capture what fraud was and how to prevent it, with personality components added at later stages.

In response to a question relating to whether the new policy was a significant enhancement or an update to the existing policy, the Counter Fraud Officer advised that it was a significant enhancement due to the Council now having an obligation to prove

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they were taking steps to prevent fraud where officers were actively looking to identify fraud weaknesses resulting in proactive measures being implemented.

In response to a question relating to the Counter Fraud Policy and how the exposure to fraud would be managed by the ALEO Assurance Hub, the Assurance Manager advised that the ALEO Assurance Hub looked for assurance across all aspects of governance with the workplan setting out the details of what was expected in terms of providing assurance around counter fraud. She further advised that the Counter Fraud Officer had held a briefing session for ALEO's around this.

In response to a question relating to this Committee's role and the nature of the reports from the Chief Officer – Finance, the Chief Officer – Finance advised that where there were any identified fraud related matters, that reports would be submitted to this Committee.

In response to a question relating to what the three levels of defence were in relation to fraud, the Counter Fraud Officer advised that these were Doers, Helpers and Checkers with assurance taken from controls across the model.

In response to a question relating to whether consideration was given to the existing responsibilities for officers when policies were updated or replaced, the Assurance Manager advised that all policies when reviewed were presented to the Policy Group first to ensure that officer responsibilities were cross referenced across both versions.

In response to a question relating to the expectations of ALEO's and who was responsible, the Counter Fraud Officer advised that each ALEO were responsible for compliance with legislation which the ALEO Assurance Hub would monitor to ensure that the Council were not exposed, with the Council managing their own exposure.

The Committee resolved:-

to approve the recommendations contained in the report.

ANNUAL ACCOUNTS 2025/26- ACTION PLAN & KEY DATES - CORS/25/267

5. The Committee had before it a report by the Executive Director of Corporate Services which provided high level information and key dates in relation to the 2025/26 Annual Accounts including linkages to the plans and timetables of the Council's External Auditors.

The report recommended:-

that the Committee note the information in relation to the 2025/26 annual accounts process contained in the report.

In response to a question relating to a recent training session for the Committee and the list of things that would be useful for the accounts, the Assurance Manager advised that

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the Senior Audit Manager would hold detailed sessions ahead of the accounts being presented to the Committee. She further advised that the training programme to roll out scrutiny training for other committee's was being developed.

In response to a question relating to what additional actions were required to comply with the regulations of being listed on the London Stock Exchange (LSE), the Chief Officer – Finance advised that there were some procedural changes implemented which were set out in the Bond Protocol. He further advised that the main impact was preparation and reporting of the annual accounts within a compressed timeframe.

The Committee resolved:-

to approve the recommendation contained in the report.

INTERNAL AUDIT PROGRESS REPORT - IA/25/013

6. The Committee had before it a report by the Chief Internal Auditor which provided an update on the work of Internal Audit since the last update to Members. The report contained details of progress against the approved Internal Audit plans, audit recommendations follow ups, and other relevant matters for the attention of the Committee.

The report recommended:-

that the Committee –

- (a) note the progress of the Internal Audit Plan; and
- (b) note the progress that management had made with implementing recommendations agreed in Internal Audit reports.

In response to a question relating to the high number of overdue audit recommendations, the Audit Team Manager advised that Internal Audit had no concerns regarding the number and that management were providing updates in relation to the progress. The Assurance Manager advised that the audit recommendations were monitored by the Risk Board.

In response to a question relating Audit AC2404 and when the NEC system would be available, the Executive Director of Corporate Services advised that the system was a system that would be used by more than one cluster in relation to property and housing services which would require digital support for each of the clusters to go live in the first quarter of 2026.

In response to a question relating to the executive summary and the three reviews mentioned versus the two reports before the Committee and whether the third report would be presented to the Committee, the Audit Team Manager advised that the third review was in relation to financial controls that was issued to management only and that a separate report was presented to this Committee at its last meeting by the Chief Officer – Finance.

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In response to a question relating to Audit AC2418 and whether an alternative partner could be appointed, the Climate and Environment Policy Manager advised that there was a well established relationship with the partner and that on this occasion this would be brought in house to complete the work and that this had added additional work onto the team.

In response to a question relating to Audit AC2504 and whether the reporting on business planning would be a specific piece of work or part of standard workstreams, the Executive Director of Families and Communities advised that there was a Resettlement Strategy and Delivery Plan in operation with the audit providing areas to enhance the work already being undertaken.

The Committee resolved:-

to approve the recommendations contained in the report.

COMPLAINTS HANDLING - AC2603

7. The Committee had before it a report by the Chief Internal Auditor which presented the planned Internal Audit report on Complaints Handling.

The report recommended:

that the Committee review, discuss and comment on the issues raised within this report and the attached appendix.

In response to a question relating to the increase in stage 1 complaints and the reasons for this, the Customer Services Manager advised that there was an increased awareness of recording complaints and that an analysis was undertaken and presented in the annual report showing the key themes for the year. She further advised that there were different trends each year and these varied across the organisation.

In response to a question relating to why there was no subsequent or independent review to confirm closed complaints had been categorised correctly and whether this was something that would be undertaken in the future, the Customer Services Manager advised that where capacity allowed within the central team, spot checks would be undertaken to review the outcomes of complaints, working with services to ensure the correct use of outcomes were recorded, providing additional training where required. She further advised that new guidance had been issued via the intranet.

In response to a question relating to why central records did not indicate timescales or progress, the Customer Service Manager advised that this related to lessons learnt which services are asked to identify. She stated that the actions to follow up on the identified lessons learnt could take a variety of formats with differing timescales that the service managed and were not reported back to the central team.

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In response to a question relating to whether compliments were also recorded, the Customer Services Manager advised that these were recorded and feedback provided to the relevant service.

The Committee resolved:-

to note the report and the attached internal audit report.

CARBON BUDGETING - AC2602

8. The Committee had before it a report by the Chief Internal Auditor which presented the planned Internal Audit report on Carbon Budgeting.

The report recommended:

that the Committee review, discuss and comment on the issues raised within this report and the attached appendix.

In response to a question relating to the risk rating and whether it would be categorised differently if judged on the minimum statutory duty, the Climate and Environment Policy Manager advised that the Council were going beyond the statutory requirements to deliver net zero by 2045 and that the scrutiny undertaken was based on the work taking place rather than the statutory duties. The Audit Team Manager advised that a goal had been set to reach net zero by 2045 where good carbon budget setting and monitoring would drive that and this is where the major risk rating came from.

In response to a question relating to the service not accepting the risk rating and whether actions were being taken to address the recommendations made within the audit, the Chief Executive advised that the Council were on a journey of materiality with carbon budgeting setting and reporting being new which would take time to fully discuss and integrate carbon budgeting processes throughout the Council.

In response to questions relating to the Climate Oversight Group and how long they had been established and the reasons for frequent absences from the meetings, the Climate and Environment Policy Manager advised that the group had been meeting on a regular basis since the start of climate change in 2020/2021 and that there had been challenges with diary clashes for some attendees. The Chief Executive advised that the specialist officers required to have leadership and commitment from the senior leadership team with accountability from the Corporate Management Team (CMT). She further advised that the introduction of quarterly reports on carbon budgeting from the Chief Officer – Strategic Place Planning to the CMT would see improved participation.

In response to a question relating to whether there was a requirement for more people to be involved with the Climate Oversight Group to ensure business was completed, the Chief Executive advised that the Council had specialists and that the challenge was the data and how it was gathered. The Climate and Environment Policy Manager advise that the Climate Oversight Group monitored the process and ensured that the key information was available to those making key decisions.

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In response to a question relating to ensuring that there was a defined process in place to achieve a balanced carbon budget and whether the Council would have this in place, the Climate and Environment Policy Manager advised that carbon budgeting guidance had been issued to officers and that although a budget setting process was in place it had not been documented. He further advised that this had now been drafted with an expectation to have it finalised by the year end.

In response to a question relating to whether carbon budgeting key decision making processes were quantified and whether there were barriers to quantifying, the Climate and Environment Policy Manager advised that the quantifying of data was different across the sectors which all required methodologies to measure carbon data. He further advised that the Scottish Climate Intelligent Service were developing industry standards however there was not a timescale at this stage.

In response to a question relating to how home working carbon data was quantified, the Climate and Sustainability Policy Team Lead advised that there was set methodology used to capture the data.

In response to a question relating to the reporting of carbon budget monitoring, Climate and Sustainability Policy Team Lead advised that carbon data was collated on a quarterly basis with the data reported annually.

In response to a question relating to whether the 2024/25 target would be met, the Climate Change and Environment Manager advised that for that period, the figures would be different due to a period of time where the Energy from Waste plant was not operational.

In response to a question relating to when the Energy Board was established, the Interim Chief Officer – Strategic Place Planning advised that it was established in October 2024 which was chaired by the Executive Director of City Regeneration and Environment and met on a regular basis.

In response to a question relating to whether the national template for recording data changed, the Climate and Sustainability Policy Team Lead advised that the templates were preloaded with the conversion factors and that it was known in advance if any questions had been altered.

The Committee resolved:-

- (i) to note that officers would circulate the methodology used to capture home working carbon data out with the meeting; and
- (ii) to otherwise note the report and the attached internal audit report.

- **COUNCILLOR M.T.MALIK, Convener**

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	A	B	C	D	E	F	G	H	I
1	AUDIT, RISK AND SCRUTINY COMMITTEE BUSINESS PLANNER The Business Planner details the reports which have been instructed by the Committee as well as reports which the Functions expect to be submitting for the calendar year.								
2	Report Title	Minute Reference/Committee Decision or Purpose of Report	Update	Report Author	Chief Officer	Directorate	Terms of Reference	Delayed or Recommended for removal or transfer, enter either D, R, or T	Explanation if delayed, removed or transferred
3	19 February 2026								
4	Use of Investigatory Powers Annual report CORS/26/032	to present the use of investigatory powers annual report	a report is on the agenda	Jessica Anderson	Governance	Corporate Services	5.2		
5	SPSO Decisions, Inspector of Crematoria Complaint Decisions	In order to provide assurance to Committee that complaints and Scottish Welfare Fund applications are being handled appropriately, this report provides information on all Scottish Public Services Ombudsman (SPSO) and Inspector of Crematoria decisions made in relation to Aberdeen City Council since the last reporting cycle.		Lucy McKenzie	People and Citizens	Corporate Services	6.4	R	There have been no SPSO decisions since the last report to Committee.
6	Internal Audit Update Report IA/26/001	To provide an update on progress of the Internal Audit Plan, Audit Recommendations Follow Up and other relevant information for the Committee.	a report is on the agenda	Jamie Dale	Internal Audit	Corporate Services	2.2		
7	Internal Audit Charter IA/26/002	to present the Internal Audit Charter for 2026-2027	a report is on the agenda	Jamie Dale	Internal Audit	Corporate Services	2.1		
8	Internal Audit Plan 2026-2029 IA/26/003	to present the Internal Audit Plan for 2026-2029	a report is on the agenda	Jamie Dale	Internal Audit	Corporate Services	2.1		
9	City Region Deal AC2611	The objective of this audit is to provide assurance over the governance and financial spend of the Aberdeen City Region Deal.	a report is on the agenda	Jamie Dale	Internal Audit	Corporate Services	2.2		
10	RAAC Response AC2610	The objective of this review is to obtain assurances around compliance with safety regulations and mitigation of risks to public safety.	a report is on the agenda	Jamie Dale	Internal Audit	Corporate Services	2.2		
11	Agency Costs AC2604	The objective of this audit is to ensure that appointments are made from appropriately tendered contracts and that individual appointments are adequately managed.	a report is on the agenda	Jamie Dale	Internal Audit	Corporate Services	2.2		
12	Trade Waste AC2614	The objective of this audit is to consider whether adequate control is in place covering trade waste income and expenditure, that appropriate agreements are in place and that accounting arrangements are robust.	a report is on the agenda	Jamie Dale	Internal Audit	Corporate Services	2.2		

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1	AUDIT, RISK AND SCRUTINY COMMITTEE BUSINESS PLANNER								
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13	Corporate Landlord Responsibilities F&C/26/034	<u>ARSC - 27/07/25</u> (ii) to note that the Chief Officer – Corporate Landlord would provide a report to Committee in two cycles detailing the progress on the audit recommendations, including detail on which matters were related to available budget and which were in relation to the updating and reviewing of procedures	a report is on the agenda	Stephn Booth	Corporate Landlord	Families and Communities	2.3		
14	ALEO Assurance Hub Workplan and ToR CORS/26/033	To present the ALEO Assurance Hub Workplan for 2026 including dates for reporting	a report is on the agenda	Vikki Cuthbert	Governance	Corporate Services	1.3		
15	ETRO2 Lessons Learnt CRE/26/035	Delayed from May 2025 The purpose of this report is to detail the lessons learnt regarding advice given by officers on the Motion to Council on 11th October 2024 relating to Report CR&E/24/287 – City Centre Transport Measures.	a report is on the agenda	Mark Reilly	Operations	City Regeneration & Environment	6.1		
16	14 May 2026								
17	Use of Investigatory Powers - Quarter 1	to present the use of investigatory powers quarterly report.		Jessica Anderson	Governance	Corporate Services	5.2		
18	SPSO Decisions, Inspector of Crematoria Complaint Decisions	In order to provide assurance to Committee that complaints and Scottish Welfare Fund applications are being handled appropriately, this report provides information on all Scottish Public Services Ombudsman (SPSO) and Inspector of Crematoria decisions made in relation to Aberdeen City Council since the last reporting cycle.		Lucy McKenzie	People and Citizens	Corporate Services	6.4		
19	Unaudited Annual Accounts 2025-26	to present the unaudited annual accounts and registered charities accounts for 2025-26		Lesley Fullerton	Finance	Corporate Services	4.1		
20	External Audit Plan	to present the External Audit Plan for the 2025-26 audit of the accounts		Anne MacDonald	External Audit	Corporate Services	3.1		
21	Internal Audit Update Report	To provide an update on progress of the Internal Audit Plan, Audit Recommendations Follow Up and other relevant information for the Committee.		Jamie Dale	Internal Audit	Corporate Services	2.2		
22	Internal Audit Reports	Reports that have been finalised will be submitted to Committee		Jamie Dale	Internal Audit	Corporate Services	2.2		
23	25 June 2026								
24	Use of Investigatory Powers - Quarter 2	to present the use of investigatory powers quarterly report.		Jessica Anderson	Governance	Corporate Services	5.2		

A B C D E F G H I

AUDIT, RISK AND SCRUTINY COMMITTEE BUSINESS PLANNER

The Business Planner details the reports which have been instructed by the Committee as well as reports which the Functions expect to be submitting for the calendar year.

Report Title	Minute Reference/Committee Decision or Purpose of Report	Update	Report Author	Chief Officer	Directorate	Terms of Reference	Delayed or Recommended for removal or transfer, enter either D, R, or T	Explanation if delayed, removed or transferred
SPSO Decisions, Inspector of Crematoria Complaint Decisions	In order to provide assurance to Committee that complaints and Scottish Welfare Fund applications are being handled appropriately, this report provides information on all Scottish Public Services Ombudsman (SPSO) and Inspector of Crematoria decisions made in relation to Aberdeen City Council since the last reporting cycle.		Lucy McKenzie	People and Citizens	Corporate Services	6.4		
Corporate Risk Register, Cluster Assurance Maps and Inspections Planner	to present the Corporate Risk Register, Cluster Assurance Maps and Inspections Planner		Ronnie McKean	Governance	Corporate Services	1.1		
Risk Appetite Annual Review	to present the Council's updated Risk Appetite Statement		Ronnie McKean	Governance	Corporate Services	1.1		
ALEO Assurance Hub Update Report	To provide an update of risk and financial management and governance arrangements in accordance with Hub TOR and annual workplan.		Vikki Cuthbert	Governance	Corporate Services	1.3		
External Audit Annual Report 2025-26	to present the the Extwernal Audit annual report		Anne MacDonald	Exteranal Audit	Corporate Services	3.1		
Audited Annual Accounts for 2025-26	to pre4sent the audited annual accounts for 2025-26 and the registered charities accounts for 2025-26		Lesley Fullerton	Finance	Corporate Services	4.1		
Internal Audit Annual Report 2025-26	to present the Internal Audit Annual Report for 2025-26		Jamie Dale	Internal Audit	Corporate Services	2.1		
Internal Audit Update Report	To provide an update on progress of the Internal Audit Plan, Audit Recommendations Follow Up and other relevant information for the Committee.		Jamie Dale	Internal Audit	Corporate Services	2.2		
Internal Audit Reports	Reports that have been finalised will be submitted to Committee		Jamie Dale	Internal Audit	Corporate Services	2.2		
24 September 2026								
Use of Investigatory Powers - Quarter 3	to present the use of investigatory powers quarterly report.		Jessica Anderson	Governance	Corporate Services	5.2		
SPSO Decisions, Inspector of Crematoria Complaint Decisions	In order to provide assurance to Committee that complaints and Scottish Welfare Fund applications are being handled appropriately, this report provides information on all Scottish Public Services Ombudsman (SPSO) and Inspector of Crematoria decisions made in relation to Aberdeen City Council since the last reporting cycle.		Lucy McKenzie	People and Citizens	Corporate Services	6.4		

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2	Report Title	Minute Reference/Committee Decision or Purpose of Report	Update	Report Author	Chief Officer	Directorate	Terms of Reference	Delayed or Recommended for removal or transfer, enter either D, R, or T	Explanation if delayed, removed or transferred
37	Business Continuity Annual Report	to provide the annual assurance report on the Council's Business Continuity arrangements		Ronnie McKean	Governance	Corporate Services	1.2		
38	Information Governance Management Report 2025-26	to present the annual report for the Council's Information Governance		Caroline Anderson	Data Insights	Corporate Services	1.4		
39	Internal Audit Update Report	To provide an update on progress of the Internal Audit Plan, Audit Recommendations Follow Up and other relevant information for the Committee.		Jamie Dale	Internal Audit	Corporate Services	2.2		
40	Internal Audit Reports	Reports that have been finalised will be submitted to Committee		Jamie Dale	Internal Audit	Corporate Services	2.2		
41	26 November 2026								
42	Use of Investigatory Powers - Quarter 4	to present the use of investigatory powers quarterly report.		Jessica Anderson	Governance	Corporate Services	5.2		
43	SPSO Decisions, Inspector of Crematoria Complaint Decisions	In order to provide assurance to Committee that complaints and Scottish Welfare Fund applications are being handled appropriately, this report provides information on all Scottish Public Services Ombudsman (SPSO) and Inspector of Crematoria decisions made in relation to Aberdeen City Council since the last reporting cycle.		Lucy McKenzie	People and Citizens	Corporate Services	6.4		
44	ALEO Assurance Hub Update Report	To provide an update of risk and financial management and governance arrangements in accordance with Hub TOR and annual workplan.		Vikki Cuthbert	Governance	Corporate Services	1.3		
45	Annual Accounts 2025/26- Action Plan & Key Dates	to present the information relating to annual accounts key dates for 2025-26 audit.		Lesley Fullerton	Finance	Corporate Services			
46	Internal Audit Update Report	To provide an update on progress of the Internal Audit Plan, Audit Recommendations Follow Up and other relevant information for the Committee.		Jamie Dale	Internal Audit	Corporate Services	2.2		
47	Internal Audit Reports	Reports that have been finalised will be submitted to Committee		Jamie Dale	Internal Audit	Corporate Services	2.2		
48	TBC								
49									

ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny
DATE	19 th February 2026
REPORT TITLE	ALEO Assurance Hub – Workplan and Terms of Reference
REPORT NUMBER	CORS/26/033
CHIEF OFFICER	Jenni Lawson
REPORT AUTHOR	Vikki Cuthbert
TERMS OF REFERENCE	Remit - 1.2

1. PURPOSE OF REPORT

To present the ALEO Assurance Hub workplan for 2026 including the dates for reporting.

2. RECOMMENDATIONS

That the Committee –

- 2.1 note the workplan for the ALEO Assurance Hub in 2026 which has been consulted upon with the ALEOs and the relevant Conveners; and
- 2.2 note the Terms of Reference for the ALEO Assurance Hub which have been amended to remove Bon Accord Care (BAC) from the remit of the Hub following the Council decision on 10th December to transfer BAC back into Aberdeen City Council in 2026/27.

3. CURRENT SITUATION

- 3.1 The ALEO Assurance Hub is one component of the ALEO Assurance Framework which provides a basis for the Council to oversee and support its arms-length external organisations. The Hub reports twice a year to this Committee to provide assurance that systems and policies are in place in each ALEO to mitigate and manage risks to them and to the Council.
- 3.2 The Hub has in place a Terms of Reference which are reviewed annually. The Terms of Reference are attached at **appendix A** to the report. These have been amended to remove reference to Bon Accord Care following the decision of Council on 10th December 2025 that BAC would transfer back into Aberdeen City Council in 2026/27. The next reporting cycle for ALEOs is June 2026, by which time it is expected that BAC will no longer be an ALEO and therefore no longer within the remit of the Assurance Hub. A further adjustment has been made to reflect that the ALEO Strategic Partnership meets monthly rather than every six weeks, which addresses an internal audit recommendation on Group Assurance.

3.3 Attached at **appendix B** is a workplan for 2026. Slight changes have been made to workplan: to ensure that ALEOs undertake horizon scanning in respect of changes to the law and risks which may impact them, to seek assurance on procurement practices, and to ensure that ALEOs confirm readiness for external inspection from any relevant regulatory bodies.

3.4 The workplan has been agreed with each of the ALEOs and the relevant Conveners, as per the requirements of the Hub Terms of Reference.

4. FINANCIAL IMPLICATIONS

4.1 There are no direct financial implications arising from the recommendations in this report.

4.2 The role of the Hub is to ensure that ALEOs provide assurance that risks, including financial ones are identified and managed. One of the Hub’s primary functions is to ensure that the Council is able to follow the public pound as outlined in Accounts Commission guidance.

5. LEGAL IMPLICATIONS

5.1 Legal officers within Commercial and Procurement Services keep ALEO Service Level Agreements under review. These aim, amongst other things, to facilitate the ALEO Assurance Framework. These include reference to the requirements of the Assurance Hub to receive assurance regarding systems of governance, company outcomes and risk management and mitigation.

5.2 The Hub will help identify any projects and/or initiatives that could influence investment decisions of Bond holders or the Council’s credit rating and ensure that the appropriate governance is put in place. This adds to the Council’s existing Bond governance arrangements.

6. ENVIRONMENTAL IMPLICATIONS

6.1 There are no direct environmental implications arising from this report.

7. RISK

Category	Risks	Primary Controls/Control Actions to achieve Target Risk Level	*Target Risk Level (L, M or H) *taking into account controls/control actions	*Does Target Risk Level Match Appetite Set?
Strategic	Ability of ALEOs to support the	The Assurance Hub process mitigates	L	Yes

Category	Risks	Primary Controls/Control Actions to achieve Target Risk Level	*Target Risk Level (L, M or H) *taking into account controls/control actions	*Does Target Risk Level Match Appetite Set?
	Council in meeting its strategic outcomes.	against this risk by monitoring ALEO contribution to ACC strategic outcomes. This includes review of ALEO risk registers.		
Compliance	ALEO service level agreements are not up to date and ALEOs are not delivering on Council outcomes. GDPR Compliance.	Commercial and Procurement Services reviews ALEO service level agreements to ensure they remain robust and fit for purpose. The Council has oversight of how ALEOs are achieving Council outcomes and complying with the terms of their service level agreements. The Hub will continue its oversight of ALEOs' approach to embedding strong governance, including audits, policies, procedures and systems to ensure that these are being reviewed and staff training is being delivered to mitigate the risk of governance failure.	L	Yes
Operational	Failure of ALEOs to deliver services	Monitored by Council which has oversight of ALEO strategic	L	Yes

Category	Risks	Primary Controls/Control Actions to achieve Target Risk Level	*Target Risk Level (L, M or H) *taking into account controls/control actions	*Does Target Risk Level Match Appetite Set?
	according to agreed Service Level Agreements	business plans.		
Financial	Financial failure of ALEOs impacting on the Council and its credit rating.	ALEOs report financial performance and governance to their boards and present their annual accounts for scrutiny by an external auditor, then reported through the Finance and Resources Committee. One of the Hub's key functions is to provide assurance to Committee on the financial stewardship of Council ALEOs.	L	Yes
Reputational	Impact of performance or financial risk on reputation of ACC.	Regular reporting to this Committee from the Hub provides adequate control.	L	Yes
Environment/ Climate	No direct risks arising from the report's recommendations		L	Yes

8. OUTCOMES

- 8.1 The recommendations within this report have no direct impact on the Council Delivery Plan.

9. IMPACT ASSESSMENTS

Assessment	Outcome
Integrated Impact Assessment	Full impact assessment not required. Confirmed by Chief Officer – Governance.

10. BACKGROUND PAPERS

None.

11. APPENDICES

Appendix A – ALEO Assurance Hub Terms of Reference

Appendix B – ALEO Assurance Hub Workplan 2026

12. REPORT AUTHOR CONTACT DETAILS

Vikki Cuthbert

Assurance Manager

vcuthbert@aberdeencity.gov.uk

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ALEO Assurance Hub – Terms of Reference

Arms-Length External Organisations (ALEOs) are companies, charities and other bodies that are separate from the Council but subject to its control or influence.

The purpose of the Assurance Hub is to receive assurance from ALEOs that appropriate systems and policies are in place to mitigate and manage risks to the organisation and to the Council. For the avoidance of doubt, the ALEO Assurance Hub shall provide high level, strategic oversight of ALEOs but will not undertake quality checks on the operation of ALEOs.

The Assurance Hub shall promote the principles of accountability and transparency as set out in the Following the Public Pound Guidance.

- 1) The Assurance Hub is one component of the ALEO Assurance Framework which is the basis for how the Council oversees and supports its arms-length bodies. The other elements of the Framework are:
 - a. Regular performance review of ALEOs by Full Council through the submission of annual business plans.
 - b. Quarterly financial reporting for ALEOs within the Council's Financial Performance Report to the Finance and Resources Committee to provide assurance on the Council's bond issue and on financial performance;
 - c. Monthly meetings of the ALEO Strategic Partnership as a forum for senior Council and ALEO representatives to discuss high level strategic issues such as business planning and horizon scanning, in line with the Medium-Term Financial Strategy (MTFS);
 - d. Representatives of the Head of Commercial and Procurement, known as Service Leads are assigned to each ALEO to provide them with a single point of contact at the Council. Service Leads will be the Council's primary liaison officer with ALEOs and will be in regular contact with ALEOs to discuss strategic, operational and performance matters; and
 - e. The Director of Corporate Services acts as a key strategic liaison for all ALEOs.
- 2) The membership of the Hub shall consist of:
 - a. The Assurance Manager;
 - b. The Corporate Risk Lead
 - c. A representative of the Chief Officer - Finance; and
 - d. The Committees Lead (officer).
- 3) The Assurance Manager shall be the Chairperson of the Assurance Hub.
- 4) The Head of Commercial and Procurement or his or her nominee shall be invited to attend meetings as advisers to the Hub as required.
- 5) The Hub may co-opt additional advisors as required.
- 6) The Hub shall receive assurance from each ALEO within its remit at least once a year.
- 7) The Hub shall have the authority to increase or reduce its oversight of ALEOs based on the level of assurance it has received.
- 8) The Hub may invite ALEO representatives to attend Hub meetings to provide information and assurance on relevant matters as requested.

- 9) The Hub shall report its level of assurance on ALEOs to the Audit, Risk and Scrutiny Committee.
- 10) The Hub shall be responsible for setting its own programme of scrutiny in the form of an annual workplan. The Hub shall consult on this with the Risk Board, ALEOs and Conveners and Vice Conveners of the following Committees and Boards:-
 - a. Audit, Risk and Scrutiny;
 - b. Full Council;
 - c. Finance and Resources; and
 - d. Integration Joint Board
- 11) An open invitation shall be extended to the Council's internal and external auditors to attend Hub meetings as appropriate in order for them to meet their audit objectives.
- 12) The Hub shall receive assurance on ALEOs risk management, financial management and governance arrangements through exception reporting and officers will assess ALEO governance and management of risk through a scoring matrix.
- 13) To ensure that risk posed to the Council by ALEO operations is monitored, the Hub shall oversee ALEO risk management arrangements including:
 - a. Risk management policy;
 - b. Management of risk registers;
 - c. Risk identification structures, including horizon-scanning;
 - d. Risk appetite;
 - e. Business continuity planning; and
 - f. ALEO internal and external audit reports.
- 14) To ensure compliance with Following the Public Pound guidance, the Hub shall oversee ALEOs:
 - a. Financial Resilience to ensure oversight of forward planning;
 - b. Financial governance and financial management to provide assurance on stewardship;
 - c. Accounting practices; and
 - d. Financial performance.
- 15) The Hub shall review ALEO decision making structures including:
 - a. Reporting arrangements, including powers reserved to the Board and powers delegated to executive officers;
 - b. Compliance with key governance standards, such as codes of conduct;
 - c. The composition and capacity of the board;
 - d. Transparency and accountability;
 - e. Induction and ongoing training programmes for Board members;
 - f. Ongoing assurance around information governance arrangements and data protection compliance;
 - g. Progress against recommendations made within Audit Scotland's report on *How councils use arms-length organisations*; and
 - h. Compliance with the Public Sector Equality Duty under the Equality Act 2010.
- 16) The Hub shall monitor high level employment practices.
- 17) The Hub shall monitor reports relating to ALEOs from the Council's internal and external auditors and address any recommendations which are within the remit of the

Hub's terms of reference. The Hub shall monitor best practice guidance from organisations such as Audit Scotland and the Standards Commission for Scotland on the development of guidance relating to ALEOs.

- 18) The Hub shall monitor co-ordination arrangements between ALEO partners where the Council is not the sole shareholder.
- 19) The Hub shall receive assurance that ALEOs are supporting the Council to meet its obligations under the CONTEST Strategy and under the Civil Contingencies Act 2004 as a Category 1 responder.
- 20) The following organisations have been deemed to be ALEOs and will be subject to the Hub's oversight arrangements:
 - a. Aberdeen Heat and Power;
 - b. Aberdeen Performing Arts;
 - c. Aberdeen Sports Village;
 - d. bp Aberdeen Hydrogen Energy Ltd and
 - e. Sport Aberdeen.
- 21) The Risk Board, chaired by the Chief Officer – Governance, will review these Terms of Reference annually to ensure their ongoing appropriateness in monitoring ALEO governance.

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	A	B	C	D	E	F	G	H	I
	Area of Assurance	Item	Purpose	TOR	Aberdeen Heat and Power	Aberdeen Performing Arts	Aberdeen Sports Village	bp AHEL	Sport Aberdeen
1	Governance	Training and Development Programmes	Assurance on the on-going training and development of Board members including any changes to Board stucture, rationale for any structure changes, training plans for Board members-	15(e) 16	November	November	November	n/a	November
2		Employment Practices	Assurance that all employment practices are in alignment with employment legislation, the ALEO's people polices and employment best practice.	16	June	June	June	n/a	June
3		Procurement Compliance	Assurance that internal governance procedures in respect of procurement are in place and that these include risk assessment processes to prevent procurement fraud. This is required as evidence of compliance with public Procurement Regulations.	15	June	June	June	June	June
4		Governance Documentation	Assurance of on-going review of all governance documentation and policies. The assurance will be provided through a short written summary of planned and completed activities in this area and should include reference to information governance, health and safety governance, public liability and employer's liability insurance and cyber governance.	15	June November	June November	June November	n/a	June November
5			Assurance that arrangements are being made by the Joint Venture to put in place the required governance documentation, including information governance, health and safety governance and cyber governance.		n/a	n/a	n/a	June	n/a
6	Risk Management	Risk Environment	Assurance that risks are being regularly reviewed in accordance with the organisation's agreed risk management policy. The assurance will be provided through a short written summary of ALEOs current risk environment, including risks that been added, escalated or de-escalated rather than through provision of the risk register. This will also include an overview of activity, including horizon scanning undertaken to identify any risks relative to legislative changes or other changes to the law, and controls in place across the three lines of defenc).	13(b)	June	June	June	June	June
7									

	A	B	C	D	E	F	G	H	I
8		Risk Register	Assurance that risks are being regularly reviewed in accordance with the organisation's agreed risk management policy, are kept under regular review with control actions monitored to completion, and are linked to the achievement of outcomes for the ALEO and the Council. This assurance will be provided through provision of risk registers and relevant supporting minutes/documentation.	13(b)	November	November	November	November	November
9		Internal and External Audit and Regulatory Compliance	Assurance that ALEOs have risk-based internal and external audit plans in place and a process to address and close out audit recommendations to completion. Assurance of readiness for external inspection by any relevant regulatory/accreditation bodies and compliance with any recommendations made. Assurance that there have been no internal control failures or that any failures have been addressed and/or notified if they are of significance to the Council.	13(f)	June	June	June	n/a	June
10		Resilience	Assurance that emergency plans/major incident plans and processes and appropriate business continuity arrangements are in place and kept under review. Assurance that testing and exercising arrangements or schedules are in place which recognise the evolving risk environment for the city; in particular that provision is made within plans and exercising to ensure resilience around critical service delivery; that each organisation has an awareness of the Council's responsibilities as a Cat 1 responder under the Civil Contingencies Act and has agreed mechanisms in place to support these; and that each organisation is fully conversant with the implications for their operations of the CONTEST Strategy (UK Govt strategy for counter-terrorism), in particular in respect of the Prevent and Protect duties.	13(e)	June November	June November	June November	n/a	June November
11	Finance	Quarterly Trading Accounts	Assurance that accounts are being managed within budget, that the level of financial risk to the Council is low and that there is compliance with the Following the Public Pound Code of Practice.	14	June November	June November	June November	June November	June November
12		Medium-Term Financial Planning and Financial Resilience	Assurance that ALEOs undertake medium-term financial planning or have incorporated medium term planning into a Business Plan to provide assurance that ALEOs are prepared for core funding pressures. Again this ensures compliance with the Following the Public Pound Code of Practice.	14	June November	June November	June November	June November	June November

	A	B	C	D	E	F	G	H	I
13		Audited Annual Accounts 2024-25	Assurance that accounts are being managed within budget, are in line with statutory requirements and Following the Public Pound Code of Practice, and that the level of financial risk to the Council is low.	14	June	June	November	June	June

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ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	19 February 2026
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Use of Investigatory Powers – Annual Report 2025
REPORT NUMBER	CORS/26/032
EXECUTIVE DIRECTOR	Andy MacDonald
CHIEF OFFICER	Jenni Lawson, Chief Officer - Governance
REPORT AUTHOR	John Forsyth
TERMS OF REFERENCE	5.2

1. PURPOSE OF REPORT

- 1.1 To provide Elected Members with an overview of the Council’s use of investigatory powers during 2025, particularly focussing on the Committee’s role in respect of assurance. Further, Committee is being asked to confirm that the Use of Investigatory Powers Policy is fit for purpose.

2. RECOMMENDATIONS

That Committee -

- 2.1 Notes the overview of the council’s use of investigatory powers during the calendar year 2025, as set out in this report; and
- 2.2 Agrees that the Use of Investigatory Powers Policy Remains fit for purpose.

3. CURRENT SITUATION

- 3.1 The Council has powers under the Regulation of Investigatory Powers (Scotland) Act 2000 (RIPSA), and Investigatory Powers Act 2016 (IPA) to use different investigatory techniques. RIPSA provides a legal framework for covert surveillance by public authorities, an independent inspection regime to monitor these activities and sets out a process for the authorisation of covert surveillance by designated officers. It further provides for the duration of that authorisation and for the review, renewal or termination of authorisations.
- 3.2 RIPSA gives the Council powers to conduct two types of covert surveillance:
- 3.2.1 Directed Surveillance. This is covert surveillance in places other than residential premises or private vehicles.
- 3.2.2 Use of Covert Human Intelligence Sources (CHIS). This is the use of undercover officers.
- 3.3 This Committee has had oversight of covert surveillance activity conducted under RIPSA since 2017 and regularly receives and reviews reports on its use.

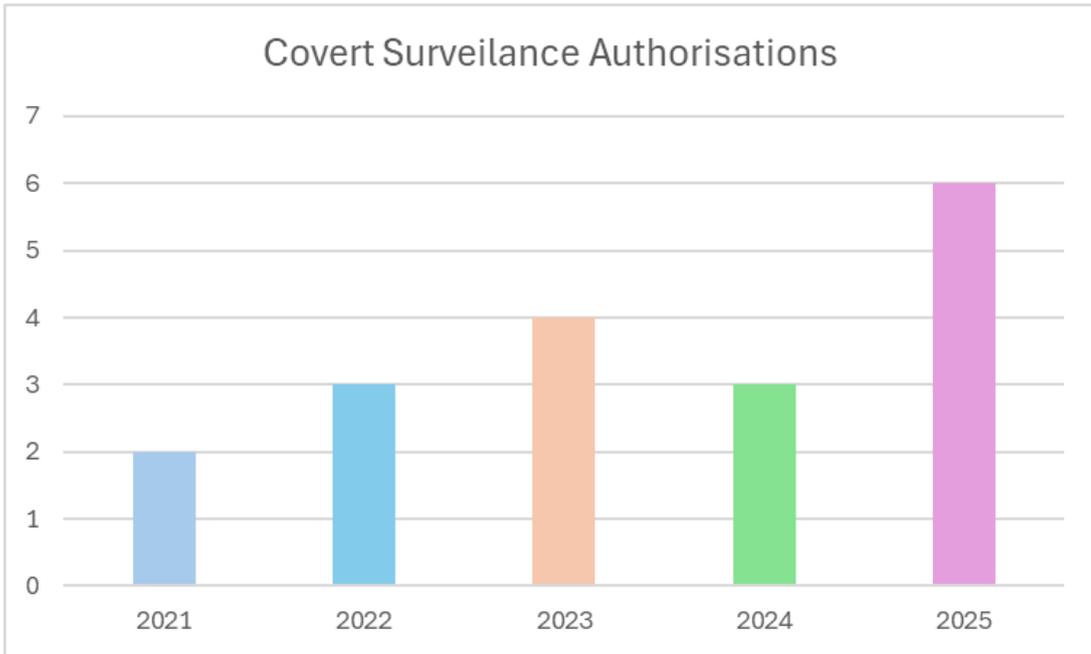
- 3.4 The IPA permits the Council to acquire Communications Data for certain purposes. Communications data is the way in which, and by what method, a person or thing communicates with another person or thing. This includes telephone and internet communications. The IPA sets out the processes and authorisations required for the Council to acquire Communications Data. This is supplemented by the Home Office Data Code of Practice.
- 3.5 The Investigatory Powers Commissioner (IPCO) has oversight of both RIPSAs and IPA. Accordingly, IPCO also has oversight of the Council's use and management of the powers granted by these pieces of legislation. IPCO regularly inspects public authorities, including the Council.
- 3.6 The last IPCO inspection of the Council took place in September 2023. This inspected the Council's compliance with RIPSAs and IPA. The inspection concluded positively and noted that IPCO was satisfied with the Council's ongoing compliance. The next IPCO inspection is expected later this year.

Use of Investigatory Powers Policy

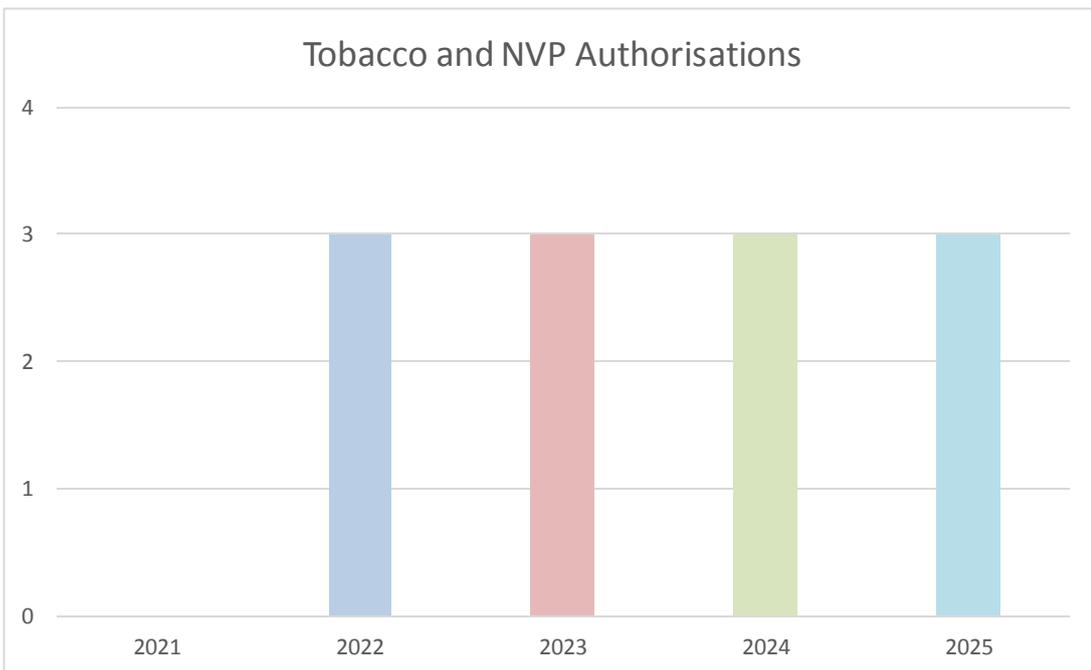
- 3.7 This Committee approved the Council's Use of Investigatory Powers Policy in December 2021. This Committee agreed that this Policy remained fit for purpose in February 2025. This policy governs compliance with both RIPSAs and the IPA. It remains a mandatory requirement that all members of staff wishing to use investigatory powers must undertake training prior to being able to make an application to use such investigatory powers.
- 3.8 This Committee is asked every year to confirm that the Use of Investigatory Powers Policy remains fit for purpose. There have been no substantive changes to the Use of Investigatory Powers Policy since the Policy was reviewed last year. The IPCO were content with the policy at the last inspection. The Policy is supported by a number of operational procedures, which are kept under regular review.
- 3.9 The Team Leader, Regulatory and Compliance, Legal Services, as the Council's RIPSAs Co-Ordinator has reviewed the Policy and confirms that, in her professional opinion, the Policy remains fit for purpose.

Applications for Covert Surveillance

- 3.12 There were six Covert Surveillance authorisations during 2025. As highlighted in the graph below, this represents an increase in the number of authorisations when compared to the previous five years. These applications are broken down in more detail below.



3.14 Three of these authorisations related to the test purchasing of Tobacco and Nicotine Vapour Products (NVPs). As demonstrated below, the number of such authorisations has remained steady following emergence from COVID related lockdowns in 2021. These operations are a normal part of the work of the Protective Services team.



3.15 These three applications relating to test purchases of Tobacco and Nicotine Vapour Products again allowed the Protective Services team to significantly exceed their Scottish Government targets. The team is expected to, each year, attempt test purchases at 10% of premises registered to sell tobacco products

and 10% of premises selling nicotine vapor products. This resulted in a target, for 2025, of fifteen premises for tobacco and nineteen for nicotine vapor products. The authorisations allowed the Team to undertake fifteen test purchases for tobacco and to undertake thirty-nine test purchases for nicotine vapour products. This means that the Team has, as in previous years, significantly exceeded their target numbers. The focus on nicotine vapour products is driven by intelligence.

3.16 The remaining three authorisations related to different operations to investigate the alleged sale of counterfeit goods. Two of these authorisations were for directed surveillance, with the third being for the use of a Covert Human Intelligence Source (CHIS). As is shown below, this represents an increase in the number of such authorisations. The operations these authorisations relate to are driven by received intelligence, so it is normal to see the numbers rise and fall in different years.

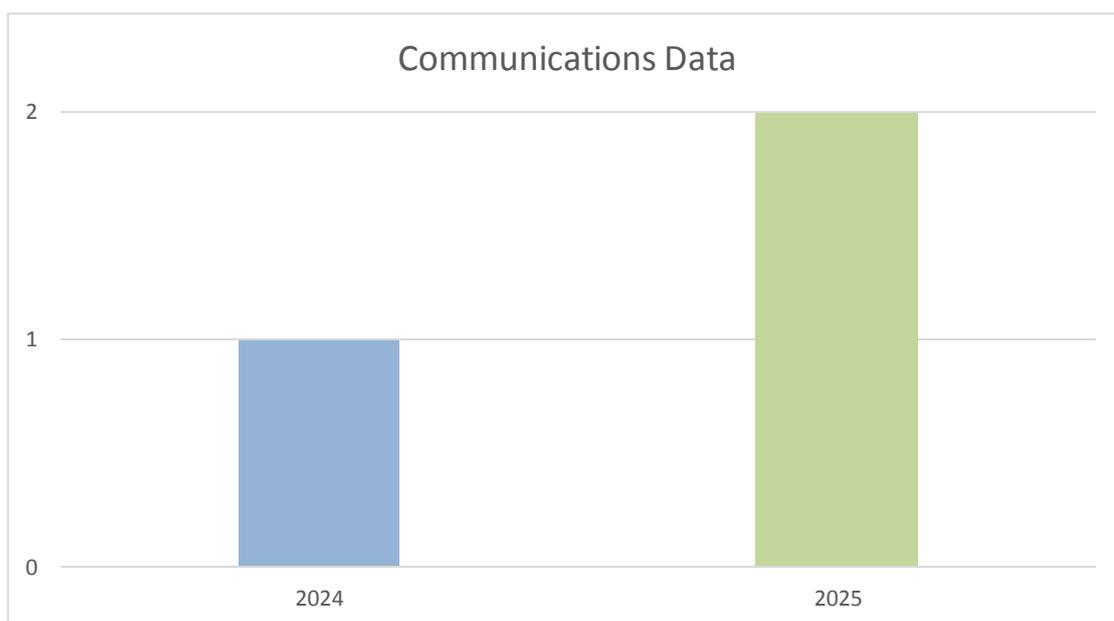


3.17 As noted above, one of these authorisations was for the use of a Covert Human Intelligence Source. A CHIS is a person who establishes or maintains a relationship with someone in order to covertly obtain information, to provide another person with access to information or to disclose information. This essentially covers the use of undercover officers.

3.18 This authorisation was the first authorisation for the use of a CHIS in a number of years. As with all covert surveillance, any application for the authorisation for the use of a CHIS is driven by the operational needs of the service applying for that authorisation.

IPA

- 3.19 There were two applications made in 2025 for the acquisition of communications data. One application was granted. The other was rejected because it was considered that the data sought was not recoverable. Both of these applications related to investigations into the alleged sale of illicit or counterfeit tobacco.
- 3.20 These two applications represent a slight increase on 2024, when one application was made. 2024 which was the first time the Council had acquired communications data in a significant period. As was reported to this Committee in the annual report relating to 2024, an increase in the number of applications for communications data was anticipated over 2025 and beyond.



- 3.21 The Council maintains the ability to acquire communications data under the IPA. Should there be an operational requirement in the coming year, officers remain able to make an application the acquisition of communications data.

Authorising Officers

- 3.22 There continue to be four Authorising Officers in post. Authorising officers are responsible for authorising applications for the use of investigatory powers by Council officers. These Authorising Officers have been appropriately trained and operate on a rota basis.

Training

- 3.23 Training has been provided on an ongoing basis to Authorising Officers and to those officers who might apply for an authorisation. A bespoke training session was provided to a new Authorising Officer at the time of their appointment. This ensured that they were ready to take up their duties. In addition, a training

session was provided to all relevant officers on the use of a CHIS and the legal framework surrounding this area and the PowerPoint slides were uploaded to the restricted online portal to which all trained officers have access. Additional training will be provided throughout 2026 as is required.

Workplan 2026

- 3.24 The intended main focus of 2026 is to engage with services to understand how the ever-increasing usage of social media is impacting on operations and investigations. Work will then be undertaken to ensure that the processes in place under the policy are adaptative and flexible enough to support any necessary operations.

4. FINANCIAL IMPLICATIONS

- 4.1 There are no direct financial implications arising from the recommendations in this report.

5. LEGAL IMPLICATIONS

- 5.1 The Scottish Government Code of Practice on Covert Surveillance sets an expectation that elected members review and monitor the use of RIPSAs on a quarterly basis. This is also a matter which is taken into account by the IPCO when they carry out their inspections.
- 5.2 The Home Office Code of Practice on Communications Data states that any public authority wishing to acquire Communications Data must have regard to the Code and that there should be a robust process in place for accessing such data which should be overseen by the Senior Responsible Officer.
- 5.3 Annual and quarterly reporting of the Council's use of investigatory powers to Elected Members provides assurance that the Council's use of such powers is being used consistently and that the standards set by its policy remain fit for purpose.
- 5.4 It is recommended as good practice, under paragraph 4.43 of the Scottish Government's Code of Practice for Covert Surveillance and Property interference, that elected members consider a statement on the Council's Regulation of Investigatory Powers (Scotland) Act 2000 (RIPSA) policy and statistical information on relevant activity on an annual basis.
- 5.5 The Council's management, knowledge and awareness of those involved with RIPSAs activity has been commended by the IPCO in previous inspections. Officers hope that reporting on the use of investigatory powers more broadly, enhances transparency and provides another level of scrutiny and assurance on the use of these powers.

6. ENVIRONMENTAL IMPLICATIONS

- 6.1 There are no direct environmental implications arising from the recommendations in this report.

7. RISK

7.1 The assessment of risk contained within the table below is considered to be consistent with the Council's risk appetite statement.

Category	Risks	Primary Controls/Control Actions to achieve Target Risk Level	*Target Risk Level (L, M or H) *taking into account controls/control actions	*Does Target Risk Level Match Appetite Set?
Strategic Risk	None identified		L	Yes
Compliance	That the Council's use of investigatory powers is not legally compliant.	<p>This report sets out the methods by which Members can take assurance that the use of these powers is legally compliant.</p> <p>This committee receives quarterly and annual reports on the use of investigatory powers and policies and undertakes scrutiny thereof.</p> <p>This report also fulfils the requirement in para 4.4.3 of the Scottish Government's Code of Practice for Covert Surveillance and Property Interference.</p>	L	Yes
Operational	Employees are not suitably trained for surveillance work. Failure to report to and update Committee on	<p>Appropriate and mandatory training arms staff with the correct skills to carry out surveillance and thus, there is little to no risk to staff. All requests for training are met. Reporting to Committee occurs quarterly on surveillance activity.</p>	L	Yes

	surveillance activity means that it would undermine public confidence in the Council and how it operates.			
Financial	None identified		L	Yes
Reputational	Failure to update Committee on RIPSAs activity would mean that the Council would be at risk of reputational damage when identified in an IPCO inspection.	External inspections on RIPSAs activity operate every 3-4 years. This provides external assurance to the Committee of the Council's compliance with RIPSAs. Further, whilst there is no requirement to report to Committee about the Council's use of Communication Data, the broader reporting of both demonstrates the Council's wish to be transparent about its use of such powers. The Inspection Report is shared with Committee and an Action Plan created (where necessary) and is endorsed and approved by Committee.	L	Yes
Environment / Climate	None identified		L	Yes

8. OUTCOMES

<u>Local Outcome Improvement Plan 2016-2026</u>	
Prosperous Economy Stretch Outcomes	Whilst the recommendations of this report are for noting, the use of investigatory powers by the Council as an investigatory tool may have an impact on the economy as a result of enforcement action taken by services such as Trading Standard, e.g.

	such as in enforcing the law around counterfeit goods.
Prosperous People Stretch Outcomes	Enforcement activity undertaken by the Council by using, where appropriate, its powers under the IPA and RIPSA, may have an impact on this by tackling the selling of counterfeit goods.

9. IMPACT ASSESSMENTS

Assessment	Outcome
Integrated Impact Assessment	No assessment required. I confirm this has been discussed and agreed with Jenni Lawson, Chief Officer – Governance on 16 January 2026.
Data Protection Impact Assessment	Not required.
Other	There are no other impact assessments relevant to this report.

10. BACKGROUND PAPERS

10.1 Use of Investigatory Powers Policy

11. APPENDICES

12. REPORT AUTHOR CONTACT DETAILS

Name	John Forsyth
Title	Solicitor
Email Address	jforsyth@aberdeencity.gov.uk

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ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny
DATE	19 February 2026
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Lessons learned following the Decision of the Court of Session: Norman Esslemont v Aberdeen City Council
REPORT NUMBER	CR&E/26/035
EXECUTIVE DIRECTOR	David Dunne
CHIEF OFFICER	Mark Reilly/ Claire McArthur/ Jenni Lawson
REPORT AUTHOR	Vycki Ritson
TERMS OF REFERENCE	6.1

1. PURPOSE OF REPORT

- 1.1 To present lessons learned following a review of process and internal controls relating to the Court of Session on Case: XA15/25 Norman Esslemont v Aberdeen City Council.

2. RECOMMENDATIONS

That the Committee:-

- 2.1 notes the changes made to Standing Order 29.1 by Council on 16th April 2025, which requires proposed motions and amendments to be submitted to the Clerk two working days prior to the meeting rather than one;
- 2.2 notes the processes now put in place to ensure structured engagement with Legal Services to support clearer assessment of risks and capacity requirements;
- 2.3 notes the improved guidance for officers, to be presented to Council on 4th February 2026, when managing delegated authority matters that have the potential to be politically sensitive, engaging with Members to mitigate reputational risks, where appropriate; and
- 2.4 recognise the lessons learned which will be reflected within the Council's Annual Governance Statement for 2025/26.

3. CURRENT SITUATION

- 3.1 In Autumn 2023, "The Aberdeen City Council (City Centre, Aberdeen) (Traffic Management) (Experimental) Order 2023" was implemented to achieve the safe and efficient movement of active travel and public transport users through

the city centre. The Order introduced, on an experimental basis, bus priority and local access only restrictions on Market Street, Guild Street and Bridge Street; pedestrian and cycle priority measures on Schoolhill and Upperkirkgate; and introduced a right-turn ban (except cycles, buses and taxis) from Union Terrace to Rosemount Viaduct. A summary of all the measures established can be viewed in the “Statement of Reasons” in Appendix 1. During the experimental period, the measures were subject to public consultation (six months), monitoring and evaluation.

3.2 At Net Zero, Environment and Transport Committee on the 11th June 2024 “The Aberdeen City Council (City Centre, Aberdeen) (Traffic Management) (Experimental) Order 2023 - Statutory Public Consultation - CR&E/24/169” was reported, including all objections received to the order. A recommendation was made to make the order permanent. At the subsequent “Requisitioned Meeting, on the 16th July 2024”, Council instructed the Chief Officer - Strategic Place Planning, using funding from the Bus Lane Enforcement reserve, to report as soon as possible on:

- the feasibility and impact of reopening Bridge Street to all vehicles in one or both directions; and
- the feasibility and impact of removing the ban on right turns from Union Terrace onto Rosemount Viaduct.

3.3 At a meeting of the Council on [11 October 2024](#), in response to report “City Centre Transport Measures - CR&E/24/287”, Members resolved to adopt the motion which instructed:

“(xii) therefore, agree, subject to the removal of the ban on right turns from Union Terrace onto Rosemount Viaduct, to approve the making of The Aberdeen City Council (City Centre, Aberdeen) (Traffic Management) Experimental Order 2023 as a permanent Order, with continued monitoring in terms of the ongoing City Centre Masterplan. The cost of undertaking these works is estimated to be approximately £3,000 and is to be funded from the General Fund Capital Programme contingency budget in 2024/25. Noting the Chief Officer - Finance’s advice above there is a risk of up to £8m of Bus Partnership Fund grant being reclaimed by Transport Scotland and agreeing if this has to be repaid (in part or whole) the capital grant will have to be replaced by borrowing at a cost to the General Fund Revenue Budget of up to approximately £480,000 per annum for the next 30 years, which will increase the budget gap in the Medium Term Financial Strategy from financial year 2025/26;

(xiii) instruct the Chief Officer - Operations to commence the procedure for the Order to be made permanent;”

3.4 Officers had reviewed this motion prior to the original date of the Council meeting 2nd October 2024, alongside 10 other motions to be considered at the same meeting. When reviewing the motion, officers were of the view that Regulation 13 of the Local Authorities’ Traffic Orders (Procedure) (Scotland) Regulations 1999 (“the 1999 Regulations”) could be applied. As such, it was considered that a modification to remove the said right turn ban could be made

as it did not extend the application of the order nor increase the stringency of any prohibition or restriction contained within the order.

- 3.5 Subsequently the Council received a letter challenging the legality of implementing the instruction from Council on the 11th October 2024 (as given in 3.3 above). The challenge focused primarily on the Council's ability to make modifications to the Experimental Traffic Regulation Order in accordance with Regulation 20B of the 1999 Regulations.
- 3.6 Advice was sought from King's Counsel due to the complexity of the Regulations. King's Counsel did not conclude that the intended modification (i.e. removal of the right turn ban) was incompetent - rather that it was an area within the 1999 Regulations that was open to interpretation. As such, risk mitigation might be the most appropriate way forward.
- 3.7 Officers reported to the Urgent Business Committee on 18th December 2024, highlighting the challenge and recommending the most appropriate route to mitigate risk of future challenge.
- 3.8 The Chief Executive agreed at the meeting that there were lessons to be learned to improve scrutiny, particularly around complex statutory processes, and that officers would explore with the Governance Reference Group ways in which improvements can be made to the advice given on amendments and motions.
- 3.9 In January 2025, Aberdeen City Council made the Aberdeen City Council (City Centre, Aberdeen) (Traffic Management) Order 2025 (a redacted copy of the Order is available to view at Appendix 2). The Order made permanent all the measures provided within the original Experimental Traffic Regulation Order.
- 3.10 A legal challenge was subsequently brought against the 2025 Order by local retailer Norman Esslemont on behalf of local businesses, objecting to the making of the permanent order. In response to this, on 11 November 2025 a hearing was held at the Court of Session. The decision of this hearing is available to view in Appendix 3.
- 3.11 The decision was made in favour of Aberdeen City Council meaning that, in the judgement of the Court, the permanent Order was lawfully made. In line with the commitment made at the Urgent Business Committee in December 2024, officers have sought to identify lessons for the future and improvements which can be made to internal process and controls. An update on these, including implementation status, is outlined below.

Lessons Learned

- 3:12 Directors, Chief Officers, Roads and Legal teams have reflected on the process leading to the legal challenge and subsequent Court decision. While the Court determined that the permanent Traffic Regulation Order was lawfully made, the circumstances have provided an opportunity to identify learning points to further strengthen governance, assurance and risk management arrangements for future complex statutory decisions.

Committee Process

- 3.13 A review of the timeline associated with motions and amendments to the Council meeting on 2nd October 2024, which subsequently went to the reconvened meeting on 11th October 2024, noted a high volume of motions and amendments were submitted close to the deadline permitted under Standing Order 29.1 at that time.
- 3.14 Ten of the eleven motions and amendments were submitted the evening of 30th September or morning of 1st October 2024. The compressed timescales significantly reduced the time available for officers across the Council to assess the legal competency and potential statutory implications of the motions and amendments, particularly where matters involved complex and technical areas of law.
- 3.15 It is noted that colleagues across the Council were involved in reviewing all the motions and amendments, with an amendment specific to the report referenced in 3.2 above not being finalised until the day of the re-convened meeting on 11th October.
- 3.16 Allowing additional time for officer review supports a more robust assessment process, clearer articulation of legal risk, and enhanced assurance to Members.
- 3.17 In this instance, although this compressed timeline was not ideal, it should be recognised that – as borne out by the advice from King’s Counsel - this is a complex area of law that is open to interpretation. Where the law is open to interpretation, and the matter is one of public interest, there will be a particular risk of legal challenge – irrespective of how long officers have to consider competency.
- 3.18 The amendment to Standing Order 29.1 approved by Council on 16 April 2025, requiring proposed motions and amendments to be submitted two working days in advance, reflects this learning and provides a proportionate safeguard to mitigate future risk.
- 3.19 The case demonstrated the importance of clearly distinguishing between legal competence and legal risk when advising Members on motions and amendments. Where legislation is open to interpretation, it is helpful for advice to articulate areas of uncertainty and potential challenge, enabling Members to make informed decisions with a clear understanding of associated risks. Whilst Standing Orders do not refer to, or stipulate mitigation of, risk in determination of competency, it is the responsibility of officers to bring such risks to the attention of members where these risk factors are clear.

Governance, Legal Risk and Assurance

- 3.20 A review of the statutory process followed in relation to the Experimental Traffic Regulation Order and the subsequent permanent Order confirmed compliance with legislative requirements. However, the challenge highlighted differing legal

views over interpreting the legislation and where the ultimate recourse was to have the Court of Session make a definitive judgement on the matter.

- 3.21 The experience reinforced the importance of early identification and escalation of legal risk where statutory powers are subject to interpretation and where decisions are high profile or likely to attract public or stakeholder challenge.
- 3.22 While Roads Service officers have significant expertise in managing Traffic Regulation Orders, it was recognised that earlier and more structured engagement with Legal Services in complex or novel cases supports clearer assessment of risk, capacity requirements and whether external legal advice should be sought at an earlier stage. Legal Services have developed an assurance map detailing all the existing controls in place to mitigate the risk of legal challenge across the three lines of defence. This reflects the agreed Risk Appetite Statement which states that the Council is averse to any risks that will result in non-compliance or breaches in statutory obligations, regulations, and law. Whilst this risk is owned by Governance, all services contribute to the overall set of controls in place to manage this risk. Gaps identified as part of this process are now positioned in a risk register entry which will be reported to the Finance and Resources Committee in May.
- 3.23 The development of structured checklists for complex and/or high-profile Traffic Regulation Orders will provide a consistent audit trail, support professional judgement, and help ensure that legislative changes, consultation requirements and legal risks are considered systematically. This is one of the mitigations in place within the assurance map referred to above.

Supporting Effective Decision-Making

- 3.24 Council on 4th February was asked to approve guidance for officers when managing matters which have the potential to be politically sensitive. This acknowledges that there is scope for delegated matters to cause reputational damage to the Council and that engagement with elected members is advisable in these types of situations.
- 3.25 In addition, as part of the Scheme of Governance review in April 2024, guidance was prepared for members on their rights to access information, including legal advice. This included a process to be followed when such information was sought.
- 3.26 Finally, the Council's Annual Governance Statement (AGS) for 2025/26, which will be reported to this Committee in May, seeks to provide assurance on the Council's internal controls and any significant governance issues which have arisen during the year. Consideration is being given to how the lessons learned from this process can be reflected in the AGS, which will be subject to audit from our external auditors.

Conclusion

- 3.27 This Committee is responsible for undertaking scrutiny of matters, process or practice which have been the subject of a report to Council or another committee, to ensure good practice and the effectiveness of decision making.
- 3.28 The experience has highlighted the value of learning from the process of legal challenge itself, regardless of outcome. Understanding how decisions may be perceived externally supports continual improvement in transparency, communication and public confidence in statutory decision making.
- 3.29 Collectively, these lessons have informed improvements to Standing Orders, guidance to officers and elected members on matters of potential political sensitivity, reinforced controls around the risk of legal challenge, and supported the introduction of enhanced governance and assurance measures for future complex statutory processes.

4. FINANCIAL IMPLICATIONS

- 4.1 The addition of legal checks and checklist preparation to the traffic regulation order process will require further staff time resource costs from Roads and Legal Teams. These will vary dependant on the volume of complex/ "out of the ordinary" orders being delivered. It is not anticipated to impact business as usual projects.

5. LEGAL IMPLICATIONS

- 5.1 Aberdeen City Council made the Experimental Traffic Regulation Order in exercise of the powers conferred on them by sections 9 and 10 of the Road Traffic Regulation Act 1984 and of all other enabling powers and after consultation with the Chief Officer of Police Scotland in accordance with Part III of Schedule 9 to said Act and having complied with the statutory requirements of the Local Authorities' Traffic Orders (Procedure) (Scotland) Regulations 1999 ("the 1999 Regulations"), as amended.
- 5.2. The Experimental Traffic Regulation Order (ETRO) was brought into effect on 1 August 2023 and, in terms of the Road Traffic Regulation Act 1984, could not continue in force for longer than 18 months. The Council therefore made the Aberdeen City Council (City Centre, Aberdeen) (Traffic Management) Order 2025 on 17 January 2025, which came into operation on 31 January 2025.
- 5.3 The Council received a Petition for Statutory Appeal on 5 March 2025, under Paragraph 35, Schedule 9 of the Road Traffic Regulation Act 1984. The Statutory Appeal sought to challenge the decision of the Council dated 17 January 2025 to make The Aberdeen City Council (City Centre, Aberdeen) (Traffic Management) Order 2025. The judgement of the Court was published on 9th December 2025 and is available to review in Appendix 3.
- 5.4 Following a period of statutory consultation the said right hand turn ban has been removed. The Traffic Regulation Order was made on 1st April 2025.

6. ENVIRONMENTAL IMPLICATIONS

6.1 There are no direct environmental implications arising from the recommendations of this report.

7. RISK

Category	Risks	Primary Controls/Control Actions to achieve Target Risk Level	*Target Risk Level (L, M or H) *taking into account controls/control actions	*Does Target Risk Level Match Appetite Set?
Strategic Risk	Risk that successful legal challenge impacts on delivery of strategic outcomes.	Legal Challenge Risk Register in place to ensure all services have controls in place. Advice for members and officers on managing matters that have the potential to be politically sensitive.	L	Yes
Compliance	Insufficient time for officers to consider the competency of motions and amendments.	Standing Orders have been amended to allow officers additional time to undertake this task. Legal Challenge Risk Register in place to ensure all services have controls in place.	L	Yes
Operational	Time pressure on officers when reviewing motions and amendments for competency	Standing Orders have been amended to allow officers additional time to undertake this task. Officers have a responsibility to alert members to risks arising from motions and amendments, albeit it is the member's responsibility to take this on board.	L	Yes
Financial	There are financial risks	Standing Orders have been amended as	M	Yes

	associated with potential legal challenges.	mentioned above to reduce the risk of legal challenge. Legal Challenge Risk Register in place to ensure all services have controls in place.		
Reputational	There is reputational risk associated with potential legal challenge.	Standing Orders have been amended as mentioned above to reduce the risk of legal challenge. Legal Challenge Risk Register in place to ensure all services have controls in place.	M	Yes
Environment / Climate	None	N/A		

8. OUTCOMES

The recommendations in the report do not impact on the Council Delivery Plan.

9. IMPACT ASSESSMENTS

Assessment	Outcome
Integrated Impact Assessment	No assessment required. I confirm this has been discussed and agreed with Mark Reilly, Chief Officer Operations on 23th January 2026.
Data Protection Impact Assessment	Not required
Other	N/A

10. BACKGROUND PAPERS

- 10.1 The Aberdeen City Council (City Centre, Aberdeen) (Traffic Management) Experimental) Order 2023 – Statutory Public Consultation – CR&E/24/169 and supporting documents can be viewed at Item 15 on this page <https://committees.aberdeencity.gov.uk/ieListDocuments.aspx?CId=685&MId=9062&Ver=4>
- 10.2 ETRO2 Bus Priority Measures Report CRE21169 and supporting documents can be viewed at Item 2 on this page <https://committees.aberdeencity.gov.uk/ieListDocuments.aspx?CId=122&MId=9483&Ver=4>

- 10.3 City Centre Transport Measures – CR&E/24/287 and supporting documents can be viewed at Item 4 on this page
<https://committees.aberdeencity.gov.uk/ieListDocuments.aspx?CId=122&MId=9644&Ver=4>
- 10.4 The Aberdeen City Council (City Centre, Aberdeen) (Traffic Management) (Experimental) Order 2023- Implementation – CR&E/24/360 can be viewed at Item 5 on this page
<https://committees.aberdeencity.gov.uk/ieListDocuments.aspx?CId=334&MId=9729&Ver=4>

11. APPENDICES

- 11.1 Appendix 1 – Statement of Reasons - THE ABERDEEN CITY COUNCIL (CITY CENTRE, ABERDEEN) (TRAFFIC MANAGEMENT) (EXPERIMENTAL) ORDER 2023
- 11.2 Appendix 2 - THE ABERDEEN CITY COUNCIL (CITY CENTRE, ABERDEEN) (TRAFFIC MANAGEMENT) ORDER 2025 (copy with signatures redacted)
- 11.3 Appendix 3 – Opinion of the Court – XA15/25

12. REPORT AUTHOR CONTACT DETAILS

Name	Vycki Ritson
Title	Team Leader
Email Address	vritson@aberdeencity.gov.uk

**Appendix 1: - Statement of Reasons - THE ABERDEEN CITY COUNCIL (CITY CENTRE, ABERDEEN)
(TRAFFIC MANAGEMENT) (EXPERIMENTAL) ORDER 2023**

ABERDEEN CITY COUNCIL

ROAD TRAFFIC REGULATION ACT 1984

**THE ABERDEEN CITY COUNCIL (CITY CENTRE, ABERDEEN) (TRAFFIC
MANAGEMENT) (EXPERIMENTAL) ORDER 2023**

STATEMENT OF REASONS

Bus priority measures in the form of Bus Gates / Lanes are being established in the city centre to enhance bus reliability and travel time, with access also maintained for pedal cycles, and the public transport modes of taxis and local hire vehicles. Goods vehicles will also be exempt in terms of access for the loading / unloading of goods and burden. The removal of general through traffic will establish an improved environment for pedestrians and cyclists, while facilitating future streetscape improvements.

There will be a north-eastly one-way established for vehicles on Trinity Street, this with consideration to the operation of the new bus priority measures.

A general prohibition on motor vehicles, except for the purpose of access, on certain city centre roads will support the operation of the 'Bus Gates / Lanes'. Also supporting the 'Bus Gates' will be certain prohibitions on specific turns from nearby junctions.

The prohibition of right turn from Union Terrace to Rosemount Viaduct (except for buses, pedal cycles, taxis and authorised vehicles) is to discourage through traffic routing via Union Street.

The 'Pedestrian and Cycle Zone' on Schoolhill / Upperkirkgate establishes an enhanced environment for pedestrians and cyclists, while facilitating future streetscape improvements. Access for the purpose of loading will be maintained for motor vehicles from midnight to 11am, and from 4.30pm to midnight, on any day. A section of eastbound one way for vehicular traffic, except cycles, will also manage vehicle flow on this corridor. There will also be a dedicated facility for goods vehicle loading and disabled parking established within the layby on Schoolhill, just east of its junction with Belmont Street.

There will be wider provision of disabled parking facilities, with bays established on Carmelite Lane, Exchange Street, Flourmill Lane and Stirling Street. The purpose of these bays being to provide close proximity parking for disabled persons visiting nearby city centre facilities.

In the interests of road safety, particularly when considering vulnerable road users, a mandatory 20mph speed limit is being established on lengths of Bridge Street, Carmelite Street, College Street, Guild Street and Wapping Street.

A length of prohibition of waiting and loading will be established on the south side of Guild Street, between its junctions with the accesses that serve the Bus Station and the Railway Station. This restriction is to allow a certain length of the road to function as an area where vehicles can only stop to allow passengers to actively board or alight.

Appendix 2: - THE ABERDEEN CITY COUNCIL (CITY CENTRE, ABERDEEN) (TRAFFIC MANAGEMENT) ORDER 2025 (redacted copy)

ABERDEEN CITY COUNCIL

ROAD TRAFFIC REGULATION ACT 1984

THE ABERDEEN CITY COUNCIL (CITY CENTRE, ABERDEEN) (TRAFFIC MANAGEMENT)
ORDER 2025

Aberdeen City Council, in exercise of its powers under the Road Traffic Regulation Act 1984, as amended (hereinafter referred to as "the 1984 Act"), and of all other enabling powers, and after consultation with the Chief Constable of Police Scotland in accordance with Part III of Schedule 9 to the 1984 Act, and having complied with the requirements of The Local Authorities' Traffic Orders (Procedure) (Scotland) Regulations 1999, hereby makes the following order:-

CITATION

1. This order may be cited as "The Aberdeen City Council (City Centre, Aberdeen) (Traffic Management) Order 2025" and shall come into effect on 31 January 2025.

DEFINITIONS IN RELATION TO SUBSEQUENT ARTICLES

2. In this order, unless the context requires otherwise, the following interpretations shall apply.

"authorised vehicle" has the same meaning given to that expression in the eleventh schedule to this order;

"bus" shall have the same meaning as in Schedule 1 "Definitions" of the Statutory Instrument 2016 No.362 "The Traffic Signs Regulations and General Directions 2016";

"bus lane" shall have the same meaning as in Schedule 1 "Definitions" of the Statutory Instrument 2016 No.362 "The Traffic Signs Regulations and General Directions 2016";

"disabled person's badge" means —

- (a) a badge issued under section 21 of the Chronically Sick and Disabled Persons Act 1970 (c. 44),
- (b) a badge issued under a provision of the law of Northern Ireland corresponding to that section, or
- (c) a badge issued by any member State other than the United Kingdom for purposes corresponding to the purposes for which badges under that section are issued;

"disabled person's vehicle" means a vehicle lawfully displaying a disabled persons' badge;

"motor vehicle" has the same meaning as in the "Road Traffic Regulation Act 1984";

"pedal cycle" shall have the same meaning as in Schedule 1 "Definitions" of the Statutory Instrument 2016 No.362 "The Traffic Signs Regulations and General Directions 2016";

"private hire vehicle" – shall have the same meaning as in section 23(1) of the Civic Government (Scotland) Act 1982;

"taxi" - shall have the same meaning as in section 23(1) of the Civic Government (Scotland) Act 1982;

DISABLED PARKING BAY (SCHOOLHILL)

3. Upon the coming into effect of this order, from midnight to 7.00am, and from 11.00am to midnight, on any day, the length of road specified in the first schedule hereto shall have been taken to be added to the first schedule of "The Aberdeen City Council (Disabled Persons' Parking Places) (Ref 1/16) Order 2016".

LOADING BAY (SCHOOLHILL)

4. Save as provided in Articles 5, 6, and 7 of this order, no person shall, except upon the direction or with the permission of a police constable in uniform, cause or permit any vehicle to wait on the length of road in Aberdeen specified in the first schedule hereto between 7.00am and 11.00am on any day.
5. Nothing in Article 4 of this order shall apply to any goods vehicle being used to load or unload goods or burden at premises accessible only by use of that length of road.
6. Nothing in Article 4 of this order shall prevent any person from causing or permitting a vehicle to wait on any of the length of road referred to in that article for so long as may be necessary:
 - (a) to enable a person to board or alight from the vehicle;
 - (b) when the person in control of the vehicle is:
 - (i) required by law to stop; or
 - (ii) obliged to stop in order to avoid an accident; or
 - (iii) prevented from proceeding by any circumstances beyond their control, where the said circumstances relate directly to the movement or otherwise of traffic on the road.
 - (c) if the vehicle is in material use in connection with a funeral undertaking;
 - (d) If the vehicle is in the service of, or is being employed by, a security company and is in actual use while currency or other valuables:
 - (i) are being unloaded from the vehicle; or
 - (ii) having been unloaded from the vehicle, are being delivered; or
 - (iii) are being collected from premises adjacent to that road for loading onto the vehicle; or
 - (iv) having been collected from such premises, are being loaded onto the vehicle.
7. Nothing in Article 4 of this order shall prevent any person from causing or permitting a vehicle to wait in any of the length of road referred to in that article for so long as may be necessary:
 - (a) to enable a vehicle in actual use or materially necessary for such purpose (provided that the vehicle cannot conveniently be used for the same purpose in any other road) to be used in or adjacent to that road in connection with any:
 - (i) building operation;
 - (ii) demolition;
 - (iii) laying, erection, alteration, or repair of any sewer or of any main, pipe or apparatus for the supply of gas, water, or electricity, or of any electronic communications apparatus; or

- (iv) excavation, provided that, in the case of any of the operations described in sub-paragraphs (iii) and (iv) above, the said operation or operations are to be conducted within the extents of the road.
- (b) to enable a vehicle in actual use or materially necessary for such purpose (provided that the vehicle cannot conveniently be used for the same purpose in any other road) to be used in connection with the:
 - (i) cleansing or lighting of any road;
 - (ii) removal of any obstruction to traffic on any road;
 - (iii) maintenance or improvement or reconstruction of any road; or
 - (iv) placing, maintenance or removal of any traffic sign or parking meter on any road.
 - (c) if the vehicle, being a liveried vehicle, is in the service of, or is being employed by, a universal service provider, and is in actual use while postal packets:
 - (i) addressed to premises adjacent to that road are being unloaded from the vehicle;
 - (ii) addressed to premises adjacent to that road and having been unloaded from the vehicle, are being delivered;
 - (iii) are being collected from postal boxes or premises adjacent to that road for loading onto the vehicle; or
 - (iv) having been so collected, are then being loaded onto the vehicle.

PROHIBITION OF MOTOR VEHICLES

8. Save as provided in Articles 10, 11, 12 and 13 of this order, no person shall, except upon the direction or with the permission of a police constable in uniform, drive or permit to be driven, any motor vehicle on the lengths of road in Aberdeen specified in the second schedule hereto.
9. Save as provided in Article 8 of this order, no person shall, except upon the direction or with the permission of a police constable in uniform, drive or permit to be driven, any motor vehicle on the lengths of road in Aberdeen specified in the third schedule hereto.
10. Nothing in Article 8 of this order, shall prevent any person, from driving, or causing or permitting to be driven, any motor vehicle on any day, from midnight until 11.00am, and from 4.30pm until midnight, for the purpose of loading goods or burden to or from premises only accessible from that road.
11. Nothing in Article 8 of this order shall apply to a motor vehicle being used for police, ambulance, or fire and rescue purposes in pursuance of statutory powers or duties, and in any regard for those emergency purposes specified in Item 3 (4), Part 4, Schedule 3 of the Statutory Instrument 2016 No.362 "The Traffic Signs Regulations and General Directions 2016".
12. Nothing in Article 8 of this order, shall prevent any person, from driving, or causing or permitting, to be driven on that road any motor vehicle in actual use or materially necessary for such purpose (provided that the vehicle cannot conveniently be used for the same purpose in any other road):
 - (a) to be used in connection with the:
 - (i) cleansing or lighting of the road;
 - (ii) winter road maintenance purposes;
 - (iii) removal of any obstruction to traffic on any road;

- (iv) maintenance or improvement or reconstruction of any road; or
 - (v) placing, maintenance or removal of any traffic sign or parking meter on any road.
- (b) if the vehicle, being a liveried vehicle, is in the service of, or is being employed by, a universal service provider, and is in actual use while postal packets:
- (i) addressed to premises adjacent to that road are being unloaded from the vehicle;
 - (ii) addressed to premises adjacent to that road and having been unloaded from the vehicle, are being delivered;
 - (iii) are being collected from postal boxes or premises adjacent to that road for loading onto the vehicle; or
 - (iv) having been so collected, are then being loaded onto the vehicle
- (c) If the vehicle is in the service of, or is being employed by, a security company and is in actual use while currency or other valuables:
- (i) are being unloaded from the vehicle; or
 - (ii) having been unloaded from the vehicle, are being delivered; or
 - (iii) are being collected from premises adjacent to that road for loading onto the vehicle; or
 - (iv) having been collected from such premises, are being loaded onto the vehicle.
13. Nothing in Article 8 shall apply to a vehicle being used in the service of the local roads authority in pursuance of statutory powers or duties relevant to the specified length of road.
14. Nothing in Article 9 of this order, shall prevent any person, from driving, or causing or permitting to be driven, any motor vehicle for the purpose of local access to the lengths of road specified in the third schedule.

ONE WAY RESTRICTION (EXCEPT FOR PEDAL CYCLES)

15. Save as provided in Article 17 of this order, no person shall drive, or cause or permit to be driven, any vehicle on Schoolhill, Aberdeen, between its junctions with Belmont Street and Upperkirkgate, other than in an easterly direction.
16. Save as provided in Article 17 of this order, no person shall drive, or cause or permit to be driven, any vehicle on Upperkirkgate, Aberdeen, between its junctions with Schoolhill and Flourmill Lane, other than in an easterly direction.
17. Nothing in Articles 15 and 16 of this order shall apply to a pedal cycle.

ONE WAY RESTRICTION

18. No person shall drive, or cause or permit to be driven, any vehicle on Trinity Street, Aberdeen, other than in a north-easterly direction.

ROUTE / LANES FOR USE BY BUSES, GOODS VEHICLES, PEDAL CYCLES, TAXIS AND AUTHORISED VEHICLES ONLY

19. Save as provided by Articles 21 and 24, no person shall, except upon the direction or with the permission of a police constable in uniform, drive, or cause, or permit to be driven, any vehicle, on the lengths of road specified in the fourth schedule hereto.

20. Save as provided by Articles 21, 22, 23 and 24, no person shall, except upon the direction or with the permission of a police constable in uniform, drive, or cause, or permit to be driven, any vehicle, on the lengths of road specified in the fifth schedule hereto.
21. Nothing in Articles 19 and 20 shall apply: -
- (a) to a bus;
 - (b) to a goods vehicle;
 - (c) to a pedal cycle;
 - (d) to a taxi;
 - (e) to an authorised vehicle; or
 - (f) to a motor vehicle being used for police, ambulance, or fire and rescue purposes in pursuance of statutory powers or duties in an emergency situation, and in any regard for those emergency purposes specified in Item 3 (4), Part 4, Schedule 3 of the Statutory Instrument 2016 No.362 "The Traffic Signs Regulations and General Directions 2016";
22. Nothing in Article 20 of this order, provided a driver as soon as reasonably practicable causes the vehicle to leave the bus lane thereafter, shall prevent any person from causing or permitting a vehicle to enter the lengths of road referred to in that article for so long as may be necessary:
- (a) to enable a person to board or alight from the vehicle;
 - (b) to enable goods or burden to be loaded onto, or unloaded, from the vehicle;
 - (c) when the person in control of the vehicle is:
 - (i) required by law to stop; or
 - (ii) obliged to stop in order to avoid an accident; or
 - (iii) prevented from proceeding by any circumstances beyond their control, where the said circumstances relate directly to the movement or otherwise of traffic on the road.
 - (d) if the vehicle is in material use in connection with a funeral undertaking;
 - (e) if the vehicle is in the service of, or is being employed by, a security company and is in actual use while currency or other valuables:
 - (i) are being unloaded from the vehicle; or
 - (ii) having been unloaded from the vehicle, are being delivered; or
 - (iii) are being collected from premises adjacent to that road for loading onto the vehicle; or
 - (iv) having been collected from such premises, are being loaded onto the vehicle.
23. Nothing in Article 20 of this order, provided a driver as soon as reasonably practicable causes the vehicle to leave the bus lane thereafter, shall prevent any person from causing or permitting a vehicle to enter the lengths bus lanes referred to in that article for so long as may be necessary:
- (a) to enable a vehicle in actual use or materially necessary for such purpose (provided that the vehicle cannot conveniently be used for the same purpose in any other road) to be used in or adjacent to that road in connection with any:

- (i) building operation;
 - (ii) demolition;
 - (iii) laying, erection, alteration, or repair of any sewer or of any main, pipe or apparatus for the supply of gas, water, or electricity, or of any electronic communications apparatus; or
 - (iv) excavation, provided that, in the case of any of the operations described in sub-paragraphs (iii) and (iv) above, the said operation or operations are to be conducted within the extents of the road.
- (b) to enable a vehicle in actual use or materially necessary for such purpose (provided that the vehicle cannot conveniently be used for the same purpose in any other road) to be used in connection with the:
- (i) cleansing or lighting of any road;
 - (ii) removal of any obstruction to traffic on any road;
 - (iii) maintenance or improvement or reconstruction of any road; or
 - (iv) placing, maintenance or removal of any traffic sign or parking meter on any road.
- (c) if the vehicle, being a liveried vehicle, is in the service of, or is being employed by, a universal service provider, and is in actual use while postal packets:
- (i) addressed to premises adjacent to that road are being unloaded from the vehicle;
 - (ii) addressed to premises adjacent to that road and having been unloaded from the vehicle, are being delivered;
 - (iii) are being collected from postal boxes or premises adjacent to that road for loading onto the vehicle; or
 - (iv) having been so collected, are then being loaded onto the vehicle.
24. Nothing in Articles 19 and 20 of this order shall prevent any person from causing or permitting a vehicle to enter the lengths of road referred to in that article for so long as may be necessary:
- (a) to enable a vehicle in actual use or materially necessary for such purpose (provided that the vehicle cannot conveniently be used for the same purpose in any other road) to be used in or adjacent to that road in connection with any:
- (i) building operation;
 - (ii) demolition;
 - (iii) laying, erection, alteration, or repair of any sewer or of any main, pipe or apparatus for the supply of gas, water, or electricity, or of any electronic communications apparatus; or
 - (iv) excavation, provided that, in the case of any of the operations described in sub-paragraphs (iii) and (iv) above, the said operation or operations are to be conducted within the extents of the road.
- (b) to enable a vehicle in actual use or materially necessary for such purpose (provided that the vehicle cannot conveniently be used for the same purpose in any other road) to be used in connection with the:
- (i) cleansing, or lighting of any road;
 - (ii) winter road maintenance purposes;
 - (iii) removal of any obstruction to traffic on any road;
 - (iv) maintenance or improvement or reconstruction of any road; or
 - (v) placing, maintenance or removal of any traffic sign or parking meter on any road.

PROHIBITION OF TURNS

25. Save as provided by Articles 29 and 30, no person shall, except upon the direction or with the permission of a police constable in uniform, drive, or cause, or permit to be driven, any motor vehicle on Union Terrace, Aberdeen, so as to make a right turn onto Rosemount Viaduct.
26. Save as provided by Article 30, no person shall, except upon the direction or with the permission of a police constable in uniform, drive, or cause, or permit to be driven, any motor vehicle on Flourmill Lane, Aberdeen, so as to turn left onto Upperkirkgate.
27. Save as provided by Articles 29 and 30, no person shall, except upon the direction or with the permission of a police constable in uniform, drive, or cause, or permit to be driven, any motor vehicle on any of the roads specified in Column 1 of the sixth schedule to this Order so as to make a right turn onto the road specified opposite to such road in Column 2 of the said schedule.
28. Save as provided by Articles 29 and 30, no person shall, except upon the direction or with the permission of a police constable in uniform, drive, or cause, or permit to be driven, any motor vehicle on any of the roads specified in Column 1 of the seventh schedule to this Order so as to make a left turn onto the road specified opposite to such road in Column 2 of the said schedule.
29. Nothing in Articles 27 and 28 shall apply: -
 - (a) to a bus;
 - (b) to a taxi; or
 - (c) to an authorised vehicle.
30. Nothing in Articles 25, 26, 27 and 28 shall apply to a motor vehicle being used for police, ambulance, or fire and rescue purposes in pursuance of statutory powers or duties in an emergency situation, and in any regard for those emergency purposes specified in Item 3 (4), Part 4, Schedule 3 of the Statutory Instrument 2016 No.362 "The Traffic Signs Regulations and General Directions 2016".

DISABLED PARKING PLACES

31. Upon the coming into effect of this order, the length of road in Aberdeen specified in the eighth schedule hereto shall be added to the first schedule of "The Aberdeen City Council (Disabled Persons' Parking Places in Aberdeen City Centre) (Regulatory Parking Places) Order 2015".

PROHIBITION OF WAITING AND LOADING

32. Save as provided in Articles 33 and 34 of this order, no person shall, except upon the direction or with the permission of a police constable in uniform, cause or permit any vehicle to wait at any time on the length of road specified in the ninth schedule hereto.

33. Nothing in Article 32 of this order shall prevent any person from causing or permitting a vehicle to wait on any of the lengths of road referred to in that article for so long as may be necessary:

- (a) to enable a person to board or alight from the vehicle;
- (b) when the person in control of the vehicle is:
 - (i) required by law to stop; or
 - (ii) obliged to stop in order to avoid an accident; or
 - (iii) prevented from proceeding by any circumstances beyond their control, where the said circumstances relate directly to the movement or otherwise of traffic on the road.
- (d) if the vehicle is in material use in connection with a funeral undertaking;
- (e) If the vehicle is in the service of, or is being employed by, a security company and is in actual use while currency or other valuables:
 - (i) are being unloaded from the vehicle; or
 - (ii) having been unloaded from the vehicle, are being delivered; or
 - (iii) are being collected from premises adjacent to that road for loading onto the vehicle; or
 - (iv) having been collected from such premises, are being loaded onto the vehicle.

34. Nothing in Article 32 of this order shall prevent any person from causing or permitting a vehicle to wait in any of the lengths of road referred to in that article for so long as may be necessary:

- (a) to enable a vehicle in actual use or materially necessary for such purpose (provided that the vehicle cannot conveniently be used for the same purpose in any other road) to be used in or adjacent to that road in connection with any:
 - (i) building operation;
 - (ii) demolition;
 - (iii) laying, erection, alteration, or repair of any sewer or of any main, pipe or apparatus for the supply of gas, water, or electricity, or of any electronic communications apparatus; or
 - (iv) excavation, provided that, in the case of any of the operations described in sub-paragraphs (iii) and (iv) above, the said operation or operations are to be conducted within the extents of the road.
- (b) to enable a vehicle in actual use or materially necessary for such purpose (provided that the vehicle cannot conveniently be used for the same purpose in any other road) to be used in connection with the:
 - (i) cleansing or lighting of any road;
 - (ii) removal of any obstruction to traffic on any road;
 - (iii) maintenance or improvement or reconstruction of any road; or
 - (iv) placing, maintenance or removal of any traffic sign or parking meter on any road.
- (c) if the vehicle, being a liveried vehicle, is in the service of, or is being employed by, a universal service provider, and is in actual use while postal packets:

- (i) addressed to premises adjacent to that road are being unloaded from the vehicle;
- (ii) addressed to premises adjacent to that road and having been unloaded from the vehicle, are being delivered;
- (iii) are being collected from postal boxes or premises adjacent to that road for loading onto the vehicle; or
- (iv) having been so collected, are then being loaded onto the vehicle.

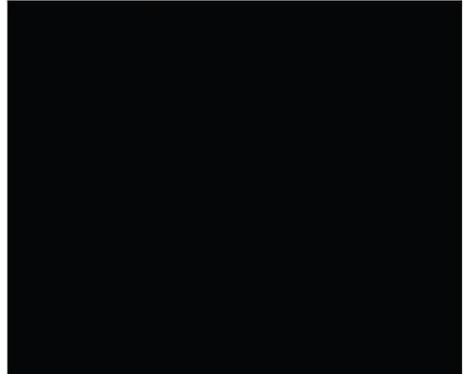
MANDATORY 20MPH SPEED LIMIT

35. No person shall drive, or cause or permit to be driven, any vehicle at a speed exceeding 20mph on the lengths of road specified in the tenth schedule hereto.

AMENDMENT

36. Upon the coming into effect of this order Articles 26 and 27 of "The Aberdeen City Council (Central Union Street / Belmont Quarter, Aberdeen) (Traffic Management) Order 2023" are hereby revoked.

Given by Aberdeen City Council on this Seventeenth Day of January in the year Two Thousand and Twenty-five.



First Schedule
(Loading Bay / Disabled Bay)

Schoolhill

South side, from 19 metres or thereby east of its junction with Belmont Street, eastwards for a distance of 27 metres or thereby.



Second Schedule

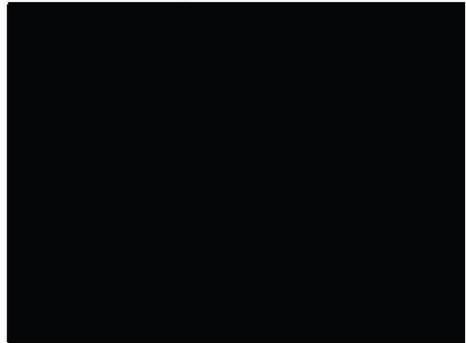
(‘Pedestrian and Cycle Zone - Prohibition of motor vehicles at any time, except for loading from midnight to 11.00am, and from 4.30pm to midnight)

Upperkirkgate

Between its junctions with Schoolhill and Flourmill Lane.

Schoolhill

Between its junctions with Back Wynd and Upperkirkgate



Third Schedule

(Prohibition of motor vehicles, except for access)

Unless otherwise stated, the length of road concerned is in its entirety.

- **Bath Street**
- **Bridge Place**
- **Bridge Street** – southbound carriageway between its junctions with Union Street and Bath Street.
- **Bridge Street** – northbound carriageway between its junction with Union Street and a point 36 metres or thereby south of its junction with Bath Street.
- **Broad Street** - between its junctions with Union Street and Queen Street.
- **Carmelite Lane**
- **Carmelite Street** – from its junction with the Green, southwards for a distance of 78 metres or thereby.
- **Carmelite Street** – inner two lanes, between its junction with Trinity Street and Guild Street.
- **Castle Street**
- **Concert Court**
- **Guild Street** – westbound carriageway between its junction with Exchange Street and its junction with the access that serves Aberdeen Railway Station.
- **Guild Street** – eastbound carriageway between its junctions with Carmelite Street and Stirling Street.
- **Exchange Lane**
- **Exchange Street**
- **Exchequer Row**
- **Green**
- **Hadden Street**
- **Imperial Place**
- **King Street** – between its junctions with Castle Street and East North Street.
- **Lodge Walk**
- **Marischal Street**
- **Market Street** – between its junctions with Guild Street and Union Street.
- **Queen Street**
- **Union Street** – between its junctions with Castle Street and the Adelphi.
- **Shiprow**
- **Shoe Lane**
- **Shore Brae**
- **Stirling Street**
- **Trinity Lane**
- **Trinity Street**



Fourth Schedule

(Bus Gates – Route for use by buses, goods vehicles, pedal cycles, taxis and authorised vehicles only)

Bridge Street

The southbound carriageway, between its junctions with Bath Street and Wapping Street.

Guild Street

The eastbound carriageway, between its junctions with Stirling Street and Exchange Street.

The eastbound carriageway, between its junctions with Exchange Street and Market Street.

The westbound carriageway, between its junctions with Exchange Street and Market Street.

Market Street

The northbound carriageway, between its junctions with Hadden Street and Union Street.

Union Street

The westbound carriageway, between its junctions with Market Street and Adelphi.

The westbound carriageway, from its junction with Market Street, westwards for a distance of 20 metres or thereby.

The eastbound carriageway, from its junction with Union Terrace, eastwards for a distance of 26 metres or thereby.



Fifth Schedule

(Bus Lanes - Lanes for use by buses, goods vehicles, pedal cycles, taxis and authorised vehicles only)

Bridge Street

Inside lane of the northbound carriageway, between a point 36 metres or thereby south of its junction with Bath Street and a point 19 metres or thereby north of its junction with College Street.

Outside lane of the northbound carriageway, from a point 11 metres or thereby south of its junction with Union Street, southwards for a distance of 18 metres or thereby.

Union Street

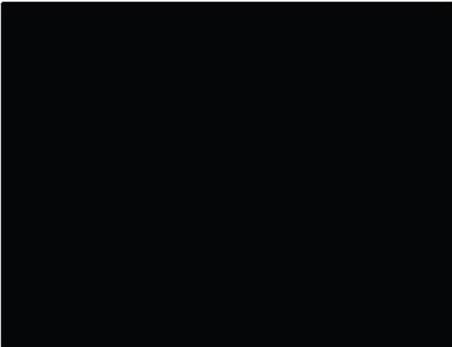
Central lane of the eastbound carriageway, from a point 15 metres or thereby west of its junction with Union Terrace, westwards for a distance of 17 metres or thereby.

Market Street

Inside lane of the northbound carriageway, from a point 18 metres or thereby south of its junction with Guild Street, southwards for a distance of 45 metres or thereby.

Trinity Quay

Outside westbound lane of Trinity Quay, from its junction with Market Street and a point 72 metres or thereby east of its junction with Market Street.



Sixth Schedule

(Prohibition of right turn – except for buses, goods vehicles, pedal cycles, taxis, and authorised vehicles)

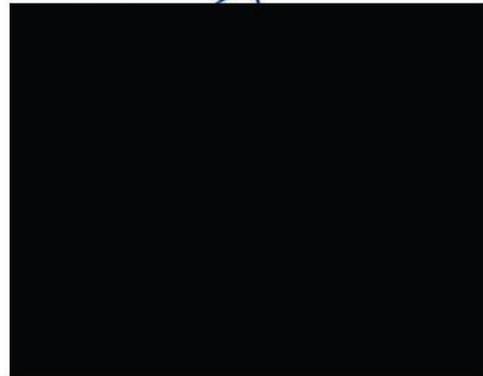
Column 1 (from)	Column 2 (to)
Bath Street	Bridge Street
St Catherine's Wynd	Union Street



Seventh Schedule

(Prohibition of left turn – except for buses, goods vehicles, pedal cycles, taxis, and authorised vehicles)

Column 1 (from)	Column 2 (to)
Adelphi	Union Street
Exchange Street	Guild Street
Market Street	Guild Street



Eighth Schedule
(Disabled Parking Bays)

Flourmill Lane

East side, from 2 metres or thereby north-west of its junction with Netherkirkgate, north-westwards for a distance of 18 metres or thereby.

Carmelite Lane

West side, from 12 metres or thereby south of its junction with Stirling Street, southwards for a distance of 7 metres or thereby.

Stirling Street

East side, from 7 metres or thereby south of its junction with Hadden Street, southwards for a distance of 7 metres or thereby.

Exchange Street

West side, from 8 metres or thereby south of its junction with Hadden Street, southwards for a distance of 7 metres or thereby.



Ninth Schedule

Guild Street

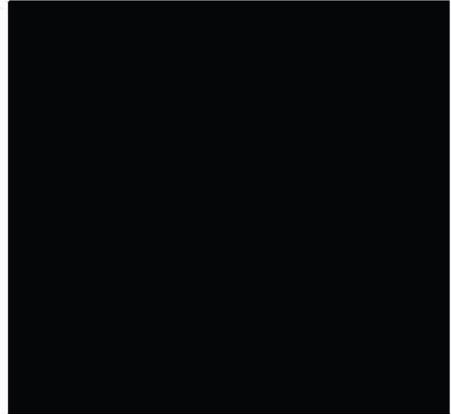
South side, between its junctions with the accesses that serve the Aberdeen Bus Station and the Aberdeen Railway Station.



Tenth Schedule
(Mandatory 20mph Speed Limit)

Unless otherwise stated, the length of road concerned is in its entirety.

- Bridge Street
- Carmelite Street
- College Street – from its junction with Bridge Street / Guild Street, southwards for a distance of 50 metres or thereby.
- Guild Street
- Wapping Street.



Eleventh Schedule
(Definition of an authorised vehicle)

A vehicle is an authorised vehicle for the purposes of this Order if it is –

- a private hire vehicle.





FIRST DIVISION, INNER HOUSE, COURT OF SESSION

[2025] CSIH 31
XA15/25

Lord President
Lady Wise
Lord Clark

OPINION OF THE COURT

delivered by LORD PENTLAND, the LORD PRESIDENT

in the appeal under paragraph 35 of Schedule 9
to the Road Traffic Regulation Act 1984

by

NORMAN ESSLEMONT

Appellant

against

ABERDEEN CITY COUNCIL

Respondent

Appellant: Burnet KC, Sutherland, sol adv; Burness Paull LLP
Respondent: Byrne KC; Morton Fraser MacRoberts LLP

9 December 2025

Introduction

[1] The appellant has been a retailer in Aberdeen City Centre for about 60 years. He is a partner in a retail business, Esslemonts, which has premises on Thistle Street. He was formerly managing director of Esslemont and Macintosh, a well-known department store on Union Street.

[2] The appellant challenges the respondent's decision of 17 January 2025 to make a traffic regulation order: the Aberdeen City Council (City Centre, Aberdeen) (Traffic Management) Order 2025 ("the TRO"). In broad outline, the effect of the TRO is to prohibit private vehicles from using certain defined sections of public roads in Aberdeen city centre. The TRO continued indefinitely the effect of an experimental order made two years previously. The appellant contends that it was not within the respondent's powers to make the TRO and that certain procedural requirements for making it were not complied with.

Background

[3] The respondent issued the Aberdeen City Centre Masterplan in 2015. One of the key aims of the Masterplan was to improve transport infrastructure in Aberdeen. This included the introduction of bus priority measures within the city and on its approaches. The Masterplan envisaged that some streets in the city centre would be reserved for bus, cycle and taxi use only. This was to be achieved, in part, by the installation of bus gates at key intersections of the city centre to ensure that buses were not adversely affected by traffic congestion.

[4] In February 2021, the respondent submitted a bid to the Scottish Government's Bus Partnership Fund. On 18 June 2021, the Scottish Ministers offered the respondent a grant of £12,030,000 to assist in the implementation of the bus priority measures in Aberdeen city centre, which included £10,000,000 for improvement works in the vicinity of South College Street. The grant was to be payable over the financial years 2021/2022 and 2022/ 2023.

[5] Subsequently, the respondent used the powers conferred on it by sections 9, 10 and 14 of the Road Traffic Regulation Act 1984 ("the RTRA") to make the Aberdeen City Council (City Centre, Aberdeen) (Traffic Management) (Experimental) Order 2023 on 24 July

2023 (“the ETRO”). An ETRO allows a local authority to introduce new traffic measures while simultaneously receiving feedback from the public and interested stakeholders on their effect. The ETRO came into force on 1 August 2023. Under section 9(3) of the RTRA, the ETRO had a testing period of 18 months. The respondent used the grant funding from the Scottish Government to carry out various street works to implement the bus prioritisation measures. These included the creation of bus priority and local access only restrictions on Union Street, Market Street, Guild Street and Bridge Street.

[6] The operation of the ETRO was strongly opposed by several stakeholders in the Aberdeen business community between 2023 and 2024. Those sections of the business community considered that the ETRO had led to a reduction in footfall and sales for businesses in the city centre.

[7] With the end of the testing period approaching, the respondent had to consider whether to make the ETRO permanent. Its officers submitted a report on the operation of the ETRO to the Net Zero, Environment and Transport Committee for consideration at its meeting on 11 June 2024. The report recorded that over 500 objections had been received to the ETRO. Notwithstanding those objections, the respondent’s officers recommended, following a review of all the relevant factors, that the committee should vote to make the ETRO permanent. The committee voted on the proposal and, by a majority of 6 to 3, it resolved to make the ETRO permanent, subject to two changes. The minority insisted, as they were entitled to do, that the vote be referred to a full sitting of the Council for determination.

[8] On 11 October 2024 the meeting of the full Council took place. Before the meeting, the respondent’s officers produced a second report: it maintained the recommendation to make the ETRO permanent. Officers were concerned that, if the ETRO was not made

permanent, there would be: (i) a detrimental impact on the improvements which had been experienced in bus journey times; and (ii) a risk that the grant might have to be repaid. The second report also responded to the "Common Sense Compromise". That referred to a compromise proposal put forward by local media, a consortium of businesses in the city centre and business representatives, including the appellant. Key amongst their suggestions was for the bus gates, which had been installed as part of the ETRO, to be removed. The respondent's officers considered that the "Common Sense Compromise", if implemented, would fundamentally undermine the purpose of the ETRO being made permanent.

[9] By a majority of 21 to 15, the recommendations of the respondent's officers in the second report were accepted by the full sitting of the Council: the ETRO was to be made permanent, subject to a modification removing the prohibition on right turns from Union Terrace to Rosemount Viaduct.

[10] That modification was, however, to prove problematic. In October 2024, the respondent's officers notified the Urgent Business Committee that the modification was incompetent. The committee met on 18 December 2024 to consider the officers' concerns. It allowed Adrian Watson, Chief Executive Officer of Aberdeen Inspired, who was also appearing on behalf of the Aberdeen & Grampian Chamber of Commerce, the Federation of Small Businesses and Our Union Street, to make representations against the ETRO being made permanent. Mr Watson requested that the council reconsider its position on making the ETRO permanent. Notwithstanding his submission, the committee, by a majority of 4 to 3, voted to remove the modification proposed in October while still making the ETRO permanent.

[11] The respondent formally made the TRO on 17 January 2025 and it came into effect on 31 January 2025.

[12] In January 2025, the appellant instructed his solicitors to write to the respondent contending that it could not convert the ETRO into a TRO unless it had obtained the consent of the Scottish Ministers. He also submitted that the respondent's decision to convert the ETRO into a TRO was outwith its powers. The respondent did not agree. This led to the appellant bringing this appeal.

The statutory framework

[13] Insofar as it applies to Scotland, section 1 of the RTRA permits the traffic authority for a road to make a TRO where it appears to the authority making the TRO that it is expedient to make it to achieve one or more of the purposes prescribed in sub-paragraphs (a) to (g). These purposes include facilitating the passage on the road or any other road of any class of traffic (including pedestrians) and preventing the use of the road by vehicular traffic of a kind which, or its use by vehicular traffic in a manner which, is unsuitable having regard to the existing character of the road or adjoining property.

[14] Section 9 permits a traffic authority to make an order "for the purposes of carrying out an experimental scheme of traffic control".

[15] In terms of section 122 the local authority has a duty to exercise its functions as traffic authority to "secure the expeditious, convenient and safe movement of vehicular and other traffic (including pedestrians) and the provision of suitable and adequate parking facilities on and off ... the road". In doing so, the authority should, so far as practicable, have regard to the matters set out in subsection (2)(a) to (d); these include "(a) the desirability of securing and maintaining reasonable access to premises".

[16] Paragraph 13(1) of Schedule 9 to the RTRA provides *inter alia* as follows:

“Where in the case of any order proposed to be made by a local authority ... under or by virtue of ... [section] 1 ... it is proposed to include in the order any provision—

(a) so prohibiting or restricting the use of a road as to prevent, for more than 8 hours in any period of 24 hours, access for vehicles of any class to any premises situated on or adjacent to that road or any other premises accessible for vehicles of that class from, and only from, that road...

then (except in a case to which sub-paragraph (2) ... applies ...) the order shall not be made without the consent of the [Scottish Ministers].”

[17] Sub-paragraph (2) provides *inter alia* as follows:

“This sub-paragraph applies where—

...
(b) ...

(i) no owner, lessee or occupier of premises such as are mentioned in sub-paragraph (1)(a) above has submitted to the authority any objection to the inclusion of that provision in the order...”

[18] Paragraph 34 of Schedule 9 provides *inter alia* as follows:

“(1) This Part of this Schedule applies—

(a) to any order made under or by virtue of any of the following provisions of this Act, namely, [section] 1...

...

(2) In this Part of this Schedule—

...

(b) “the relevant requirements”, in relation to any such order as is mentioned in sub-paragraph (1)(a) above, means any requirement of ... any provision of this Act with respect to such an order...”

[19] Paragraph 35 of Schedule 9 provides *inter alia* as follows:

“If any person desires to question the validity of, or of any provision contained in, an order to which this Part of this Schedule applies, on the grounds—

(a) that it is not within the relevant powers, or
(b) that any of the relevant requirements has not been complied with in relation to the order,

he may, within 6 weeks from the date on which the order is made, make an application for the purpose to the ... Court of Session.”

[20] Paragraph 36 of Schedule 9 provides *inter alia* as follows:

“(1) On any application under this Part of this Schedule the court –

...

(b) if satisfied that the order, or any provision of the order, is not within the relevant powers, or that the interests of the applicant have been substantially prejudiced by failure to comply with any of the relevant requirements, may quash the order or any provision of the order.”

[21] The Local Authorities' Traffic Orders (Procedure) (Scotland) Regulations 1999 prescribe the procedure to be followed in Scotland for making the main types of traffic and parking orders under the RTRA. The Regulations applied to the ETRO and the TRO.

[22] Regulations 4, 5, 6 and 7 govern the procedure to be followed before an order is made; they contain rules governing consultation, publication of proposals, giving notice of proposals and the making of objections to proposals.

[23] Regulation 8(1)(c) provides that before making any order to which the Regulations apply, the authority must hold a hearing where *inter alia*:

“...the order is one which requires the consent of the [Scottish Ministers] under paragraph 13 of Schedule 9 to the [RTRA], and [they have] notified the authority that [they] will not be willing to consider giving [their] consent to the making of the order until a hearing has been held by the authority in connection with it.”

[24] Regulation 8(2) provides that hearings are to be conducted by an independent reporter appointed by the Scottish Ministers.

[25] In terms of regulation 17(1)(b), the authority is obliged *inter alia* to notify in writing each person who has objected to the order in accordance with regulation 7 and has not withdrawn his objection, of the authority's reasons for making the order in spite of the objection.

[26] Regulation 20B(5) provides that any objection to the making of an experimental order is to be treated as if it was an objection to the order being made permanent where the effect

of the permanent order is to reproduce and continue in force indefinitely the provisions of a relevant experimental order.

The appellant's submissions

[27] These may be summarised as follows. The appellant has been substantially prejudiced by the respondent's procedural breach. The requirement to show substantial prejudice for the purposes of paragraph 36(1)(b) of Schedule 9 to the RTRA should not be construed too rigidly (*Walton v Scottish Ministers* [2012] UKSC 44; 2013 SC (UKSC) 67, 111 and 154). An applicant's interest may be established through his participation as a member of a campaign group (*Bruce v Moray Council* [2023] CSIH 11; 2023 SC 197, [29]).

[28] The respondent failed to comply with paragraph 13(1)(a) of Schedule 9. It required to seek the Scottish Ministers' consent before making the TRO, given that it prohibits, restricts and prevents access for more than 8 hours in a period of 24 hours to Union Street, Bridge Street, Guild Street and Market Street. Having failed to comply with that condition, the TRO ought to be quashed.

[29] The perceived risk of having to repay grant funding to the Scottish Ministers was an irrelevant consideration in making the TRO (*R (on the application of East Bergholt Parish Council) v Babergh DC* [2019] EWCA Civ 2200, 82 and 87). Separately, the making of the TRO to avoid such a risk was an improper purpose. The grant funding did not relate to any of the statutory purposes for making a TRO.

[30] The respondent did not act fairly in balancing the relevant considerations and attached undue weight to the benefits of making the TRO. Separately, the ETRO had not been experimental. The correspondence between the local public transport operators and the Chief Officer of Strategic Place Planning for the respondent demonstrated that he sought to

influence a particular outcome. The respondent had attached no (or insufficient) weight to the evidence and representations on economic impact stemming from the decline in footfall.

[31] Regulation 17 of the 1999 Regulations required the respondent to give reasons for its decision. Those reasons required to be adequate and intelligible. Notwithstanding that requirement, the respondent failed to explain: (i) the basis for the making of the TRO on 11 October 2024; and (ii) the basis upon which it had decided that it was expedient to include the modification for the TRO on 11 October 2024 and then subsequently remove it in December 2024.

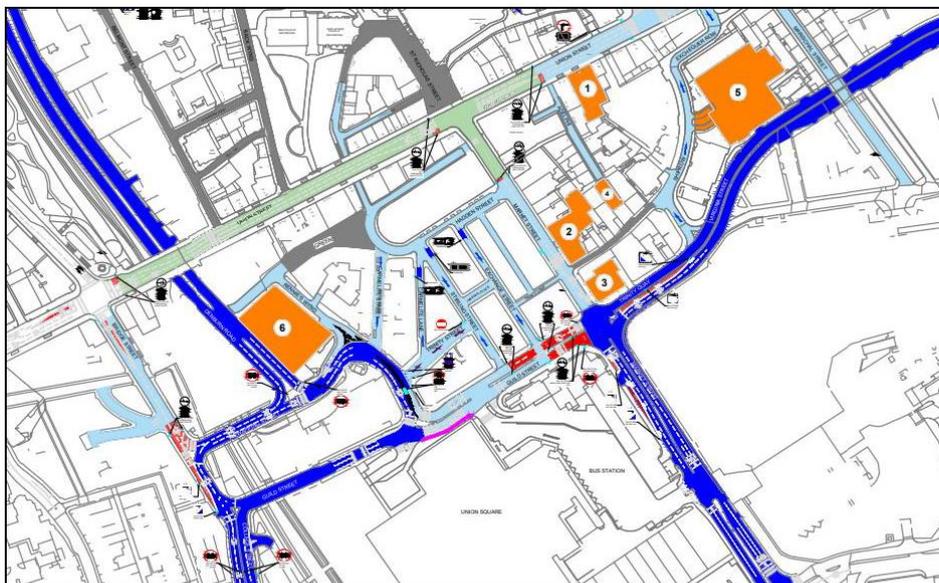
The respondent's submissions

[32] The following is a summary. The appellant failed to identify any substantial prejudice that he had suffered because consent had not been obtained from the Scottish Ministers. Substantial prejudice to the interests of the appellant was an essential prerequisite to the quashing of the TRO if any relevant requirements had been infringed (*Tomkins v City of London Corporation* [2020] EWHC 3357 (Admin), 66).

[33] The TRO restricted access to parts of Union Street, Bridge Street, Guild Street and Market Street for certain and specific times during the day. The appellant purported to represent the interests of several objectors on these roads. Paragraph 13(1)(a) of Schedule 9 requires an objector to be "on or adjacent" to the road subject to TRO and not located beyond the road affected by TRO. The use of the words "on or adjacent" emphasised the need for properties to be directly at the road subject to the restriction. In any event, it remained possible to access the premises of these objectors, notwithstanding the restrictions

of the TRO. The respondent provided the following table and plan illustrating and explaining how access remained viable:

1	Annie Mo's	39 Union Street	Kerbside can be accessed travelling west along Union Street with vehicles progressing through the bus gate if permitted or turning at Adelphi and heading eastbound along Union Street, if not.
2	Douglas Hotel	43-45 Market Street	Kerbside can be accessed by vehicles accessing the area through the Merchant Quarter, Hadden Street onto Market Street, and exiting south, down Market Street, while the same applies to that route vice versa.
3	Gamola Golf	53 Market Street	As above.
4	Core Citi Lets	19 Adelphi	Access travelling west along Union Street with vehicles turning in Adelphi and exiting towards the east.
5	NCP	6 Shiprow	Access from Shiprow with exit onto Virginia Street.
6	Q Park	Wapping Street	Access from Wapping Street onto Rennie's Wynd with exit onto Carmelite Street (B983)."



Excerpt of the TRO Plan. Objectors shown in orange and numbered. Traffic restrictions shown in red.

As all the premises upon which the appellant relied were unaffected by the TRO, the respondent did not require the consent of the Scottish Ministers.

[34] The TRO was made for a legitimate statutory purpose. Section 1 of the RTRA provided a traffic authority with a discretion to make an order where they considered it to be expedient for one of the purposes described in section 1(a) to (g). The purpose of making the TRO was to enhance bus reliability, travel time and to create an improved environment for pedestrians and cyclists. It was expedient for the respondent to have regard to the financial implications of making a TRO to promote amenity. What was a relevant consideration was a matter for the respondent, subject to the choice of consideration not being excluded by statute or being intrinsically irrational.

[35] The balancing of the various considerations over whether to make the TRO was a matter for the respondent, operating in the political field, and amenable to challenge on the basis of *Wednesbury* unreasonableness alone (*St Modwen Developments Ltd v Secretary of State for Communities and Local Government* [2017] EWCA Civ 1643, 6). Section 1 of the RTRA did not mandate the factors to be considered by the respondent (*R (Hurst) v London Northern District Coroner* [2007] UKHL 13; [2007] 2 AC 189, 57 – 58). The respondent had regard to the economic implications of the TRO and considered that it would promote business and the economy. What weight it gave to that consideration was a matter for the respondent, not the court. The TRO was issued further to a decision of a full sitting of the Council.

[36] The purpose of the ETRO was clearly explained. It was to trial the effect of bus priority routes. The respondent had regard to the objections made to the ETRO. The respondent explained its reasons for rejecting those objections. Likewise, the respondent had given cogent reasons in its email to objectors on 17 January 2025 to explain the basis for: (i) making the TRO; and (ii) the removal of the prohibition on right turns from Union

Terrace onto Rosemount Viaduct from the TRO. The respondent had complied with its duty under regulation 17(1)(b) of the 1999 Regulations.

Analysis and decision

[37] Under his first ground of challenge the appellant complains that the respondent failed to comply with a “relevant requirement” in relation to the Aberdeen City Council (City Centre, Aberdeen) (Traffic Management) Order 2025 because it did not seek the consent of the Scottish Ministers to the making of the order. The court is empowered to quash the TRO only if satisfied that the appellant has been substantially prejudiced by the failure (paragraph 36(1) of Schedule 9 to the Road Traffic Regulation Act 1984). The respondent contends that the appellant has not been substantially prejudiced because he has no legitimate interest in any property affected by the TRO; he is not an owner, lessee or occupier of any property on or adjacent to any of the roads whose use is restricted by the TRO. Moreover, he did not object to the making of the TRO.

[38] In our opinion, this argument takes too narrow and legalistic a view of the requirement to show that the appellant is substantially prejudiced by the alleged procedural failure. The reality is that the appellant has played a central role in organising and leading opposition to the making of the TRO on behalf of significant sections of the business community in Aberdeen. He was actively engaged in attempting to persuade the respondent to adopt the “Common Sense Compromise”. Acting on behalf of a significant number of local traders, he instructed solicitors to make representations to the respondent in opposition to the TRO. He used his profile as a person of standing in the business community to launch and promote a successful crowdfunding campaign; this attracted support from many local businesses. The appellant has a strong local connection and claims

that the TRO has adversely affected footfall and sales in the city centre where he has retail premises.

[39] In a not dissimilar manner to the appellant in *Bruce v Moray Council* [2023] CSIII 11; 2023 SC 197 he has demonstrated a genuine concern about what he contends is an illegality in the making of the TRO: *Bruce* [29]; and *Walton v Scottish Ministers* [2012] UKSC 44; 2013 SC (UKSC) 67, 86 – 89. Had the respondent sought the consent of the Scottish Ministers to the making of the TRO they might well have ordered a hearing before a reporter in which the appellant would have had the opportunity to participate in his capacity as a leading member of the local business community and the coordinator of the crowdfunding campaign. Given the nature and extent of the appellant's involvement in leading the campaign of opposition to the making of the TRO, we consider that he can properly claim to have been substantially prejudiced by the alleged procedural failure to obtain the consent of the Scottish Ministers to the making of the TRO. It cannot be said that his interest is trivial or minimal. On the contrary, it is substantial and undoubtedly genuine. For similar reasons we consider that the appellant is entitled to complain that there has been inadequate notification of the reasons for making the TRO.

[40] The requirement to obtain ministerial consent does not arise where no owner, lessee or occupier of premises such as are mentioned in sub-paragraph (1)(a) of paragraph 13 of Schedule 9 to the RTRA has submitted any objection to the inclusion of a provision of the type referred to in sub-paragraph (1). The type of provision referred to there is one:

“so permitting or restricting the use of a road as to prevent, for more than 8 hours in any period of 24 hours, access for vehicles of any class to any premises situated on or adjacent to that road”.

[41] The owners, lessees and occupiers of premises who are said to have submitted relevant objections for the purposes of sub-paragraphs (1) and (2) of paragraph 13 are

agreed to be those listed in the table set out in paragraph [33] above. Ultimately, the appellant did not dispute that each of those businesses could obtain access to their premises by the means described in the table.

[42] Paragraph 13(1)(a) is best understood by identifying that it contains several different elements, each of which requires to be satisfied before the provision is engaged. First, it covers provisions included in an order which prohibit or restrict the use of a road. Secondly, it applies to prohibitions or restrictions on the use of a road which prevent for more than 8 hours in any period of 24 hours access for vehicles. Thirdly, it makes clear that it refers to prohibitions or restrictions preventing access to any premises situated on or adjacent to the road or any other premises accessible to vehicles only from the road.

[43] There is no dispute that the TRO prohibits or restricts vehicular access to the roads specified therein for the requisite period. The respondent does not accept that any of the premises listed in the table set out in paragraph [33] above are on or adjacent to a part of a road which is affected by a restriction, but the argument can be tested on the hypothesis that at least some of them are so situated. The pivotal question then resolves itself into whether it can be said that access is prevented to any of the premises, the operative word in the provision being “prevent”. The appellant argued that any reduction in access was sufficient to amount to access being prevented within the meaning of the sub-paragraph. We do not agree that this is a tenable construction of the word “prevent” in the context of the statutory provision. The word should be given its ordinary meaning, which is to stop something from happening or someone from doing something. The *Oxford English Dictionary* (2nd ed. 1989) defines prevent as meaning: “to stop, keep, or hinder a person or other agent from doing something”. The normal meaning of the word does not extend to reducing the ability of a person to do something. The appellant’s construction would mean that any reduction in

access, however minor, would require the authority to obtain ministerial consent before making an order. This would be unrealistic and would impose excessive and disproportionate burdens on central government. It seems highly unlikely that the legislature intended that every TRO having any degree of impact on access to premises on or adjacent to an affected road would require ministerial consent before it could be made. We consider that the appellant has failed to show that access to any of the premises identified as relevant for the purposes of the appeal has been prevented. It follows that there has been no failure on the part of the respondent to comply with a relevant requirement. The first ground of appeal must, therefore, fail.

[44] The second ground of appeal concerns the appellant's contention that it was unlawful for the respondent to take account of the possibility that grant funding awarded by Transport Scotland for improvement works to South College Street might have to be repaid. It was argued that this was an irrelevant consideration and that the respondent pursued an improper purpose by resolving to make the TRO to avoid this perceived risk. To take account of this possibility was said to be inconsistent with the overarching statutory duty to secure the expeditious, convenient and safe movement of vehicular traffic.

[45] In our opinion, there is no merit in this ground of appeal. The respondent's reasons for making the TRO were set out in a statement of reasons. This explained that bus priority measures in the form of bus gates/lanes were being established in the city centre to enhance bus reliability and travel time. The removal of through traffic would establish an improved environment for pedestrians and cyclists. The key reasons for making the TRO were obviously to improve amenity and improve the city centre environment. The appellant's argument that in making the TRO the respondent was pursuing an improper purpose is fatally undermined when the true reasons for making the TRO are understood.

[46] In any event, the respondent had a wide discretion under the statutory scheme to do what it considered to be expedient in the public interest. Section 1(1) of the RTRA provides that the authority may make an order where it appears to it that making the order is expedient for a wide range of purposes concerned with improving and preserving amenity and promoting suitable use of the road by what the authority considers to be suitable and appropriate types of traffic. The use of the term “expedient” emphasises the width of the authority’s discretionary powers. The word implies no more than that the authority’s action should be appropriate in all the circumstances (*R (HSE) v Wolverhampton City Council* [2012] UKSC 34; [2012] 1 WLR 2264, 24 – 26). It is for the authority to consider for itself what it regards as expedient in this context and its decision on the point will only be capable of being interfered with where it can be demonstrated to be irrational (*R (Hurst) v London Northern District Coroner* [2007] UKHL 13; [2007] 2 AC 189, 57, citing *CREEDNZ Inc v Governor General* [1981] 1 NZLR 172, 183).

[47] As part of its decision on 11 October 2024 to make the TRO the respondent agreed that in accepting grant funding for the South College Street project, there was an expectation from the Scottish Ministers that bus priority measures would be installed within the city centre and, should this not be the case, the conditions of the grant award letter explicitly provided for Transport Scotland to recover funding from the respondent. The respondent noted that should the bus prioritisation measures implemented following the South College Street improvements change, there was a risk that Transport Scotland would seek to recover funding they had provided for the project. The Chief Officer of Finance advised that a contingent liability would have to be recorded in the respondent’s financial performance reports and that if the matter was not resolved by 31 March 2025 provision would have to be

made in the draft annual accounts for the repayment of grant funding. This would not be in accordance with the respondent's approved risk appetite statement.

[48] Given the width of the respondent's discretionary power to make an order if it appeared to it expedient so to do, there can be no doubt that it was at least reasonable for the respondent to have regard to the possibility that the grant funding might have to be repaid if the TRO was not made. Where a public authority has to consider whether to exercise a discretionary power to achieve a public objective, it is entitled and usually required to take into account the cost to the public of so doing, at least to the extent of considering whether the cost is proportionate to the aim sought to be achieved. The weight to be attached to cost considerations is a matter on which the authority should reach its own judgement. There is nothing at all surprising or in any sense improper about the respondent taking account of the financial implications for the public purse when considering whether to make the TRO. The respondent was entitled to have regard to the possibility that the grant funding might have to be repaid if the TRO was not made. This was quintessentially a matter for it to address in the exercise of its broad discretionary powers. It follows that the second ground of appeal must fail.

[49] Grounds 3 and 4 were only faintly argued at the summary roll hearing. They can be disposed of briefly. At its meeting on 11 June 2024 the respondent's Net Zero, Environment and Transport Committee gave detailed consideration to and rejected the "Common Sense Compromise" put forward by opponents of the bus priority measures. They considered the points made about decline in footfall. They had regard to the changing nature of city centres. They accepted officers' advice that, subject to two modifications, the Aberdeen City Council (City Centre, Aberdeen) (Traffic Management) (Experimental) Order 2023 should be made permanent. The respondent concluded that the TRO would promote business and the

local economy. It would support delivery of the Aberdeen City Centre Masterplan, contribute to regeneration of the city and maintain sufficient access for business and industry. These were all conclusions that the respondent was entitled to reach based on the wide range of evidence before it. The weight it chose to give to the various considerations was entirely a matter for the respondent.

[50] There is no substance in the point taken by the appellant to the effect that the Chief Officer of Strategic Place Planning actively sought to weight the June 2024 consultation report in favour of the benefits of making the ETRO permanent in order to influence a particular outcome. The point is immaterial. The challenged decision was taken by a committee of the respondent. There is no suggestion that the committee had regard to inaccurate information from bus operators. The appellant did not seek to argue that the statistical data provided by the bus operators was inaccurate to the extent that the respondent was misled into making an erroneous decision.

[51] As to the point that the ETRO was not truly experimental, this too must be rejected. The respondent explained the purpose of the ETRO when it came into force. In summary, its purpose was to trial in practice the effect of the bus priority routes. The report prepared for the June 2024 committee meeting explained that an experimental order was a method of introducing traffic management measures and simultaneously carrying out consultation on them. The respondent had regard to the objections arising from the experiment. As it was entitled to do, it elected not to accept the points made by the objectors.

[52] Ground 5 challenges the adequacy of reasons given by the respondent. The email sent to objectors explained that the decision to make the TRO was principally made at the meeting of the respondent on 11 October 2024. It stated that, after consideration of the objections via reports of 11 June and 2 October 2024 (to which hyperlinks were provided),

the respondent had resolved to make the TRO. The June report set out in detail the various objections and gave consideration to them. Any objector, on reading the email and the linked documents, would have appreciated that the objections had been rejected for the reasons given in the report.

[53] Separately, the respondent issued a statement of reasons to the public explaining why the TRO had been made and its effect. In particular, the statement of reasons explained that the prohibition of the right turn from Union Terrace to Rosemount Viaduct (except for buses, pedal cycles, taxis and authorised vehicles) was to discourage through traffic from routing via Union Street. Having regard to the totality of information made available to the objectors, the reasons for the respondent's decision to make the TRO were adequately explained.

[54] The appellant argued that the respondent had failed to explain the basis on which it decided that it was expedient to include the modification in the TRO in October 2024 but subsequently to decide in December that it was not necessary or expedient to do so. The email sent to objectors explained that the respondent's Urgent Business Committee on 18 December 2024 instructed that a modification be made to the decision taken on 11 October 2024, "to procedurally meet the [respondent's] decision" to consider the removal of the prohibition on right turns from Union Terrace onto Rosemount Viaduct. The email continued as follows:

"Accordingly, the proposal to remove the 'no right turns' prohibition at Union Terrace/Rosemount Viaduct from the permanent order will be subject to a statutory public consultation process in the first quarter of 2025, where any objections received against its removal will be reported to a relevant Council committee for consideration."

[55] We consider that this explanation would have been perfectly intelligible to any informed reader.

[56] For the reasons we have given, there is no merit in any of the grounds of appeal. The appeal is accordingly refused.

ABERDEEN CITY COUNCIL

COMMITTEE	Audit Risk and Scrutiny Committee
DATE	19 February 2026
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Report AC2518 – Corporate Landlord Responsibilities – Follow up Report
REPORT NUMBER	F&C/26/034
EXECUTIVE DIRECTOR	Family and Communities
CHIEF OFFICER	Corporate Landlord
REPORT AUTHOR	Scott Mathieson
TERMS OF REFERENCE	2.2

1. PURPOSE OF REPORT

- 1.1 On 28 July 2025 Report IA/AC2518 – Internal Audit Report – Corporate Landlord responsibilities was presented to committee. This report provides the committee with an update on progress made against the recommendations and comments on the extent to which the recommendations relate to budgetary considerations or to the need for updated procedures.

2. RECOMMENDATION(S)

That the Committee

- 2.1 Note the content of the report, progress made to date and actions still outstanding.

3. CURRENT SITUATION

- 3.1 On the 28th July a report was received by the Committee in relation to Corporate Landlord responsibilities [link to report](#).

The Committee resolved:-

- (i) to note that the Chief Officer – Corporate Landlord would provide information to Members outwith the meeting on the number of staff in the Corporate Landlord cluster and the current level of vacancies in each area;*
- (ii) to note that the Chief Officer – Corporate Landlord would provide a report to Committee in two cycles detailing the progress on the audit recommendations, including detail on which matters were related to available budget and which were in relation to the updating and reviewing of procedures; and*
- (iii) to otherwise note the report.*

- 3.2 As requested by committee, a Service update has been circulated which identified key current vacancies in the Corporate Landlord structures.

Review of properties which formed part of audit.

- 3.3 Following the presentation of the Audit report, a deep dive into the individual cases identified during the audit process was undertaken.
- 3.4 Of the 13 properties randomly selected by Internal Audit, the following was determined.
- 1 property closed in 2023 and this information should have been shared with the audit team.
 - 2 properties were under refurbishment during 2024/25 causing certification gaps due to challenges with access and temporarily ceasing maintenance. It is unclear if this information was shared with the audit team.
 - 1 property was still under contractor retention period, so checks weren't yet required. This information should have been shared with the audit team.
 - Some of the issues identified by Internal Audit related to system challenges (documentation was held across ACC property files and in specialist contractor portals), leading to documents not being provided to the audit team timeously.
 - The underperformance of one specialist contractor played a part in certification shortfall, however, addressing performance was in progress with one contractor being removed from contractual delivery. In this case, although the work orders were issued, certification documentation had not been issued timeously.
- 3.5 The remainder of this report presents an update on progress made, with reference made to any vulnerabilities identified being impacted by available budget. Although the recommendations are listed separately, there are interdependencies across recommendations, leading to slight delays in some of the recommendations being actioned.

Recommended actions from Internal Audit and Progress

- 3.6 **Recommended Action on Written Procedures:** *The Service should review and update its set of procedures to ensure the practical application of all corporate landlord requirements are clearly explained. Procedures should be scheduled for periodic review.*
- 3.7 The service agreed with this recommendation and set a time for completion of December 2025. It is accepted that undertaking some further analysis as outlined at para 3.4 led to slight delay in the completion of this recommendation, however, the insight gleaned will undoubtedly strengthen our amended procedures.
- 3.8 Documented procedures are in the process of either being developed or reviewed. To date procedures have been updated for the key 6 statutory maintenance contracts (Gas/ electric/ firefighting/ fixed wiring/ legionella and emergency lighting). They are in a shared file and are being shared with key personnel. This will be fully completed by the end of the financial year.

3.9 Recommended Action on Contracts:

- *The Service should ensure appropriately detailed call off contracts are in place for planned expenditure in respect of all of its statutory maintenance requirements.*
- *The Service should ensure all call-off contracts are formally recorded on the contracts register system.*
- *The Service should ensure it has documentary evidence demonstrating contractors have appropriate certification in line with contract specifications.*

3.10 The service agreed with this recommendation and set a time for completion of April 2026.

3.11 At the time the report was presented to Committee, Members were advised that compliant frameworks were being used and that a review group had been established to look at future procurement exercises and an improved means of recording the call off of individual contracts.

3.12 This work has progressed and current contract arrangements are being reviewed in preparation for a tender process as current framework come to an end. Due to the significant number of call off arrangements annually, a process has been developed to add call off contracts to Amelior on a scheduled basis by bulk upload, the Building Services team have been provided with a template to be maintained and sent to Commercial & Procurement quarterly for upload to the system.

3.13 This action is complete.

3.14 Recommended Action on Contractor Performance

- *The Service should review how KPI's are set and managed to ensure these provide assurance statutory timescales are being met.*
- *The Service should ensure spend and performance is monitored on a regular basis at a contract level. Issues should be addressed or escalated as appropriate*

3.15 The service agreed with this recommendation and set a time for completion of December 2025.

3.16 Without a long-term solution in contract management systems, the service had agreed to implement further oversight of control to contract KPI's and performance.

3.17 Current contractor KPI's are produced and reviewed at monthly contractor compliance meetings. Any performance issues are identified, discussed and escalated as required. KPI's will be further developed and included in the new framework process to aid the process in the longer term.

3.18 The initial work on this is complete although further opportunities to improve exist as works are re-tendered during 2026/2027. A form of monthly update report across all contracts is in development between Corporate Landlord/ Building Services and will be launched from April 2026.

3.19 **Recommended Action on Planning and Scheduling**

- *The Service should ensure management has comprehensive assurance that statutory maintenance is taking place as scheduled, and that safety critical defects/risks are being addressed promptly.*
- *The Service should review the efficiency and effectiveness of operating multiple systems / processes for the same purpose and consider integration/automation where possible.*

3.20 The service agreed with this recommendation and set a time for completion of April 2026.

3.21 Compliance with statutory requirements are ensured by a combination of onsite visits during inspection and maintenance, technical/statutory review of contractor's performance, certification and billing review and attendance at monthly contractor compliance meetings.

3.22 A single accessible current document/certification repository is being developed, which will be incorporated into the Confirm Suite. Confirm is the system used for managing public buildings.

3.23 Good progress has been made in finding a method to manage documents by amending existing systems. This is now live but will take 12 months for all current certification to be in place (for annual inspection information).

3.24 **Recommended Action on Documentation**

The Service should develop and implement an appropriate quality assurance system to ensure documentation is being reviewed in sufficient detail to provide assurance corporate landlord responsibilities are being discharged effectively.

3.25 The service agreed with this recommendation and set a time for completion of December 2025. The Service agreed to introduce additional oversight in this area and consider the introduction of a Quality Improvement Framework. Initial meetings to explore how a Framework might integrate with a corporate approach have been held, this work will continue over the coming year.

3.26 A scheduled Confirm system upgrade took place on Friday 23 January 2026. The update is expected to enhance system functionality and provide additional configuration options to help fully meet the recommendation.

3.27 Following the upgrade, the Service is now exploring options to develop Confirm to allow external contractors to have controlled direct access, enabling fully digital submission of invoices, statutory compliance documentation, and certification. It is thought that this will allow robust and auditable compliance records.

4. **FINANCIAL IMPLICATIONS**

4.1 There are no immediate financial consideration from the issues raised in this report. However, implementation of some recommendations—particularly those related to systems development, staff training, and potential resourcing

adjustments—may have future budget implications, which will be fully assessed and reported,

- 4.2 Since the report there has been in in year increase in the repair and maintenance budget for public buildings, due to previous shared contingency elements with the council’s budget being allocated to risk areas. This has increased the budget line from £3.3 million to around £4.8 million.
- 4.3 Balancing this budget remains challenging with an anticipated overspend in this area due to several factors out with individual officer’s control. Only works of an essential health and safety nature, works required to make properties wind and watertight and compliant are being or have been progressed.
- 4.4 £1.5m was spent on cyclical statutory compliance in 2024/25.
- 4.5 Current resourcing will continue to be monitored to ensure staffing and statutory systems capacity aligns with statutory and operational requirements.

5. LEGAL IMPLICATIONS

- 5.1 Failure to properly discharge Corporate Landlord responsibilities may expose the Council to legal and regulatory risk under the following key legislation:

Health and Safety at Work etc. Act 1974
 Landlord and Tenant Act 1985
 Fire (Scotland) Act 2005
 Gas Safety Regs 1998
 Electricity at Work Regulations 1989
 The Lifts Regulations 2016
 COSHH 2002

- 5.2 Risks may include enforcement action, civil liability, or reputational harm should statutory duties not be met.

6. ENVIRONMENTAL IMPLICATIONS

- 6.1 there are no new environmental implications in relation to this report.

7. RISK

Category	Risks	Primary Controls/Control Actions to achieve Target Risk Level	*Target Risk Level (L, M or H) *taking into account controls/control actions	*Does Target Risk Level Match Appetite Set?
Strategic Risk	None			
Compliance	Health and Safety risk is	As detailed in report	L	Yes

	checks aren't complete			
Operational	Buildings unable to operate due to failures	Measures as detailed in report	L	Yes
Financial	Increasing costs to manage estates	Measures as detailed in report	L	Yes
Reputational	Reputation management from building compliance and health and safety failure	Measures as detailed in the report	L	Yes
Environment / Climate	None			

8. OUTCOMES

- 8.1 There are no direct impacts, as a result of this report, in relation to the Council Delivery Plan, or the Local Outcome Improvement Plan Themes of Prosperous Economy, People or Place.
- 8.2 However, Internal Audit plays a key role in providing assurance over, and helping to improve, the Council's framework of governance, risk management and control. These arrangements, put in place by the Council, help ensure that the Council achieves its strategic objectives in a well-managed and controlled environment.

9. IMPACT ASSESSMENTS

Assessment	Outcome
Integrated Impact Assessment	<i>No assessment required. I confirm this has been discussed and agreed with Stephen Booth, Chief Officer Corporate Landlord on 21 Jan 2026.</i>
Data Protection Impact Assessment	Not required
Other	

10. BACKGROUND PAPERS

- 10.1 Report IA/AC2518 – Internal Audit Report – Corporate Landlord responsibilities

11. APPENDICES

12. REPORT AUTHOR CONTACT DETAILS

Name	Scott Mathieson
Title	Assistance Operation Manager
Email Address	SMathieson@aberdeencity.gov.uk

ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	19 February 2026
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Internal Audit Charter
REPORT NUMBER	IA/26/002
DIRECTOR	N/A
REPORT AUTHOR	Jamie Dale, Chief Internal Auditor
TERMS OF REFERENCE	2.1

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to seek agreement for the Internal Audit Charter.

2. RECOMMENDATION

- 2.1 It is recommended that the Committee approve the attached Internal Audit Charter. No changes have been made to the Charter approved in September 2025 by the Committee.

3. CURRENT SITUATION

- 3.1 GIAS require that Internal Audit sections have an Internal Audit Charter that includes specific requirements contained within the Standards. The Standards require that the organisation's Board (for the Council, the Audit, Risk and Scrutiny Committee) approves the Internal Audit Charter.
- 3.2 Standard 6.2 in Domain III of the GIAS (Governing the IA Service) requires the Chief Audit Executive to implement and maintain an Internal Audit Charter that sets out the purpose of Internal Audit, the Internal Audit mandate, organisational position, reporting relationships, scope of work, types of services, and other specifications in accordance with GIAS.
- 3.3 The draft Charter included as an appendix to this report satisfies this requirement.

4. FINANCIAL IMPLICATIONS

4.1 There are no direct financial implications arising from the recommendations of this report.

5. LEGAL IMPLICATIONS

5.1 There are no direct legal implications arising from the recommendations of this report.

6. ENVIRONMENTAL IMPLICATIONS

6.1 There are no direct environmental implications arising from the recommendations of this report.

7. RISK

7.1 The Internal Audit process considers risks involved in the areas subject to review. Any risk implications identified through the Internal Audit process are detailed in the resultant Internal Audit reports. Recommendations are made to address the identified risks and Internal Audit follows up progress with implementing those that are agreed with management. Where planned progress is not maintained, there is a risk that sufficient work will not have been completed by the end of the financial year for Internal Audit to complete its annual opinion on the Council's control environment.

8. OUTCOMES

8.1 The proposals in this report have no impact on the Council Delivery Plan.

8.2 However, Internal Audit plays a key role in providing assurance over, and helping to improve, the Council's framework of governance, risk management and control. These arrangements, put in place by the Council, help ensure that the Council achieves its strategic objectives in a well-managed and controlled environment.

9. IMPACT ASSESSMENTS

Assessment	Outcome
Impact Assessment	An assessment is not required because the reason for this report is to report Internal Audit's progress to Committee. As a result, there will be no differential impact, because of the proposals in this report, on people with protected characteristics.
Data Protection Impact Assessment	Not required

10. BACKGROUND PAPERS

10.1 There are no relevant background papers related directly to this report.

11. APPENDICES

11.1 Appendix A – Aberdeen City Council Internal Audit Charter.

12. REPORT AUTHOR DETAILS

Jamie Dale, Chief Internal Auditor
jamie.dale@aberdeenshire.gov.uk
(01467) 530988

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Internal Audit

Internal Audit Charter

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1 Executive Summary

1.1 Introduction and background

In line with section 7(1) of [The Local Authority Accounts \(Scotland\) Regulations 2014](#), local authorities must operate a professional and objective internal auditing service in accordance with recognised standards and practices in relation to internal auditing.

The [Public Bodies \(Joint Working\) \(Scotland\) Act 2014](#), which is the legislative framework for integrating adult health and social care extends the above requirement to Integration Joint Boards (IJB's).

The [Global Internal Audit Standards \(GIAS\)](#) came into effect in January 2025 and guide the worldwide professional practice of internal auditing and serve as a basis for evaluating and elevating the quality of the Internal Audit (IA) Service. [The Application Note: GIAS in the UK Public Sector](#) effective from 1 April 2025, provides a framework for the practice of IA in the UK Public Sector when taken together with the GIAS. The GIAS (UK Public Sector) sets out interpretations and requirements which need to be applied to the GIAS, to form a suitable basis for IA practice in the UK Public Sector.

In addition, CIPFA are releasing a new [Code of Practice for the Governance of IA in Local Government](#) to support compliance with the principles and standards in Domain III (Governing the IA Service) of the GIAS (UK Public Sector). Compliance with the Code must be included in an IA annual internal quality assessment with outcomes reported to committee from 2025/26 onwards and an external quality assessment, due every five years.

Standard 6.2 in Domain III of the GIAS (Governing the IA Service) requires the Chief Audit Executive¹ to implement and maintain an Internal Audit Charter that sets out the purpose of Internal Audit, the Internal Audit mandate, organisational position, reporting relationships, scope of work, types of services, and other specifications in accordance with the GIAS.

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

The IA Charter is reviewed and approved annually by the Council's Corporate Management Team (CMT) and the Audit, Risk and Scrutiny (AR&S) Committee.

2 Purpose of Internal Audit

In line with the GIAS, the purpose of the IA Service is to strengthen the Council's ability to create, protect, and sustain value by providing the Audit, Risk & Scrutiny Committee and Management with independent, risk-based, and objective assurance, advice, insight, and foresight.

The IA Service enhances the Council's:

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

¹ GIAS utilise the term Chief Audit Executive. Within the context of the Council, this is the Chief Internal Auditor.

The Council's IA Service is most effective when:

- Internal auditing is performed by competent professionals in conformance with the GIAS (UK Public Sector), which are set in the public interest.
- The IA Service is independently positioned with direct accountability to the Audit, Risk & Scrutiny Committee
- Internal auditors are free from undue influence and committed to making objective assessments.

IA assurance is provided by delivering an annual programme of audit work that independently and objectively assesses the design and effectiveness of the controls established to manage the Council's most significant risks.

The IA scope covers all Council activities, and the activities of external parties. The scope also covers the Aberdeen City IJB and the North East Scotland Pension Fund

2.1 Commitment to Adhering to the Global Internal Audit Standards (GIAS)

The Council's IA Service will adhere to the Institute of Internal Auditors' [International Professional Practices Framework](#), consisting of the [GIAS](#) and [Topical Requirements](#) as well as the [Application Note: Global Internal Audit Standards in the UK Public Sector](#). When expressing conformance with standards, the Council's IA Service will be clear that they are conforming with Global Internal Audit Standards in the UK Public Sector.

The Chief Audit Executive (CAE) will report annually to the Audit, Risk & Scrutiny Committee and Senior Management on the IA Service's conformance with the GIAS (UK Public Sector), which will be assessed through a quality assurance and improvement programme.

In addition to the primary purpose of Internal Audit, the CAE will also:

- Support the Chief Executive as the Council's statutory Head of Paid Service in the discharge of their duties.
- Support the Council's statutory Chief Finance Officer in undertaking their duties as the 'Section 95 Officer'.
- Support the Council's statutory Monitoring Officer in undertaking their duties but with no formal role in members compliance with their Code of Conduct.
- Advise on the internal control implications of system or process changes within the Council.
- Assist management in their duties to prevent and detect fraud and corruption.
- Aim to add value to the Council in all its undertakings.

3 Internal Audit Mandate

In line with the GIAS, the Council's IA Service receives its mandate from the Audit, Risk & Scrutiny Committee. The mandate sets out the authority, roles and responsibilities, and empowers the IA Service to provide the Audit, Risk & Scrutiny Committee and Senior Management with independent, risk-based, and objective assurance, advice, insight, and foresight.

The IA Service's authority is created by its direct reporting relationship to the Audit, Risk & Scrutiny Committee. Such authority allows for unrestricted access to the Audit, Risk & Scrutiny Committee.

The Audit, Risk & Scrutiny Committee authorises the IA Service to:

- Have full and unrestricted access to all functions, data, records, information, physical property, and personnel pertinent to carrying out IA audit responsibilities. Internal auditors are accountable for confidentiality and safeguarding records and information.
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques, and issue communications to accomplish the function's objectives.
- Obtain assistance from the necessary personnel of the Council, and other organisations and services from within or outside the Council to complete internal audit services.

3.1 Handling Information

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

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

4 Definitions

Internal Audit adopted the following definitions set out in the GIAS 2024 Glossary:

Internal Audit	An independent, objective assurance and advisory service designed to add value and improve an organisation's operations. It helps an organisation achieve its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.
Assurance services	Services through which internal auditors perform objective assessments to provide assurance. The nature and scope of assurance services are determined by Internal Audit.
Advisory services	Services through which internal auditors provide advice to an organisation's stakeholders without providing assurance or taking on management responsibilities. The nature and scope of advisory services are subject to agreement with relevant stakeholders.
Independence	Freedom from conditions that threaten the ability of the internal audit activity to carry out internal audit responsibilities in an unbiased manner.

In addition, key roles within the Council are fulfilled as follows:

- Chief Audit Executive 'CAE' is fulfilled by the Chief Internal Auditor (CIA).
- The 'Chief Financial Officer' is fulfilled by the Council's Chief Officer - Finance (designated statutory Section 95 Officer).
- Senior Management is fulfilled by the Council's Corporate Management Team.
- The 'Board' role is undertaken by the Audit, Risk & Scrutiny Committee.

5 Independence, Position, and Reporting Relationships

The GIAS state that the CAE should be positioned at a level in the Council that enables IA services and responsibilities to be performed without interference from management, thereby establishing the independence of the IA Service.

The CAE reports functionally to the Audit, Risk & Scrutiny Committee and administratively (for example, day-to-day operations) to the Director of Corporate Services. This positioning provides the organisational authority and status to bring matters directly to Senior Management and escalate matters to the Audit, Risk & Scrutiny Committee when necessary, without interference and supports the internal auditors' ability to maintain objectivity.

The CAE is required to confirm to the Audit, Risk & Scrutiny Committee, at least annually, the organisational independence of the IA Service. If the governance structure does not support organisational independence, the CAE must document the characteristics of the governance structure limiting independence and any safeguards employed to achieve the principle of independence. The CAE must disclose to the Audit, Risk & Scrutiny Committee any interference internal auditors encounter related to the scope, performance, or communication of internal audit work and results. The disclosure will include communicating the implications of such interference on the IA Service's effectiveness and ability to fulfil its mandate.

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

Where IA also has responsibility for non-audit activities, the GIAS require that appropriate arrangements are established to avoid conflicts of interest.

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

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

6 IA Authority and Audit, Risk & Scrutiny Committee Oversight

To establish, maintain, and ensure that the Council's IA Service has sufficient authority to fulfil its duties, the Audit, Risk & Scrutiny Committee will:

- Discuss with the CAE and senior management the appropriate authority, role, responsibilities, scope, and services (assurance and/or advisory) of the IA Service.
- Ensure the CAE has unrestricted access to and communicates and interacts directly with the Audit, Risk & Scrutiny Committee, including in private meetings without senior management present.
- Discuss with the CAE and senior management other topics that should be included in the IA charter.

-
- Participate in discussions with the CAE and senior management about the 'essential conditions' described in the GIAS which establish the foundation that enables an effective IA Service.
 - Approve the IA charter, which includes the internal audit mandate and the scope and types of IA services.
 - Review the IA charter annually with the CAE to consider changes affecting the organisation, such as the employment of a new CAE or changes in the type, severity, and interdependencies of risks to the organisation; and approve the internal audit charter annually.
 - Approve the risk-based IA plan.
 - Provide input to the IA Service's human resources administration and budgets.
 - Provide input to senior management on the appointment and removal of the CAE, ensuring adequate competencies and qualifications and conformance with the GIAS (UK Public Sector).
 - Review and provide input to senior management on the CAE's performance.
 - Receive communications from the CAE about the IA Service including its performance relative to its plan.
 - Ensure a Quality Assurance and Improvement Programme (QAIP) has been established and review the results annually.
 - Make appropriate inquiries of senior management and the CAE to determine whether scope or resource limitations are inappropriate.

7 IA Objectives and Responsibilities

7.1 Ethics and Professionalism

The CAE will ensure that internal auditors:

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

7.2 Objectivity

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

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

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

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

Internal auditors will:

- Disclose impairments of independence or objectivity, in fact or appearance, to appropriate parties and at least annually, such as the CAE, the Audit, Risk & Scrutiny Committee, Management, or others.
- Exhibit professional objectivity in gathering, evaluating, and communicating information.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid conflicts of interest, bias, and undue influence.

7.3 Managing the Internal Audit Service

The CAE has the responsibility to:

- At least annually, develop a risk-based IA plan that considers the input of the Audit, Risk & Scrutiny Committee, and senior management.
- Discuss the plan with the Audit, Risk & Scrutiny Committee and senior management and submit the plan to the Audit, Risk & Scrutiny Committee for review and approval.
- Communicate the impact of resource limitations on the IA plan to the Audit, Risk & Scrutiny Committee and senior management.
- Review and adjust the IA plan, as necessary, in response to changes in the Council's business, risks, operations, programmes, systems, and controls.
- Communicate with the Audit, Risk & Scrutiny Committee and senior management if there are significant interim changes to the IA plan.
- Ensure IA engagements are performed, documented, and communicated in accordance with the GIAS.

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- Follow up on audit findings and confirm the implementation of recommendations or action plans and communicate the results of IA services to the Audit, Risk & Scrutiny Committee and senior management and for each audit as appropriate.
 - Ensure the IA Service collectively possesses or obtains the knowledge, skills, and other competencies and qualifications needed to meet the requirements of the GIAS and fulfil the IA mandate.
 - Identify and consider trends and emerging issues that could impact the Council and communicate these to the Audit, Risk & Scrutiny Committee and senior management as appropriate.
 - Consider emerging trends and successful practices in internal auditing.
 - Establish and ensure adherence to methodologies designed to guide the IA Service.
 - Ensure adherence to the Council's relevant policies and procedures unless such policies and procedures conflict with the IA charter or GIAS. Any such conflicts will be resolved or documented and communicated to the Audit, Risk & Scrutiny Committee and senior management.
 - Coordinate activities and consider relying upon the work of other internal and external providers of assurance and advisory services. If the CAE cannot achieve an appropriate level of coordination, the issue must be communicated to senior management and if necessary escalated to the Audit, Risk & Scrutiny Committee.

7.4 Communication with the Audit, Risk & Scrutiny Committee and Senior Management

The CAE will report to the Audit, Risk & Scrutiny Committee and senior management on:

- The IA Service's mandate.
- The IA plan and performance.
- Significant revisions to the IA plan.
- Any issues with the budget for the IA Service.
- Potential impairments to independence, including relevant disclosures as applicable.
- Results from the QAIP, which include the IA Service's conformance with the GIAS (UK Public Sector) and action plans to address the IA Service's deficiencies and opportunities for improvement.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other areas of focus for the Audit, Risk & Scrutiny Committee that could interfere with the achievement of the Council's strategic objectives.
- Outcomes of assurance and advisory services.
- Resource requirements.
- Management's responses to risk that the IA Service determines may be unacceptable or acceptance of a risk that is beyond the Council's risk appetite.

8 Management Responsibilities

Management will cooperate with IA on audits and provide access to records, systems and personnel as required within a reasonable timeframe following the request.

Assurance engagements will be subject to a written terms of reference and report. Advisory and agile engagements will be agreed in writing (for example via email or written terms of reference) and a relevant output agreed. As a minimum, these will be shared with the relevant Director, wider CMT, the Chair of the Audit, Risk & Scrutiny Committee, and Chair of the relevant Policy Committee.

Draft reports will be shared with management for agreement as to the factual accuracy of draft findings raised, and awareness of IA recommendations designed to address the control weaknesses identified.

It is management's responsibility to agree to either:

- Accept and fully implement all IA recommendations.
- Agree to address the risks identified by adopting an alternative approach to that recommended by IA.
- Accept the risk associated with not implementing IA recommendations with supporting rationale.

When a draft audit report is delivered, management are required to provide agreed management actions to all IA findings raised and supporting recommendations, including specifying responsibility and anticipated dates for the implementation of these actions, in line with timeframes specified.

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

The GIAS also require the CIA to report to both senior management and the Audit, Risk & Scrutiny Committee, details of management's response to risk that (based on the CAE's judgement) may be unacceptable to the Council. Consequently, any IA findings where management has accepted the risk will be highlighted at Committee.

9 Scope and Types of Internal Audit Services

The scope of IA services covers the entire breadth of the Council and the IJB, and includes all activities, assets, and personnel as set out across the Council.

The scope of IA activities also encompasses but is not limited to objective examinations of evidence to provide independent assurance and advisory services to the Audit, Risk & Scrutiny Committee and management on the adequacy and effectiveness of governance, risk management, and control processes for the Council.

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

IA engagements may include evaluating whether:

- Risks relating to the achievement of the Council's strategic objectives are appropriately identified and managed.

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- The actions of Council officers, directors, management, employees, and contractors or other relevant parties comply with the Council's policies, procedures, and applicable laws, regulations, and governance standards.
 - The results of operations and projects/programmes are consistent with established goals and objectives.
 - Operations and projects/programmes are being carried out effectively, efficiently, ethically, and equitably.
 - Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact the Council.
 - The integrity of information and the means used to identify, measure, analyse, classify, and report such information is reliable.
 - Resources and assets are acquired economically, used efficiently and sustainably, and protected adequately.

10 Internal Audit Work Programme

The CAE will submit an annual IA work programme to the Audit, Risk & Scrutiny Committee for review and approval which is designed to support provision of an evidence-based annual opinion.

This work programme will be developed, based on a risk-based prioritisation of the audit universe including input from a range of key stakeholders including Elected Members, the Chief Executive, CMT, and the Corporate Risk Management Steering Group.

The nature of evolving risks makes it likely that the audit assignments included in the work programme may be subject to change. Consequently, the IA work programme will be reviewed continually and any proposed changes to the approved plan (due to emerging risks, suspected fraudulent activity or other factors that result in changes to planned IA activities) will be communicated to the Audit, Risk & Scrutiny Committee.

10.1 Other Sources of Assurance – Coordination and Reliance

The GIAS requires the CAE to coordinate with internal and external assurance providers to consider relying on their work and minimise duplication of effort. This is achieved via discussions and ongoing risk assessments with External Audit, and other sources of external assurance, where relevant.

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

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

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

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

11 Resourcing

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

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

- Where there are constraints on resources, the CAE must develop a resource strategy which suggests practical approaches for consideration by the relevant Committee
- The CAE must inform the Committee of the impact of insufficient resources and any options available to mitigate that impact
- Where there are constraints, the CAE must set out in the Charter what alternative approaches apply to the IA service, and then seek to manage financial, human and IT resources within those constraints.

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

The Council's IA Strategy and IA Plan will include the resource requirements needed to deliver proposed audit engagements. It will also include a contingency to address unplanned work. Should circumstances arise during the year that suggests that available resource levels will fall or appear to be falling below the level required to deliver the IA work programme, the CAE will communicate the impact of resource limitations to both the CMT and the Audit, Risk & Scrutiny Committee.

12 Fraud and Corruption

Management is responsible for the prevention and detection of fraud or corruption. IA will assist management in the discharge of this responsibility. However this Service has not been delegated to IA; the Council operating a Counter Fraud Team who sit within Finance.

Audit procedures alone cannot guarantee that all fraud or corruption will be detected. IA will, however, exercise an appropriate level of professional scepticism during audit work and be alert to risks and exposures that could allow the opportunity for fraud or corruption to occur.

Discovery of any fraud or irregularity that affects the Council should be reported immediately to the CAE.

13 Follow-up of agreed audit actions

IA will follow up and report progress with implementation of agreed management actions to support closure of findings raised, and ultimate addressing of risks, on a regular basis and seek to confirm that they have been undertaken within agreed timescales.

The follow up process involves review of evidence provided by management to support implementation of agreed management actions, and proportionate re-performance of testing to confirm that they have been effectively implemented and sustained.

14 Quality Assurance & Improvement Programme

The CAE is responsible for ensuring the quality of audit work and that the IA Service is continuously seeking improvement. The GIAS defines quality as a combined measure of conformance with the GIAS and achievement of the IA Service's performance objectives.

The CAE will develop, implement, and maintain a Quality Assurance & Improvement Programme (QAIP) that covers all aspects of the IA Service. The QAIP will include external and internal assessments of the IA Service's conformance with the GIAS (UK Public Sector), as well as performance measurement to assess the IA Service's progress towards achievement of its objectives and promotion of continuous improvement. If applicable, the assessment must include plans to address the IA Service's deficiencies and opportunities for improvement.

The CAE will report annually to the Audit, Risk & Scrutiny Committee and Senior Management on progress with the IA Service's QAIP, including the results of internal assessments (ongoing monitoring and periodic self-assessments) and external assessments.

External assessments will be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the Council, whose qualifications must meet the requirements set out in the GIAS (UK Public Sector).

Compliance with the CIPFA [Code of Practice for the Governance of IA in Local Government](#) must also be reflected in internal and external quality assessments.

Any concerns by Senior Management or the AR&S Committee on the performance of the IA Service would be handled through the provisions of the Shared Service Agreement that governs the provision of the work.

15 Annual Reporting and Overall Conclusion

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

- Conclude on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control (annual opinion).
- Include a statement on conformance with the GIAS (UK Public Sector) and the results of the QAIP.

The annual opinion for the Council is based on the outcomes of the audits included in the IA work programme, progress with implementation of agreed management actions, the result of any other IA activities that have identified control gaps that are exposing the Council to risk, and the professional judgement of the CAE.

16 Communication and Reporting

The CAE is professionally responsible and accountable to the Audit, Risk & Scrutiny Committee for IA performance, and will report regularly on the progress with, and results of its work to the Committee enabling review and scrutiny of the following areas as required by the GIAS:

Report	Frequency
1. IA Annual Charter	Annually
2. IA Work Programme	Annually
3. IA work programme delivery progress, including: <ul style="list-style-type: none"> • Timetable of planned work. • Audit outcomes. • Key themes and root causes. • Management's acceptance of risk. 	Each Cycle
4. Proposed changes to the IA work programme	As Required
5. Open and overdue IA management actions	Each Cycle
6. Annual overall conclusion (opinion), including: <ul style="list-style-type: none"> • Effectiveness of the governance, risk management and control framework. • IA independence. • Conformance with the GIAS (UK Public Sector) including ethics and professionalism requirements. 	Annually
7. Internal Quality Assessments <ul style="list-style-type: none"> • Results including corrective action plans. • Compliance with the CIPFA Code of Practice for the Governance of IA in Local Government. 	Annually
8. External Quality Assessment <ul style="list-style-type: none"> • Scope and plan. • Results including corrective action plans. • Compliance with the CIPFA Code of Practice for the Governance of IA in Local Government. 	Every Five Years

17 Approval and Changes to the IA Mandate and Charter

The IA Charter is subject to approval by the Chief Executive and Audit, Risk & Scrutiny Committee on an annual basis. Approval is evidenced through CMT and Audit, Risk & Scrutiny Committee meeting papers and minutes.

Circumstances may justify a follow-up discussion between the CAE, the Audit, Risk & Scrutiny Committee, and senior management on the IA mandate or other aspects of the IA charter. Such circumstances may include but are not limited to:

- A significant change in the GIAS.
- A significant reorganisation within the Council.
- Significant changes in the CAE, the Audit, Risk & Scrutiny Committee, and/or senior management

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- Significant changes to the Council's strategies, objectives, risk profile, or the environment in which the Council operates.
 - New laws or regulations that may affect the nature and/or scope of IA services.

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ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	19 February 2026
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Internal Audit Update Report
REPORT NUMBER	IA/26/001
DIRECTOR	N/A
CHIEF OFFICER	Jamie Dale, Chief Internal Auditor
REPORT OFFICER	Jamie Dale, Chief Internal Auditor
TERMS OF REFERENCE	2.3

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to provide the Committee with an update on Internal Audit's work since the last update. Details are provided of the progress against the approved Internal Audit plans, audit recommendations follow up, and other relevant matters for the Committee to be aware of.

2. RECOMMENDATIONS

It is recommended that the Committee:

- 2.1 Note the progress of the Internal Audit Plan;
- 2.2 Note the progress that management has made with implementing recommendations agreed in Internal Audit reports.

3. CURRENT SITUATION

- 3.1 Internal Audit's primary role is to provide independent and objective assurance on the Council's risk management, control and governance processes. This requires a continuous rolling review and appraisal of the internal controls of the Council involving the examination and evaluation of the adequacy of systems of risk management, control and governance, making recommendations for improvement where appropriate. Reports are produced relating to

each audit assignment and summaries of these are provided to the Audit Committee.

4. FINANCIAL IMPLICATIONS

4.1 There are no direct financial implications arising from the recommendations of this report.

5. LEGAL IMPLICATIONS

5.1 There are no direct legal implications arising from the recommendations of this report.

6. ENVIRONMENTAL IMPLICATIONS

6.1 There are no direct environmental implications arising from the recommendations of this report.

7. RISK

7.1 The assessment of risk contained within the table below is to be consistent with the Council’s Risk Appetite Statement.

Category	Risks	Primary Controls/Control Actions to achieve Target Risk Level	*Target Risk Level (L, M or H) *taking into account controls/control actions	*Does Target Risk Level Match Appetite Set?
Strategic Risk	Ability of the Council to meet its strategic objectives	The Internal Audit process considers strategic risks involved in the areas subject to review. Any risk implications identified through the Internal Audit process are detailed in the resultant Internal Audit reports. Recommendations, consistent with the Council’s Risk Appetite Statement, are made to address the identified risks and Internal Audit follows up progress with implementing those	M	Yes

		that are agreed with management. Those not implemented by their agreed due date are detailed in the attached appendices.		
Compliance	Council does not comply with relevant internal policies and procedures and external guidance.	The Internal Audit process considers compliance risks involved in the areas subject to review. Any risk implications identified through the Internal Audit process are detailed in the resultant Internal Audit reports. Recommendations, consistent with the Council's Risk Appetite Statement, are made to address the identified risks and Internal Audit follows up progress with implementing those that are agreed with management. Those not implemented by their agreed due date are detailed in the attached appendices.	L	Yes
Operational	Failure of the Council to deliver agreed services.	The Internal Audit process considers operational risks involved in the areas subject to review. Any risk implications identified through the Internal Audit process are detailed in the resultant Internal Audit reports. Recommendations, consistent with the Council's Risk Appetite Statement, are made to address the identified risks and Internal Audit follows	L	Yes

		up progress with implementing those that are agreed with management. Those not implemented by their agreed due date are detailed in the attached appendices.		
Financial	Financial failure of the Council, with risks also to credit rating.	The Internal Audit process considers financial risks involved in the areas subject to review. Any risk implications identified through the Internal Audit process are detailed in the resultant Internal Audit reports. Recommendations, consistent with the Council's Risk Appetite Statement, are made to address the identified risks and Internal Audit follows up progress with implementing those that are agreed with management. Those not implemented by their agreed due date are detailed in the attached appendices.	L	Yes
Reputational	Impact of performance or financial risk on reputation of ACC.	The Internal Audit process considers reputational risks involved in the areas subject to review. Any risk implications identified through the Internal Audit process are detailed in the resultant Internal Audit reports. Recommendations, consistent with the Council's Risk Appetite Statement, are made to address the	L	Yes

		identified risks and Internal Audit follows up progress with implementing those that are agreed with management. Those not implemented by their agreed due date are detailed in the attached appendices.		
Environment / Climate	Service delivery impacting negatively on City net zero targets.	The Internal Audit process considers environmental/climate risks involved in the areas subject to review. Any risk implications identified through the Internal Audit process are detailed in the resultant Internal Audit reports. Recommendations, consistent with the Council's Risk Appetite Statement, are made to address the identified risks and Internal Audit follows up progress with implementing those that are agreed with management. Those not implemented by their agreed due date are detailed in the attached appendices.	L	Yes

8. OUTCOMES

- 8.1 The proposals in this report have no impact on the Council Delivery Plan.
- 8.2 However, Internal Audit plays a key role in providing assurance over, and helping to improve, the Council's framework of governance, risk management and control. These arrangements, put in place by the Council, help ensure that the Council achieves its strategic objectives in a well-managed and controlled environment.

9. IMPACT ASSESSMENTS

Assessment	Outcome
Impact Assessment	An assessment is not required because the reason for this report is to report Internal Audit's progress to Committee. As a result, there will be no differential impact, as a result of the proposals in this report, on people with protected characteristics.
Data Protection Impact Assessment	Not required

10. BACKGROUND PAPERS

10.1 There are no relevant background papers related directly to this report.

11. APPENDICES

11.1 Appendix A – Internal Audit Update Report

12. REPORT AUTHOR CONTACT DETAILS

Name	Jamie Dale
Title	Chief Internal Auditor
Email Address	Jamie.Dale@aberdeenshire.gov.uk
Tel	(01467) 530 988



Internal Audit

Audit, Risk and Scrutiny Committee Internal Audit Update Report February 2026

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1 Executive Summary

1.1 Introduction and background

Internal Audit's primary role is to provide independent and objective assurance on the Council's risk management, control, and governance processes. This requires a continuous rolling review and appraisal of the internal controls of the Council involving the examination and evaluation of the adequacy of systems of risk management, control, and governance, making recommendations for improvement where appropriate. Reports are produced relating to each audit assignment and these are provided to the Audit, Risk and Scrutiny (ARS) Committee. Along with other evidence, these reports are used in forming an annual opinion on the adequacy of risk management, control, and governance processes.

This report advises the ARS Committee of Internal Audit's work since the last update. Details are provided of the progress against the approved 2025/26 Internal Audit Plan, audit recommendations follow up, and other relevant matters for the Committee to be aware of.

1.2 Highlights

Full details are provided in the body of this report however Internal Audit would like to bring to the Committee's attention that since the last update:

- Four reviews have been completed.
- Management continues to work on implementation of agreed actions in response to recommendations.

1.3 Action requested of the ARS Committee

The Committee is requested to note the contents of this report and the work of Internal Audit since the last update.

2 Internal Audit Progress

2.1 2025/26 Audits

Service	Audit Area	Position
City Regeneration & Environment	Trade Waste	Final Report Issued
City Regeneration & Environment	Roads Winter Service Plan	Review in Progress
City Regeneration & Environment	City Region Deal	Final Report Issued
City Regeneration & Environment	Strategic Place Planning Corporate Review	Review in Progress
Corporate Services	Agency Costs	Final Report Issued
Corporate Services	Voluntary Severance	Review in Progress
Corporate Services	Mandatory Training Compliance	Review in Progress
Corporate Services	Digital and Technology Demand	Review in Progress
Families & Communities	RAAC Response	Final Report Issued
Families & Communities	Out of Authority Placements	Review in Progress
Families & Communities	PROTECT	Review in Progress
Health & Social Care Partnership	Health and Social Care (staffing) Scotland Act 2019	Review in Progress
Integration Joint Board	IJB Financial Sustainability	Review in Progress
North East Scotland Pension Fund	Key Administrative Processes	Review in Progress

2.2 Audit reports presented to this Committee

Report Title	Assurance Year	Net Risk Rating	Conclusion
AC2611 – City Region Deal	2025/26	Moderate	<p>Internal Audit has identified an overall net risk rating of MODERATE, with REASONABLE assurance obtained over the governance and financial spend of the City Region Deal. Substantial improvements have been made since the area was last audited, through implementation of actions to address identified areas of weakness or improvement.</p> <p>However, there are risks driven by the impending closure of the Deal funding period in March 2027. These have been graded at the Major level due to a lack of assurance over how projects will be managed to maximise utilisation of available funding within the remaining time, and how the councils will obtain sufficient data to continue to report on delivery of benefits and outcomes after the Deal ends. As there is still time to address or mitigate these risks, this does not impact on the overall level of assurance, but until they are addressed there will be an unquantified level of risk pertaining to the Deal and meeting with the Governments' requirements.</p>

Report Title	Assurance Year	Net Risk Rating	Conclusion
			<p>The review identified the following areas where enhancements could be made to strengthen the framework of control, specifically: Guidance and Funding Agreements, Change Management, Project Expenditure and Progress, Benefits Realisation, Recording and Reporting, Closedown Arrangements, Final Reporting, and Lessons Learned, and Sustainability and Succession Planning.</p> <p>Recommendations have been made to address the above risks including: seeking formal clarification over the Governments' plans, approvals, availability and timescales for funding; review and enhancing scrutiny of expenditure forecasts; highlighting the risks and timelines to partners; and obtaining assurance from delivery partners over remaining project timelines and deliverables, sustainability and exit plans, and their commitment to assisting the councils with ongoing obligations in respect of project and benefit realisation data, and asset disposals.</p> <p>Our recommendations are aimed at maximising the benefits and reducing risk within the time remaining. It is recognised that as the Deal is coming to a close, Management will need to give careful consideration to the amount of resource they want to put in to address the points raised in this report. Regardless of the time left in the Deal, the risks still need to be managed, especially given long term aspirations. Whilst we do not make a specific recommendation, consideration should be given on how the recommendations could be factored into planning for future projects, e.g. the Investment Zone.</p>
AC2610 – RAAC Response	2025/26	Moderate	<p>The RAAC crisis is unprecedented, representing one of the most significant structural safety challenges faced in decades. The response has required a significant amount of effort by the Council, and it is recognised that there is not a short term fix or universal remedial action to address the many different circumstances and desires of homeowners and tenants. It is evident officers have undertaken considerable work to manage RAAC risks facing the Council. It is also recognised that this is not an Aberdeen City issue and instead one that is seen across the United Kingdom.</p> <p>Assurance was available over the following areas under review: Governance and Oversight, Rehoming, Wider Engagement, Site Security, and Demolition.</p> <p>However, the review identified areas for improvement across the framework of control, specifically: Private Housing, Schools and Other Publicly Owned Buildings, Housing Support, and Payment Control.</p> <p>RAAC risks have been subject to regular scrutiny and oversight from a dedicated RAAC Board through to</p>

Report Title	Assurance Year	Net Risk Rating	Conclusion
			<p>Full Council, and Council tenants within RAAC affected properties have all been rehomed. However, over two years on from high risks being identified in Balnagask properties, the Council's approach to enforcement action to ensure the safety of occupants in privately owned homes affected by RAAC is not fully documented and certain RAAC risk management controls for schools and other Council owned buildings are not evident as detailed above. Also, gaps in record keeping reduce assurance over housing support and RAAC health and safety advice which Management indicates has been delivered to affected Council tenants and private owner occupiers/tenants. Furthermore, gaps in payment control are evident, which risk payment error and fraud.</p> <p>Recommendations have been made to mitigate RAAC risks for occupants of affected private homes, schools and other Council owned buildings; to improve record management arrangements, specifically the written correspondence sent to all households affected by RAAC; and to enhance the system of payment control.</p> <p>Considering all aspects of the RAAC response, the net risk has been assessed as MODERATE, with the current control framework providing REASONABLE assurance. This assessment takes into account the extensive governance and oversight of RAAC risks and the fact all Council tenants and some occupants of privately owned RAAC affected housing have been rehomed, whilst also reflecting gaps in the control environment, and some pockets of higher risk, particularly in relation to the management of RAAC within privately owned housing, schools, and other non-housing Council buildings, as well as weaknesses in payment controls. It is important however to recognise that this is an inherently high-risk area and given the unprecedented nature of the circumstances, and the fact that the risks remain live, a higher level of risk is possible.</p>
AC2614 – Trade Waste	2025/26	Moderate	<p>The level of net risk is assessed as MODERATE, with the control framework deemed to be providing REASONABLE assurance over the controls in place covering trade waste income and expenditure, agreements and accounting arrangements.</p> <p>The audit however identified areas where improvements are required to strengthen the framework of control, specifically: Written Procedures and Systems, Contract Management and Records, Income, Reconciliations and Debtors, Budgets and Cost Allocation, Performance Information, and Asset Management.</p>

Report Title	Assurance Year	Net Risk Rating	Conclusion
			<p>Recommendations have been made to address the above risks, including: review of procedures and public-facing information; consideration of streamlining systems and automating processes; carrying out periodic reconciliations of system data and of service delivery records against charges invoiced; development of more robust records management processes and workflows; periodic review of internal service levels; consideration of formal apportionment of costs to aid budget management; and implementation of proportionate stock controls.</p>
AC2604 – Agency Costs	2025/26	Moderate	<p>The level of net risk is assessed as MODERATE, with the control framework deemed to provide REASONABLE assurance over the management of agency appointments. Where pockets of higher risk have still remain, this audit recognises that controls have been enhanced after the last review. This work by Management includes development of a corporate procedure, and a marked improvement on the proportion of on-contract spend and a reduction in cost overall.</p> <p>However, areas of weakness in the implementation and consistent application of these controls, including resource requirements, demand management, and procurement, purchasing, persist. There is variation in practice between clusters, and variation between service approaches in similar situations, and none are evidenced as fully compliant.</p> <p>The Council spends an average of £2.9m per annum on agency staff, with £2.6m spent in 2024/25. This has reduced from £3.3m in 2021/22. The main users include Corporate Landlord (£1.2m) and Operations (£0.9m), which have recurring substantial demand for agency workers as a result of local and national recruitment and retention difficulties. Other spend is more ad-hoc, based on specific requirements arising across other clusters. £1.6m was spent in the first six months of 2025/26. If spend continues at the same level, costs could reach over £3m for the current financial year.</p> <p>There is potential to strengthen the framework of control to provide further assurance over delivery against the Council’s priorities, specifically: Staff Guidance and Governance, Resourcing and Onboarding, Monitoring, and Purchase Ordering and Payment Controls,</p> <p>Recommendations have been made to review and consolidate agency worker procedures to ensure requirements and responsibilities across the Council are clear and consistent, with any exceptions subject to appropriate governance; to develop and implement</p>

Report Title	Assurance Year	Net Risk Rating	Conclusion
			<p>controls to ensure all key stages of the resourcing and onboarding process have been confirmed and evidenced as complete prior to work commencing; to standardise processes and data collection to support effective monitoring and demand management; and to implement controls to ensure agency spend is subject to advance specific approvals and purchase orders, with clarity over rates and duration, to facilitate a full matching process for ordering, receipt and payment.</p> <p>It is acknowledged supporting clusters including People & Citizen Services, the Commercial and Procurement Shared Service (CPSS), and Business Services (Transaction Team), are reliant on colleagues within individual Functions/Clusters to facilitate, engage and apply consistent processes. However, as a corporate risk, Internal Audit considers that the recommended actions are more appropriately driven by a corporate approach from the centre.</p>

2.3 Follow up of audit recommendations

Public Sector Internal Audit Standards require that Internal Audit report the results of its activities to the Committee and establishes a follow-up process to monitor and ensure that management actions have been effectively implemented.

As at 30 November 2025 (the baseline for our exercise), 22 audit recommendations were due and outstanding:

- Two rated as Major
- 15 rated as Moderate
- Five rated as Minor

As part of the audit recommendations follow up exercise, 16 recommendations were closed:

- 12 rated as Moderate
- Four rated as Minor

Appendix 1 – Grading of Recommendations provides the definitions of each of the ratings used.

Appendix 2 – Audit Recommendations Follow Up – Outstanding Actions provides a detailed breakdown of the outstanding audit recommendations that will be taken forward and followed up as part of the next cycle.

3 Appendix 1 – Grading of Recommendations

Risk level	Definition
Corporate	This issue / risk level impacts the Council as a whole. Mitigating actions should be taken at the Senior Leadership level.
Function	This issue / risk level has implications at the functional level and the potential to impact across a range of services. They could be mitigated through the redeployment of resources or a change of policy within a given function.
Cluster	This issue / risk level impacts a particular Service or Cluster. Mitigating actions should be implemented by the responsible Chief Officer.
Programme and Project	This issue / risk level impacts the programme or project that has been reviewed. Mitigating actions should be taken at the level of the programme or project concerned.

Net risk rating	Description	Assurance assessment
Minor	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.	Substantial
Moderate	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified, which may put at risk the achievement of objectives in the area audited.	Reasonable
Major	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.	Limited
Severe	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.	Minimal

Individual issue / risk	Definitions
Minor	Although the element of internal control is satisfactory there is scope for improvement. Addressing this issue is considered desirable and should result in enhanced control or better value for money. Action should be taken within a 12 month period.
Moderate	An element of control is missing or only partial in nature. The existence of the weakness identified has an impact on the audited area's adequacy and effectiveness. Action should be taken within a six month period.
Major	The absence of, or failure to comply with, an appropriate internal control, such as those described in the Council's Scheme of Governance. This could result in, for example, a material financial loss, a breach of legislative requirements or reputational damage to the Council. Action should be taken within three months.
Severe	This is an issue / risk that is likely to significantly affect the achievement of one or many of the Council's objectives or could impact the effectiveness or efficiency of the Council's activities or processes. Examples include a material recurring breach of legislative requirements or actions that will likely result in a material financial loss or significant reputational damage to the Council. Action is considered imperative to ensure that the Council is not exposed to severe risks and should be taken immediately.

4 Appendix 2 – Audit Recommendations Follow Up – Outstanding Actions

Report	Grading	Ref	Recommendation	Original Due Date	Current Due Date	Committee Update	Status
AC2313 – Corporate Asset Management	Major	1.2a	The Service should develop asset management plans, linked to the Council's asset management policy and strategic objectives, for all categories of assets. The Service should develop a strategy and plan to address the backlog of maintenance.	Oct-25	Jul-26	The school estate plan is now in place with the property estates plan due a refresh in 2026. The service are currently working through the prioritisation of potential projects and spend requirements as part of the budget setting process.	In Progress
AC2508 – Group Structure Assurance	Minor	1.1b	Finance should align checks of each ALEO with the Council's Following the Public Pound guidance requirements and report these into the ALEO Assurance Hub. Finance will undertake checks of ALEOs currently reporting to the Council's ALEO Hub to ensure they are in line with the Following the Public Pound policy requirements, and report these into the ALEO Hub annually.	Oct-25	Mar-26	Service noted work in progress and requested a short extension to allow for completion.	In Progress
AC2508 – Group Structure Assurance	Moderate	1.2	Performance reporting and monitoring arrangements should be established for Aberdeen Heat and Power in line with the Council's Following the Public Pound guidance.	Oct-25	Mar-26	Management has requested a meeting with Internal Audit to discuss the work carried out to complete this recommendation. This has been scheduled and a short extension has been applied to allow for review of evidence and potential closure.	In Progress

Report	Grading	Ref	Recommendation	Original Due Date	Current Due Date	Committee Update	Status
AC2508 – Group Structure Assurance	Moderate	1.4b	SMART actions should be recorded for ALEO Strategic Partnership and ALEO Service Lead meetings for follow up purposes.	Oct-25	Mar-26	Management has requested a meeting with Internal Audit to discuss the work carried out to complete this recommendation. This has been scheduled and a short extension has been applied to allow for review of evidence and potential closure.	In Progress
AC2508 – Group Structure Assurance	Moderate	1.4a	The ALEO Strategic Partnership meetings and Service Leads should be aligned with the ALEO Assurance Hub Terms of Reference, or the Terms of Reference should be revised and Audit, Risk and Scrutiny Committee updated.	Oct-25	Mar-26	Management has requested a meeting with Internal Audit to discuss the work carried out to complete this recommendation. This has been scheduled and a short extension has been applied to allow for review of evidence and potential closure.	In Progress
AC2418 - Biodiversity and Natural Environment	Major	1.1	Strategic Place Planning should work with partners to agree necessary actions to deliver on local and national targets and a consolidated SMART action plan, covering the Council's responsibilities to achieve biodiversity and the natural environment targets, should be formalised. This should cover required short-, medium- and long-term actions, including required investment.	Oct-25	Mar-27	This audit recommendation is being completed through the development of a refreshed Natural Environment Strategy. This is a large body of work that relies on, and ties into, various other workstreams. Aberdeen City Council are collaborating with the James Hutton Institute (JHI) to define the scope, process	In Progress



Report	Grading	Ref	Recommendation	Original Due Date	Current Due Date	Committee Update	Status
						and delivery of this work. Completion of the refreshed Natural Environment Strategy expected by the end of financial year 2026/27.	

ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	19 February 2026
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Internal Audit Report AC2610 – RAAC Response
REPORT NUMBER	IA/AC2610
DIRECTOR	N/A
REPORT AUTHOR	Jamie Dale
TERMS OF REFERENCE	2.2

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to present the planned Internal Audit report on RAAC Response.

2. RECOMMENDATION

- 2.1 It is recommended that the Committee review, discuss and comment on the issues raised within this report and the attached appendix.

3. CURRENT SITUATION

- 3.1 Internal Audit has completed the attached report which relates to an audit of RAAC Response.

4. FINANCIAL IMPLICATIONS

- 4.1 There are no direct financial implications arising from the recommendations of this report.

5. LEGAL IMPLICATIONS

- 5.1 There are no direct legal implications arising from the recommendations of this report.

6. ENVIRONMENTAL IMPLICATIONS

- 6.1 There are no direct environmental implications arising from the recommendations of this report.

7. RISK

7.1 The Internal Audit process considers risks involved in the areas subject to review. Any risk implications identified through the Internal Audit process are detailed in the resultant Internal Audit reports. Recommendations, consistent with the Council's Risk Appetite Statement, are made to address the identified risks and Internal Audit follows up progress with implementing those that are agreed with management. Those not implemented by their agreed due date are detailed in the attached appendices.

8. OUTCOMES

8.1 There are no direct impacts, as a result of this report, in relation to the Council Delivery Plan, or the Local Outcome Improvement Plan Themes of Prosperous Economy, People or Place.

8.2 However, Internal Audit plays a key role in providing assurance over, and helping to improve, the Council's framework of governance, risk management and control. These arrangements, put in place by the Council, help ensure that the Council achieves its strategic objectives in a well-managed and controlled environment.

9. IMPACT ASSESSMENTS

Assessment	Outcome
Impact Assessment	An assessment is not required because the reason for this report is for Committee to review, discuss and comment on the outcome of an internal audit. As a result, there will be no differential impact, as a result of the proposals in this report, on people with protected characteristics.
Privacy Impact Assessment	Not required

10. BACKGROUND PAPERS

10.1 There are no relevant background papers related directly to this report.

11. APPENDICES

11.1 Internal Audit report AC2610 – RAAC Response

12. REPORT AUTHOR CONTACT DETAILS

Name	Jamie Dale
Title	Chief Internal Auditor
Email Address	Jamie.Dale@aberdeenshire.gov.uk
Tel	(01467) 530 988



Internal Audit

Assurance Review of RAAC Response

Status: Final

Date: 21 January 2026

Risk Level: Corporate

Report No: AC2610

Assurance Year: 2025/26

Net Risk Rating	Description	Assurance Assessment
Moderate	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified, which may put at risk the achievement of objectives in the area audited.	Reasonable

Report Tracking	Planned Date	Actual Date
Scope issued	09-Sep-25	09-Sep-25
Scope agreed	19-Sep-25	16-Sep-25
Fieldwork commenced	29-Sep-25	02-Oct-25
Fieldwork completed	31-Oct-25	27-Nov-25
Draft report issued	21-Nov-25	01-Dec-25
Process owner response	12-Dec-25	12-Jan-26
Director response	19-Dec-25	20-Jan-26
Final report issued	09-Jan-26	21-Jan-26
AR&S Committee	19-Feb-26	

Distribution	
Document type	Assurance Report
Directors	Eleanor Sheppard, Executive Director – Families and Communities
Process Owner	Stephen Booth, Chief Officer – Corporate Landlord
Stakeholders	Jacqui McKenzie, Chief Officer – Housing
	Alan McKay, Chief Officer – Capital
	Craig Innes, Chief Officer – Commercial and Procurement Services
	Jane Hogg, Locality Inclusion Manager
	Scott Whitelaw, New Housing Manager
	Grant Tierney Building Standards Manager
	Colin Leaver, Corporate Health and Safety Lead
	David Cuthbert, Team Leader – Data Team
	Helen Sherrit, Finance Partner
	Jenni Lawson, Chief Officer – Governance*
Final Only	Jonathan Belford, Chief Officer – Finance
	External Audit*
Lead auditor	Agne McDonald, Auditor

1 Introduction

1.1 Area subject to review

504 homes (366 Council owned; 138 privately owned) in the Balnagask area of Torry in Aberdeen have been identified as containing Reinforced Autoclaved Aerated Concrete (RAAC), a lightweight material used in construction from the 1950s to the 1990s. In addition, RAAC has been identified in other Council owned buildings, including three secondary schools and the Town House extension, with remedial action having been taken in the case of these non-housing buildings.

Various statutory remedies are available to local authorities to manage defective and sub-standard properties.

Due to structural stability safety concerns and the complexity and lengthy timescales anticipated for remedial works, the Urgent Business Committee agreed in February 2024 to rehome Council tenants residing at the RAAC identified properties, based on housing needs, through the creation of a specific "RAAC Impact" housing list, with temporary accommodation offered as an interim arrangement where desired by tenants. In addition, the Urgent Business Committee agreed to provide support and information at request to owner occupiers and private tenants residing within properties in Balnagask containing RAAC, to assist in assessing their housing needs, and to include them on the RAAC Impact housing list where appropriate. A budget of £3m was approved to cover initial related costs, including but not limited to staffing costs; specialist consultant fees; contractor access and works; rehoming and temporary accommodation costs; school transport; utility connections; and security for the affected site.

In August 2024, the Council considered various options for the affected homes and agreed the demolition and rebuild of homes on site was optimal, approving the initial demolition works, landscaping and masterplanning exercise for the site. In addition, the Council agreed to take forward negotiations with private owners to acquire properties voluntarily at Market Value, and to pay reasonable legal and professional costs along with home loss and disturbance payments. Associated costs are estimated as follows:

- Demolition and landscaping: £20–25m over 3–4 years
- New housing construction: £130+m over 5–15 years.

A phased approach for the demolition of Council owned properties affected by RAAC was agreed by the Communities, Housing and Public Protection Committee on March 11, 2025. The report acknowledged that the Council could only demolish properties they own and allowed time for privately owned homes to be purchased where appropriate. 46 (33%) out of 138 homeowners have agreed to sell with 29 (63%) of sales concluded as at 21 October 2025¹.

Relevant chief officers have also advised the Council of engagement with the Scottish Housing Regulator regarding the expected impact on housing performance and with the Scottish Government on the financial implications and related funding arrangements.

1.2 Rationale for review

The objective of this review is to obtain assurances around compliance with safety regulations and mitigation of risks to public safety.

This review has not been undertaken before and has been included in the agreed 2025/26 Internal Audit Plan due to the significant health and safety, financial and reputational impacts to the Council, as recognised by the standalone corporate RAAC risk included in the Council's Risk Register.

How to use this report

This report has several sections and is designed for different stakeholders. The executive summary (section 2) is designed for senior staff and is cross referenced to the more detailed narrative in later

¹ The RAAC response is a live issue with continuous developments. Where cognisant of the ongoing nature of the response, to allow for ease of auditing this date has been used as an anchor point for the review. Where there will be further developments between the issue of the draft and final reports, and presentation to Committee, this date will be used for reporting purposes.

sections (3 onwards) of the report should the reader require it. Section 3 contains the detailed narrative for risks and issues we identified in our work.

2 Executive Summary

2.1 Overall opinion

The full chart of net risk and assurance assessment definitions can be found in Appendix 1 – Assurance Scope and Terms. We have assessed the net risk (risk arising after controls and risk mitigation actions have been applied) as:

Net Risk Rating	Description	Assurance Assessment
Moderate	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified, which may put at risk the achievement of objectives in the area audited.	Reasonable

The organisational risk level at which this risk assessment applies is:

Risk Level	Definition
Corporate	This issue / risk level impacts the Council as a whole. Mitigating actions should be taken at the Senior Leadership level.

2.2 Assurance assessment

The RAAC crisis is unprecedented, representing one of the most significant structural safety challenges faced in decades. The response has required a significant amount of effort by the Council, and it is recognised that there is not a short term fix or universal remedial action to address the many different circumstances and desires of homeowners and tenants. It is evident officers have undertaken considerable work to manage RAAC risks facing the Council. It is also recognised that this is not an Aberdeen City issue and instead one that is seen across the United Kingdom.

Assurance was available over the following areas under review:

- Governance and Oversight** – A RAAC Board has been established, chaired over the course of this audit by the Executive Director – Families and Communities. Membership of the Board includes chief officers and operational leads from Corporate Landlord, Housing and Capital, as well as the Building Standards Manager, and officers from Finance, Legal and Corporate Communications. The Board is meeting weekly and monitoring expenditure against budget; delivery of Council/Committee RAAC related instructions; building inspections; voluntary acquisitions from private owners; and risks to owners and tenants. Furthermore, regular RAAC related recommendations and progress updates have been reported to full Council, the Urgent Business Committee and Communities, Housing and Public Protection Committee. A RAAC risk is also included in the Council's Corporate Risk Register and has been subject to scrutiny by the Risk Board and Audit, Risk and Scrutiny Committee.
- Rehoming** – A "RAAC Impact" housing list has been created to allow for urgent rehoming of RAAC affected Council tenants and at the time of this review, in November 2025, all Council tenants in RAAC affected housing have been rehomed, removing health and safety risks to Council tenants. Also, support and information was made available to affected private owners/tenants on request to assist in assessment of housing options, with 23 private owners/tenants subsequently rehomed into an alternative Council house via the 'RAAC Impact' housing list as at 21 October 2025.
- Wider Engagement** – The Chief Officer – Housing engaged with the Scottish Housing Regulator, advising of the impact of RAAC within the Council's housing stock, including its expected impact on housing performance standards. In addition, the Chief Executive has contacted both the Prime Minister and Scottish Government to request financial support, with the Scottish Government indicating in October 2025 that the Council could apply for support from the Affordable Housing Supply Programme. Also, officers and the Council's co-leaders have had various meetings with the Minister for Housing and Scottish Government's Head of Building Standards to discuss the Council's RAAC Response.

- **Site Security** – As properties have become vacant, security requirements have been reviewed, and a contract is in place for onsite controls to monitor and deter anti-social behaviour, vandalism and theft in and around vacated RAAC affected properties in Balnagask. Evidence was available of site security patrols at Balnagask in November 2025.
- **Demolition** – On 11 March 2025, Communities, Housing and Public Protection Committee noted the appointment of a supplier to provide a range of project management support including administering demolition of vacant terraces/blocks. As at 21 October 2025 demolition had not commenced, and Management were in the process of seeking a building warrant for Phase 1 of the demolitions before progressing.

However, the review identified areas for improvement across the framework of control, specifically:

- **Private Housing** – Building owners are responsible for preventing their buildings from falling into a dangerous condition. However, where owners do not meet their responsibilities in this regard, various statutory remedies are available to local authorities to manage defective and sub-standard properties. Furthermore, under the Building (Scotland) Act 2003, in extreme circumstances in consultation with relevant partners (e.g. Police, Fire), where it appears that a building constitutes a danger to persons in or about a building or to the public generally or to adjacent buildings or places, and building owners do not act to address risks, the Council must carry out work as it considers necessary to prevent access to the building and relevant adjacent areas and may recover any expenses from the owner reasonably incurred in doing so. As at 21 October 2025 there were 109 (79%) occupied privately owned homes in Balnagask that are suspected of containing RAAC based on the similar construction of adjacent properties. Structural engineer surveys commissioned by the Council on its own housing stock have identified “low”, “medium” and notably “high” RAAC related risks since November 2023, concluding in February 2024, following the survey of 49 occupied homes, that there is no reason uninspected properties within the development i.e. including any privately owned properties with original roofs, will show different risk ratings and based on “high” risks present, properties should be vacated as soon as possible reflecting the Institution of Structural Engineers (IStructE) guidance, until mitigating action is taken. The RAAC Board is monitoring a risk log for RAAC affected private homes, which includes the risk of failure of a RAAC panel in a property. However, in the absence of remedial action, the target “negligible” impact of a panel failure has not been achieved and instead the impact is classified by Management as “catastrophic” with a “significant” likelihood of panel failure in RAAC affected private homes. Management advises the Council has written to private homeowners strongly recommending they seek an independent assessment of RAAC in their respective properties on several occasions and have engaged on options for remedial action. Management determined in June 2025 that there would likely be a need to take enforcement action to compel private homeowners not engaging in the options available to mitigate risks to occupants of private homes. However, statutory powers available to the Council have not yet been used to compel homeowners to act, with Management indicating this is due to the considerable implications of enforcement action on homeowner wellbeing, the risk of occupants being made homeless, as well as the risk of legal challenge to any notice served since no occupied privately owned home has been surveyed. Also, Management advises homes purchased by the Council are being surveyed as they come into the Council’s ownership for monitoring purposes, with only the identification of any further “critical” risk panels, the highest level of risk, deemed to require the instigation of enforcement action. However, risk management arrangements do not fully reflect the Council’s approach to enforcement action where owners fail to fulfil their responsibilities despite the external structural engineers expectation that uninspected properties will have similar high risks to inspected properties, and the Institution of Structural Engineers advice on the requirement for remedial action as soon as possible for such risks. Whilst, it is not for Internal Audit to determine when enforcement action is required, more than two years on from RAAC risks being first identified, there is an opportunity to enhance assurance by ensuring clearer risk management records justify the approach taken and by defining documented conditions that would trigger enforcement action. Strengthening these areas would help the Council further demonstrate proactive management of RAAC risks in private housing.
- **Schools and Other Publicly Owned Buildings** – As reported to Education and Children’s Services (E&CS) Committee in February 2024, RAAC was identified in three secondary schools

(St Machar (now removed), Hazelhead and Northfield). In addition, RAAC was identified in the Town House extension following a similar process. Structural survey reports recommended the implementation of management strategies for remaining RAAC risks. However, whilst there was evidence various actions had been taken, including annual structural surveys, RAAC risk assessments attached to site management strategies were overdue for review by Corporate Landlord and Capital, highlighting overdue control actions, including second reviews of the operational and commercial portfolio due in January 2024. In addition, there was no record structural engineer reports are being commissioned following amber and red weather events, which should have been in place since February 2024. Also, whilst warning signage had been ordered for Northfield Academy this was not installed until December 2025 due to an oversight installing it. Where buildings continue to be used with RAAC present and RAAC risks are inadequately managed, this increases health and safety risks for building occupants.

- **Housing Support** – Management has advised affected Council tenants were kept updated via various correspondence throughout 2024, which included scheduling appointments with Housing and Support officers to discuss housing needs as well as consultation on proposals for the future of their RAAC affected homes. However, records of correspondence issued have not been maintained in the Housing System. In addition, of a sample of 20 Council tenants rehomed, it was noted one (5%) RAAC checklist capturing housing need was absent and another (5%) was not signed by the tenant to acknowledge receipt. Similarly, Management advised various support and advice was offered to private homeowners/tenants affected by RAAC, including recommendations to homeowners to seek independent assessments of RAAC risks and to support homeowners with remedial action or voluntary acquisitions. However, again there was no record available detailing what owners/tenants had received what correspondence. Whilst this records management issue is less relevant for tenants who have already been rehomed, in the case of private owner occupants/tenants remaining in RAAC affected properties, this reduces assurance recommended actions and support have been adequately communicated, risking occupant health and safety, albeit it is understood the manual nature of record keeping could make this an onerous process for officers whilst prioritising the delivery of related support.
- **Payment Control** – Urgent Business Committee delegated authority to the Chief Officer – Housing on 29 February 2024 to rehome Council tenants in RAAC affected properties and pay home loss and disturbance payments following a permanent move. Similarly, Full Council instructed the Chief Officer – Corporate Landlord in consultation with the Chief Officer – Finance in August 2024 to take forward negotiations with private homeowners to acquire their properties with the Council willing to meet reasonable legal and professional costs along with home loss and disturbance payments. The RAAC Board agreed in July 2024 maximum disturbance payment values that tenants are eligible for based on the nature of expenditure incurred. However, on reviewing home loss payments, Internal Audit noted a tenant had been paid £1,500 twice in error. Whilst Housing maintains a record of disturbance and home loss payments made, they do not reconcile this to the general ledger/accounts payable reports risking such occurrences. Also, whilst the required standard of bank account evidence is under review by Finance, bank account details shared by recipients of disturbance and home loss payments are not being retained in line with the Council's Corporate Records Retention and Disposal Schedule, meaning it was not possible to verify if bank accounts used belonged to tenants/owners. Housing advises the approach adopted was agreed with Finance and the Data Protection Officer. However, these issues increase the risk of payment error and potentially fraud. In relation to payee identity and bank account evidence, a recommendation has already been agreed with Finance as part of Internal Audit AC2407 Creditors System to address this risk. In addition, on reviewing five payments to private homeowners it was not possible to determine if market value was paid for two (40%) properties as an independent valuation report had not been carried out, and instead the Council had agreed lump sum payments with the sellers inclusive of acquisition of heritable property, land and ancillary rights, home loss and disturbance payments, negotiation fees and legal expenses on a full and final basis totalling £116.5k. In addition, there was no evidence payments totalling £223k relating to the purchase of the three remaining properties had been approved by the Chief Officer – Corporate Landlord, in line with the Council's Scheme of Governance and full Council instructions, since related PTIs were not signed to indicate this approval had been provided.

Where payments are made in the absence of valuation reports or evidence of approval by officers with delegated authority, this risks financial loss and Best Value.

RAAC risks have been subject to regular scrutiny and oversight from a dedicated RAAC Board through to Full Council, and Council tenants within RAAC affected properties have all been rehomed. However, over two years on from high risks being identified in Balnagask properties, the Council's approach to enforcement action to ensure the safety of occupants in privately owned homes affected by RAAC is not fully documented and certain RAAC risk management controls for schools and other Council owned buildings are not evident as detailed above. Also, gaps in record keeping reduce assurance over housing support and RAAC health and safety advice which Management indicates has been delivered to affected Council tenants and private owner occupiers/tenants. Furthermore, gaps in payment control are evident, which risk payment error and fraud.

Recommendations have been made to mitigate RAAC risks for occupants of affected private homes, schools and other Council owned buildings; to improve record management arrangements, specifically the written correspondence sent to all households affected by RAAC; and to enhance the system of payment control.

Considering all aspects of the RAAC response, the net risk has been assessed as **MODERATE**, with the current control framework providing **REASONABLE** assurance. This assessment takes into account the extensive governance and oversight of RAAC risks and the fact all Council tenants and some occupants of privately owned RAAC affected housing have been rehomed, whilst also reflecting gaps in the control environment, and some pockets of higher risk, particularly in relation to the management of RAAC within privately owned housing, schools, and other non-housing Council buildings, as well as weaknesses in payment controls. It is important however to recognise that this is an inherently high-risk area and given the unprecedented nature of the circumstances, and the fact that the risks remain live, a higher level of risk is possible.

2.3 Identified Risks

Risk Level	Number of Risks Identified
Severe	-
Major	2
Moderate	2
Minor	-
Total	4

2.4 Management response

We welcome this comprehensive audit and appreciate the positive engagement with the Audit Team.

As referenced within the report, the RAAC crisis is unprecedented, representing one of the most significant structural safety challenges faced in decades. In light of the unprecedented nature of the situation, the RAAC Board members are pleased that the Audit Team can provide assurance on governance and oversight, the rehoming programme, wider engagement and site security/demolition.

It is important to recognise that the RAAC response spans several distinct roles undertaken by the Council, each with different legal duties, powers and constraints. These include the Council's role as landlord in relation to its own tenants and housing stock, its regulatory and enforcement role in respect of privately owned housing, and its role as landowner and planning authority in relation to site clearance, demolition and master planning. Governance arrangements and risk controls have therefore been applied across these strands, reflecting the Council's responsibilities in each case.

In responding to the crisis, the Council has tried to take account of risks to the Council and balance these with the needs of homeowners, this has ensured that consideration for homeowner wellbeing has shaped a compassionate response. It is recognised that working with homeowners to shape options for them and keeping these under review in light of both interest and available resources, alongside detailed Best Value considerations has informed potential timelines for enforcement action. We recognise that enforcement action will likely be required for a small number of owners now that the final offer has been made by the Council.

A potential enforcement timeline had originally been mapped out on the basis that the options appraisals would be accepted/rejected and it was envisaged that owners who had not indicated their intentions would not be fulfilling their legal obligations, and enforcement would be required. The Scottish Government intervention, followed by Council approval to offer an enhanced Voluntary Acquisition (VA) package, fundamentally changed this position. As a result, owners were granted an extended deadline to confirm their intentions, and the potential enforcement timeline was re-mapped to reflect the revised approach, enabling a maintained focus on owner wellbeing. This aligned with national procedural guidance and the RAAC Cross Sector Working Group Guidance to work with the owners and only using notices in extreme circumstances.

Given the unprecedented nature of the situation, a very agile and pragmatic response has been taken to establishing systems, processes and procedures during rapidly changing circumstances. It's pleasing that the vast majority of these are recognised as effective, but also helpful to have Internal Audit identify areas to be strengthened, particularly around record keeping and payment control.

Where the audit has identified areas for improvement, the Board has addressed these through targeted governance actions, focused on strengthening documentation, clarity of approval and auditability rather than fundamental redesign of existing controls. These actions are intended to strengthen clarity, consistency and auditability as the programme continues.

3 Issues / Risks, Recommendations, and Management Response

3.1 Issues / Risks, recommendations, and management response

Ref	Description	Risk Rating	Major
1.1	<p>Private Housing – The Council’s approach to RAAC in private housing sits within a highly complex and sensitive context. Officers are managing an unprecedented situation that affects not only the Council but communities across the UK. We recognise that this involves direct engagement with homeowners and tenants, where decisions can be deeply personal and, in some cases, life-changing.</p> <p>Building owners are responsible for preventing their buildings from falling into a dangerous condition. However:</p> <ul style="list-style-type: none"> • Under the Building (Scotland) Act 2003, the Council may serve on the owner of a building a defective building notice requiring timebound completion of work by the homeowner to make a building safe. • Under s29 of the Building (Scotland) Act 2003, where it appears that a building constitutes a danger to persons in, about it, to the public generally or to adjacent buildings or places, the Council must carry out work as it considers necessary to prevent access to the building and relevant adjacent areas and may recover any expenses from the owner reasonably incurred in doing so, with S30 of the same Act specifying related dangerous building notice requirements. Local Authority Building Standards Scotland advised the RAAC Cross Sector Working Group on 25 October 2023 that in practice these powers are generally used in extreme circumstances following consultation with relevant partners (Fire, Police) and in most situations building owners are able to resolve any issues without intervention i.e. where they act on the advice of the local authority. • Under the Housing (Scotland) Act 2006, where the Council considers a house to be sub-standard, the Council may require the owner to carry out work to bring it into a reasonable state of repair. • Under the 2006 Act, the Council can designate an area as a Housing Renewal Area and formalise an action plan covering each affected house detailing the proposed action to bring houses into a reasonable state of repair or close or demolish affected housing. <p>However, whilst Management advises the Council has written to private homeowners in Balnagask strongly recommending they seek an independent assessment of RAAC in their respective properties and on options for remedial action, running awareness campaigns, community drop in sessions etc, as of 31 October 2025, none of the statutory powers available to the Council detailed above have been used to compel homeowners to act, albeit they have been considered in detail.</p> <p><u>Occupied Private Housing Risks</u></p> <p>RAAC was initially identified in Balnagask following a desktop review of Council owned housing undertaken in October 2023 and visual inspections of a sample of properties with concrete roofs by structural engineers, based on spreadsheets shared during this audit.</p> <p>As at 21 October 2025 there were 109 (79%) occupied privately owned homes in Balnagask that contained RAAC. The RAAC Board is monitoring a risk log for RAAC affected private homes that includes the risk of failure of a RAAC panel in a property. However, whilst the risk log shows a green target risk score with a “negligible” impact if failure occurred, in the absence of remedial action described in the risk log as very likely to be required, taken either by the homeowner or the Council through enforcement action, where the homeowner fails to act, the target “negligible” impact of a panel failure has not been achieved and instead the</p>		

Ref	Description	Risk Rating	Major
	<p>impact is classified by management as “catastrophic” with a “significant” likelihood of panel failure in RAAC affected private homes..</p> <p>Management advises structural surveys of purchased properties provide an opportunity to determine if owner occupied stock condition was in a condition consistent with other properties.</p> <p>However, structural engineer surveys commissioned by the Council on its own housing stock have identified “low”, “medium” and notably “high” RAAC related risks since November 2023, concluding in February 2024 following the survey of 49 occupied homes, that there is no reason uninspected properties with original roof construction within the development will show any “meaningful improvement on general condition” compared to inspected properties and on the basis of “high” risks present, properties should be vacated as soon as possible until mitigating remedial works are completed, reflecting the Institution of Structural Engineers (IStructE) guidance, with surveyors recommending a short term management strategy of awareness raising, roof loading restrictions and condition change monitoring while properties are being vacated. Based on this advice, and that tenants would be unable to remain in situ during extensive and disruptive remedial works, all Council tenants have been rehomed however several privately owned houses remain occupied as highlighted above with no indication RAAC risks have been mitigated.</p> <p>Management advises that officers have consistently worked to balance the health and safety risks in privately owned homes where owners fail to accept RAAC panels present a danger and take mitigating action, with the risk to wellbeing of taking enforcement action, the risk of legal challenge and associated reputational risks. Management also advises that homes purchased by the Council are being surveyed as they come into the Council’s ownership for monitoring purposes, with the identification of any further “critical” risk panels, the highest level of risk, or an owner not accepting to the risk RAAC presents or fulfilling their legal obligation to stop their building from becoming dangerous deemed to require the instigation of enforcement action. However, this approach i.e. in relation to “critical” risk panels, is not recorded within risk management arrangements in place.</p> <p>It was also highlighted in IStructE guidance that RAAC panels will continue to deteriorate over time, but that the cause and rate are unknown, thus allowing for monitoring, inspections and awareness campaigns. The February 2024 structural engineer report concluded that RAAC risks highlighted are likely to be measurably worse where there had been historic water ingress. Also, one (0.006%) of 172 unoccupied Council home inspected was identified as having a higher critical risk of panel failure; it is not known if any privately owned homes face such critical risks, which may be the case.</p> <p>Furthermore, the Council has recognised these risks, advising they have written to private homeowners and landlords of RAAC affected properties, indicating comprehensive remedial works will be required and as such the Council will be engaging with private tenants to explore rehousing options as part of the Council’s commitment to tenant wellbeing and safety. This was based on example unaddressed template letters.</p> <p><u>Enforcement Action</u></p> <p>As explained above, the identification of “critical” risk panels in surveyed properties would lead to enforcement action as advised by Building Standards. In addition, the RAAC Board previously agreed in June 2025 that any owners who have not engaged with proposed options offered by the Council to mitigate RAAC risks could be deemed to be acting irresponsibly and for their safety following a final opportunity for owners to engage in September 2025, dangerous building notices might require to be issued in October 2025. However, this did not take place following a funding intervention by the Scottish Government .</p> <p>Depending on the degree of risk and the simplicity of remedial work, under Building (Scotland) Act statutory guidance, it may be possible for a local authority to negotiate a solution with a dangerous building owner without taking formal action. For the local authority</p>		

Ref	Description	Risk Rating	Major
	<p>to consider such an arrangement it is imperative the owner agrees at once and confirms as appropriate to the local authority that they will immediately arrange to undertake the measures required.</p> <p>In taking forward voluntary acquisition, Management advises various deadlines have been used to support the decision making of homeowners, most recently as an enhanced offer to voluntarily acquire properties, and that instructions to explore alternative options provided by campaign groups and reconsider the approach taken in light of the availability of additional resource will have led to delay.</p> <p><u>Risk</u></p> <p>All observations and risks flagged in this report are made with full cognisance of the unprecedented nature of RAAC and the fact that this is not solely a Council issue but one affecting authorities nationwide and that homeowners have a duty not to allow their properties to fall into a dangerous condition. The Council's commitment to owners and private tenants financial and mental wellbeing and its efforts to negotiate voluntary solutions are recognised and valued. In addition, it is recognised in line with RAAC Cross Sector Working Group guidance enforcement action is usually only taken in extreme circumstances.</p> <p>Nonetheless, given the legislative framework, professional and technical advice received on surveyed properties and the potential health and safety implications where owners fail to act to mitigate risks, a revised agreed timeline is now thought necessary to ensure risks are mitigated where necessary and to protect both residents and the Council from reputational exposure.</p>		
IA Recommended Mitigating Actions			
Building Standards should formalise when enforcement action requires to be taken and ensure risk management arrangements clearly document justifications for the approach adopted.			
Management Actions to Address Issues/Risks			
<p><i>Management accepts that it would be helpful to reset work previously undertaken in light of the Council having made their final offer to homeowners and the requirement to give owners the opportunity to confirm their intentions, and that this should be used to inform an updating of the RAAC Risk Register in order to justify the approach being taken.</i></p> <p><i>In doing so, it is recognised that responsibility for maintaining the safety and condition of privately owned properties primarily rests with the owner, and that the Council's role in this context is regulatory rather than that of an owner or landlord with direct control. The approach taken to date has therefore focused on sustained engagement with owners, provision of information on risk and available options, and the exhaustion of voluntary routes (based on a people-centred approach) prior to progressing to formal enforcement action, in line with national guidance and the Council's duty to act proportionately and within legal and financial controls.</i></p> <p>Mitigating Actions:</p> <p><i>An updated 3MB will be presented to the RAAC Board for consideration and approval.</i></p> <p><i>The Risk Log will be updated to reflect the agreed 3MB.</i></p>			
Risk Agreed	Person(s)	Due Date	
Yes	Building Standards Manager RAAC Board Chair	January 2026 (Implemented – 3MB to RAAC Board) February 2026	

Ref	Description	Risk Rating	Moderate
1.2	<p>Schools and Other Public Buildings – Following the sudden unexpected collapse of a school roof in Kent in 2018, the Standing Committee on Structural Safety issued an alert to owners of schools and “similar” buildings, dating from the 1960s and 1980s, to emphasise the potential risks from RAAC construction. This recommended locating buildings where RAAC planks are present and assessing the condition and structural adequacy of RAAC with a view to undertaking remedial action, awareness raising of risks and monitoring condition, or replacing roofs as appropriate.</p> <p>Also, as reported to Education and Children’s Services Committee in February 2024, independent structural engineers undertook a combination of visual and intrusive surveys of the school estate, finding RAAC to be present at three secondary schools (St Machar, Hazelhead and Northfield) and none of the city’s primary schools. In addition, RAAC was identified in the Town House extension following a similar structural survey.</p> <p>Recommended immediate remedial measures have been addressed at these sites according to the structural survey reports and remaining RAAC risks were at an amber or green rating, suitable for applying ongoing management strategies, with identified RAAC removed at St Machar Academy as supported by a related building warrant completion certificate recorded in the Council’s buildings standards register. In line with the RAAC management strategies for the secondary schools above and the Town House, annual surveys took place where necessary. RAAC management strategies were shared with relevant head teachers, gutter cleaning has been regularly scheduled for the three affected academies and the Town House extension, and there was evidence of signage in place at Hazelhead Academy and the Town House. Management assurance was also provided that the management strategy for Town House had been shared with relevant staff verbally.</p> <p>However, RAAC risk assessments attached to site management strategies were overdue review by Corporate Landlord and Capital based on documents shared during the audit. This showed overdue control actions, including second reviews of the operational and commercial portfolio due in January 2024, and there was no record structural engineer reports being commissioned following amber and red weather events, which should have been in place since February 2024. In addition, Management advised warning signage was provided to Northfield Academy at the same time as the other schools, but due to miscommunication between janitors and the property inspector, these were not installed at the time – this was rectified during the course of the audit.</p> <p>Where recommended management strategies are not fully adopted without documented justification, this increases health and safety risks for building occupants.</p>		
IA Recommended Mitigating Actions			
Corporate Landlord and Capital should ensure non-housing site specific RAAC risks are managed in line with structural engineer recommended management strategies and Council RAAC risk assessments.			
Management Actions to Address Issues/Risks			
<p><i>Management accepts that the site management strategies made available to Internal Audit were overdue for review, with actions taken as a result of the strategies and regular meetings with structural engineers not clearly documented. Throughout this period, operational controls and inspections remained in place, and no unmanaged high-risk conditions were identified.</i></p> <p><i>Additional control measures have been put in place throughout the period with a reliance on specific monthly visual checks by building advisors since December 2023. Site management strategies have not been altered to reflect this.</i></p> <p><i>Annual structural surveys are instructed which will now include a review of the management arrangements in each site and a review of any additional weather related surveys will be</i></p>			

Ref	Description	Risk Rating	Moderate
	<p><i>reviewed following the outcome of surveys in January 2026 following significant snow loading.</i></p> <p>Mitigating action:</p> <p><i>The management strategies for each site will be reviewed in February 2026 reflecting the outcome of current surveys.</i></p>		
	Risk Agreed	Person(s)	Due Date
	Yes	Chief Officer – Corporate Landlord	March 2026

Ref	Description	Risk Rating	Moderate
1.3	<p>Housing Support – On 29 February 2024, Urgent Business Committee instructed the Chief Officer – Housing to ensure that private owners and tenants who reside within any privately owned properties in the Balnagask area of Aberdeen that have RAAC in their construction, are provided with support and information on request to assist them in assessing their housing options; and add existing owner occupiers and private tenants to the proposed ‘RAAC Impact’ housing list should a need for access to Council homes be identified through the process of exploring available support and housing options for them in the city.</p> <p><u>Council Tenants</u></p> <p>Management has advised affected tenants were kept updated via various correspondence throughout 2024, which included scheduling appointments with Housing and Support officers to discuss housing needs as well as consultation on proposals for the future of their RAAC affected homes. However, all contact with households was not recorded within the housing system, with Management advising a bulk upload of data was not possible, and due to the pressures on staff resources, it was not considered to be the best use of staff time to manually update each tenant’s record within the housing system.</p> <p>In addition, of a sample of 20 Council tenants rehomed, it was noted one (5%) RAAC checklist capturing housing need was absent and another (5%) was not signed by the tenant.</p> <p><u>Private Owners/Tenants</u></p> <p>Support and information was made available to affected private owners/tenants on request to assist in assessment of housing options, with 23 private owners/tenants subsequently rehomed into an alternative Council house via the ‘RAAC Impact’ housing list.</p> <p>The Council has also advised they have written to private homeowners affected by RAAC to offer voluntary acquisition of affected homes with payment of professional fees; to contribute where private owners chose to address health and safety risks independently; to collaborate with homeowners to replace RAAC roofs at a cost to the homeowner; or to undertake property swaps for existing Council properties and to offer private mental health support through Scottish Action for Mental Health (SAMH).</p> <p>In addition, Management advised enhanced voluntary acquisition offers were made in November 2025 to homeowners which included additional payments to reflect the loss of value due to the presence of RAAC.</p> <p>Furthermore, the Management advised the Council has written to private homeowners strongly recommending they seek an independent assessment of RAAC in their respective properties.</p>		

Ref	Description	Risk Rating	Moderate
	<p>However, again there was no record available detailing what owners had received what correspondence. In the case of private owner occupants/tenants remaining in RAAC affected properties, this reduces assurance recommended actions and support have been adequately communicated risking occupant health and safety, albeit it is understood the manual nature of record keeping could make this an onerous process for officers whilst prioritising the delivery of related support.</p> <p>IA Recommended Mitigating Actions</p> <p>Evidence of housing support and health and safety advice delivered to occupants of defective/dangerous buildings should be adequately recorded for monitoring purposes.</p> <p>Management Actions to Address Issues/Risks</p> <p><i>Council Tenants</i></p> <p><i>Following the rehoming decision, a letter was issued to all tenants and noted on their record. A comprehensive checklist was completed with each tenant to assess their housing needs, and dedicated Housing and Support officers provided assistance, ensuring all interactions and changing needs were accurately recorded where appropriate. The process regarding supplementary letters sent to tenants and their inclusion in tenant records was reviewed later as part of our lessons learned process. The RAAC board determined that while it is preferable to record such correspondence where feasible, the manual nature of the process rendered it impractical and without significant added value and doing so was ultimately deemed unnecessary given the significant demands on the teams involved in supporting families impacted by RAAC. For the two instances where forms or signatures were incomplete, it is important to note that these individuals were rehoused according to their assessed needs, with ongoing communication maintained throughout the rehoming process, effectively mitigating related risks. As the rehoming process is now complete, no further action is required, and at the same time the recommendation to document letters in individual files will be considered if the Council faces any other similar challenges.</i></p> <p><i>Private Owners</i></p> <p><i>Following feedback from private owners, significant time was invested in ensuring that correspondence was personalised for homeowners. The RAAC Board has utilised a range of delivery mechanisms including hand delivery and Recorded Delivery in light of homeowner preferences but recognise that these arrangements have resulted in the Board not holding a record of homeowner receipt for all correspondence.</i></p> <p>Mitigating action:</p> <p><i>Records of the receipt of future correspondence regarding health and safety risks will be recorded for monitoring purposes.</i></p>		
	Risk Agreed	Person(s)	Due Date
	Yes	Building Standards Manager	February 2026

Ref	Description	Risk Rating	Major
1.4	<p>Payment Control – Urgent Business Committee delegated authority to the Chief Officer – Housing on 29 February 2024 to rehome Council tenants in RAAC affected properties with home loss and disturbance payments following a permanent move. Similarly, full Council instructed the Chief Officer – Corporate Landlord in consultation with the Chief Officer – Finance in August 2024 to take forward negotiations with private homeowners to acquire</p>		

Ref	Description	Risk Rating	Major																																																
	<p>their properties with the Council willing to meet reasonable legal and professional costs along with home loss and disturbance payments.</p> <p>As at 24 October 2025, the Council had made £462k of home loss payments; £508k of disturbance payments and had written off £236k of tenant arrears.</p> <p><u>Council Tenant Disturbance and Home Loss Payments</u></p> <p>On 23 July 2024 the RAAC Board agreed maximum costings under Disturbance Payments for Council tenants based on property size as follows:</p> <table border="1" style="width: 100%; border-collapse: collapse; text-align: center;"> <thead> <tr> <th style="background-color: #003366; color: white;">Property Size</th> <th style="background-color: #003366; color: white;">Flooring £</th> <th style="background-color: #003366; color: white;">Removals £</th> <th style="background-color: #003366; color: white;">Reconnections £</th> <th style="background-color: #003366; color: white;">Window Coverings £</th> <th style="background-color: #003366; color: white;">Replacement of white goods per appliance £</th> <th style="background-color: #003366; color: white;">Wardrobe £</th> <th style="background-color: #003366; color: white;">Total £</th> </tr> </thead> <tbody> <tr> <td>1 bed Flat</td> <td>1400</td> <td>300</td> <td>249.50</td> <td>400</td> <td>300</td> <td>175</td> <td>2,824.50</td> </tr> <tr> <td>2 bed Flat</td> <td>1600</td> <td>300</td> <td>249.50</td> <td>600</td> <td>300</td> <td>175</td> <td>3,224.50</td> </tr> <tr> <td>3 bed House</td> <td>1900</td> <td>300</td> <td>249.50</td> <td>700</td> <td>300</td> <td>175</td> <td>3,624.50</td> </tr> <tr> <td>4 bed House</td> <td>2100</td> <td>300</td> <td>249.50</td> <td>800</td> <td>300</td> <td>175</td> <td>3,924.50</td> </tr> <tr> <td>7 bed House</td> <td>2600</td> <td>300</td> <td>249.50</td> <td>1000</td> <td>300</td> <td>175</td> <td>4,624.50</td> </tr> </tbody> </table> <p>Furthermore, it was agreed that tenants would be entitled to a £1,500 home loss payment following a permanent move, less any outstanding rent arrears.</p> <p>Payments relating to a sample of 20 tenants were reviewed (i.e. home loss/disturbance payments) to ensure they were in line with policy/procedure, there was segregation in requisition and approval of payments and payments had been appropriately approved.</p> <p>Of the 20 tenants reviewed, 15 (75%) received a removal payment, one (20%) of which exceeded the maximum permitted disturbance payment by £450. Management advised this was due to the fact the removal was arranged by the Council using its contracted removal company with the above maximum payments only relating to circumstances where the Council reimbursed the tenant; this was not clear based on the RAAC Board minutes.</p> <p>In addition, Housing maintains a register of disturbance and home loss payments ("Cost Spreadsheet - RAAC") for monitoring purposes. However, on reviewing home loss payments, Internal Audit noted a tenant had been paid £1,500 twice in error. At the time of reporting, there was no evidence of the recovery process being actioned.</p> <p>Housing does not reconcile their records to the general ledger/accounts payable reports. In the absence of such a reconciliation there is a greater risk of payment error and fraud.</p> <p><u>Bank Account Evidence</u></p> <p>It was noted evidence of bank account details shared by recipients of disturbance and home loss payments was not retained by Housing, meaning it was not possible to verify if bank accounts used belonged to tenants. Under the Council's Corporate Records Retention and Disposal Schedule records documenting the transfer of funds and the processing and payment of expense claims should be retained for six years plus the current financial year. Housing advises the approach adopted was agreed with Finance and the Data Protection Officer.</p>	Property Size	Flooring £	Removals £	Reconnections £	Window Coverings £	Replacement of white goods per appliance £	Wardrobe £	Total £	1 bed Flat	1400	300	249.50	400	300	175	2,824.50	2 bed Flat	1600	300	249.50	600	300	175	3,224.50	3 bed House	1900	300	249.50	700	300	175	3,624.50	4 bed House	2100	300	249.50	800	300	175	3,924.50	7 bed House	2600	300	249.50	1000	300	175	4,624.50		
Property Size	Flooring £	Removals £	Reconnections £	Window Coverings £	Replacement of white goods per appliance £	Wardrobe £	Total £																																												
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Ref	Description	Risk Rating	Major
	<p>The deletion of these records reduces assurance over bank account details used increasing the risk of payment error and fraud albeit Finance is still in the process of determining the standard of bank account verification evidence required to be retained. This risk was mitigated to some extent by the fact all requests to Finance to set up tenant suppliers included two Housing officers i.e. the approving officer and requestor, and all home loss and disturbance payment reimbursements reviewed, were supported by receipts/invoices provided by the tenant.</p> <p>A recommendation has already been made in report AC2407 Creditors System to standardise payee identification and bank account evidence requirements and establish a verification process for ensuring this evidence is in place before the related Council system account can be used to make payments to the respective payee.</p> <p><u>Homeowner Payments</u></p> <p>The Council's Powers Delegated to Chief Officers states that the Chief Officer – Corporate Landlord has the following power:</p> <p><i>“Following consultation with the Convener of the Finance and Resources Committee, to instruct the Chief Officer - Governance to dispose of or purchase individual properties following a value for money appraisal where this option is considered by the Chief Officer - Corporate Landlord to be the most appropriate for the Housing Revenue Account, subject to (a) market value being achieved or paid; and (b) consultation with ward members on the proposals, with referral to the Finance and Resources Committee if any ward member does not agree”.</i></p> <p>At a meeting on 21 August 2024, Full Council agreed to instruct the Chief Officer – Corporate Landlord in consultation with the Chief Officer – Finance to take forward negotiations with private owners to acquire their properties voluntarily at Market Value, noting that this will be a valuation of the property at the current date and be on the same basis as the Compulsory Purchase Order process. In addition to Market Value the Council agreed to meet reasonable legal and professional costs along with home loss and disturbance payments (as recorded on the Property Transaction Instruction form). The Chief Officer – Corporate Landlord notified owners in July 2025 indicating a home loss payment of 10% of the property market value, legal costs for selling and buying, as well as other reasonable costs, including moving expenses and early mortgage surrender fees.</p> <p>The Service advised, following engagement by a homeowner for the Council to voluntarily acquire their property, Corporate Landlord would notify the Valuation Office Agency (VOA) who would undertake an independent valuation. A formal report of the valuation, with proposed home loss and disturbance payment details, would then be provided to Corporate Landlord who would send this to Legal along with approval to make payment via a Property Transaction Instruction (PT). A voluntary acquisition tracker is in place tracking the various stages of the process, including property inspection, offer and sale conclusion status.</p> <p>A sample of five voluntarily acquired RAAC affected private homes was reviewed. There was segregation in requisition and approval of payments in all cases, with Corporate Landlord approving payments except for certain legal fees approved by Governance. However, it was not possible to determine if market value was paid for two (40%) properties, as an independent valuation report had not been carried out, and instead the Council had agreed lump sum payments with the sellers inclusive of acquisition of heritable property, land and ancillary rights, home loss and disturbance payments, negotiation fees and legal expenses on a full and final basis totalling £116.5k. This approach was confirmed on the Property Transaction Instruction. In the absence of independent valuation reports it is not clear if the offer at the time represented Best Value. Corporate Landlord advised in some circumstances voluntary acquisition negotiation reached stalemate and owners met with Council officials directly to discuss. In these circumstances an all-inclusive payment was agreed to cover the market value of the property and a capped amount for all disbursements.</p>		

Ref	Description	Risk Rating	Major
	<p>This allowed certainty for sellers and did not leave the Council having to account for any future claim. All transactions were concluded within the Land Cost Estimate initially presented by the Valuation Office Agency for the site.</p> <p>In addition, there was no evidence payments totalling £223k relating to the purchase of the three remaining properties had been approved by the Chief Officer – Corporate Landlord, in line with the Council’s Scheme of Governance and full Council instructions, since related PTIs were not signed to indicate this approval had been provided.</p> <p>Also, payments made for legal fees totalling £6.5k approved by Governance that were not detailed on the related VOA valuation report or Property Transaction Instruction as with other properties, meaning Corporate Landlord had not instructed these amounts to be paid on the seller’s behalf. Where payments are not approved by officers with the necessary delegated authority, this reduces financial control and risks overpayment or payment error.</p> <p><u>Budget Monitoring</u></p> <p>Finance send RAAC budget monitoring data to Corporate Landlord on an ad hoc basis, with the most recent being issued 24 October 2025 as at 15 December 2025 – these reports include details of any private homeowner related payments. However, it was noted that the ledger transaction descriptions occasionally lack sufficient detail to identify what payments relate to what homeowners, since payments can be made to solicitors involved in the conveyancing process rather than homeowners, and transactional descriptions do not always identify property addresses or homeowners that payments relate to. This is something Corporate Landlord agreed was challenging for budget monitoring purposes, albeit Legal Services advise they manually maintain a spreadsheet of private owner payments. Where ledger transactional data shared for budget monitoring purposes is not meaningful, this reduces budgetary and payment control.</p>		
	IA Recommended Mitigating Actions		
	<p>a) Housing should review their system of payment control to mitigate the risk of duplicate payments, with actions taken to specifically address the points identified above, including initiating recovery of the duplicate payment identified.</p> <p>b) Corporate Landlord should ensure agreement on all property purchases are supported by independent valuations and that payments are approved by the Chief Officer – Corporate Landlord, or an officer with the necessary delegated authority.</p> <p>c) Finance should work with Corporate Landlord and Housing to review and where possible enhance RAAC budget monitoring arrangements.</p> <p>Management Actions to Address Issues/Risks</p> <p>a) <i>This was an exceptional circumstance in which a significant volume of disturbance and home loss payments were issued over a short period to council tenants. A robust process was implemented to support staff handling payment voucher requests from tenants, including verification and authorisation by senior officers. This process has since been revised to include the requirement to cross reference any actions that result in a rejected request, with performance reports provided by finance and to ensure that council records are retained in line with the Corporate Records Retention and Disposal Schedule, as a result, this action is complete. This enhanced process will be implemented if similar circumstances arise in the future. The recovery process for the duplicate payment has now commenced.</i></p> <p><i>The Board is satisfied that, notwithstanding the isolated errors identified, appropriate segregation of duties and senior officer oversight were in place throughout, and that the enhancements made further strengthen the control environment and audit trail should similar circumstances arise again.</i></p> <p>b) <i>At the start of the process a Land Cost Estimate was provided to the Council to give an indication of the Market Value of each property, potential home loss, disturbance,</i></p>		

Ref	Description	Risk Rating	Major
	<p><i>professional fees and other costs. This influenced the overall committee reports when reporting on the likely cost of voluntary acquisition and included risk elements. In a very limited number of circumstances where the Valuation Office were unable to agree an acquisition having met with the homeowners and valued the property, cases were escalated to the Chief Officer. This is very much in keeping with our taking a person centred approach. In some cases, 'all inclusive' deals were agreed directly with the figure paid being all inclusive of all payments this allowing owners to decide whether to incur disturbance costs etc. whilst also giving Council certainty over the final 'claim' level and giving the ability to consider particular requirements of owners. All payments were within the original land cost estimate and therefore within the budget available. Formal instructions to legal on these transactions were formally signed off by the Property Estates Manager rather than the Chief Officer. Moving forward, all voluntary acquisitions and associated payments will be approved by the Chief Officer or an officer with appropriate delegated authority, with that approval explicitly recorded in writing.</i></p> <p><i>Management further notes that, following review of early voluntary acquisitions, the governance framework has been tightened to ensure that all future offers are anchored to independent valuation (on enhanced offer terms). This is now evidenced through the updated Voluntary Acquisition Tracker and revised written instructions to Legal Services, which together provide a clear and auditable record of valuation, approval and payment. The nature of the enhanced offers now being made to homeowners provides further mitigation. The RAAC Board approved a mechanism to document enhanced payments and approvals in January 2026. As a result, Additional Payments are now calculated by Legal in line with the approved policy framework (not by the DV), with independent verification by Finance prior to payment. Approvals will continue to be explicitly recorded through written instruction to Legal Services. Services will not proceed to settlement or payment unless that approval is held on file.</i></p> <p>c) <i>Finance are working with Corporate Landlord and Housing to set up a shared Teams site to hold all the documentation regarding RAAC expenditure as it is acknowledged the ledger description does not always assist in the detailed budget monitoring.</i></p> <p><i>This will provide a single, accessible record of approvals, payments and (if necessary) supporting documentation.</i></p> <p>Mitigating Actions:</p> <p>a) <i>Housing to revise system of payment control</i></p> <p>b) <i>RAAC Board to implement agreed documentation designed to provide an auditable record of payments and approvals.</i></p> <p>c) <i>A shared teams site will be established to hold all RAAC expenditure, including enhanced financial reports.</i></p>		
	Risk Agreed	Due Date	
	a) Yes	a) Chief Officer – Housing	a) Implemented
	b) Yes	b) Chief Officer –	b) January 2026
	c) Yes	Corporate Landlord	c) February 2026
		c) Finance Partner	

4 Appendix 1 – Assurance Terms and Rating Scales

4.1 Overall report level and net risk rating definitions

The following levels and ratings will be used to assess the risk in this report:

Risk level	Definition
Corporate	This issue / risk level impacts the Council as a whole. Mitigating actions should be taken at the Senior Leadership level.
Function	This issue / risk level has implications at the functional level and the potential to impact across a range of services. They could be mitigated through the redeployment of resources or a change of Policy within a given function.
Cluster	This issue / risk level impacts a particular Service or Cluster. Mitigating actions should be implemented by the responsible Chief Officer.
Programme and Project	This issue / risk level impacts the programme or project that has been reviewed. Mitigating actions should be taken at the level of the programme or project concerned.

Net Risk Rating	Description	Assurance Assessment
Minor	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.	Substantial
Moderate	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified, which may put at risk the achievement of objectives in the area audited.	Reasonable
Major	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.	Limited
Severe	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.	Minimal

Individual Issue / Risk Rating	Definitions
Minor	Although the element of internal control is satisfactory there is scope for improvement. Addressing this issue is considered desirable and should result in enhanced control or better value for money.
Moderate	An element of control is missing or only partial in nature. The existence of the weakness identified has an impact on the audited area's adequacy and effectiveness.
Major	The absence of, or failure to comply with, an appropriate internal control, which could result in, for example, a material financial loss.
Severe	This is an issue / risk that could significantly affect the achievement of one or many of the Council's objectives or could impact the effectiveness or efficiency of the Council's activities or processes. Action is considered imperative to ensure that the Council is not exposed to severe risks.

5 Appendix 2 – Assurance Scope and Terms of Reference

5.1 Area subject to review

504 homes (366 Council owned; 138 privately owned) in the Balnagask area of Torry in Aberdeen have been identified as containing Reinforced Autoclaved Aerated Concrete (RAAC), a lightweight material used in construction from the 1950s to the 1990s. In addition, RAAC has been identified in other Council owned buildings, including three secondary schools and the Town House extension, with remedial action having been taken in the case of these non-housing buildings.

Various statutory remedies are available to local authorities to manage defective and sub-standard properties.

Due to structural stability safety concerns, the Urgent Business Committee agreed in February 2024 to rehome Council tenants residing at the RAAC identified properties, based on housing needs, through the creation of a specific “RAAC Impact” housing list, with temporary accommodation offered as an interim arrangement where desired by tenants. In addition, the Urgent Business Committee agreed to provide support and information at request to owner occupiers and private tenants residing within properties in Balnagask containing RAAC, to assist in assessing their housing needs, and to include them on the RAAC Impact housing list where appropriate. A budget of £3m was approved to cover initial related costs, including but not limited to staffing costs; specialist consultant fees; contractor access and works; rehoming and temporary accommodation costs; school transport; utility connections; and security for the affected site.

In August 2024, the Council considered various options for the affected homes and agreed the demolition and rebuild of homes on site was optimal, approving the initial demolition works, landscaping and masterplanning exercise for the site. In addition, the Council agreed to take forward negotiations with private owners to acquire properties voluntarily at Market Value, and to pay reasonable legal and professional costs along with home loss and disturbance payments. Associated costs are estimated as follows:

- Demolition and landscaping: £20–25m over 3–4 years
- New housing construction: £130+m over 5–15 years.

A phased approach for the demolition of Council and private homes affected by RAAC was agreed by the Communities, Housing and Public Protection Committee on March 11, 2025, prioritising Council owned terraces / housing blocks, to allow time for privately owned homes to be purchased where appropriate. 46 (33%) out of 138 homeowners have agreed to sell with 29 (63%) of sales concluded as at 21 October 2025.

Relevant chief officers have also advised the Council of engagement with the Scottish Housing Regulator regarding the expected impact on housing performance and with the Scottish Government on the financial implications and related funding arrangements.

5.2 Rationale for review

The objective of this review is to obtain assurances around compliance with safety regulations and mitigation of risks to public safety.

This review has not been undertaken before and has been included in the agreed 2025/26 Internal Audit Plan due to the significant health and safety, financial and reputational impacts to the Council, as recognised by the standalone corporate RAAC risk included in the Council’s Risk Register.

5.3 Scope and risk level of review

This review will offer the following judgements:

- An overall **net risk** rating at the **Corporate** level.
- Individual **net risk** ratings for findings.

5.3.1 Detailed scope areas

As a risk-based review this scope is not limited by the specific areas of activity listed below. Where related and other issues / risks are identified in the undertaking of this review these will be reported, as considered appropriate by IA, within the resulting report.

The specific areas to be covered by this review are:

- Strategic Approach, Governance and Oversight
- Health and Safety Risk Management
- Housing Support and Rehoming of Council Tenants, Owner Occupiers and Private Tenants
- Demolition and Associated Health and Safety Risks
- Communication and Stakeholder Engagement
- Other RAAC Risks including Schools and Corporate Estate
- Procurement and Budget Monitoring
- Fraud Control

5.4 Methodology

This review will be undertaken through interviews with key staff involved in the process(es) under review and analysis and review of supporting data, documentation, and paperwork. To support our work, we will review relevant legislation, codes of practice, policies, procedures, and guidance.

This review will also encompass an evaluation of the governance, risk management and controls in place to achieve Best Value and to detect, prevent, and mitigate instances of fraud.

Due to hybrid working practices, this review will primarily be undertaken remotely via electronic meetings and direct access to systems and data, with face to face contact and site visits to premises to obtain and review further records as appropriate.

5.5 IA outputs

The IA outputs from this review will be:

- A risk-based report with the results of the review, to be shared with the following:
 - Council Key Contacts (see 1.7 below)
 - Audit, Risk and Scrutiny Committee (final only)
 - External Audit (final only)

5.6 IA staff

The IA staff assigned to this review are:

- Agne McDonald, Auditor (**audit lead**)
- Andy Johnston, Audit Team Manager
- Jamie Dale, Chief Internal Auditor (**oversight only**)

5.7 Council key contacts

The key contacts for this review across the Council are:

- Eleanor Sheppard, Executive Director – Families and Communities
- Stephen Booth, Chief Officer – Corporate Landlord (**process owner**)
- Jacqui McKenzie, Chief Officer – Housing
- Colin Leaver, Corporate Health and Safety Lead

5.8 Delivery plan and milestones

The key delivery plan and milestones are:

Milestone	Planned date
Scope issued	09-Sep-25

Milestone	Planned date
Scope agreed	19-Sep-25
Fieldwork commences	29-Sep-25
Fieldwork completed	31-Oct-25
Draft report issued	21-Nov-25
Process owner response	12-Dec-25
Director response	19-Dec-25
Final report issued	09-Jan-26

ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	19 February 2026
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Internal Audit Report AC2604 – Agency Costs
REPORT NUMBER	IA/AC2604
DIRECTOR	N/A
REPORT AUTHOR	Jamie Dale
TERMS OF REFERENCE	2.2

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to present the planned Internal Audit report on Agency Costs.

2. RECOMMENDATION

- 2.1 It is recommended that the Committee review, discuss and comment on the issues raised within this report and the attached appendix.

3. CURRENT SITUATION

- 3.1 Internal Audit has completed the attached report which relates to an audit of Agency Costs.

4. FINANCIAL IMPLICATIONS

- 4.1 There are no direct financial implications arising from the recommendations of this report.

5. LEGAL IMPLICATIONS

- 5.1 There are no direct legal implications arising from the recommendations of this report.

6. ENVIRONMENTAL IMPLICATIONS

- 6.1 There are no direct environmental implications arising from the recommendations of this report.

7. RISK

7.1 The Internal Audit process considers risks involved in the areas subject to review. Any risk implications identified through the Internal Audit process are detailed in the resultant Internal Audit reports. Recommendations, consistent with the Council’s Risk Appetite Statement, are made to address the identified risks and Internal Audit follows up progress with implementing those that are agreed with management. Those not implemented by their agreed due date are detailed in the attached appendices.

8. OUTCOMES

8.1 There are no direct impacts, as a result of this report, in relation to the Council Delivery Plan, or the Local Outcome Improvement Plan Themes of Prosperous Economy, People or Place.

8.2 However, Internal Audit plays a key role in providing assurance over, and helping to improve, the Council’s framework of governance, risk management and control. These arrangements, put in place by the Council, help ensure that the Council achieves its strategic objectives in a well-managed and controlled environment.

9. IMPACT ASSESSMENTS

Assessment	Outcome
Impact Assessment	An assessment is not required because the reason for this report is for Committee to review, discuss and comment on the outcome of an internal audit. As a result, there will be no differential impact, as a result of the proposals in this report, on people with protected characteristics.
Privacy Impact Assessment	Not required

10. BACKGROUND PAPERS

10.1 There are no relevant background papers related directly to this report.

11. APPENDICES

11.1 Internal Audit report AC2604 – Agency Costs

12. REPORT AUTHOR CONTACT DETAILS

Name	Jamie Dale
Title	Chief Internal Auditor
Email Address	Jamie.Dale@aberdeenshire.gov.uk
Tel	(01467) 530 988



Internal Audit

Assurance Review of Agency Costs

Status: Final
Date: 06 February 2026
Risk Level: Function

Report No: AC2604
Assurance Year: 2025/26

Net Risk Rating	Description	Assurance Assessment
Moderate	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified, which may put at risk the achievement of objectives in the area audited.	Reasonable

Report Tracking	Planned Date	Actual Date
Scope issued	17-Jul-2025	17-Jul-2025
Scope agreed	24-Jul-2025	24-Jul-2025
Fieldwork commenced	4-Aug-2025	12-Aug-2025
Fieldwork completed	29-Aug-2025	24-Oct-2025
Draft report issued	26-Sep-2025	25-Nov-2025
Process owner response	17-Oct-2025	20-Jan-2026
Director response	24-Oct-2025	03-Feb-2026
Final report issued	31-Oct-2025	06-Feb-2026
AR&S Committee	19-Feb-2026	

Distribution	
Document type	Assurance Report
Director	Andy MacDonald, Executive Director – Corporate Services
Process Owner	Lesley Strachan, Service Lead – People & Citizen Services Mel Mackenzie, Strategic Commercial Manager – Commercial & Procurement Services Bernadette Bularan, Deputy Chief Finance Officer
Stakeholder	Isla Newcombe, Chief Officer – People & Citizen Services Craig Innes, Chief Officer – Commercial & Procurement Services Jenni Lawson, Chief Officer – Governance, Aberdeen City* Jonathan Belford, Chief Officer – Finance*
Final only	External Audit
Lead auditor	Debbie Steele, Auditor

1 Introduction

1.1 Area subject to review

The Council has adopted national framework agreements for acquiring agency staff. The frameworks are made up of multiple suppliers offering a variety of different skilled workers when this is required to fulfil resource requirements e.g. due to unexpected shortfall of staffing levels or temporary increased workload.

Within the Corporate Services function the clusters of Commercial and Procurement Shared Services, People & Citizen Services, and Finance set the guidance, and provide advisory support to recruiting functions/ clusters in relation to the engagement and management of agency workers. Day to day management of agency work, and compliance with procedural requirements is the responsibility of individual services.

Starting from their first day of work the Agency Workers Regulations 2010 mandates assigned agency workers be treated no less favourably than staff that have been directly recruited into a contracted post through the recruitment and selection process.

Following completion of a 12-week qualifying period agency workers are entitled to the equal basic employment and working conditions to the staff who have been recruited directly for the comparable post i.e. same level of pay and allowances, where applicable. Monitoring processes ensure compliance with internal regulations and the Agency Workers Regulation 2010.

During 2024/25, the total spend recorded as Agency Expenditure for all services was £2,571,112.76 with 48.7% being with the Families and Communities Function

1.2 Rationale for the review

The objective of this audit is to ensure that appointments are made from appropriately tendered contracts and that individual appointments are adequately managed.

The requirement for agency staff may be unavoidable where there is an urgent need to meet demand, however it can result in additional cost. There are also risks in respect of procurement compliance, and the additional complexity of managing, co-ordinating, and ensuring the accuracy of payments made for, staff not directly employed by the Council.

The last audit of this area, AC1712, was concluded in February 2017. The main findings were:

- Over 40% of agency worker spend was placed with suppliers not on the procurement framework for agency workers.
- The terms of the Framework Agreement were not adhered to, with agency suppliers being approached out with the ranked order process.
- The guidance around when it is acceptable to use agency staff was open to interpretation and procedures were lacking instruction on the processing of agency worker timesheets. Agency workers were being engaged without approved authorisation, inductions were not being carried out, and engagement periods exceeded the maximum 12-week qualifying period. Corporate recruitment procedures were being circumvented with agency suppliers being used to recruit permanent staff.
- Breaches of Financial Regulations were identified with rates of pay being applied which were over and above the agreed contract rates and invoices had no supporting purchase orders.

The current audit will seek assurance these points have been addressed, and that control systems and processes are operating effectively to address the relevant risks.

1.3 How to use this report

This report has several sections and is designed for different stakeholders. The executive summary (section 2) is designed for senior staff and is cross referenced to the more detailed narrative in later sections (3 onwards) of the report should the reader require it. Section 3 contains the detailed narrative for risks and issues we identified in our work.

2 Executive Summary

2.1 Overall opinion

The full chart of net risk and assurance assessment definitions can be found in Appendix 1 – Assurance Scope and Terms. We have assessed the net risk (risk arising after controls and risk mitigation actions have been applied) as:

Net Risk Rating	Description	Assurance Assessment
Moderate	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified, which may put at risk the achievement of objectives in the area audited.	Reasonable

The organisational risk level at which this risk assessment applies is:

Risk Level	Definition
Function	This issue / risk level has implications at the function level and the potential to impact across a range of clusters. They could be mitigated through the redeployment of resources or a change of policy within a given function.

2.2 Assurance assessment

The level of net risk is assessed as **MODERATE**, with the control framework deemed to provide **REASONABLE** assurance over the management of agency appointments. Where pockets of higher risk have still remain, this audit recognises that controls have been enhanced after the last review. This work by Management includes development of a corporate procedure, and a marked improvement on the proportion of on-contract spend and a reduction in cost overall.

However, areas of weakness in the implementation and consistent application of these controls, including resource requirements, demand management, and procurement, purchasing, persist. There is variation in practice between clusters, and variation between service approaches in similar situations, and none are evidenced as fully compliant.

The Council spends an average of £2.9m per annum on agency staff, with £2.6m spent in 2024/25. This has reduced from £3.3m in 2021/22. The main users include Corporate Landlord (£1.2m) and Operations (£0.9m), which have recurring substantial demand for agency workers as a result of local and national recruitment and retention difficulties. Other spend is more ad-hoc, based on specific requirements arising across other clusters. £1.6m was spent in the first six months of 2025/26. If spend continues at the same level, costs could reach over £3m for the current financial year.

There is potential to strengthen the framework of control to provide further assurance over delivery against the Council's priorities, specifically:

- **Staff Guidance and Governance** – The Council's Agency Worker Procedure was last updated in 2021. While this provides an overview of the required process, it is not aligned with practice. Clusters regularly engaging agency workers have developed their own processes, custom and practice, varying in content and detail, including the extent and quality of internal controls. There are areas within the corporate process where guidance should be strengthened, including: monitoring of agency requirements and usage, pay parity, supplier selection and ordering, management of recurring/bulk orders, contract management responsibilities, sourcing/confirming agreed rates of payment and responsibilities for any variations, inductions and training, review of timesheets, and document management. These gaps present a risk of inconsistency, and of any changes made at a corporate level not being filtered through effectively to cluster level.

-
- **Resourcing and Onboarding** – Decisions need to be made in advance to ensure the right resources are in the right places at the right time. Clusters with regular requirements typically obtain chief officer authorisation and raise purchase orders for recurring agency usage in bulk, rather than for individual placements. There is no evidence of regular or routine discussion with the Talent Team to explore alternative options. Clusters are not fully demonstrating compliance with the competition and selection requirements included within the agency framework contracts, presenting a risk of additional cost and legal challenge. There is limited assurance that IR35 employment status is being confirmed, as noted in the current guidance, in advance of engaging the services of each agency worker, presenting a risk of non-compliance, additional cost, and penalties, with Management advising that the current suite of guidance is being updated to reflect operational requirements and the latest legislative requirements that has changed this requirement. Services' approaches to communicating and recording essential qualifications/training, and briefing/onboarding requirements also vary.
 - **Monitoring** – The Council spends an average of £2.9m per annum on agency staff. In previous years there has been a focus on off-contract spend, with a view to improving procurement compliance and better utilisation of approved framework providers, to reduce risk and improve value for money. Whilst off-contract spend has reduced, this is no longer monitored and centrally reported to the same extent. Agency workers are regularly engaged for more than 12 weeks – with a number identified as having been in place for over a year. Extensions are generally approved within the purchasing service, with no further/wider input required. There is a risk agencies could be seen as a shortcut to resolving resource issues, the ability to attract talent, or avoiding adjustments to service standards, each of which could be indicative of underlying issues which should be addressed at a more strategic level. Without regular monitoring with results reviewed with relevant clusters, agency use, and costs could escalate beyond available budgets. However, effective monitoring could be challenging due to the availability of quality data: central and cluster records are incomplete, and there are inconsistencies in recording.
 - **Purchase Ordering and Payment Controls** – The Council's Financial Regulations include a requirement to issue a formal purchase order (PO) in advance of obtaining goods and services. PO's are regularly being created for agency work, but there is variation in how and when they are set up and approved. In many cases combined requirements for agency staff have been estimated and one agency authorisation form completed covering multiple posts/roles, for up to a year in advance, for a defined maximum value (up to £1.2m in one case). Hours, rates, and lengths of placement are not specified in advance. POs are typically raised for a nominal sum (e.g. £1) and then revised later. This offers a means to process payments and manage the overall budget, but offers limited control, as rates, expected costs, and the length of time covered, vary between roles. There is a risk that this creates a cycle of unchecked demand as PO's are created or extended to cover costs already incurred on a recurring basis. In breach of Financial Regulations, orders are not all being approved in advance of the period covered by a PO. Costs are also not always being aggregated for the purposes of determining the appropriate procurement governance routes. Failure to aggregate spend and apply the correct procurement rules presents a risk of legal challenge. At the point of ordering, rates and placement lengths are not being explicitly agreed and documented in advance. The absence of formal documentation may put the Council at a disadvantage in the event of an error, or dispute over rates or other costs. There is also variation in practice for receipting agency workers' hours.

Recommendations have been made to review and consolidate agency worker procedures to ensure requirements and responsibilities across the Council are clear and consistent, with any exceptions subject to appropriate governance; to develop and implement controls to ensure all key stages of the resourcing and onboarding process have been confirmed and evidenced as complete prior to work commencing; to standardise processes and data collection to support effective monitoring and demand management; and to implement controls to ensure agency spend is subject to advance specific approvals and purchase orders, with clarity over rates and duration, to facilitate a full matching process for ordering, receipt and payment.

It is acknowledged supporting clusters including People & Citizen Services, the Commercial and Procurement Shared Service (CPSS), and Business Services (Transaction Team), are reliant on

colleagues within individual Functions/Clusters to facilitate, engage and apply consistent processes. However, as a corporate risk, Internal Audit considers that the recommended actions are more appropriately driven by a corporate approach from the centre.

2.3 Identified Risks

Risk Level	Number of Risks Identified
Severe	-
Major	2
Moderate	2
Minor	-
Total	4

2.4 Management response

People and Citizen Services, Commercial & Procurement and Finance appreciate the valuable insights and recommendations provided by the Internal Audit Review into agency costs. We fully recognise both the challenges and risks identified and remain committed to ongoing improvement in this area.

Since the last audit in 2017, all prior recommendations were successfully addressed, with the establishment of an Agency Steering Group, including Chief Officers from key departments, to drive progress. This group has overseen a comprehensive action plan aimed at reviewing agency usage and spend, prioritising the reduction of non-essential agency activity and ensuring compliance with relevant frameworks. Importantly, this has included the development and implementation of a robust corporate procedure.

Significant positive changes have been realised since 2017, including reduced overall spend, lower off-contract expenditure and the introduction of clearer procedures. Targeted interventions have supported high-use areas such as Family & Community Services, especially where hard-to-fill roles like Children's Social Workers and Teaching positions required additional resource solutions. These measures have improved access to compliant on-contract providers and reduced reliance on agency staff.

The introduction of the updated corporate procedure has strengthened organisational control over agency usage and spend. Central oversight ensures all requests (outside of bulk Operations orders) are properly managed, from initial request through to payment. The procedure has also fostered a cultural shift, with managers now viewing agency resource as a last resort. This change is reflected in the reduced spend across all Council functions and clusters.

We would like to thank Internal Audit for their support throughout the review and constructive recommendations. We are committed to working collaboratively to address the gaps identified in governance, control, and operational processes relating to the engagement and management of agency workers across the Council

It is accepted that the audit findings have highlighted that there is a need for improvement in the approach to managing agency workers, both to ensure compliance with procurement and financial regulations and to achieve best value for the Council.

Looking ahead, we are proactively updating our policy and guidance to reflect the evolving landscape and operational requirements. These updates will address the audit findings, within this report and will ensure that all business areas are clear on their responsibilities and fully accountable for compliance, reinforcing our commitment to effective resource management and transparent governance.

For information the comparative spend and on/off contract spend is shown below between 2016/17, the last full year 2024/25 and the first two quarters of 2025/26:

	2016/17		2024/25		2025/26 Q1 & Q2	
	Total	%	Total	%	Total	%
Total Spend	£ 7,990,488		£ 2,220,335		£ 1,077,678	
ON Contract	£ 3,887,576	49%	£ 2,045,993	92%	£ 1,009,640	94%
OFF Contract	£ 4,102,912	51%	£ 174,342	8%	£ 68,038	6%

3 Issues / Risks, Recommendations, and Management Response

3.1 Issues / Risks, recommendations, and management response

Ref	Description	Risk Rating	Moderate
1.1	<p>Written Procedures and Guidance – The Council’s Agency Worker Procedure was last reviewed and updated in 2021. While this provides an overview of the required process, it does not always align with operational practice. Clusters regularly engaging agency workers have developed their own processes through custom and practice, and these vary in content and detail.</p> <p>The Agency Worker procedure sets out the roles and responsibilities of the clusters, as originally planned. Controls were built into the process so that the processes would be carried out independently to ensure segregation of duties. However, different stages and clusters are now involved in the process compared with those referenced in the procedure. There is no clear guidance in the procedure as to their roles and responsibilities, and where their boundaries are in the process e.g. the procedure details the "Transactions Team" being responsible for tasks, but managers referenced CHI Admin; Agency Support and Business Services undertaking the relevant tasks, in addition to their own cluster’s role. Lack of clarity over what each cluster is responsible for has led to the process becoming disjointed. This is particularly marked for clusters where there is recurring and regular agency usage.</p> <p>Guidance should be strengthened (either within or adequately signposted from the Agency Worker procedure) in respect of:</p> <ul style="list-style-type: none"> • Monitoring Agency Worker engagements, at both a detailed and a corporate level. • Pay parity (which can be deferred for 12 weeks to provide a cost saving, is applied from day one, except where management decide otherwise). • Current available and adopted frameworks, suppliers, and their distinct rules for ranking/competition. • Approved variations in practice (e.g. approaching suppliers simultaneously rather than one by one). • Recurring/bulk orders. • Contract management responsibilities including supplier engagement at a central/corporate or cluster level. • Agreed rates to be paid to suppliers, and communicating any changes. • Responsibilities and central sources of data for agreement and revisions to pay rates, including pay awards, PAYE/Nl revisions, changes to the working week, and calculation/agreement of back-pay for retrospective changes. • Required content/minimum standards and records for agency worker inductions. • Processes for receipt, checking, and approval of timesheets for hours worked, and invoices against these. • Document management and retention requirements. <p>Whilst generally more detailed, cluster/section-level flowcharts and step by step guidance contained obsolete information and lacked clarity over the context and purpose of specific steps to aid users’ understanding of their role in the overall process. There are also differences in approach (see Appendix 3). Having multiple procedures at this level presents a risk of inconsistency, and of any changes made at a corporate level not being filtered through effectively. For example, some contained supplier details (which could be subject to change), and none covered IR35 checks.</p> <p>The absence of up-to-date, consistent procedures and clear guidance across the key controls creates risk for the Council. Without a unified approach, clusters operate with varying</p>		

Ref	Description	Risk Rating	Moderate
	practices, leading to potential non-compliance, inefficiencies, and exposure to financial, legal, and reputational harm.		
	IA Recommended Mitigating Actions		
	Agency worker procedures should be reviewed and consolidated to ensure requirements and responsibilities across the Council are clear and consistent. Any exceptions should be reviewed, confirmed and logged centrally through an appropriate governance mechanism.		
	Management Actions to Address Issues/Risks		
	<i>Agreed. The Using Agency Workers Procedure was implemented in 2021 and is currently under review.</i>		
	<i>We have developed an action plan to consider and progress the recommendations and this will include a full review of the agency procedure, agency worker request form and authorisation process which will be undertaken collaboratively by People & Citizen Services, Commercial & Procurement and Finance with key stakeholders involved as appropriate - including end users with larger spend. The findings and recommendations from this Internal Audit review will be considered and taken account of within the review of the procedure. It is proposed that a checklist is incorporated in the procedure for hiring managers to ensure that steps are followed in each instance.</i>		
	<i>Roll out of the procedure will be supported by Comms and sessions for hiring managers will be held to highlight changes to the procedure and responsibilities of hiring managers.</i>		
	<i>An Agency Steering Group will be re-established with managers from People & Citizen Services, Commercial & Procurement and Finance to review the effectiveness of the procedures, monitor spend, compliance with agency spend, and exceptions.</i>		
	Risk Agreed	Person(s)	Due Date
	Yes	Strategic Commercial Manager, Service Lead – People, Deputy Chief Finance Officer	31 December 2026

Ref	Description	Risk Rating	Major
1.2	<p>Engaging and Onboarding Agency Workers – Decisions need to be made in advance to ensure the right resources are in the right places at the right time. Clusters with regular requirements for agency cover typically obtain Chief Officer authorisation and raise purchase orders for recurring agency usage in bulk, rather than for individual placements. These clusters review resources against levels of demand on a weekly or daily basis. This data is used to inform day to day planning and requests to agencies for candidates.</p> <p>In relation to engaging and onboarding agency workers overall, the following was identified:</p> <ul style="list-style-type: none"> • There is no evidence of regular or routine discussion between services and the Talent Team to explore alternative resourcing options before using agency, in line with the requirements placed on Directors/Chief Officers and Hiring Managers by the Council's Agency Workers Procedure (2021). The current agency authorisation form includes a reminder to do so, but no recording mechanisms are in place. If managers are not doing this, then alternatives may not be appropriately considered, and demand may not be managed effectively. • The Establishment Control Board (ECB) reviews all requests to advertise vacancies, and job advertisements were found for various roles currently covered by agency workers, however approval to advertise may be paused pending review or further 		

Ref	Description	Risk Rating	Major
	<p>clarification of requirements. In the interim, agency workers may continue to be used by default.</p> <ul style="list-style-type: none"> • There is variation in liaison with agency suppliers. An Agency Support Team within Finance leads on this task for some clusters, whilst in contrast to the procedure others engage direct. In these cases, decisions are not fully documented. Where requests have been made verbally, there is no record to confirm the selection process was compliant with framework terms and conditions. One cluster selected candidates based on order of receipt, whilst another referenced moving from the third-ranked to first-ranked provider due to lack of options, indicating a lack of understanding of rankings and the requirement to apply them. While the Agency Support Team helps better demonstrate compliance, suppliers are contacted simultaneously rather than one by one in ranked order, and selection is up to the relevant cluster; with decisions largely based on availability, speed of response, and previous experience with specific workers. Failure to comply with the framework requirements presents a risk of additional cost through potentially selecting more expensive suppliers, and in the event of legal challenge over procurement compliance. • The Council's Agency Workers Procedure notes it is the responsibility of the Hiring Manager to ensure that any worker is paid PAYE and is not implicated under the Off Payroll Working (IR35) legislation. The Council's Off-Payroll Working (IR35) guidance clearly sets out that where a contractor is engaged through an agency, the public-sector body (the Council) is still responsible for undertaking the assessment and for notifying the agency, for them to make the correct tax and NI deductions. However, services had no records of checks having taken place. Whilst most frameworks cover this requirement, these are not always used, and it cannot be assumed that in every case a worker will be on the agency's payroll. In one case reviewed, the agency had included 'n/a' for tax and national insurance elements of their rate, and in two others this was blank, with no indication this had been followed up. The Council could be liable for additional PAYE costs and penalties for non-compliance. Management has advised that the current suite of guidance covering IR35 is out of date and does not reflect the current operations to be followed in relation to engaging agency workers. • There are inconsistencies in respect of qualifications and records being checked prior to work commencing. Where the Agency Support Team is involved requests to agencies include the specific requirements. Lists are returned and candidates considered, and qualifications and other details are reviewed and held on file in a structured manner. However, these records were not all complete for workers who had been engaged. Services regularly ask for workers to bring physical copies of documentation on their first day. Where recorded, this indicated 60% of attendees failed to bring documentation, but, there is limited evidence of workers being rejected or deferred as a result. P&OD has stated that full onboarding, training, and induction processes are inappropriate for agency workers because they are not employees of the Council, and such activities could risk creating an implied employment relationship: the agency remains responsible for contractual, employment, and competency requirements. The extent of variation in practice therefore presents risks to efficient resource management. There are also potential risks in respect of data protection compliance if personal documentation is obtained and retained if it is not required. • However, the Council must provide all necessary local health and safety briefings and site-specific safety information to ensure safe working practices while the worker is on Council premises or carrying out Council-related duties. The approach to providing this, and confirming it has been done, varies. • The agency worker procedure includes an induction checklist template, but this is largely blank with services left to fill in their requirements. The checklist is not regularly used, and clusters have their own processes for inducting and training new 		

Ref	Description	Risk Rating	Major
	<p>agency workers. Records varied and were incomplete, reducing assurance that minimum requirements have been set and completed. It was not possible to confirm that mandatory corporate training had been completed by any of the agency workers reviewed. In cases where cluster-specific forms and records are in place, these generally reflect discussion and confirmation of understanding of key requirements with the agency worker, rather than the completion of specific training. One cluster has developed a presentation outlining these requirements. Whilst positive, this is substantially less detailed than the inductions and mandatory training requirements applicable to employees. If there are gaps, particularly where there is recurring use of the same workers over an extended period, there may be greater risks to corporate compliance.</p> <p>Weaknesses in planning, documentation, and compliance around resourcing and onboarding agency workers create a risk for the Council. These include potential breaches of procurement and tax regulations, inconsistent application of frameworks, and inadequate assurance over worker qualifications and mandatory training, all of which could lead to financial penalties, operational inefficiencies, and reputational damage.</p>		
	IA Recommended Mitigating Actions		
	<p>Controls should be implemented to ensure all key stages of the resourcing and onboarding process have been confirmed and evidenced as completed prior to agency work commencing.</p> <p>Minimum training requirements should be defined centrally and implemented for all agency workers. Consideration should be given to additional training requirements depending on length and frequency of engagement.</p> <p>The current suite of guidance around IR35 should be reviewed and updated to reflect operational requirements.</p>		
	Management Actions to Address Issues/Risks		
	<p><i>Agreed.</i></p> <p><i>As above, the Using Agency Workers Procedure was implemented in 2021, following the last internal audit on agency, and is currently under review.</i></p> <p><i>We recognise that the current document is out of date in regards to IR35, PAYE and Training Checks.</i></p> <p><i>Aberdeen City Council should not need to conduct IR35 assessments for workers procured through an agency, as these individuals are employed and paid by the agency and not engaged through personal service companies to which off-payroll working rules apply. Consequently, the agency holds responsibility for employment status, payroll deductions, and compliance with relevant legislation.</i></p> <p><i>Full onboarding, training, and induction processes are inappropriate for agency workers because they are not employees of the Council, and such activities could risk creating an implied employment relationship. The agency remains responsible for contractual, employment, and competency requirements.</i></p> <p><i>However, the Council must provide all necessary local health and safety briefings and site-specific safety information to ensure safe working practices while the worker is on Council premises or carrying out Council-related duties.</i></p> <p><i>We have developed an action plan to consider and progress the recommendations and this will include a full review of the agency procedure, agency worker request form and authorisation process which will be undertaken collaboratively by People & Citizen Services, Commercial & Procurement and Finance with key stakeholders involved as appropriate - including end users with larger spend. The findings and recommendations from this Internal</i></p>		

Ref	Description	Risk Rating	Major
	<p><i>Audit review will be taken account of within the review of the procedure. It is proposed that a checklist is incorporated in the procedure for hiring managers to ensure that steps are followed in each instance.</i></p> <p><i>Roll out of the procedure will be supported by corporate communications to all managers via the Leadership Forum, and sessions for managers who regularly use agency workers will be held to highlight changes to the procedure and their responsibilities.</i></p> <p><i>An Agency Steering Group will be re-established with managers from People & Citizen Services, Commercial & Procurement and Finance to review the effectiveness of the procedures, monitor spend, compliance with agency spend, and exceptions. As above, a full review of the agency procedure, agency worker request form and authorisation process will be undertaken collaboratively by People & Citizen Services, Commercial & Procurement and Finance with key stakeholders involved as appropriate - including end users with larger spend. The findings and recommendations from this Internal Audit review will be considered and taken account of within the review of the procedure.</i></p> <p><i>It is proposed that a checklist is incorporated in the procedure for hiring managers to ensure that steps are followed in each instance.</i></p>		
	Risk Agreed	Person(s)	Due Date
	Yes	Strategic Commercial Manager, Service Lead – People, Deputy Chief Finance Officer	31 December 2026

Ref	Description	Risk Rating	Moderate
1.3	<p>Monitoring of Agency Usage and Spend – The Council spends an average of £2.9m¹ per annum on agency staff. In previous years there has been a focus on off-contract spend, with a view to identifying non-compliance with procurement regulations, and supporting better utilisation of approved framework providers, to reduce risk and improve value for money. Whilst there are indications off-contract spend has reduced, this is no longer actively monitored. Internal Audit was advised that the Establishment Control Board (ECB) monitored on and off-contract spend, however the dashboard provided for review contained no data for 2025/26 (as at September 2025), and ECB action notes indicated no reference to review or actions in respect of agency spend. Commercial and Procurement (CPSS) review the spend periodically but there is no set schedule or reporting route. Individual clusters' monitoring, beyond management of budgets and purchase order values, largely ceased in 2023/24. Without regular monitoring, agency use, and costs could escalate beyond available budgets.</p> <p>Effective monitoring could be challenging due to the availability of quality data. The Transaction Team holds a central record of agency worker requests and usage, as per the agency worker procedure, but this only includes engagements managed by the central team. Individual clusters hold separate records – though these are not fully comprehensive or up to date - not all agency workers were included in the records, and those no longer engaged were not all removed/marked as left.</p> <p>On and off-contract spend monitoring relies on the use of named suppliers, however, spend may still be non-compliant if an 'approved' supplier on one framework supplies services that should come from another. Expenditure on consultants' fees was also found incorrectly coded as agency spend. The Agency Worker procedure (2021) sought to bring in a standard form</p>		

¹ £2.9m average based on invoices paid and recorded as Agency Staff 2021-2025. There was a reducing trend over this period from £3.3m to £2.5m. However, £1.6m has been paid in the first six months of 2025/26. If current year expenditure continues at this level, it could reach over £3m.

Ref	Description	Risk Rating	Moderate
	<p>for managers to use to request and authorise use of agency , and this includes a list of reasons for why cover is required. Across a sample of agency worker engagements, where these forms had been completed, different versions were being used. These included variations in the number and content of reasons included in this list, limiting the ability to aggregate this data effectively for later review.</p> <p>The recorded reasons for engaging agency workers did not always reasonably reflect what was taking place in practice. For example, agency workers were being engaged on a recurring basis to meet 'unexpected critical demand'. There is no evidence of this being scrutinised or challenged, which contrasts with the approach taken by the ECB in respect of vacancies. Agency worker orders can be placed or extended with a single approval from a Chief Officer, and may be delegated. This can lead to orders being placed on a regular basis by a manager, without CO approval, cumulatively in excess of £50k, presenting a risk to compliance with procurement governance requirements. Procurement regulations are also being formally set aside, following Chief Officer consultation with CPSS. There is a risk this could be seen as a shortcut to resolving resource issues, the ability to attract talent, or avoiding adjustments to service standards, each of which could be indicative of underlying issues which should be addressed at a more strategic level.</p> <p>The Using Agency Workers procedures and authorisation form requires the service engaging an agency worker to review options with the Talent Team after eight weeks, with a view to either ending or extending placements after 12 weeks. There is no evidence of monitoring/follow-up, and with limited exceptions (e.g. administrative and professional roles managed more centrally), there is no evidence of this taking place. Agency workers are regularly being engaged for more than 12 weeks, with a number identified as having been in place for over a year (central records (see above re completeness and accuracy) show four 'current' workers with start dates between 2021 and 2024). Extensions are generally approved within the purchasing service, with no further/wider input required.</p> <p>This may be reflective of a reduced requirement for adjustment following a decision that pay parity be paid from day one of an agency engagement (formerly after 12 weeks in line with national Agency Worker Regulations). There are no records to demonstrate whether this is being applied consistently, and there has been no review to determine whether the additional cost incurred is justified by the administration costs avoided, and/or other benefits (e.g. improving the attractiveness of the Council's offer of agency work).</p>		
	IA Recommended Mitigating Actions		
	<p>The Council should standardise processes and data collection to support effective monitoring of agency usage. Agency usage and costs should be tracked and monitored centrally.</p> <p>Strategic resourcing decisions (e.g. recurring agency demand) should be subject to scrutiny at the appropriate level.</p> <p>The Council should review whether the practice of paying the evaluated rate for the job from day one of agency assignment provides value for money.</p>		
	Management Actions to Address Issues/Risks		
	<p><i>Agreed.</i></p> <p><i>As above, the Using Agency Workers Procedure was implemented in 2021, following the last internal audit on agency, and is currently under review.</i></p> <p><i>We have developed an action plan to consider and progress the recommendations and this will include a full review of the agency procedure, agency worker request form and authorisation process which will be undertaken collaboratively by People & Citizen Services, Commercial & Procurement and Finance with key stakeholders involved as appropriate - including end users with larger spend. The findings and recommendations from this Internal Audit review will be considered and taken account of within the review of the procedure. It is</i></p>		

Ref	Description	Risk Rating	Moderate						
	<p><i>proposed that a checklist is incorporated in the procedure for hiring managers to ensure that steps are followed in each instance.</i></p> <p><i>An Agency Steering Group will be re-established established with managers from People & Citizen Services, Commercial & Procurement and Finance to review the effectiveness of the procedures, monitor spend, compliance with agency spend, and exceptions with recurring agency usage escalated to the Establishment Control Board.</i></p>								
	<table border="1"> <thead> <tr> <th>Risk Agreed</th> <th>Person(s)</th> <th>Due Date</th> </tr> </thead> <tbody> <tr> <td>Yes</td> <td>Strategic Commercial Manager, Service Lead – People, Deputy Chief Finance Officer</td> <td>31 December 2026</td> </tr> </tbody> </table>	Risk Agreed	Person(s)	Due Date	Yes	Strategic Commercial Manager, Service Lead – People, Deputy Chief Finance Officer	31 December 2026		
Risk Agreed	Person(s)	Due Date							
Yes	Strategic Commercial Manager, Service Lead – People, Deputy Chief Finance Officer	31 December 2026							

Ref	Description	Risk Rating	Major
1.4	<p>Purchase Ordering and Payment Controls – The Council’s Financial Regulations require formal purchase orders (POs) to be issued before goods or services are obtained. Although an exception exists for agency usage—supported by authorisation and order forms that set out rates, cost estimates and required approvals—these forms do not enable payment through the financial system. As a result, POs continue to be used for agency engagements, but the timing and method of their creation varies across services.</p> <p>For recurring agency requirements, some services estimate annual needs in advance and use a single authorisation form to cover multiple posts. Examples include an annual rolling requirement for up to 36 craft workers (estimated £1.2m) and agency staff within Waste and Environment (eight drivers and seven others valued at £450k and £331k, each split across two six-month periods). Because hours, rates and placement lengths are not set upfront, POs are often initially raised for nominal amounts (e.g. £1) and later adjusted. While this approach enables work orders and budget management, it offers limited visibility of expected costs and can result in repeated extensions. In one case within Roads (£19k), the initial authorisation dated 2018 continued to be extended up to 2025, indicating limited periodic review of alternative options.</p> <p>For one-off agency engagements, authorisation forms and POs are generally completed for the maximum anticipated 12-week period in line with procedures. Extensions are supported by updated approvals. However, not all POs are approved before the period of work begins (in two of five sampled cases, 15 of 18 POs were retrospective). In some areas, recurring engagements have been treated as separate pieces of work rather than aggregated, despite involving the same workers or services (e.g. Estates £86k, Social Care £83k). This may not fully demonstrate compliance with procurement governance requirements. One case included a 3.10 Memo confirming that procurement rules had been formally set aside; similar documentation was not always evident elsewhere.</p> <p>Payment rates are expected to reflect Council pay plus on-costs in line with framework agreements, but responsibilities for maintaining up-to-date rates are not clearly assigned. Rate information is held across several locations—framework documents, cluster-specific rate cards and email correspondence—rather than in a central record. Authorisation forms covering multiple roles often use average rates, and POs are raised for total values rather than hours at specified rates. As rates and placement durations are not always formally agreed at the point of ordering, there is reduced assurance should errors or disputes occur.</p> <p>Timesheet and receipting practices differ across services. For recurring agency work, hours are recorded locally and added to service spreadsheets, which the agencies then verify against invoices. While most documentation is retained, some gaps exist (e.g. four of 21</p>		

Ref	Description	Risk Rating	Major
	<p>timesheets missing, others unsigned or not clearly checked). Supplier-provided timesheets are not consistently used for matching, with five of 21 missing and others incomplete. In some cases, timesheets are submitted before the week ends to meet agency deadlines, which could increase the chance of pre-approved but unworked hours being paid. For one-off agency use, reliance on agency timesheets is greater, though pre-agreed rates generally offer stronger assurance.</p> <p>Overall, the extent of variability in purchase ordering, documentation and rate/ timesheet oversight indicates a requirement to strengthen consistency and compliance with financial and procurement regulations. While alternative controls exist and enable services to manage agency usage, greater standardisation and clearer documentation is needed to provide assurance and reduce exposure to avoidable process risks.</p>		
IA Recommended Mitigating Actions			
<p>The Council should develop and apply controls to ensure agency spend is subject to advance approvals and purchase orders, with centrally defined maximum limits in terms of costs and duration.</p> <p>Recurring requirements must be subject to regular review and, where appropriate, aggregated to determine the correct procurement governance route. For both recurring and ad-hoc requirements, a Purchase Order must be raised in advance for each defined engagement or assignment. Each Purchase Order must specify the agreed rates and duration. This requirement applies to the engagement as a whole and does not necessitate separate Purchase Orders or processes for each individual supplied by an agency.</p> <p>Confirmation that bids/acceptance for work are at the Council's approved rates should form part of the documented ordering process and communication with the supplier for each engagement.</p> <p>Payments should not be processed before hours physically worked, and the correct rates for each placement, have been confirmed by the cluster engaging each agency worker. This should include a full three-way match between order, timesheet(s) and purchase order.</p>			
Management Actions to Address Issues/Risks			
<p><i>Agreed.</i></p> <p><i>As above, the Using Agency Workers Procedure was implemented in 2021, following the last internal audit on agency, and is currently under review.</i></p> <p><i>We have developed an action plan to consider and progress the recommendations and this will include a full review of the agency procedure, agency worker request form, ordering and authorisation process which will be undertaken collaboratively by People & Citizen Services, Commercial & Procurement and Finance with key stakeholders involved as appropriate - including end users with larger spend. The findings and recommendations from this Internal Audit review will be considered and taken account of within the review of the procedure. It is proposed that a checklist is incorporated in the procedure for hiring managers to ensure that steps are followed in each instance.</i></p> <p><i>The process for purchase orders to be considered as part of the above although, it may not be practicable to have individual PO's raised for each agency appointment due , invoicing and authorisation implications however the process will be reviewed to ensure that the appointment of each agency worker and rate agreed is easily identified and confirmed with the supplier.</i></p>			
Risk Agreed		Person(s)	Due Date
Yes		Strategic Commercial Manager, Service Lead –	31 December 2026

Ref	Description	Risk Rating	Major
	People, Deputy Chief Finance Officer		

4 Appendix 1 – Assurance Terms and Rating Scales

4.1 Overall report level and net risk rating definitions

The following levels and ratings will be used to assess the risk in this report:

Risk Level	Definition
Corporate	This issue / risk level impacts the Council as a whole. Mitigating actions should be taken at the Senior Leadership level.
Function	This issue / risk level has implications at the function level and the potential to impact across a range of clusters. They could be mitigated through the redeployment of resources or a change of policy within a given function.
Cluster	This issue / risk level impacts at the Business Plan level (i.e. individual services or departments as a whole). Mitigating actions should be implemented by the responsible Chief Officers.
Programme and Project	This issue / risk level impacts the programme or project that has been reviewed. Mitigating actions should be taken at the level of the programme or project concerned.

Net Risk Rating	Description	Assurance Assessment
Minor	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.	Substantial
Moderate	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified, which may put at risk the achievement of objectives in the area audited.	Reasonable
Major	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.	Limited
Severe	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.	Minimal

Individual Issue / Risk Rating	Definitions
Minor	Although the element of internal control is satisfactory there is scope for improvement. Addressing this issue is considered desirable and should result in enhanced control or better value for money. Action should be taken within a 12 month period.
Moderate	An element of control is missing or only partial in nature. The existence of the weakness identified has an impact on the audited area's adequacy and effectiveness. Action should be taken within a six month period.

Major	The absence of, or failure to comply with, an appropriate internal control, which could result in, for example, a material financial loss. Action should be taken within three months.
Severe	This is an issue / risk that could significantly affect the achievement of one or many of the Council's objectives or could impact the effectiveness or efficiency of the Council's activities or processes. Action is considered imperative to ensure that the Council is not exposed to severe risks and should be taken immediately.

5 Appendix 2 – Assurance Scope and Terms of Reference

5.1 Area subject to review

The Council has adopted national framework agreements for acquiring agency staff. The frameworks are made up of multiple suppliers offering a variety of different skilled workers when this is required to fulfil resource requirements e.g. due to unexpected shortfall of staffing levels or temporary increased workload.

Within the Corporate Services function the clusters of Commercial and Procurement Shared Services, People & Citizen Services, and Finance all provide governance, advisory and operational support to recruiting functions/ clusters in relation to the engagement and management of agency workers. Day to day management of agency work and identification of requirements is undertaken by individual services.

Starting from their first day of work the Agency Workers Regulations 2010 mandates assigned agency workers be treated no less favourably than staff that have been directly recruited into a contracted post through the recruitment and selection process.

Following completion of a 12-week qualifying period agency workers are entitled to the equal basic employment and working conditions to the staff who have been recruited directly for the comparable post i.e. same level of pay and allowances, where applicable. Monitoring processes ensure compliance with internal regulations and the Agency Workers Regulation 2010.

During 2024/25, the total spend recorded as Agency Expenditure for all services was £2,571,112.76 with 48.7% being with the Families and Communities Function.

5.2 Rationale for review

The objective of this audit is to ensure that appointments are made from appropriately tendered contracts and that individual appointments are adequately managed.

The requirement for agency staff may be unavoidable where there is an urgent need to meet demand, however it can result in additional cost. There are also risks in respect of procurement compliance, and the additional complexity of managing, co-ordinating, and ensuring the accuracy of payments made for, staff not directly employed by the Council.

The last audit of this area, AC1712, was concluded in February 2017. The main findings were:

- Over 40% of agency worker spend was placed with suppliers not on the procurement framework for agency workers.
- The terms of the Framework Agreement were not adhered to, with agency suppliers being approached out with the ranked order process.
- The guidance around when it is acceptable to use agency staff was open to interpretation and procedures were lacking instruction on the processing of agency worker timesheets. Agency workers were being engaged without approved authorisation, inductions were not being carried out, and engagement periods exceeded the maximum 12-week qualifying period. Corporate recruitment procedures were being circumvented with agency suppliers being used to recruit permanent staff.
- Breaches of Financial Regulations were identified with rates of pay being applied which were over and above the agreed contract rates and invoices had no supporting purchase orders.

The current audit will seek assurance these points have been addressed, and that control systems and processes are operating effectively to address the relevant risks.

5.3 Scope and risk level of review

This review will offer the following judgements:

- An overall **net risk** rating at the **Function** level.

-
- Individual **net risk** ratings for findings.

5.3.1 Detailed scope areas

As a risk-based review this scope is not limited by the specific areas of activity listed below. Where related and other issues / risks are identified in the undertaking of this review these will be reported, as considered appropriate by IA, within the resulting report.

The specific areas to be covered by this review are:

- Procedures
- Contracts
- Engagement of agency workers
- Monitoring of agency workers
- Payment processing

5.4 Methodology

This review will be undertaken through interviews with key staff involved in the process(es) under review and analysis and review of supporting data, documentation, and paperwork. To support our work, we will review relevant legislation, codes of practice, policies, procedures, guidance.

This review will also encompass an evaluation of the governance, risk management and controls in place to achieve Best Value and to detect, prevent, and mitigate instances of fraud.

Due to hybrid working across the Council, this review will be undertaken primarily remotely.

5.5 IA outputs

The IA outputs from this review will be:

- A risk-based report with the results of the review, to be shared with the following:
 - Council Key Contacts (see 1.7 below)
 - Audit Committee (final only)
 - External Audit (final only)

5.6 IA staff

The IA staff assigned to this review are:

- Debbie Steele, Auditor (**audit lead**)
- Colin Harvey, Audit Team Manager
- Jamie Dale, Chief Internal Auditor (**oversight only**)

5.7 Council key contacts

The key contacts for this review across the Council are:

- Andy MacDonald, Executive Director – Corporate Services
- Isla Newcombe, Chief Officer – People & Citizen Services
- Craig Innes, Chief Officer – Commercial & Procurement Services
- Jonathan Belford, Chief Officer – Finance
- Lesley Strachan, Service Lead – People & Citizen Services (**process owner**)
- Mel Mackenzie, Strategic Commercial Manager – Commercial & Procurement Services
- Bernadette Bularan, Deputy Chief Finance Officer

5.8 Delivery plan and milestones

The key delivery plan and milestones are:

Milestone	Planned date
Scope issued	17-Jul-2025
Scope agreed	24-Jul-2025
Fieldwork commences	4-Aug-2025
Fieldwork completed	29-Aug-2025
Draft report issued	26-Sep-2025
Process owner response	17-Oct-2025
Director response	24-Oct-2025
Final report issued	31-Oct-2025

6 Appendix 3 – Variations and Issues

6.1 Variations between Cluster approaches

Area	Building Services	Waste	Environment	One off Agency Worker Appointments
Service procedures	Flowchart	None	None	N/A
Review of alternative options	Weekly meetings with contract managers	No regular meetings for this purpose	No regular meetings for this purpose	Unknown
Prior liaison with Talent Team	No	No	No	Varies
Prior liaison with Transactions Team	Yes	No	No	Yes
Initial liaison with Agency suppliers	Agency support	Service	Service	Agency support
Suppliers approached in ranked order	All approached at the same time by email	Verbal communication – Not evidenced	All suppliers not approached	All approached at the same time by email
Suppliers selected in framework ranked order	Not listed or selected in order – Dependent on response time	Not evidenced.	Not evidenced - Not all suppliers approached.	Yes
Contract management	Nominated contract manager within Service – Annual meetings with suppliers.	Nominated contract manager within Service	None	CPSS
Authorisation forms - content	Various roles	Various roles	Various roles	Individual roles

Area	Building Services	Waste	Environment	One off Agency Worker Appointments
	(Up to 36, £1.2m)	(Up to 8, £450k)	(Up to 7, £330k)	
Authorisation forms - period	1 year	6 months	6 months	12-16 weeks
Purchase order forms - approvals	Chief Officer	Manager	Chief Officer	Varies
Purchase order – in advance	1 of 2 (50%)	2 of 4 (50%)	1 of 2 (50%)	3 of 5 (60%)
Hiring Manager Authorisation records	Process and records in place, but approval records vary	No records kept	No records kept	Yes
Rates approved in advance	Evidenced in 1 of 4 cases (25%). The cluster compiles its own rate cards.	No. CHI admin held copies of some Agency rates.	No. CHI admin held copies of some Agency rates.	Evidenced in 3 of 5 cases (60%). Framework order form used as a record of the agreed rates. No breakdown of rate.
Communication with Agencies re engagement	Via Agency Support	Direct with Agencies	Direct with Agencies	Via Agency Support
IR35 status check	Not completed	Not completed	Not completed	Not completed
Induction training	Cluster-specific presentation	Cluster-specific training matrix	No records	No records
Induction records	12 of 13 cases (92%)	4 of 7 cases (57%)	No records	No records
Covers Mandatory training	No	Partial (Prevent and Fraud)	No records	No records

Area	Building Services	Waste	Environment	One off Agency Worker Appointments
Review with Talent Team after 8 weeks / end or extend within 12 weeks	No	No	No	No
Record of current AW	Yes – Service specific. Included leavers.	Yes – Service specific. Not up to date.	Yes – Service specific. Not up to date.	Yes – Central record. Not up to date.
Monitoring of parity	Not completed	Not completed	Not completed	Not completed

ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	19 February 2026
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Internal Audit Report AC2611 – City Region Deal
REPORT NUMBER	IA/AC2611
DIRECTOR	N/A
REPORT AUTHOR	Jamie Dale
TERMS OF REFERENCE	2.2

1. PURPOSE OF REPORT

1.1 The purpose of this report is to present the planned Internal Audit report on City Region Deal.

2. RECOMMENDATION

2.1 It is recommended that the Committee review, discuss and comment on the issues raised within this report and the attached appendix.

3. CURRENT SITUATION

3.1 Internal Audit has completed the attached report which relates to an audit of City Region Deal.

4. FINANCIAL IMPLICATIONS

4.1 There are no direct financial implications arising from the recommendations of this report.

5. LEGAL IMPLICATIONS

5.1 There are no direct legal implications arising from the recommendations of this report.

6. ENVIRONMENTAL IMPLICATIONS

6.1 There are no direct environmental implications arising from the recommendations of this report.

7. RISK

7.1 The Internal Audit process considers risks involved in the areas subject to review. Any risk implications identified through the Internal Audit process are detailed in the resultant Internal Audit reports. Recommendations, consistent with the Council's Risk Appetite Statement, are made to address the identified risks and Internal Audit follows up progress with implementing those that are agreed with management. Those not implemented by their agreed due date are detailed in the attached appendices.

8. OUTCOMES

8.1 There are no direct impacts, as a result of this report, in relation to the Council Delivery Plan, or the Local Outcome Improvement Plan Themes of Prosperous Economy, People or Place.

8.2 However, Internal Audit plays a key role in providing assurance over, and helping to improve, the Council's framework of governance, risk management and control. These arrangements, put in place by the Council, help ensure that the Council achieves its strategic objectives in a well-managed and controlled environment.

9. IMPACT ASSESSMENTS

Assessment	Outcome
Impact Assessment	An assessment is not required because the reason for this report is for Committee to review, discuss and comment on the outcome of an internal audit. As a result, there will be no differential impact, as a result of the proposals in this report, on people with protected characteristics.
Privacy Impact Assessment	Not required

10. BACKGROUND PAPERS

10.1 There are no relevant background papers related directly to this report.

11. APPENDICES

11.1 Internal Audit report AC2611 – City Region Deal

12. REPORT AUTHOR CONTACT DETAILS

Name	Jamie Dale
Title	Chief Internal Auditor
Email Address	Jamie.Dale@aberdeenshire.gov.uk
Tel	(01467) 530 988

Internal Audit

Assurance Review of City Region Deal

Status: Final

Report No: AC2611

Date: 19 November 2025

Assurance Year: 2025/26

Risk Level: Strategic

Net Risk Rating	Description	Assurance Assessment
Moderate	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified, which may put at risk the achievement of objectives in the area audited.	Reasonable

Report Tracking	Planned Date	Actual Date
Scope issued	4-Jul-2025	4-Jul-2025
Scope agreed	1-Aug-2025	17-Jul-2025
Fieldwork commenced	11-Aug-2025	1-Aug-2025
Fieldwork completed	12-Sep-2025	12-Sep-2025
Draft report issued	10-Oct-2025	6-Oct-2025
Process owner response	31-Oct-2025	27-Oct-2025
Director response	7-Nov-2025	19-Nov-2025
Final report issued	14-Nov-2025	19-Nov-2025

Distribution	
Document type	Assurance Report
Director	Rob Simpson, Director of Business Services, Aberdeenshire Alan Wood, Director of Infrastructure and Environment, Aberdeenshire Gale Beattie, Director of Commissioning, Aberdeen City
Process Owners	Stuart Bews, City Region Deal Programme Manager, Aberdeen City Karlyn Watt, Strategic Finance Manager, Aberdeenshire
Stakeholder	Paul Macari, Head of Planning and Economy, Aberdeenshire Mary Beattie, Head of Finance, Aberdeenshire Julie Wood, Chief Officer – City Growth, Aberdeen City Jonathan Belford, Chief Officer – Finance, Aberdeen City
Final only	John Love, Accountant, Aberdeenshire Aigul Gray, Project Support, Aberdeen City Vicky Morris, Risk and Business Continuity Officer Jenni Lawson, Interim Chief Officer – Governance, Aberdeen City* External Audit*
Lead auditor	Colin Harvey, Audit Team Manager

1 Introduction

1.1 Area subject to review

The Aberdeen City Region Deal (the Deal), agreed in November 2016, is a three-way, ten-year agreement between the UK Government, the Scottish Government and regional partners including Aberdeen City and Aberdeenshire councils, and Opportunity North East (ONE) - the private sector partner which leads on innovation projects within the Deal. The total allocations of funding for the capital projects is £826.2 million.

The Deal's aim is to significantly advance economic and infrastructure development in the area, addressing the challenges which business and industry face in the North East of Scotland whilst grasping opportunities through projects which can enable Aberdeenshire and Aberdeen City to continue to be an attractive and productive area for organisations to locate and develop. Key projects include the Net Zero Technology Centre (formerly Oil and Gas Technology Centre), Food and Drink and Life Science Innovation Hubs, a Digital Infrastructure Fund, expansion of Aberdeen Harbour, and development of a Strategic Transport Appraisal (STAG).

The councils' jointly fund £20 million of activity relating to the Digital (£7 million), STAG (£2 million) and Harbour Expansion (£11 million) elements of the Programme. The Digital and Transport themes are led by Council based Working Groups whilst the other project themes, Innovation, and Internationalisation, are led by external Project Boards with which the Council has a Funding Agreement. The councils are responsible for ensuring projects are appropriately planned and managed and for monitoring their progress and finances. They also host the Aberdeen City Region Deal Joint Committee, which includes representation from each stakeholder.

Aberdeen City Council provides programme and project management support for the Deal's projects and outcomes. This is a facilitating and liaison role, including communication with key stakeholders (including the UK and Scottish governments) and project leads, promoting adherence to governance requirements, and a consistent approach to risk monitoring, reporting of progress and delivery of benefits.

Aberdeenshire Council is the 'Accountable Body' for project funding. It acts as a conduit for Government and Council funding in accordance with the signed Deal Agreement and the terms of the Scottish Government's annual Aberdeen City Region Deal Grant Offer, to provide payments to projects in line with relevant agreements, spend and progress.

1.2 Rationale for review

The objective of this audit is to provide assurance over the governance and financial spend of the Aberdeen City Region Deal. This review will focus specifically on the final stages and overall delivery. We will also review implementation of agreed actions from the previous audits to ensure controls are still operational and effective. As the programme is shortly coming to an end, whilst the audit will focus on current practice, it is intended that recommendations arising will be forward-facing for application to similar future projects.

The Deal is managed on behalf of various partners; each stakeholder will have an interest in assurance over the governance arrangements. The councils have lead responsibility for programme delivery and stewardship of funds.

Since 2022/23 the UK and Scottish governments' funding letter, setting out the terms of their annual grant offer, includes an expectation for the Deal to be included in the Internal Audit Plan at least every two years. This is the final planned internal audit of this area, in line with this requirement.

Governance of the Deal was last reviewed in 2023/24 (Internal Audit Report 2422/AC2413). Limited assurance was obtained, due to identified weaknesses in governance arrangements, review of supporting audit trails for expenditure, and delivery of outcomes. Improvements were recommended around strengthening the governance and reporting arrangements within the councils and from partners. These included updating and securing flexibility in funding agreements and reviewing delegations. Further work was recommended to develop and expand the level of data obtained, and its

critical appraisal, in respect of use of funding, performance against plans, and realisation of benefits, at a more detailed level proportionate with the level of funds being managed through the City Region Deal.

Key elements of the review for the final stages of the Deal period will include controls over any late-stage project changes, benefits measurement and reporting, and demonstrating project sustainability following the end of the funding period. These were highlighted as risk areas in previous audits (Internal Audit Report 2101, in 2020).

1.3 How to use this report

This report has several sections and is designed for different stakeholders. The executive summary (section 2) is designed for senior staff and is cross referenced to the more detailed narrative in later sections (3 onwards) of the report should the reader require it. Section 3 contains the detailed narrative for risks and issues we identified in our work.

2 Executive Summary

2.1 Overall opinion

The full chart of net risk and assurance assessment definitions can be found in Appendix 1 – Assurance Scope and Terms. We have assessed the net risk (risk arising after controls and risk mitigation actions have been applied) as:

Net Risk Rating	Description	Assurance Assessment
Moderate	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified, which may put at risk the achievement of objectives in the area audited.	Reasonable

The organisational risk level at which this risk assessment applies is:

Risk Level	Definition
Strategic¹	This issue / risk level impacts the Council as a whole. Mitigating actions should be taken at the Senior Leadership level.

2.2 Assurance assessment

Internal Audit has identified an overall net risk rating of **MODERATE**, with **REASONABLE** assurance obtained over the governance and financial spend of the City Region Deal. Substantial improvements have been made since the area was last audited, through implementation of actions to address identified areas of weakness or improvement.

However, there are risks driven by the impending closure of the Deal funding period in March 2027. These have been graded at the Major level due to a lack of assurance over how projects will be managed to maximise utilisation of available funding within the remaining time, and how the councils will obtain sufficient data to continue to report on delivery of benefits and outcomes after the Deal ends. As there is still time to address or mitigate these risks, this does not impact on the overall level of assurance, but until they are addressed there will be an unquantified level of risk pertaining to the Deal and meeting with the Governments' requirements.

The review identified the following areas where enhancements could be made to strengthen the framework of control, specifically:

- Guidance and Funding Agreements** – The governance framework, including delegations, change controls, and reporting have been updated since the last audit. The dashboard approach for reporting is providing consistent data to the Board and Joint Committee to aid them in monitoring progress and decision making, though there is some variation in content. The 2025/26 grant offer from the Governments was below what was budgeted, due to recurring underspends; these are continuing. Commitment to continued funding of MOU projects (additional funding alongside the main Deal), varied in 2024/25, and has not been fully and formally restored. Work is ongoing to identify and bring forward further projects within the Deal and MOU to maximise the benefits to be delivered through use of the remaining funding, but there is limited time remaining for the Deal. The Governments have varied the terms of Grant Offer Letters over the Deal term, and closure guidance is currently in draft. If new requirements are brought in the final years, existing funding agreements with delivery partners may not fully provide for these.
- Change Management** – Clearer and more consistent procedures were implemented following the last audit. Higher risk changes are being reported, requested and approved through formal mechanisms. However, re-phasing and delays are evident across various projects, some of which are not able to spend their allocation because they have not yet fully developed business

¹ The audit methodology used across both councils is similar, with the only variance being slightly different assurance terms e.g. a Strategic review for Aberdeenshire is considered a Corporate Review for Aberdeen City. For ease of reporting and consistency, the Aberdeenshire terms have been used.

cases, contracts, or progressed workstreams, and others due to issues which are not within their direct control. Risks, issues and delays are being reported, and forecasts are being updated, but these are not being captured promptly in formal change requests. This presented a low risk in the early years of the Deal but represents a higher risk as the Deal concludes. With one exception (Harbour Link Road) all projects must be concluded, and final claims paid up to 31 March 2027. Beyond this point, funding may be lost, and any incomplete projects may not achieve all of their objectives. This presents a reputational risk for the councils, a financial risk to Aberdeenshire Council as Accountable Body if the Governments deem non-completion to be a default on the Deal obligations and seek recovery of funding, and a financial risk for projects/delivery partners if they have committed funds which cannot be reimbursed.

- **Project Expenditure and Progress** – Reasonable assurance was obtained over the review and administration of claims by Finance and the Programme Manager. There is more in-depth review taking place than in previous years, though this is still on a sample basis and a full audit trail of documentation is not being retained, only confirmation that it has been reviewed. Council funding is being tracked and remitted as appropriate. However, there remains a high degree of variation in forecasts from period to period, indicating either risks and issues arising which were unanticipated, or poor forecasting of requirements. Variance notes indicate the reason for movement, but there is limited assurance being provided about how they will be addressed within the remaining time and budget. Without clear mitigations, there is limited assurance that the project/s will be delivered on time and within budget. If this happens in the final year/s there is a higher risk projects will not receive and maximise use of all of the available funding, representing a missed opportunity.
- **Benefits Realisation, Recording and Reporting** – Benefits were largely determined through development of project business cases, and the Benefits Realisation Plan. However, not all projects were set out in detail at the outset. Recent projects have not yet concluded and approved business cases to utilise the remaining funding. Their benefits will need to be determined, documented, and tracked. As reported in the last audit of this area, there remain concerns over the use of 'sensitive data' from delivery partners, including e.g. staff pay details, equalities data, and elements considered commercially sensitive (e.g. R&D investment). Action in response to this was 'not agreed' by Management as part of the last audit report. The Government reiterated in March 2024 that it remains a requirement to obtain data on protected characteristics, and there is no assurance that this has been resolved. Benefits included in the benefits tracker include targets up to 20 years after the deal/projects end (up to 2049), but there is no current plan for obtaining and monitoring and reporting delivery of benefits beyond the ACRD financial close, and no specific agreement from delivery partners that they will continue to provide data. If the councils cannot obtain this information and cannot hold delivery partners to account for it (due to lack of formal agreements on reporting), this could present a reputational risk, and the Governments' response to this is an unknown risk.
- **Closedown Arrangements, Final Reporting, and Lessons Learned** – The Programme Manager is working with the governments to progress Deal closure arrangements, but these have still to be finalised and formalised. There are clear indications of the type of requirements, and these generally mirror existing reporting arrangements. This should be sufficient to formulate an appropriate plan and prepare partners for what is likely to be required. A schedule would be beneficial but has yet to be prepared. There is a risk that if national guidance is delayed, this will impact on the time available to carry out required tasks.
- **Sustainability and Succession Planning** – Although funding was not provided with a specific requirement for continuity post-deal, it was described as an investment and includes a substantial amount of funding (£826m, of which £294m was from public sector bodies), therefore an expectation of continuity is implied. Some projects referenced exit plans and continuity in their business cases, but these were brief and high level. There has been no formal review or assurance obtained over sustainability/continuity of projects funded by ACRD beyond the initial funding period, or formal exit plans where these are not intended to continue. The Governments have included clauses that require them to be notified if assets generated through the Deal are sold within 10 years of their production, and to remit a relevant proportion of the proceeds. Such assets have not generally been tracked during the course of the Deal programme, and an equivalent clause was not included within funding agreements with delivery

partners, which effectively expire when the Deal funding period closes. Aberdeenshire Council as Accountable Body may bear a higher risk in the event of the Governments seeking to obtain data the Council cannot get from delivery partners, or should they seek to recover proceeds from asset sales which have not been remitted to the Council.

Recommendations have been made to address the above risks including: seeking formal clarification over the Governments' plans, approvals, availability and timescales for funding; review and enhancing scrutiny of expenditure forecasts; highlighting the risks and timelines to partners; and obtaining assurance from delivery partners over remaining project timelines and deliverables, sustainability and exit plans, and their commitment to assisting the councils with ongoing obligations in respect of project and benefit realisation data, and asset disposals.

Our recommendations are aimed at maximising the benefits and reducing risk within the time remaining. It is recognised that as the Deal is coming to a close, Management will need to give careful consideration to the amount of resource they want to put in to address the points raised in this report. Regardless of the time left in the Deal, the risks still need to be managed, especially given long term aspirations. Whilst we do not make a specific recommendation, consideration should be given on how the recommendations could be factored into planning for future projects, e.g. the Investment Zone.

2.3 Severe or major issues / risks

Issues and risks identified are categorised according to their impact on the Council. The following are summaries of higher rated issues / risks that have been identified as part of this review:

Ref	Severe or Major Issues / Risks	Risk Agreed	Risk Rating	Page No.
1.4	<p>Benefits Realisation, Recording and Reporting – Benefits were largely determined through development of project business cases, and the benefits realisation plan. However, there is unallocated funding, and not all projects have reached this stage. Their benefits will need to be determined, documented, and tracked.</p> <p>Benefit data is being updated and reported regularly to the Joint Committee, as part of a Projects Benefits Dashboard, which is also used to supplement annual reporting. Although this provides a good indication of progress, targets are not typically broken down into individual years. Some projects or outcomes have no targets, and others are 'in progress' with no current measure. It may therefore not be straightforward for readers to gauge whether outcomes are on target. A 2024/25 benefits realisation report, and an interim evaluation of progress with the deal, are planned to be reported to the Joint Committee in November 2025.</p> <p>As reported in the last audit of this area, there remain concerns over the use of 'sensitive data' from delivery partners, including e.g. staff pay details, equalities data, and elements considered commercially sensitive. Action in response to this was 'not agreed' by management as</p>	Y	Major	17

	<p>part of the last audit report. The Government has however reiterated that it remains a requirement to obtain data on protected characteristics.</p> <p>There is no current plan for obtaining, monitoring and reporting delivery of benefits beyond the ACRD financial close. There is no separate funding for ongoing Programme Management and Finance input, and no specific agreement from delivery partners that they will continue to provide data. The terms of their funding agreements were for the duration of the Deal funding period only.</p> <p>Government guidance on Deal closure is currently in draft. There will be an ongoing expectation that the councils continue to report on the benefits delivered. These include targets up to 20 years after the deal/projects end (up to 2049). Most, but not all of the longer-term targets relate to economic growth (GVA), which can be measured (though not necessarily attributed to individual projects) independently, but there are also project-specific targets. Partners to the Deal have worked together in the spirit of cooperation, and new opportunities are being progressed with the same partners with a view to continuing to work with the Council using similar structures. However, the incentive to prioritise working on the Deal may be reduced after the funding ends. The councils will however remain accountable.</p> <p>If the councils cannot obtain this information, and cannot hold delivery partners to account for it, this could present a reputational risk, and the Governments' response to this is an unknown risk.</p>			
1.6	<p>Sustainability and Succession Planning – Although there is no specific requirement for continuity post-deal, ACRD funding was described as an investment, and includes a substantial amount of public (and private) funding, therefore an expectation of continuity is implied. Some projects referenced exit plans and continuity in their business cases, but these were brief and high level. Individual projects are responsible for producing/updating their own business continuity or exit plans. There has been no formal review or assurance obtained over sustainability/continuity of projects funded by ACRD beyond the initial funding period, or formal exit plans where these are not intended to continue.</p>	Y	Major	19

	<p>The annual Grant Offer Letters include a requirement to notify the Governments if assets generated through the Deal are sold within 10 years of their production, and to remit a relevant proportion of the proceeds. Such assets have not generally been tracked during the course of the Deal programme. Draft Deal closure guidance has a specific section on Tracking of Assets (including disposals) and a requirement to keep a list and nominated named officer to keep track.</p> <p>Asset tracking and recovery of proceeds was not covered in funding agreements between the accountable body (Aberdeenshire Council) and delivery partners. These only covered spend and grant funding during the Deal funding period. Data will need to be sourced from partners, and this may prove challenging in the absence of formal agreements to provide it. The councils have responsibility for continuing to provide information to the Governments post-Deal-closure. If they cannot get it from delivery partners, it is not clear what action the Governments could take in the event of default on these obligations outside of the councils' control.</p>			
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2.4 Management response

Reputational Risk – Benefits Reporting

Management accepts the reputational risk associated with Benefits reporting, rated as Major. We share Internal Audit's concern about the delay in Government's programme closure guidance, which is preventing us from finalising plans and providing clarity to partners. Despite repeated engagement to press for its release, the guidance remains outstanding.

In the meantime, we are using our experience and professional judgement to plan ahead and anticipate likely requirements. Programme Board has been briefed, and a report will be submitted once the guidance is published (expected November/December 2025), outlining implications and any additional partner requirements. These will be formalised through appropriate channels. While the delay is frustrating, we are prepared to respond quickly once the guidance is available.

Risk – Sustainability and Succession Planning

This risk is also acknowledged, and we agree with Internal Audit that clearer direction is needed. We expect the forthcoming guidance to define expectations around sustainability and asset reporting. We have raised this with Government and continue to seek clarity.

Pending formal guidance, we are applying existing knowledge to prepare for anticipated requirements. The recommended actions align with our current planning and will be implemented once guidance is received. The delay continues to create uncertainty, but we remain committed to ensuring compliance and continuity.

3 Issues / Risks, Recommendations, and Management Response

3.1 Issues / Risks, recommendations, and management response

Ref	Description	Risk Rating	Moderate
1.1	<p>Governance and Funding Agreements – The governance framework for the Deal was updated in February 2024 and has been embedded in relevant processes. This covers delegations, change controls, and reporting. A dashboard approach has been taken to reporting, which is providing more, and more consistent, data to the Board and Joint Committee to aid them in monitoring progress and decision making. There is some variation in content evident, although this largely relates to the stages reached and level of progress of individual projects.</p> <p>The 2025/26 Grant Offer Letter from the Governments included application of a 'sensitivity adjustment' to reflect their perceived risk of underspend within the financial year. Whilst the full level of agreed funding remains available, this would need to be formally requested which presents a risk of delay in Aberdeenshire Council claiming and remitting funds to projects, which could put delivery partners and projects at risk. This risk is mitigated by a reducing spend forecast due to risks/issues and delays in some projects within the current year, and ongoing regular meetings with Government representatives to discuss progress and highlight potential issues.</p> <p>MOU funding from the Scottish Government for Digital projects was paused in 2024, and project development was therefore paused. An email communication indicates they anticipate being able to release funding on a case-by-case basis from 2025/26. Communication is informal, not specific, and previous actions (pausing funding) could indicate a risk to availability of funds and delivery of projects, particularly if business cases are not brought forward and agreed timeously. There has been no indication that an extension beyond 2026/27 is being considered. A proposal to utilise £1m out of £3.4m remaining digital funds (£2m of which is MOU) was presented to the Joint Committee in September 2025, with a timeline indicating it would be complete by September 2026 (subject to approval of the business case by Scottish Government). There is limited time remaining to identify and bring forward further projects to maximise the benefits to be delivered through use of the remaining funding.</p> <p>Funding agreements with two external delivery partners were updated in 2024 to reflect changes in name, and to incorporate new 'fair work first' principles which were added by the Governments to the Grant Offer Letter conditions in 2024. Whilst this covered 'live' Deal projects still in payment, no similar requirements were applied for MOU projects which are still in progress. If the Governments seek to impose further new conditions in the 2026/27 Grant Offer Letter, as part of Deal closure documentation, or to MOU projects, further time may need to be spent negotiating and documenting changes with delivery partners, impacting on time and resource for progressing, finalising and reporting on projects.</p> <p>None of the funding agreements with delivery partners reflect what will happen post-Deal-closure. This is further discussed at 1.4 below.</p>		
IA Recommended Mitigating Actions			
Formal clarification should be sought on the availability and timescales for MOU funding.			
Management Actions to Address Issues/Risks			
Agreed.			
Risk Agreed	Person(s)	Due Date	

	Yes	Service Manager – Major Programmes and Partnerships	December 2025
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Ref	Description	Risk Rating	Moderate
1.2	<p>Change Management – The Programme Manager put clearer and more consistent procedures in place following the last audit. They have noted they are not gatekeepers, but their role provides a route to highlighting any risks/issues to the Board/Committee as appropriate. Higher risk changes are being reported, requested and approved through formal mechanisms. However, some reliance is being placed on informal communications from Government, and it may be a risk to rely on them entirely.</p> <p>Virements have been agreed between budgets for Digital and Transport, to address a potential risk for the Harbour Link Road project. Each programme is being reduced by £575k, representing 3% and 8% of their original grant funded budget (£17m and £7m), and 8% and 29% of the councils' budgeted contributions (£7m and £2m), respectively. This budget was available for virement because detailed business cases and funding allocations within these themes have yet to be fully determined. The Government provided an indication it was 'broadly content', but it also indicated proposals could be strengthened to clarify the impact on these workstreams and how remaining funding would be used. Business cases have not been updated to reflect a reduction in scope. These areas also lack detailed targets and milestones in the live projects dashboard. This underlines risks in respect of progress with delivery, and achievement of the best outcomes through maximising use of the available funding.</p> <p>Re-phasing of projects is common. Delays are evident across various projects, some of which are not in a position to spend their allocation because they have not yet fully developed business cases, contracts, or progressed workstreams, and others due to issues which are not within their direct control. Risks, issues and delays are being reported, and forecasts are being updated, but these are not being captured promptly in formal change requests. This presented a low risk in the early years of the Deal but represents a higher risk as the Deal comes to a close.</p> <p>With one exception (Harbour Link Road) all projects must be concluded, and final claims paid up to 31 March 2027, with the final claim to be submitted to the Governments by Aberdeenshire Council by the 10th working day after 31 March 2027 (14 April 2027)². If they do not spend and submit their claims within this period or have formal approval to extend (which the Governments have indicated is not their preference), then this funding may be lost, and projects may not achieve all of their objectives. This presents a reputational risk for the councils, and a financial risk for the projects if they commit funds which cannot be reimbursed.</p> <p>Depending on the nature and scale of work completed up to this point, failure to achieve the agreed objectives included in the Deal and supporting business cases could put funding already received at risk: The annual Grant Offer Letter allows the governments to reassess or require immediate repayment in the event of any change or departure from the purposes the grant was awarded, failure to carry out or progress the programme.</p>		
IA Recommended Mitigating Actions			
Assurance should be obtained from delivery partners that they have reviewed their project timelines and spend profiles to ensure the agreed outputs and outcomes are achievable within the remaining time. Any changes required should be progressed promptly through approved governance routes to ensure they can be requested, considered, agreed and formally documented in advance.			

² This is based on draft closure guidance, which mirrors existing requirements for annual reporting.

Ref	Description	Risk Rating	Moderate
	<p>A schedule for drawdown of final payments should be set, and delivery partners made aware that it will be strictly adhered to, with no recourse to the councils for funding which cannot be drawn down from the Governments.</p> <p>Management Actions to Address Issues/Risks</p> <p><i>Government approvals are secured in line with the agreed change control process. The example used where Scottish Government said they were “broadly content” was an example where Council contribution was being moved within the deal. As this was not Government funds, there was no reliance upon Government’s to approve. They were consulted for full transparency, after they had already advised the decision on virement on Council contributions was a decision for Council to take. As such, there is no reliance upon the Government in the example given, and no associated risk.</i></p> <p><i>Impact on workstreams:</i></p> <p><i>When council vired funding between deal themes, it moved funding from an area where the funding was not committed, and therefore there would be no negative impact on the theme which funding was being moved away from. This was detailed in prior reports which identified that the objectives of the Transport STA theme would be achieved, and that there was still unallocated (Council) budget. The risk identified over impact on workstreams was therefore fully mitigated. For the same reason, business cases were not adjusted to show a reduction in scope, because there was no reduction in scope.</i></p> <p><i>Risks are flagged in regard to final claims and suggests that any project not completed and having submitted its final claim by 31 March 2027 would face a risk financially. PMO shared with Internal Audit the Government Draft Programme closure guidance. This has specific sections relating to project timeline extensions, and shows flexibility in proposing, as an example, a second part claim. There is also a section specific for projects with an agreed extended timeline. This substantially reduces the financial risk identified. It is suggested that Government preference is not to extend projects – this is speculative and there is concern that a risk rating may be based upon an assumed Government position. There is already evidence from the Extension to Link Aberdeen South Harbour (ETLASH) project, that Government is able and willing to extend where a case is made.</i></p> <p><i>It is suggested that projects may fail to achieve their objective. There is no suggestion at this time that projects will fail to achieve their objectives, and the most recent annual report and Interim Evaluation shows that the overall Deal GVA, employment and tax revenues are on course to be met.</i></p> <p><i>With regards to the mitigating actions:</i></p> <p><i>1. Assurance should be obtained from delivery partners that they have reviewed their project timelines and spend profiles to ensure the agreed outputs and outcomes are achievable within the remaining time.</i></p> <p><i>Response – This already occurs on a monthly basis as per Project Status reports and is reported to programme board and joint committee on a quarterly basis through a programme dashboard.</i></p> <p><i>2. Any changes required should be progressed promptly through approved governance routes to ensure they can be requested, considered, and agreed in advance.</i></p>		

Ref	Description	Risk Rating	Moderate						
	<p><i>Response – All changes proposed are processed per change control guidance. Unclear what else we are being asked to do here, or what risk we are being asked to mitigate?</i></p> <p><i>3. Where changes are required, clarity over formal agreement from the Governments should be obtained and fully documented</i></p> <p><i>Response – this already occurs and would be considered business as usual.</i></p> <p><i>4. A schedule for drawdown of final payments should be set, and delivery partners made aware that it will be strictly adhered to, with no recourse to the councils for funding which cannot be drawn down from the Governments.</i></p> <p><i>Response – A schedule for drawdown of payment will be put in place following publication of programme closure guidance by Government – to ensure alignment. Delivery partners will be made aware of the strict adherence to this. Content to inform delivery partners that there will be no recourse to the Councils for any funding that cannot be drawn down from Governments – however, to note that the accountable body only makes payment to projects following receipt of grant funding from Government.</i></p>								
	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="background-color: #003366; color: white;">Risk Agreed</th> <th style="background-color: #003366; color: white;">Person(s)</th> <th style="background-color: #003366; color: white;">Due Date</th> </tr> </thead> <tbody> <tr> <td>Yes</td> <td>Service Manager – Major Programmes and Partnerships</td> <td>March 2026</td> </tr> </tbody> </table>	Risk Agreed	Person(s)	Due Date	Yes	Service Manager – Major Programmes and Partnerships	March 2026		
Risk Agreed	Person(s)	Due Date							
Yes	Service Manager – Major Programmes and Partnerships	March 2026							

Ref	Description	Risk Rating	Moderate
1.3	<p>Project Expenditure and Progress – Reasonable assurance was obtained over the review and administration of claims by Finance and the Programme Manager. There is more in-depth review taking place than in previous years, though this is still on a sample basis for some projects, and for others whilst there are some records on file, and assurance from Finance that further evidence (invoices, valuations, financial records) is being reviewed, copies are not routinely being obtained and retained.</p> <p>Forecasts are updated monthly for inclusion in monthly, quarterly and bi-annual reporting to the Governments. There is a lot of movement in forecasts, indicating either risks and issues arising which were unanticipated, or poor forecasting of requirements. This is a recurring trend, which has been reflected by the Government building in sensitivity adjustments to reflect a lower level of anticipated claims than budgeted/applied for at the start of the financial year.</p> <p>Where movements have been forecast, variance notes indicate the reason for movement, but there is limited assurance being provided about how they will be addressed within the remaining time and budget. Without clear mitigations, there is limited assurance that the project/s will be delivered on time and within budget. If this happens in the final year/s there is a higher risk projects will not receive and maximise use of all of the available funding, representing a missed opportunity. As noted above, there is also a financial risk for the projects if they commit funds which cannot be reimbursed.</p> <p>Data on progress is being collated by the Programme Manager from Project Status Reports prepared by project leads, into dashboards reported to the Joint Committee on a regular basis. Risks and issues are being highlighted, though some are being left blank. Higher risk projects are being reported separately in more detail, providing more assurance and opportunities for scrutiny by the Committee. Although there is more detail and explanation of the current issues within these reports, this does not provide substantial additional</p>		

Ref	Description	Risk Rating	Moderate
	<p>assurance over the mitigations being applied to bring projects back on schedule, and level of confidence in delivering within the deal period.</p> <p>Project closure is being reported on a template, updated following the previous audit. Lessons learned are being noted, but only at a project level. Benefits derived to date, and still to be delivered are being referenced, but in narrative form. There is no direct comparison of planned against actual benefits at the point each project closes. This is however being included in quarterly update reports, and the annual benefits dashboard. A snapshot at the point in time a project concludes may be useful in demonstrating the scale of benefits delivered during, and after completion.</p> <p>Council funding is being tracked and remitted as appropriate.</p>		
IA Recommended Mitigating Actions			
	<p>Supporting records should be retained on file to support all payments made.</p> <p>Increased scrutiny should be applied to forecasting to reduce the scope for variation, and to provide assurance that action is being taken to mitigate variances' impact on schedule and budget.</p> <p>Consideration should be given to capturing the benefits achieved against target at the point in time each project closes, to provide a baseline for comparison.</p>		
Management Actions to Address Issues/Risks			
	<p><i>It is suggested that PMO update the project closure template to capture benefits achieved at that point as a baseline as recommended, It is currently recorded through dashboard but agree that documenting at project closure would allow a clearer baseline point and the project closure template will be updated to reflect this.</i></p> <p><i>PMO will consider ways to increase scrutiny of forecasting. PMO will engage through the PMO network to identify any additional activities undertaken by other deals and seek to apply any additional good practice identified. PMO will also seek guidance from Government as to what measures they see in other deals to increase scrutiny around forecasting.</i></p> <p><i>"Supporting records should be retained on file to support all payments made." As internal audit has highlighted, there is a more in-depth review taking place than in previous years. Management fully supports the need for robust audit trails and transparency and are of the view that the current process which provide open access arrangements to all relevant evidence and documentation is sufficient. As part of the monthly review of claims from partner bodies, a template is completed to document and evidence Aberdeenshire Council's review and scrutiny of evidence from the partner bodies. This includes viewing invoices, valuations and financial records which are retained within the respective partner bodies systems. Retaining duplicate copies of documentation is deemed unnecessary and potentially counterproductive as the Funding Agreement with each partner body requires them to retain all evidence for 10 years and give the Council free access to its records. The risk to the Council of not having access to these records is therefore considered low.</i></p>		
	Risk Agreed	Person(s)	Due Date
	Yes	Service Manager – Major Programmes and Partnerships	January 2026

Ref	Description	Risk Rating	Major
1.4	<p>Benefits Realisation, Recording and Reporting – Benefits were largely determined through development of project business cases, and the benefits realisation plan. However, not all projects were set out in detail at the outset. Recent projects (including projects within the Digital and Transport themes) have not yet concluded and approved business cases to utilise the remaining funding. Their benefits will need to be determined, documented, and tracked.</p> <p>Benefit realisation information is being updated regularly and reported to the Programme Manager for inclusion in reports to the Joint Committee, as part of a Projects Benefits Dashboard, which is also used to supplement annual reporting. This includes narrative, current measures, target measures and dates. Although this provides a good indication of progress, targets are not typically broken down into individual years, and results/trajectories may not necessarily be linear. Some projects or outcomes have no targets, and others are 'in progress' with no current measure. It may therefore not be straightforward for readers to gauge whether outcomes are on target based on the data as currently presented. A 2024/25 benefits realisation report, and an interim evaluation of progress with the deal, are planned to be reported to the Joint Committee in November 2025.</p> <p>As reported in the last audit of this area, there remain concerns over the use of 'sensitive data' from delivery partners, including e.g. staff pay details, equalities data, and elements considered commercially sensitive (e.g. R&D investment), even though this had been included in the approved Benefits Realisation Plan. Action in response to this was 'not agreed' by management as part of the last audit report. During a meeting on benefits realisation planning in March 2024, the Government reiterated that it remains a requirement to obtain this data.</p> <p>There is no current plan for obtaining and monitoring and reporting delivery of benefits beyond the ACRD financial close. There is an implicit assumption the Programme Manager and Finance will continue to provide support as and when required, but this is not subject to specific agreements or funding. There is no specific agreement from delivery partners that they will continue to provide data, and they will technically no longer be bound by their funding agreements, which were put in place for the duration of the Deal funding period only.</p> <p>Government guidance on Deal closure is currently in draft, but regardless of its specific content there will be an ongoing expectation that the councils continue to report on the benefits delivered through the City Region Deal in line with those declared as part of the original Deal, project business cases, and benefits realisation plan. Benefits included in the benefits tracker include targets up to 20 years after the deal/projects end (up to 2049). Most, but not all of the longer-term targets relate to economic growth (GVA), which can be measured (though not necessarily attributed to individual projects) independently, but there remain specific targets post-deal for projects in the intervening period. Partners to the Deal have worked together in the spirit of cooperation, and new opportunities are being progressed with the same partners with a view to continuing to work with the Council using similar structures. However, the incentive for delivery partners to prioritise working on the Deal after it ends may be reduced when ongoing funding is no longer contingent on it. The councils will however remain accountable.</p> <p>If the councils cannot obtain this information and cannot hold delivery partners to account for it (due to lack of formal agreements on reporting), this could present a reputational risk, and the Governments' response to this is an unknown risk.</p> <p>IA Recommended Mitigating Actions</p> <p>Benefits to be realised should be defined for all projects.</p> <p>Delivery of benefits should be measured and reported in a way which allows for comparison of current performance against planned at the point in time they are reported.</p>		

Ref	Description	Risk Rating	Major
	<p>Formal assurance should be sought from delivery partners over continued access to data to allow the councils to meet the Governments' ongoing reporting requirements post-deal closure.</p> <p>The Benefits Realisation Plan should be updated to reflect the data which can be obtained.</p>		
Management Actions to Address Issues/Risks			
<p><i>Management Response.</i></p> <ol style="list-style-type: none"> 1. <i>Benefits to be realised should be defined for all projects.</i> <i>Response – Agreed and is in progress.</i> 2. <i>Delivery of benefits should be measured and reported in a way which allows for comparison of current performance against planned at the point in time they are reported.</i> <i>Response – Benefits realisation is reported on an annual basis. Doing this on a more frequent basis would put too much information before Board and committee to consider, and risks loss of oversight of progress over agreed business case targets which are the primary focus. Where the intention is to provide a trajectory to review progress at intervals where the target dates is e.g. 10 years away, PMO will reach out to other Deals to identify approaches taken and to follow existing models.</i> 3. <i>Formal assurance should be sought from delivery partners over continued access to data to allow the councils to meet the Governments' ongoing reporting requirements post-deal closure.</i> <i>Response – PMO will ensure compliance with any requirements contained within either the grant offer letter, or the programme closure guidance once published.</i> 4. <i>The Benefits Realisation Plan should be updated to reflect the data which can be obtained.</i> <i>Response – PMO do not want to receive any data which would identify an individual because that would lead to a breach of GDPR regulations. PMO would prefer to remain compliant with legislation and are happy to inform Government that until sensitive personal data containing identifiable personal characteristics can be accumulated, we do not wish for it to be reported as it may identify an individual. This is because such data requires to be treated with higher protection under GDPR. Management will therefore review the Benefits Realisation Plan(BRP) to identify any data which may fall into this category and consider seeking to remove it from the BRP for simplicity.</i> 			
Risk Agreed		Person(s)	Due Date
Yes		Service Manager – Major Programmes and Partnerships	March 2026

Ref	Description	Risk Rating	Minor
1.5	<p>Closedown Arrangements, Final reporting, and Lessons learned – The Programme Manager is working with the governments to progress Deal closure arrangements, but these have still to be finalised and formalised. There are clear indications of the type of requirements, and these generally mirror existing reporting arrangements. This should be sufficient to formulate an appropriate plan and prepare partners for what is likely to be required.</p> <p>Final reporting will require support and coordination from the Programme Manager and Finance. Both are required to input to future programmes so are likely to remain in a position to support until all information has been published as required. A schedule would be beneficial but has yet to be prepared. This would only be indicative at this time, until Deal closure guidance is completed. There is a risk that if national guidance is delayed, this will impact on the time available to carry out required tasks.</p> <p>Lessons learned will need to be a part of closure documentation. This will benefit most from wider stakeholder involvement, and a broad lens to bring in learning from across the deal landscape - not just specific projects. Lessons are being applied in practice - particularly in respect of the Accountable Body role, now that the implications are better understood.</p>		
IA Recommended Mitigating Actions			
<p>A schedule/timeline should be developed and shared with the Board to highlight the likely requirements and timescales for reporting.</p> <p>A review of lessons learned, taking in feedback from partners and stakeholders across the board, should be scheduled and progressed.</p>			
Management Actions to Address Issues/Risks			
<p><i>A report will be presented to Programme Board, accordingly, following the publication of Government programme closure guidance.</i></p> <p><i>An interim evaluation is underway, and a final evaluation will take place post deal. Both take account of lessons learned.</i></p>			
Risk Agreed		Person(s)	Due Date
Yes		Service Manager – Major Programmes and Partnerships	February 2026

Ref	Description	Risk Rating	Major
1.6	<p>Sustainability and Succession Planning – Although funding was not provided with a specific requirement for continuity post-deal, it was described as an investment and includes a substantial amount of funding (£826m, of which £294m was from public sector bodies), therefore an expectation of continuity is implied. Some projects referenced exit plans and continuity in their business cases, but these were brief and high level. Individual projects are responsible for producing/updating their own business continuity or exit plans. There has been no formal review or assurance obtained over sustainability/continuity of projects funded by ACRD beyond the initial funding period, or formal exit plans where these are not intended to continue.</p> <p>The annual Grant Offer Letters include a requirement to notify the Governments if assets generated through the Deal are sold within 10 years of their production, and to remit a relevant proportion of the proceeds. Such assets have not generally been tracked during the course of the Deal programme. Draft Deal closure guidance has a specific section on</p>		

Ref	Description	Risk Rating	Major
	<p>Tracking of Assets (including disposals) and a requirement to keep a list and nominated named officer to keep track.</p> <p>Asset tracking and recovery of proceeds was not covered in funding agreements between the accountable body (Aberdeenshire Council) and delivery partners. These only covered spend and grant funding during the Deal funding period. The Council is protected up to the point it hands over funds but has limited recourse in the event of default after this point. The option to suspend provision of further funding will not help recover funds up to 10 years after the Deal ends. Therefore, the risk to the Council is higher. Data will need to be sourced from partners, and although the Service has indicated working relationships have been amicable during the funding period, this may prove challenging post-Deal in the absence of dedicated resources (within the councils and partners) and formal agreements to provide it. The councils have responsibility for continuing to provide information to the Governments post-Deal-closure. If they cannot get it from delivery partners, it is not clear what action the governments could take in the event of default on these obligations outside of the councils' control.</p>		
	IA Recommended Mitigating Actions		
	<p>Assurance should be obtained over sustainability and exit plans post Deal closure for projects with legacy assets and/or continuing operations.</p> <p>Lists of assets generated and a means of tracking them should be developed and shared with the Programme Manager.</p> <p>Clarity should be provided to delivery partners over ongoing obligations and expectations in respect of assets.</p>		
	Management Actions to Address Issues/Risks		
	<p><i>There is no expectation on PMO to obtain assurance over sustainability post deal. The ACRD is capital funding, and the emphasis is upon approved business cases, which is what we currently report on. If Government were to stipulate this as a requirement, then PMO would respond accordingly, however it is not a requirement on PMO at this time.</i></p> <p><i>Assets – PMO have engaged already with Government to understand what information is desired to be made available to Government so that we can collate it in a consistent format which satisfies their expectations. We are awaiting confirmation from Government on this but have engaged with the NZTC to provide a list of their assets to Government with a view to agreeing what level of information Government desire on all Deal assets. This will enable PMO to give clarity to delivery partners.</i></p> <p><i>Management agree with the risk identified in regard to assets and are already taking action in this regard which we view as sufficient mitigation pending Government closure guidance.</i></p> <p><i>The area of post deal assurance is not something which Government have asked PMO to undertake, and therefore there is no compliance issue with the current reporting. We accept that it may be considered a risk but are surprised at the major risk rating as it is not something which Governments have required of PMO.</i></p> <p><i>PMO have set out proposed actions, which would address the risks identified, and note concern that this audit appears to have a focus on future funding (e.g. Investment Zone) which are outwith scope.</i></p> <p><i>In regards to specific recommendations:</i></p>		

Ref	Description	Risk Rating	Major
	<p>1. Assurance should be obtained over sustainability and exit plans post Deal closure for projects with legacy assets and/or continuing operations. (Agree)</p> <p>2. Lists of assets generated and a means of tracking them should be developed and shared with the Programme Manager. (Agree)</p> <p>3. Clarity should be provided to delivery partners over ongoing obligations and expectations in respect of assets. (Agree)</p>		
	Risk Agreed	Person(s)	Due Date
	Yes	Service Manager – Major Programmes and Partnerships	April 2026

4 Appendix 1 – Assurance Terms and Rating Scales

4.1 Overall report level and net risk rating definitions

The following levels and ratings will be used to assess the risk in this report:

Risk Level	Definition
Strategic	This issue / risk level impacts the Council as a whole. Mitigating actions should be taken at the Senior Leadership level.
Directorate	This issue / risk level has implications at the directorate level and the potential to impact across a range of services. They could be mitigated through the redeployment of resources or a change of policy within a given directorate.
Service	This issue / risk level impacts at the Business Plan level (i.e. individual services or departments as a whole). Mitigating actions should be implemented by the responsible Head of Service.
Programme and Project	This issue / risk level impacts the programme or project that has been reviewed. Mitigating actions should be taken at the level of the programme or project concerned.

Net Risk Rating	Description	Assurance Assessment
Minor	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.	Substantial
Moderate	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified, which may put at risk the achievement of objectives in the area audited.	Reasonable
Major	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.	Limited
Severe	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.	Minimal

Individual Issue / Risk Rating	Definitions
Minor	Although the element of internal control is satisfactory there is scope for improvement. Addressing this issue is considered desirable and should result in enhanced control or better value for money. Action should be taken within a 12 month period.
Moderate	An element of control is missing or only partial in nature. The existence of the weakness identified has an impact on the audited area's adequacy and effectiveness. Action should be taken within a six month period.
Major	The absence of, or failure to comply with, an appropriate internal control, which could result in, for example, a material financial loss. Action should be taken within three months.
Severe	This is an issue / risk that could significantly affect the achievement of one or many of the Council's objectives or could impact the effectiveness or efficiency of the Council's activities or processes. Action is considered imperative to ensure that the Council is not exposed to severe risks and should be taken immediately.

5 Appendix 2 – Assurance Scope and Terms of Reference

5.1 Area subject to review

The Aberdeen City Region Deal (the Deal), agreed in November 2016, is a three-way, ten-year agreement between the UK Government, the Scottish Government and regional partners including Aberdeen City and Aberdeenshire councils, and other organisations including Universities and Opportunity North East (ONE) - the private sector partner which leads on innovation projects within the Deal. The total allocations of funding for the capital projects is £826.2 million.

The Deal's aim is to significantly advance economic and infrastructure development in the area, addressing the challenges which business and industry face in the North East of Scotland whilst grasping opportunities through projects which can enable Aberdeenshire and Aberdeen City to continue to be an attractive and productive area for organisations to locate and develop. Key projects include the Net Zero Technology Centre (formerly Oil and Gas Technology Centre), Food and Drink and Life Science Innovation Hubs, a Digital Infrastructure Fund, expansion of Aberdeen Harbour, and development of a Strategic Transport Appraisal (STAG).

The councils' jointly fund £20 million of activity relating to the Digital (£7 million), STAG (£2 million) and Harbour Expansion (£11 million) elements of the Programme. The Digital and Transport themes are led by Council based Working Groups whilst the other project themes, Innovation, and Internationalisation, are led by external Project Boards with which the Council has a Funding Agreement. The councils are responsible for ensuring projects are appropriately planned and managed and for monitoring their progress and finances. They also host the Aberdeen City Region Deal Joint Committee, which includes representation from each stakeholder.

Aberdeen City Council provides programme and project management support for the Deal's projects and outcomes. This is a facilitating and liaison role, including communication with key stakeholders (including the UK and Scottish Governments) and project leads, promoting adherence to governance requirements, and a consistent approach to risk monitoring, reporting of progress and delivery of benefits.

Aberdeenshire Council is the 'Accountable Body' for project funding. It acts as a conduit for Government and Council funding in accordance with the signed Deal Agreement and the terms of the Scottish Government's annual Aberdeen City Region Deal Grant Offer, to provide payments to projects in line with relevant agreements, spend and progress.

5.2 Rationale for review

The objective of this audit is to provide assurance over the governance and financial spend of the City Region Deal. This review will focus specifically on the final stages and overall delivery. We will also review implementation of agreed actions from the previous audits to ensure controls are still operational and effective. As the programme is shortly coming to an end, whilst the audit will focus on current practice, it is intended that recommendations arising will be forward-facing for application to similar future projects.

The Deal is managed on behalf of various partners; each stakeholder will have an interest in assurance over the governance arrangements. The councils have lead responsibility for programme delivery and stewardship of funds.

Since 2022/23 the UK and Scottish Governments' funding letter, setting out the terms of their annual grant offer, includes an expectation for the Deal to be included in the Internal Audit Plan at least every two years. This is the final planned internal audit of this area, in line with this requirement.

Governance of the Deal was last reviewed in 2023/24 (Internal Audit Report 2422/AC2413). Limited assurance was obtained, due to identified weaknesses in governance arrangements, review of supporting audit trails for expenditure, and delivery of outcomes. Improvements were recommended around strengthening the governance and reporting arrangements within the councils and from partners. These included updating and securing flexibility in funding agreements and reviewing delegations. Further work was recommended to develop and expand the level of data obtained, and its

critical appraisal, in respect of use of funding, performance against plans, and realisation of benefits, at a more detailed level proportionate with the level of funds being managed through the City Region Deal.

Key elements of the review for the final stages of the Deal period will include controls over any late-stage project changes, benefits measurement and reporting, and demonstrating project sustainability following the end of the funding period. These were highlighted as risk areas in previous audits (Internal Audit Report 2101, in 2020).

5.3 Scope and risk level of review

This review will offer the following judgements:

- An overall **net risk** rating at the **Strategic**³ level.
- Individual **net risk** ratings for findings.

5.3.1 Detailed scope areas

As a risk-based review this scope is not limited by the specific areas of activity listed below. Where related and other issues / risks are identified in the undertaking of this review these will be reported, as considered appropriate by IA, within the resulting report.

The specific areas to be covered by this review are:

- Follow-up of previous issues to ensure actions have been embedded:
 - Governance and funding agreements
 - Change management
 - Evidence and review of project expenditure and progress
 - Benefits realisation, recording and reporting
- Final reporting and close-down arrangements
- Sustainability, succession planning and lessons learned

5.4 Methodology

This review will be undertaken through interviews with key staff involved in the process(es) under review and analysis and review of supporting data, documentation, and paperwork. To support our work, we will review relevant legislation, codes of practice, policies, procedures, guidance.

This review will also encompass an evaluation of the governance, risk management and controls in place to detect, prevent, and mitigate instances of fraud.

Due to hybrid working across the Council, this review will be undertaken primarily remotely.

5.5 IA outputs

The IA outputs from this review will be:

- A risk-based report with the results of the review, to be shared with the following:
 - Council Key Contacts (see 1.7 below)
 - Audit Committee (final only)
 - External Audit (final only)

5.6 IA staff

The IA staff assigned to this review are:

- Colin Harvey, Audit Team Manager (**audit lead**)
- Jamie Dale, Chief Internal Auditor (**oversight only**)
- Rachel Brand, Auditor

5.7 Council key contacts

³ The audit methodology used across both councils is similar, with the only variance being slightly different assurance terms e.g. a Strategic review for Aberdeenshire is considered a Corporate Review for Aberdeen City. For ease of reporting and consistency, the Aberdeenshire terms have been used.

The key contacts for this review across Aberdeen City Council are:

- Gale Beattie, Director of City Regeneration & Environment
- Julie Wood, Chief Officer – City Development & Regeneration
- Stuart Bews, City Region Deal Programme Manager (**process owner**)
- Aigul Gray, Project Support

The key contacts for this review across Aberdeenshire Council are:

- Rob Simpson, Director of Business Services
- Alan Wood, Director of Environment and Infrastructure
- Paul Macari, Head of Planning and Economy
- Mary Beattie, Head of Finance
- Karlyn Watt, Strategic Finance Manager (**process owner**)
- John Lovie, Accountant

5.8 Delivery plan and milestones

The key delivery plan and milestones are:

Milestone	Planned date
Scope issued	4-Jul-2025
Scope agreed	1-Aug-2025
Fieldwork commences	11-Aug-2025
Fieldwork completed	12-Sep-2025
Draft report issued	10-Oct-2025
Process owner response	31-Oct-2025
Director response	7-Nov-2025
Final report issued	14-Nov-2025

ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	19 February 2026
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Internal Audit Report AC2614 – Trade Waste
REPORT NUMBER	IA/AC2614
DIRECTOR	N/A
REPORT AUTHOR	Jamie Dale
TERMS OF REFERENCE	2.2

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to present the planned Internal Audit report on Trade Waste.

2. RECOMMENDATION

- 2.1 It is recommended that the Committee review, discuss and comment on the issues raised within this report and the attached appendix.

3. CURRENT SITUATION

- 3.1 Internal Audit has completed the attached report which relates to an audit of Trade Waste.

4. FINANCIAL IMPLICATIONS

- 4.1 There are no direct financial implications arising from the recommendations of this report.

5. LEGAL IMPLICATIONS

- 5.1 There are no direct legal implications arising from the recommendations of this report.

6. ENVIRONMENTAL IMPLICATIONS

- 6.1 There are no direct environmental implications arising from the recommendations of this report.

7. RISK

7.1 The Internal Audit process considers risks involved in the areas subject to review. Any risk implications identified through the Internal Audit process are detailed in the resultant Internal Audit reports. Recommendations, consistent with the Council’s Risk Appetite Statement, are made to address the identified risks and Internal Audit follows up progress with implementing those that are agreed with management. Those not implemented by their agreed due date are detailed in the attached appendices.

8. OUTCOMES

8.1 There are no direct impacts, as a result of this report, in relation to the Council Delivery Plan, or the Local Outcome Improvement Plan Themes of Prosperous Economy, People or Place.

8.2 However, Internal Audit plays a key role in providing assurance over, and helping to improve, the Council’s framework of governance, risk management and control. These arrangements, put in place by the Council, help ensure that the Council achieves its strategic objectives in a well-managed and controlled environment.

9. IMPACT ASSESSMENTS

Assessment	Outcome
Impact Assessment	An assessment is not required because the reason for this report is for Committee to review, discuss and comment on the outcome of an internal audit. As a result, there will be no differential impact, as a result of the proposals in this report, on people with protected characteristics.
Privacy Impact Assessment	Not required

10. BACKGROUND PAPERS

10.1 There are no relevant background papers related directly to this report.

11. APPENDICES

11.1 Internal Audit report AC2614 – Trade Waste

12. REPORT AUTHOR CONTACT DETAILS

Name	Jamie Dale
Title	Chief Internal Auditor
Email Address	Jamie.Dale@aberdeenshire.gov.uk
Tel	(01467) 530 988



Internal Audit

Assurance Review of Trade Waste

Status: Final

Date: 05 February 2026

Risk Level: Cluster

Report No: AC2614

Assurance Year: 2025/26

Net Risk Rating	Description	Assurance Assessment
Moderate	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified, which may put at risk the achievement of objectives in the area audited.	Reasonable

Report Tracking	Planned Date	Actual Date
Scope issued	01-Sep-25	01-Sep-25
Scope agreed	05-Sep-25	23-Sep-25
Fieldwork commenced	12-Sep-25	05-Sep-25
Fieldwork completed	17-Oct-25	28-Oct-25
Draft report issued	07-Nov-25	17-Dec-25
Process owner response	28-Nov-25	27-Jan-26
Director response	05-Dec-25	05-Feb-26
Final report issued	12-Dec-25	05-Feb-26
AR&S Committee	19-Feb-26	

Distribution	
Document type	Assurance Report
Director	David Dunne, Interim Executive Director City Regeneration & Environment
Process Owner	Kristine Hultman, Waste & Recycling Manager
Stakeholder	Mark Reilly, Chief Officer – Operations
	Stuart Youngson, Acting Team Leader Waste & Recycling
	Laura Todd, Acting Trade Waste Officer
	Jenni Lawson, Chief Officer – Governance*
	Jonathan Belford, Chief Officer – Finance*
Final only	External Audit
Lead auditor	Heulwen Beecroft, Auditor

1 Introduction

1.1 Area subject to review

Under the Environmental Protection Act 1990, local authorities have a statutory obligation to collect commercial waste if requested to do so. Businesses or charities, including those run from home, have a legal responsibility under the Waste (Scotland) Regulations 2012, to store, transport, recycle and dispose of their waste in a way that does not harm the environment, and have appropriate business waste collection/disposal in place with a licenced waste contractor.

The Council provides waste and recycling collection services for businesses in the City. The collections provided include mixed recycling for paper, cardboard, glass, plastic containers and metal tin cans; food waste recycling; garden waste recycling; general waste and collections for bulky items. The types of waste are similar to those households would generate, and the same refuse collection vehicles are used. Customers contact the council via the Aberdeen City Council website, contact centre, or email to make a service request. Some customers may be visited by trade waste, waste and recycling officers or the waste compliance team to discuss the disposal of their waste. If they are a customer who the Council can serve, a contract is generated and charges appropriate to the waste collection required are applied.

Waste Transfer Notes (WTN) must be used if a collection service is in place to ensure there is a clear audit trail for managing waste legally. WTN's must be kept for at least 2 years and produced if SEPA or the Council requests. If the Council finds a business acted in a way that did not meet commercial waste regulation requirements, a fixed penalty notice of up to £500 could be issued.

The Council's contractor for waste management is SUEZ (formerly SITA). The contract originally ran from 2000 to 2025 and has since been extended to 2029.

The cost of the 2025/26 Waste Services budget as at August 2025 is £21.2m, of which the commercial waste income budget is £1.1m. The actual outturn for 2024/25 for Waste Services was £23.9m, of which commercial waste income contributed £1.1m. The Council receives income from scheduled and ad hoc collections, the lease and sale of bins, compostable bin liners and miscellaneous charges such as from work to secure bins. The main expenses allocated to the commercial waste cost code are staffing, marketing, purchasing bins and liners.

1.2 Rationale for the review

The objective of this audit is to consider whether adequate control is in place covering trade waste income and expenditure, that appropriate agreements are in place and that accounting arrangements are robust.

In addition to the Council's statutory obligations, the trade waste service represents a key commercial activity, generating income through the provision of waste collection services to businesses. Given its financial and operational significance, it is essential to ensure that adequate controls are in place.

Controls over income collection, expenditure, and service delivery must be robust to prevent financial loss, ensure compliance with internal policies, and maintain service quality. Weaknesses in control could lead to undercharging, unrecorded income, or inappropriate spending.

Formal agreements with customers and suppliers should clearly define service terms, pricing, responsibilities, and termination clauses. This ensures legal protection, transparency, and consistency in service provision. The absence of proper agreements may expose the council to disputes or loss of income.

Accurate and timely accounting is critical for financial reporting, performance monitoring, and decision-making. Ensuring relevant costs and income are included is important so that the service can demonstrate it is efficiently run to best effect and maximises cost recovery. This includes correct invoicing, reconciliation of income, and allocation of expenditure. Weak accounting practices could result in misstatements or budget over-spends.

The last audit report for the area was AC1608 from January 2016. Previous recommendations were to review billing and charges, improve reconciliations, review ways to attract and retain customers and

deliver financial management information requirements. In addition, a new Waste Management System was to be put in place and improvements in income collection for full recovery and management information were anticipated.

1.3 How to use this report

This report has several sections and is designed for different stakeholders. The executive summary (section 2) is designed for senior staff and is cross referenced to the more detailed narrative in later sections (3 onwards) of the report should the reader require it. Section 3 contains the detailed narrative for risks and issues we identified in our work.

2 Executive Summary

2.1 Overall opinion

The full chart of net risk and assurance assessment definitions can be found in Appendix 1 – Assurance Scope and Terms. We have assessed the net risk (risk arising after controls and risk mitigation actions have been applied) as:

Net Risk Rating	Description	Assurance Assessment
Moderate	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified, which may put at risk the achievement of objectives in the area audited.	Reasonable

The organisational risk level at which this risk assessment applies is:

Risk Level	Definition
Cluster	This issue/ risk level impacts a particular Service or Cluster. Mitigating actions should be implemented by the responsible Chief Officer.

2.2 Assurance assessment

The level of net risk is assessed as **MODERATE**, with the control framework deemed to be providing **REASONABLE** assurance over the controls in place covering trade waste income and expenditure, agreements and accounting arrangements.

The audit however identified areas where improvements are required to strengthen the framework of control, specifically:

- **Written Procedures and Systems** – Customer-facing information on the Council website, and internal procedures covering the service’s main activities would benefit from review to ensure they remain relevant and up to date. There are multiple systems used in planning and recording service delivery. These would benefit from streamlining and automation where possible, which would require improvements to the way data is recorded and managed. Data is not currently well organised and cross-referenced, presenting risks to its completeness and accuracy across systems. This could impact on data protection compliance as well as reducing process efficiency.
- **Contract Management and Records** – Quotations, signed agreements, and variation orders are not being consistently retained to support the collections and charges currently being made. Whilst there is a workflow which should be followed, there are no system based controls to ensure services do not commence until contracts have been signed and returned and set up on the system, that services end promptly on request or for non-payment, and no subsequent checks to detect potential variations between planned and actual service delivery. There are no internal charges for collections from Council premises, though they can be relatively high use customers. There may therefore be limited incentives to review and reduce waste and the cost of internal collections.
- **Income, Reconciliations and Debtors** – Risks were identified in respect of price list variations. Although there is a check at the point of processing that the total number and value of invoices passed to the financial system matches, there is no routine reconciliation between records of planned and completed collections and amounts invoiced. This presents a risk that all activity might not be correctly charged. Whilst there are few credits (less than 5%), these arise from avoidable issues that may be indicative of weaknesses in the invoicing and debt-management processes. There is no equivalent control to detect any potential under-charging.
- **Budgets and Cost Allocation** – Underlying financial accounting records need to be accurate to support appropriate management of resources. While there are detailed income records and budgets, and expenditure is generally being managed appropriately, costs relating to the trade

waste service are not separately recorded or apportioned from other activities (e.g. domestic waste collections). Without this data, there is less assurance that the service is being managed within budget and adequately recovering its costs. Desktop reviews of cost estimates are being undertaken but would benefit from independent review to improve accuracy and completeness.

- **Performance Information** – The Service tracks costs and income but may benefit from a more commercial approach to monitoring service delivery and sales performance.
- **Asset Management** – The Service spends around £26k on new/replacement bins each year. The number of bins with customers could be determined from the collections system, but this is not routinely reported on and valued. Whilst individual bin values are relatively low, without detailed records of stock and stock movement, and clear supporting processes, there may be a risk of items being lost or damaged and costs not being recovered.

Recommendations have been made to address the above risks, including: review of procedures and public-facing information; consideration of streamlining systems and automating processes; carrying out periodic reconciliations of system data and of service delivery records against charges invoiced; development of more robust records management processes and workflows; periodic review of internal service levels; consideration of formal apportionment of costs to aid budget management; and implementation of proportionate stock controls.

2.3 Identified Risks

Risk Level	Number of Risks Identified
Severe	-
Major	-
Moderate	4
Minor	2
Total	6

2.4 Management response

The Service welcomes the audit findings and is committed to strengthening processes where feasible.

We will review internal procedures and public-facing information. We acknowledge the need for further process streamlining and automation and will seek developer support whilst recognising that attempts to secure developer support have historically not gained traction due to competing priorities.

Where multiple systems remain necessary, we are happy to consider what improvements could be made. This may include devising a new system of customer and account sampling to support our current efforts.

We will explore improvements to record management, audit trails, and change controls within the limits of current systems. However, we believe findings relating to record retention may not fully reflect the availability and accessibility of our documentation.

We recognise a corporate-level resource gap relating to internal customer waste management and recommend that internal customers be included in proposed sampling as a practical interim measure.

The Service is happy to review price list data, enhancing safeguards, and to consider implementing a new system of sampling to review the appropriateness of invoiced amounts. We are open to refining invoice descriptions on ad hoc invoices and will collaborate with Finance to secure an updated aged debt procedure.

While formal cost apportionment is conceptually sound, its practical value appears limited given shared operations and the Trade Waste teams limited influence over costs. We see benefit in periodic independent review of costs analysis by Finance. We agree to review performance information requirements, acknowledging that progress may depend on support from corporate teams.

Finally, the Service is willing to consider incorporating bin values into stock sheets but notes that existing controls already provide proportionate assurance. Given this, the additional benefit of expanded reconciliation is unclear relative to the effort required.

3 Issues / Risks, Recommendations, and Management Response

3.1 Issues / Risks, recommendations, and management response

Ref	Description	Risk Rating	Moderate
1.1	<p>Written Procedures and Systems – The Service provides customer-facing information on the Council website outlining the trade waste services available and businesses’ obligations. Whilst generally comprehensive, some of the links to external resources were out of date and no longer available.</p> <p>Internal procedures exist and cover the main activities; however, they would benefit from being collated into a single suite of current and relevant documents. Updates should include accurate information, working links, and version control to strengthen document management and support future improvements.</p> <p>Price setting for trade waste collections has been delegated to the Service as part of the Council’s annual budget process. A standard price list is maintained and updated annually to reflect inflation, but it is not published online. Potential customers must contact the Service for a quote, a practice intended to reduce the risk of competitors accessing pricing data. However, this approach introduces a risk that delays or perceived obstacles could discourage new business. Furthermore, the Service does not monitor quote turnaround times or acceptance rates, relying instead on complaints or direct feedback.</p> <p>New requests for provision can be logged online but are generally recorded on a typed or hand-written form, returned by email. Whilst there are guidance notes on the form, content is free-text narrative, limiting options for ensuring consistent data capture. Details are then added to a separate database to generate an initial quote and supporting paperwork. If this were to be streamlined, there could be opportunities for greater automation.</p> <p>Prior to commencing services, customers must be set up in the Collections System, and as a debtor on the Financial System. The collections system is used to manage routes, record customer details and requirements, to record chargeable services and prices, and to produce waste transfer notes. Changes are processed through the system, and instructions (generated from Access or manually from previous templates) are issued to collection teams (a change variation order (CVO)) and to finance teams (a finance variation order (FVO)) to amend physical collections and billing. Although system-generated, these are Word documents that are now emailed but reflect the continuation of a largely paper-based process.</p> <p>The system is also used to issue annual waste transfer notes (WTN) to existing customers. Generating the WTN requires support from the supplier, as it requires the use of reporting functionality not currently available to the Service direct.</p> <p>When customers request cancellation of services, this should also go through a formal process to apply the change on the System, amend physical collections, and issue final invoices. However, the internal process for account closure focuses on billing, and does not cover formal variation orders, or collection/recovery of bins issued as part of the service.</p> <p>Analysis highlights that systems could be used more effectively. Currently, multiple systems are employed to receive and record requests, prepare quotes, set up or amend accounts and routes, and generate WTNs. This duplication is inefficient and introduces risks around maintaining consistent records. There is no reconciliation between systems to ensure data completeness and accuracy, which increases the risk of errors. Ineffective data management also heightens the risk of non-compliance with UK GDPR principles and requirements.</p>		
IA Recommended Mitigating Actions			

Ref	Description	Risk Rating	Moderate
	<p>a) Internal written procedures, and public facing information, should be reviewed for relevance and completeness, with version control information included to aid future updates.</p> <p>b) Consideration should be given to streamlining and automating processes where possible.</p> <p>c) Where multiple systems are still required, data should be reconciled periodically to confirm its accuracy and completeness.</p>		
	Management Actions to Address Issues/Risks		
	<p>a) <i>We agree to review our written procedures and public facing information and consider ways to improve our version control. However, as we are reliant on the support of ACC Communications to make changes to public facing information, and given that no changes are currently being made to the website we would seek to close off this action when new copy has been drafted and issued to our Comms partner, rather than at the point that the website is amended.</i></p> <p><i>We would like to note that we believe that our decision not to publish our price lists online remains, on balance, the most appropriate approach. When these prices were previously made publicly available, they were routinely used by private sector competitors to secure contracts, including by encouraging existing customers to change provider. In addition, providing prospective customers with access to pricing information before their service requirements are fully understood can negatively affect compliance and income. This creates a risk that businesses may make decisions based primarily on cost rather than on the level of waste and recycling services genuinely required. Such behaviour can, in turn, increase the likelihood of inappropriate waste disposal, including potential misuse of the public realm.</i></p> <p>b) <i>Improvements have been made and processes are more efficient than in 2016, when the last audit was undertaken. It is recognised that more can be done and the service has been trying to enlist development support for many years but has been unable to get any traction due to competing priorities. The service agrees to attempt to request the support of developers again to investigate options for improvements.</i></p> <p>c) <i>We agree to consider what improvement we could make. This may include a new system of customer and account sampling and would support our current efforts.</i></p>		
	Risk Agreed	Person(s)	Due Date
	Yes	Waste & Recycling Manager	July 2026

Ref	Description	Risk Rating	Moderate
1.2	<p>Contract Management and Records – With limited exceptions, businesses must procure a Trade Waste service (which may be obtained from either the Council or a suitable private contractor) as a legal requirement. Original signed legal documents including contracts and WTNs provide evidence of the scope and level of services agreed and delivered.</p> <p>As noted at 1.1 above, The Service uses multiple systems to produce and hold records of requests, customer details, quotes, service delivery, and changes. However, these records are not always complete or consistent. For example, in a sample of 20 cases, original quotes could not be located for five (25%). Instructions and variation orders were also missing in several cases: 12 of 20 (60%) lacked Collection Variation Orders (CVOs), and five of 12</p>		

Ref	Description	Risk Rating	Moderate
	<p>(42%) lacked Finance Variation Orders (FVOs). Inconsistencies were also noted between business names recorded on different systems, with no common identifier to link records.</p> <p>To create a new schedule, WTN and agreement when a change is requested, procedures set out that a current client record on Access is duplicated. The system does not prevent original data being overwritten in error, and there is no record on this system to confirm whether a customer accepted the offer. From the sample of 20 cases, nine collection schedules (45%) could not be matched back to these records.</p> <p>Where agreements were on file, these indicated potential delays between acceptance and collections commencing. Four of 10 collections did not start on the agreed date, with some starting up to 30 days after the agreement. Records are not filed in such a way as to indicate whether this was due to service delay or a customer request. The Service has highlighted that the issue date does not necessarily represent the intended service start date. Customers must first sign and return the agreement, and they may also request a future start date. In addition, reasonable time is required for account setup and coordination with Finance and Waste Operations. For these reasons, immediate commencement of collections should not be assumed.</p> <p>Customers are provided with terms and conditions in relation to their waste service and are required to return a signed copy to confirm their acceptance. Whilst the Service holds system records of what it considers has been agreed, and it may be implied this has been accepted through continued provision and payment for these services, retention and storage of signed agreements varies. These are stored either on SharePoint, in paper hard copy, or in emails with limited structure. Of 20 cases reviewed, five external customer agreements were not signed, and five internal customer agreements could not be sourced. Of a further 10 new clients sampled, the associated agreements were not signed. In the event of a dispute, this could result in financial and reputational risks.</p> <p>The Service has stated that services are not commenced until signed agreements are returned, with bin delivery and collections contingent on a job ticket and CVO being raised, which will only be done after agreements are in place. There are however no system based controls to ensure this workflow operates as intended in practice, further reducing assurance over the completeness and accuracy of records.</p> <p>Key client communication is generally by email except for an annual letter by post to advise of price changes and to provide a WTN. This includes a request to check and confirm the service being delivered and charged for is correct, through return of the WTN to the Trade Waste Team. However, these are not routinely returned, and this is not followed up as the legal requirement to hold the waste transfer note lies with the customer.</p> <p>Communication from customers requiring account closure or suspension is not being retained routinely with other documentation, reducing assurance over termination of services and the accuracy of final charges. There are no standard forms or records to support these changes, and there are no records to confirm bins have been recovered. The Service maintains a spreadsheet of account closures, and the change in status is recorded on the collections system. Two of ten closures reviewed (20%) did not include a reason for closure, and two of ten FVO's (20%) were not found on file to confirm the accuracy of closure details.</p> <p>Review of system data highlighted cases where it appeared that collections had continued after accounts had been closed – for example one customer account closed in 2018 still showed collections in 2025. The Service noted that premises could change hands and the collection schedule remained live for the address whilst the previous owner's account was awaiting closure. However, the record remains under the previous owner's name. Whilst continuity of service is important to maintaining business relationships, this presents a risk. If customer details, liability and handover dates are not being recorded clearly, separately, and consistently on the system, there is an increased risk of incorrect billing, and of services being provided which will not be paid for.</p>		

Ref	Description	Risk Rating	Moderate
	<p>Internal customers (e.g. schools, offices, depots etc) are not charged directly in line with the current price list. The Service noted that some years ago budgets were moved to Trade Waste to reflect the cost of providing the service and remove the need to recharge internally. Where requirements change, an illustrative contract is issued to internal customers to show the value of the services provided. They are provided with WTN's annually or on request. At the time of testing (November 2025) WTN's had not been printed for 2025/26. The Service tracks the overall value of these collections (variable: estimated as £743k per annum over 169 premises in March 2025), but there have been no further formal adjustments to budgets to reflect changes. Records indicate internal customers typically have more waste bins and collections, and therefore a higher collection cost, than external customers. Whilst this may be reflective of their requirements, the volume of waste collected from each is not tracked, and there is no incentive for internal customers to review and reduce the level of service as there is no direct financial benefit.</p>		
	IA Recommended Mitigating Actions		
	<p>a) The Service should develop and implement records management processes to ensure consistent documentation is being recorded in an accessible format for each customer and transaction. There should be a clear audit trail of all changes. As part of this, the Service should determine and apply consistent unique referencing for customers and premises to facilitate tracking between systems and records.</p> <p>b) Controls should be built in to the process to ensure only agreed changes take place – e.g. feedback loops to confirm changes back to source, and reconciliations to confirm all changes have been reported.</p> <p>c) The Service should periodically review the level of service required by internal customers, to ensure it continues to provide best value at a corporate level.</p>		
	Management Actions to Address Issues/Risks		
	<p>a) <i>We have undertaken our own review of the audit sample and were able to source all but one record. However, recognising the importance of good record keeping, while at the same time being limited to existing systems until such time as we have the necessary development support, the team will review processes and consider where improvements can be made that are effective and proportionate to the risks.</i></p> <p>b) <i>To support further improvements, we will consider what further steps we could take to supplement our current actions. This may include a new system of sampling.</i></p> <p><i>We will investigate the case where internal audit identified system records that indicated collections continuing following account closure, and take appropriate action as required. Where a new business occupies a premises, the previous business name may still be visible in Bartec, but only the designated Primary Payee can be billed. If no new business is present, invoices are only generated for scheduled collections; if collections stop, billing stops automatically. Therefore, any potential impact is limited.</i></p> <p>c) <i>This highlights a corporate gap: the need for a dedicated resource (estimated 1 x FTE) to work with services and review internal waste (and not just the services we provide) and enforcement of Council policy and provision of guidance. The Waste Service does not have the capacity to cover this gap in resource, however, recognising the need to ensure best value for the council, a suggested improvement would be to include the internal customers in the sampling proposed above.</i></p>		
	Risk Agreed	Person(s)	Due Date
	Yes	Waste & Recycling Manager	July 2026

Ref	Description	Risk Rating	Moderate
1.3	<p>Income, Reconciliations, and Debtors – Pricing is revised annually and entered manually to the collections system. The Service holds a separate price list for quick reference and providing quotes. Five price differences (4% of 121) were identified between the two sources, ranging from 7p more to £17 less on the list than on the system, and 27 prices (22%) were not included on the list. Prices are added to the system, rather than superseding them. Where there are variations, or opportunities to select an old, incorrect, or unused price option, there is a greater risk of incorrect charges, presenting a risk to income and a potential reputational risk if prices charged are different than quoted.</p> <p>From a sample of 12 external customers, invoices were generally being raised correctly in line with recorded agreements, prices, and records of ad-hoc collections or orders. However, as noted at 1.2 above, the variation in supporting records reduces assurance that all planned and chargeable activities are in line with what has been agreed. There is a risk that customers could be incorrectly charged, a cost of rework to correct, and reputational risk of inefficiency.</p> <p>A monthly interface is run to the Financial System to generate invoices. Whilst the final interface process is largely automated, steps leading up to generating the interface data are reliant on accurate completion of tasks to review and collate invoice data for chargeable services logged on the system. The Service logs these tasks as they are completed. Invoice runs are completed for a specified period, and any backdated adjustments would require manual intervention. Once run, the system records that invoices have been raised. The Collections system holds a running balance of charges it has calculated as due by customers, however this is not updated to record ad-hoc charges and does not reduce as payments are received. These tasks are completed through the debtors system, and there is no feedback loop. It is assumed that only collections set on the system will have taken place, and that all chargeable services planned on the system will be charged through the interface. Although there is a check at the point of processing that the total number and value of invoices passed to the financial system matches, there is no routine reconciliation between records of planned and completed collections and amounts invoiced. This presents a risk that all activity may not have been correctly charged.</p> <p>In general, regular invoices (those processed through the interface) have standardised descriptions, which aids in identifying and matching across the systems. Ad-hoc invoices, or those that could not pass through the interface, showed more variation – for example ‘Additional Lift requested’ and ‘For Premises’. There is a risk that income that is not well described could be incorrectly accounted for.</p> <p>As there is no routine internal process to check whether services have been charged correctly, there is reliance on customers to advise of potential errors. Reasons for credit notes processed by the Trade Waste team included: duplicate invoicing, incorrect volumes/frequencies, and missed collections. There were 58 credits raised in 2024/25, totalling £3,080.91. Whilst the value and numbers are relatively small (in the context of 1,093 invoices (5%) and £1.08m (0.3%) of income), the descriptions indicate avoidable issues, that may be indicative of weaknesses in the invoicing process. There is no equivalent control to detect any potential under-charging.</p> <p>Credits raised for 2025/26 to mid-July totalled £11,154.30 and included one for £9,795.71 due to invoices having been raised against the wrong debtor. This was effectively an aged debt for another debtor, which the Trade Waste team, in this example, was reliant on Service Income to identify. Whilst the Service has stated income recovery is discussed with Finance bi-monthly, it is not clear that in this case this has been fully effective. Although contracts state payments must be made within 28 days or collections will be suspended, this does not take place automatically. There is a written procedure for the Service to contact the customer, and to consider suspension of services, but this does not include specific thresholds for its application, presenting risks to consistency and proportionality of action.</p>		

Ref	Description	Risk Rating	Moderate
	IA Recommended Mitigating Actions		
	<ul style="list-style-type: none"> a) The Service should ensure it has a single complete source of price data, and that only current prices can be used on the system. b) Amounts invoiced/charged should be reconciled periodically against records of completed collection activity. c) Consideration should be given to development and use of standardised line descriptions for ad-hoc invoices. d) The Service should review the aged debtors process with Finance to ensure there is clarity over responsibilities and thresholds for action. This should be captured in updated written procedures. 		
	Management Actions to Address Issues/Risks		
	<ul style="list-style-type: none"> a) <i>We can see the benefit of reviewing our system (Bartec) price list to conduct housekeeping and to consider ways to introduce further protection against new prices being entered incorrectly. However, on price list variations and risks, we believe a quick reference version of the operational price list remains appropriate for officers and supports consistent and efficient application of current pricing.</i> b) <i>We bill our customers based on scheduled collections only. We will however look to implement a new sampling system to add extra protections.</i> c) <i>Options for improvement to standardising invoice descriptions will be considered.</i> d) <i>We will review our aged debtors procedure in collaboration with Finance to document an end to end process.</i> 		
	Risk Agreed	Person(s)	Due Date
	Yes	Waste & Recycling Manager; Finance Transactions Manager	July 2026

Ref	Description	Risk Rating	Moderate
1.4	<p>Budgets and Cost Allocation – The Service requires appropriate financial data to be able to make effective and informed decisions regarding changes to pricing and cost management. Financial information is reviewed by senior managers, but members of the Trade Waste team other than the Service Manager were not all familiar with the financial reports to recognise unusual trends or entries. Although budget monitoring is reviewed regularly with Finance, a budget adjustment of £180k had been made in the year between income lines. While the overall impact was zero, this had not been requested, discussed with or approved by the Service Manager.</p> <p>Underlying financial accounting records need to be accurate to support appropriate management of resources. While there are detailed income records and budgets, and expenditure is generally being managed appropriately, costs relating to the trade waste service are not separately recorded from other activities. Charges for fuel, fleet recharges, waste disposal, electricity, gate fees, software support and contract overheads are reviewed as part of the overall waste service regular accounting reports. There is no formal apportionment of costs between domestic and trade collection activities. Without this data, there is less assurance that the service is being managed within budget and adequately</p>		

Ref	Description	Risk Rating	Moderate
	<p>recovering its costs. Managing the budget against a net income target alone does not fully take account of the variable expenditure and overheads incurred in delivery of the service.</p> <p>However, the cost of the trade waste service is estimated annually through a desktop exercise in which the Waste Manager calculates and documents assumptions on what it would cost as a standalone service. Whilst relatively comprehensive, some of the supporting data is out of date e.g. fleet and fuel costs are based on 2022 data and RAC estimates, with factors added for inflation. Overheads have also been estimated for staff costs but were excluded from the overall cost calculation. The Service uses this data, along with projected income on several scenario bases, to set annual trade waste prices. Calculations may benefit from independent review (e.g. by Finance) or wider consultation (e.g. with Fleet) to improve accuracy and completeness.</p>		
	IA Recommended Mitigating Actions		
	<p>a) The Service should consider more formal apportionment of costs and income across its component services.</p> <p>b) Costings for price setting should be subject to independent review. Consideration should be given to wider consultation to inform cost estimates.</p>		
	Management Actions to Address Issues/Risks		
	<p>a) <i>The Service has given consideration to reviewing the apportionment of costs and income across its component services. Whilst the principle is sound, and support has been offered by Finance, the actual benefits are not clear to the Service. Domestic and trade collections are combined to increase efficiency of services. Any proportioning would be a desktop exercise that is unlikely to be any more accurate than the existing method. Also, whilst it is necessary for the TW team to have an understanding of costs to ensure that prices are set correctly, they do not manage the collection team and therefore cannot influence the costs, other than by negotiating with the customer.</i></p> <p>b) <i>Although we will continue with the current cost model, for additional assurance we will ask our Finance partner to review costings on an annual basis.</i></p>		
	Risk Agreed	Person(s)	Due Date
	Yes	Waste & Recycling Manager; Finance Business Partner	July 2026

Ref	Description	Risk Rating	Minor
1.5	<p>Performance Information – The Service uses supplementary information held in spreadsheets to review key performance data, including tracking and forecasting income, as this is not available direct from the collections system due to potential anomalies; work is still ongoing to improve the accuracy of customer records since accounts were temporarily paused and then re-started following the COVID-19 pandemic (2020-2022). The System therefore potentially over-states current customer numbers. Until this exercise is completed, there remains a risk that customer records, and charges, may be inaccurate compared with physical collections. Recommendations have been made above to address this point.</p> <p>Periodically, exercises are undertaken to identify businesses that may be non-compliant with waste regulations (i.e. those using domestic waste collections illegally), with a view to improving compliance and potentially generating new business for the Service. Whilst data is</p>		

Ref	Description	Risk Rating	Minor
	<p>available on the number of contacts, this is not linked up to records of quotes provided and taken up as a direct result.</p> <p>The Service does not currently monitor or report on sales leads and take-up rates, there is limited benchmarking, and it does not routinely undertake analysis of the market and competition for trade waste collections – though the team has broad experience within the industry. Although the budget is monitored regularly to review whether income targets are being met, there is no specific analysis to review any potential impact of price changes on repeat business.</p> <p>There is a risk that without clear activity data and analysis, the council may not have a good benchmark from which to compare income and cost of servicing customers relative to suitable comparators. As noted above the variety of systems and records impact on the quality and consistency of available data. If this can be improved options for more automated data collection and reporting would help provide more useful management information going forward.</p>		
IA Recommended Mitigating Actions			
The Service should review its performance information requirements, and determine efficient methods for data collection and reporting, to inform management action.			
Management Actions to Address Issues/Risks			
<i>We will review our performance information requirements and consider whether assistance is required from support services e.g. Data and Insights team.</i>			
Risk Agreed		Person(s)	Due Date
Yes		Waste & Recycling Manager	July 2026

Ref	Description	Risk Rating	Minor
1.6	<p>Asset Management – The Service provides bins/receptacles for waste that are suitable for collection, as an integral part of the Trade Waste Service. The Service does not have detailed records of the level and value of stock directly held for distribution, it does not hold or routinely review records of its bins held by customers, and it does not track movements beyond the issue of job tickets to deliver or collect bins. There is no subsequent confirmation of delivery or return to stock.</p> <p>Bins vary in price depending on size, from around £20 to £370. This is below the Council's threshold in the Financial Regulations for recording individual items in an inventory (£1,000). The Service spends around £26k on new/replacement bins each year. The number of bins with customers could be determined from the collections system, but this is not routinely reported on and valued.</p> <p>Trade waste contracts highlight that customers are responsible for bins whilst in their care. A charge can be made for loss or damage, but this was not observed in the accounting records or procedure paperwork. There is no data to track whether bins are being looked after and retained in line with their expected useful lifespan. Without detailed records of stock and stock movement, and clear supporting processes, there is a greater risk of items being lost or damaged and costs not being recovered.</p>		
IA Recommended Mitigating Actions			
Bin stocks and stock movements should be recorded and periodically reconciled to system records.			

Ref	Description	Risk Rating	Minor
	Management Actions to Address Issues/Risks		
	<p><i>We will consider ways to incorporate bin value into our stock sheets.</i></p> <p><i>Beyond that we are unclear as to the benefits versus effort. Our stock sheets are updated weekly, stock checks are conducted quarterly, our customers are expected (and incentivised) to report changes in their bin numbers, and our crews are expected to report such irregularities also.</i></p>		
	Risk Agreed	Person(s)	Due Date
	Yes	Waste & Recycling Manager	July 2026

4 Appendix 1 – Assurance Terms and Rating Scales

4.1 Overall report level and net risk rating definitions

The following levels and ratings will be used to assess the risk in this report:

Risk Level	Definition
Corporate	This issue / risk level impacts the Council as a whole. Mitigating actions should be taken at the Senior Leadership level.
Function	This issue / risk level has implications at the function level and the potential to impact across a range of clusters. They could be mitigated through the redeployment of resources or a change of policy within a given function.
Cluster	This issue / risk level impacts at the Business Plan level (i.e. individual services or departments as a whole). Mitigating actions should be implemented by the responsible Chief Officers.
Programme and Project	This issue / risk level impacts the programme or project that has been reviewed. Mitigating actions should be taken at the level of the programme or project concerned.

Net Risk Rating	Description	Assurance Assessment
Minor	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.	Substantial
Moderate	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified, which may put at risk the achievement of objectives in the area audited.	Reasonable
Major	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.	Limited
Severe	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.	Minimal

Individual Issue / Risk Rating	Definitions
Minor	Although the element of internal control is satisfactory there is scope for improvement. Addressing this issue is considered desirable and should result in enhanced control or better value for money. Action should be taken within a 12 month period.
Moderate	An element of control is missing or only partial in nature. The existence of the weakness identified has an impact on the audited area's adequacy and effectiveness. Action should be taken within a six month period.
Major	The absence of, or failure to comply with, an appropriate internal control, which could result in, for example, a material financial loss. Action should be taken within three months.
Severe	This is an issue / risk that could significantly affect the achievement of one or many of the Council's objectives or could impact the effectiveness or efficiency of the Council's activities or processes. Action is considered imperative to ensure that the Council is not exposed to severe risks and should be taken immediately.

5 Appendix 2 – Assurance Scope and Terms of Reference

5.1 Area subject to review

Under the Environmental Protection Act 1990, local authorities have a statutory obligation to collect commercial waste if requested to do so. Businesses or charities, including those run from home, have a legal responsibility under the Waste (Scotland) Regulations 2012, to store, transport, recycle and dispose of their waste in a way that does not harm the environment, and have appropriate business waste collection/disposal in place with a licenced waste contractor.

The Council provides waste and recycling collection services for businesses in the City. The collections provided include mixed recycling for paper, cardboard, glass, plastic containers and metal tin cans; food waste recycling; garden waste recycling; general waste and collections for bulky items. The types of waste are similar to those households would generate, and the same refuse collection vehicles are used. Customers contact the council via the Aberdeen City Council website, contact centre, or email to make a service request. Some customers may be visited by trade waste, waste and recycling officers or the waste compliance team to discuss the disposal of their waste. If they are a customer who the Council can serve, a contract is generated and charges appropriate to the waste collection required are applied.

Waste Transfer Notes (WTN) must be used if a collection service is in place to ensure there is a clear audit trail for managing waste legally. WTN's must be kept for at least 2 years and produced if SEPA or the Council requests. If the Council finds a business acted in a way that did not meet commercial waste regulation requirements, a fixed penalty notice of up to £500 could be issued.

The Council's contractor for waste management is SUEZ (formerly SITA). The contract originally ran from 2000 to 2025 and has since been extended to 2029. There is also a 20 year contract with Acciona which commenced in 2022 to incinerate non-recyclable waste.

The cost of the 2025/26 Waste Services budget as at August 2025 is £21.2m, of which the commercial waste income budget is £1.1m. The actual outturn for 2024/25 for Waste Services was £23.9m, of which commercial waste income contributed £1.1m. The Council receives income from scheduled and ad hoc collections, the lease and sale of bins, compostable bin liners and miscellaneous charges such as from work to secure bins. The main expenses allocated to the commercial waste cost code are staffing, marketing, purchasing bins and liners.

5.2 Rationale for review

The objective of this audit is to consider whether adequate control is in place covering trade waste income and expenditure, that appropriate agreements are in place and that accounting arrangements are robust.

In addition to the Council's statutory obligations, the trade waste service represents a key commercial activity, generating income through the provision of waste collection services to businesses. Given its financial and operational significance, it is essential to ensure that adequate controls are in place.

Controls over income collection, expenditure, and service delivery must be robust to prevent financial loss, ensure compliance with internal policies, and maintain service quality. Weaknesses in control could lead to undercharging, unrecorded income, or inappropriate spending.

Formal agreements with customers and suppliers should clearly define service terms, pricing, responsibilities, and termination clauses. This ensures legal protection, transparency, and consistency in service provision. The absence of proper agreements may expose the council to disputes or loss of income.

Accurate and timely accounting is critical for financial reporting, performance monitoring, and decision-making. Ensuring relevant costs and income are included is important so that the service can demonstrate it is efficiently run to best effect and maximises cost recovery. This includes correct invoicing, reconciliation of income, and allocation of expenditure. Weak accounting practices could result in misstatements or budget over-spends.

The last audit report for the area was AC1608 from January 2016. Previous recommendations were to review billing and charges, improve reconciliations, review ways to attract and retain customers and deliver financial management information requirements. In addition, a new Waste Management System was to be put in place and improvements in income collection for full recovery and management information were anticipated.

5.3 Scope and risk level of review

This review will offer the following judgements:

- An overall **net risk** rating at the **Cluster** level
- Individual **net risk** ratings for findings.

5.3.1 Detailed scope areas

As a risk-based review this scope is not limited by the specific areas of activity listed below. Where related and other issues / risks are identified in the undertaking of this review these will be reported, as considered appropriate by IA, within the resulting report.

The specific areas to be covered by this review are:

- Income – including charges, invoicing, income collection, and reconciliations.
- Expenditure – including cost control, procurement, payments, recovery and reconciliations.
- Agreements – including contract management, formal written agreements, and waste transfer notes.
- Accounting – including financial management information and financial regulations.

5.4 Methodology

This review will be undertaken through interviews with key staff involved in the process(es) under review and analysis and review of supporting data, documentation, and paperwork. To support our work, we will review relevant legislation, codes of practice, policies, procedures, guidance.

This review will also encompass an evaluation of the governance, risk management and controls in place to detect, prevent, and mitigate instances of fraud. Considerations will also be given to ensure the achievement of Best Value across operations.

Due to hybrid working practices, this review will primarily be undertaken remotely via electronic meetings and direct access to systems and data, with face to face contact and site visits to premises to obtain and review further records as appropriate.

5.5 IA outputs

The IA outputs from this review will be:

- A risk-based report with the results of the review, to be shared with the following:
 - Council Key Contacts (see 1.7 below)
 - Audit Committee (final only)
 - External Audit (final only)

5.6 IA staff

The IA staff assigned to this review are:

- Heulwen Beecroft (**audit lead**)
- Colin Harvey, Audit Team Manager
- Jamie Dale, Chief Internal Auditor (**oversight only**)

5.7 Council key contacts

The key contacts for this review across the Council are:

- Gale Beattie, Executive Director City Regeneration & Environment
- Mark Reilly, Chief Officer - Operations
- Kristine Hultman, Acting Waste & Recycling Manager (**process owner**)

- Stuart Youngson, Acting Team Leader Waste & Recycling
- Laura Todd, Acting Trade Waste Officer

5.8 Delivery plan and milestones

The key delivery plan and milestones are:

Milestone	Planned date
Scope issued	01-Sep-25
Scope agreed	05-Sep-25
Fieldwork commences	12-Sep-25
Fieldwork completed	17-Oct-25
Draft report issued	07-Nov-25
Process owner response	28-Nov-25
Director response	05-Dec-25
Final report issued	12-Dec-25

ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	19 February 2026
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Internal Audit Plan 2026-2029
REPORT NUMBER	IA/26/003
DIRECTOR	N/A
REPORT AUTHOR	Jamie Dale, Chief Internal Auditor
TERMS OF REFERENCE	2.1

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to seek approval of the attached Internal Audit plan for 2026-2029.

2. RECOMMENDATION

It is recommended that the Committee:

- 2.1 Approve the attached Internal Audit Plan for 2026-2029.

3. CURRENT SITUATION

- 3.1 It is one of the functions of the Audit, Risk and Scrutiny Committee to review the activities of the Internal Audit function, including the approval of the Internal Audit Plan. The proposed plan for 2026-2029 is attached at Appendix A, along with the plans for Aberdeen City Integration Joint Board and North East of Scotland Pension Fund for information.

- 3.2 All audits included in the attached plan, as well as those in future plans, will help inform Internal Audit's opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control, which is expressed in an annual report, and provide assurance to the Audit, Risk and Scrutiny Committee. Where opportunities for improvement in controls and their application, or improvements in value for money, are identified these will be reported along with recommendations for management to consider.

4. FINANCIAL IMPLICATIONS

- 4.1 There are no direct financial implications arising from the recommendations of this report.

5. LEGAL IMPLICATIONS

- 5.1 There are no direct legal implications arising from the recommendations of this report.

6. ENVIRONMENTAL IMPLICATIONS

6.1 There are no direct environmental implications arising from the recommendations of this report..

7. RISK

7.1 The assessment of risk contained within the table below is to be consistent with the Council's Risk Appetite Statement.

Category	Risks	Primary Controls/Control Actions to achieve Target Risk Level	*Target Risk Level (L, M or H) <small>*taking into account controls/control actions</small>	*Does Target Risk Level Match Appetite Set?
Strategic Risk	Ability of the Council to meet its strategic objectives	The Internal Audit process considers strategic risks involved in the areas subject to review. Any risk implications identified through the Internal Audit process are detailed in the resultant Internal Audit reports. Recommendations, consistent with the Council's Risk Appetite Statement, are made to address the identified risks and Internal Audit follows up progress with implementing those that are agreed with management. Those not implemented by their agreed due date are detailed in the attached appendices.	M	Yes
Compliance	Council does not comply with relevant internal policies and procedures and external guidance.	The Internal Audit process considers compliance risks involved in the areas subject to review. Any risk implications identified through the Internal Audit process are detailed in the	L	Yes

		<p>resultant Internal Audit reports. Recommendations, consistent with the Council's Risk Appetite Statement, are made to address the identified risks and Internal Audit follows up progress with implementing those that are agreed with management. Those not implemented by their agreed due date are detailed in the attached appendices.</p>		
Operational	<p>Failure of the Council to deliver agreed services.</p>	<p>The Internal Audit process considers operational risks involved in the areas subject to review. Any risk implications identified through the Internal Audit process are detailed in the resultant Internal Audit reports. Recommendations, consistent with the Council's Risk Appetite Statement, are made to address the identified risks and Internal Audit follows up progress with implementing those that are agreed with management. Those not implemented by their agreed due date are detailed in the attached appendices.</p>	L	Yes
Financial	<p>Financial failure of the Council, with risks also to credit rating.</p>	<p>The Internal Audit process considers financial risks involved in the areas subject to review. Any risk implications identified through the Internal Audit process are detailed in the resultant Internal Audit</p>	L	Yes

		reports. Recommendations, consistent with the Council's Risk Appetite Statement, are made to address the identified risks and Internal Audit follows up progress with implementing those that are agreed with management. Those not implemented by their agreed due date are detailed in the attached appendices.		
Reputational	Impact of performance or financial risk on reputation of ACC.	The Internal Audit process considers reputational risks involved in the areas subject to review. Any risk implications identified through the Internal Audit process are detailed in the resultant Internal Audit reports. Recommendations, consistent with the Council's Risk Appetite Statement, are made to address the identified risks and Internal Audit follows up progress with implementing those that are agreed with management. Those not implemented by their agreed due date are detailed in the attached appendices.	L	Yes
Environment / Climate	Service delivery impacting negatively on City net zero targets.	The Internal Audit process considers environmental/climate risks involved in the areas subject to review. Any risk implications identified through the Internal Audit process are detailed in the resultant Internal Audit	L	Yes

		reports. Recommendations, consistent with the Council's Risk Appetite Statement, are made to address the identified risks and Internal Audit follows up progress with implementing those that are agreed with management. Those not implemented by their agreed due date are detailed in the attached appendices.		
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8. OUTCOMES

- 8.1 The proposals in this report have no impact on the Council Delivery Plan.
- 8.2 However, Internal Audit plays a key role in providing assurance over, and helping to improve, the Council's framework of governance, risk management and control. These arrangements, put in place by the Council, help ensure that the Council achieves its strategic objectives in a well-managed and controlled environment.

9. IMPACT ASSESSMENTS

Assessment	Outcome
Impact Assessment	An assessment is not required because the reason for this report is to report Internal Audit's progress to Committee. As a result, there will be no differential impact, as a result of the proposals in this report, on people with protected characteristics.
Data Protection Impact Assessment	Not required

10. BACKGROUND PAPERS

- 10.1 There are no relevant background papers related directly to this report.

11. APPENDICES

- 11.1 Appendix A – Aberdeen City Council - Internal Audit Plan - 2026-29

12. REPORT AUTHOR DETAILS

Jamie Dale, Chief Internal Auditor
jamie.dale@aberdeenshire.gov.uk

(01467) 530988



Internal Audit

Aberdeen City Council Internal Audit Plan 2026-29

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1 Executive Summary

1.1 Introduction and background

Internal Audit's primary role is to provide independent and objective assurance on the Council's risk management, control, and governance processes. This requires a continuous rolling review and appraisal of the internal controls of the Council, involving the examination and evaluation of the adequacy of systems of risk management, control, and governance.

The purpose of this report is to seek approval of the attached Internal Audit Plan for 2026-2029.

All audits included in the attached plan, as well as those in future plans, will help inform Internal Audit's opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control, which is expressed in an annual report, and provide assurance to the Audit, Risk and Scrutiny Committee. Where opportunities for improvement in controls and their application, or improvements in value for money, are identified these will be reported along with recommendations for Management to consider.

1.2 Management Commentary

The Internal Audit Plan provides elected members with a mechanism to undertake scrutiny of the Council's internal controls as part of a scheduled programme of risk-based audit work. This Plan, developed by the Chief Internal Auditor in consultation with the extended Corporate Management Team, reflects the risk appetite of the organisation and creates the opportunity for the Committee to scrutinise the effectiveness of our internal controls. The robustness of these controls remains a top priority and, as such, management support the proportionality and focus of this Plan.

Improvements made to the Internal Audit methodology this year have been helpful. By allowing Management to determine the timescale for implementing individual recommendations, prioritisation can be based on all factors, including risk and also available resource. Changes to the layout of internal audit reports were also welcomed.

2 Internal Audit Plan

2.1 Plan development

Internal Audit operates with a rolling three-year Plan, designed to provide a clearer view of priorities and the broader audit universe. This approach offers flexibility in scheduling work and adapting to changes in risk, priorities, and resources, while maintaining transparency over planned activity. The Plan is reviewed annually to ensure it remains aligned with the organisation's evolving risk environment and strategic objectives, with updates made as required.

The Plan for 2026-29 is set out at Appendix 1. The planned work with the Aberdeen City Integration Joint Board and North East Scotland Pension Fund has also been included.

In formation of the plan, Internal Audit:

- **Reviewed historic audit outputs** – The initial planning stage involved a review of completed work from across the previous years. This looked to gauge the assurance that had been obtained recently and develop a baseline that could be built upon with the current plan. Where it is hoped that the greatest coverage can be obtained in a single year, this is not always possible, so instead it will be ensured that there has been coverage over a number of years, both previously and forward looking.
- **Reviewed the agreed Plan for 2025-28** – In addition to the review of previous assurance work, the agreed plans for 2026/27 and 2027/28, approved as part of the 2025-2028 Plan overall, were reviewed. This is the starting position for the current plan; however, this has changed based on developments in year and the changing risk profile of the Council.
- **Reviewed Management's progress in implementing agreed audit recommendations** – A review of the work of Management to implement audit recommendations. This looked to identify any areas where Management has struggled to implement agreed actions, and where the risks remain, for these to be factored into the audit plan.
- **Reviewed different sources of information** – A suite of information, primarily Committee reporting, was reviewed to further develop Internal Audit's understanding of the operations and issues of the Council.
- **Reviewed information from other assurance providers** – Discussions were held and reports reviewed from other assurance providers, primarily External Audit. This looked to ensure minimal overlap, whilst also recognising that Internal Audit is required to gain its own assurances year on year.
- **Held discussion with key stakeholders** – Discussions were held with key stakeholders on a one to one basis and as part of other forums across the Council. These discussions were demand led and focused on three key areas:
 - Key risks within the auditable area.
 - Any recent or upcoming developments.

-
- Suggestions for assurance reviews, including value adding pieces of work.
 - **Benchmarked against other Scottish Local Authorities** – A review of the Internal Audit plans for other Local Authorities as per their Committee reporting available online. This looked to gain an understanding of issues being faced by other Local Authorities and identify any auditable areas for Aberdeen City Council.
 - **Utilised Artificial Intelligence** – For the first time, Artificial Intelligence (Microsoft CoPilot) was utilised in the development of the Plan. Where Microsoft CoPilot is employed where relevant as part of business as usual, in developing the Plan, the System was utilised for analytical support and to provide suggestions for considerations of audits based on the Council's current operations.
 - **Mapped to the Council's functional structure** – The proposed Internal audit Plan, for 2026-27, has been mapped to the Council's functional structure to ensure the maximum possible coverage of Council's operations. Please see Appendix 2.
 - **Mapped to the Council's risk register** – A review of the Council's risk register was carried out, focusing on the Corporate and Cluster levels, and those risks that are currently outwith appetite. This resulted in the identification of eight key risk themes that have been used for ensuring appropriate coverage of different areas across Council operations. Please see Appendix 3.

The plan details what Internal Audit anticipates being able to review in the year, assuming stability in resources available to the Service. The plan is flexible and can be amended to reflect changes in priority or because of new risks being introduced or identified, although consideration needs to be given to the requirement for Internal Audit to complete sufficient work to provide an evidence based annual opinion. Internal Audit will continue to review the Council's risk registers and update its own risk assessments based on audit findings, throughout the Plan's term.

All audits included in the attached plan are part of a rolling programme of work, each element of which will help inform Internal Audit regarding the adequacy and effectiveness of the Council's framework of governance, risk management and control, allowing assurance to be provided regarding those arrangements. Focus will also be given to key risk areas across all reviews e.g. susceptibility and the occurrence of fraud. Where opportunities for improvement in controls and their application, or improvements in Best Value, are identified these will be reported along with recommendations for Management to consider. This is the priority of the work however where there are opportunities to provide value adding work, this has been factored into the plan.

The time allocation for all audits assumes that systems to be reviewed are adequately documented, detailing the controls put in place by Management, and that testing identifies that these controls are being complied with. If this is not the case, there will be an impact on the time taken to review planned areas and on the plan's achievability.

The Plan also includes time set aside to assist services in developing their controls and approach to improving compliance. This reflects continuing development of a more proactive value-added approach by Internal Audit, to supplement the more traditional core compliance-oriented audit work. For these elements of the Plan there will not be a separate Internal Audit report to the Audit Risk and Scrutiny Committee. Highlights from this work will however be provided as part of the regular Internal Audit progress reports provided to the Committee.

With approval of the Plan, we will work with individual directorates and services to schedule the audit work for the year. This will look to match our internal resourcing but also ensure that it is suitable for those relevant stakeholders across the Council. We will look to ensure that management are not inundated with consecutive audits and that fieldwork, where most input is required, is at a time which does not clash with other priorities or commitments.

2.2 Undertaking planned work

When commencing each planned audit, Internal Audit contacts the Director and Chief Officer responsible for the area to be reviewed along with any other nominated contact officer. They will be reminded of the objective and scope of the review and of how Internal Audit intends to achieve the level of assurance required. Officers are invited to identify any specific aspects of the area to be reviewed that are of particular concern. Officers are also asked about their risk appetite for the areas under review. All of this is factored into the agreed scoping document. Where Internal Audit has planned in specific reviews around counter fraud, this will be a consideration for all reviews and factored into scoping where relevant as an inherent risk.

Once fieldwork has been completed, a draft report is issued to the Director and Chief Officer responsible for the area to be reviewed along with any other nominated contact officer. Officers will be asked to provide a response to individual findings and to the report overall. This response should address the points raised and either agree to address the risks or set out why no action will be taken e.g. within appetite or other priorities for available resource. At the request of Management, Internal Audit will also work with officers to ensure their agreed actions recognise the impacts on resource and where possible seek to ensure automation of processes is considered. Prior to issuing the final report, Internal Audit seeks confirmation from the Director involved that they are satisfied with the report and actions agreed to address any identified issues.

Whilst undertaking planned work, it is possible that Internal Audit may identify governance issues that are not within the stated scope of the review being undertaken. Public Sector Internal Audit Standards require that Internal Audit report such instances to those charged with governance. In this respect, Internal Audit's reports may contain issues that appear to be "outwith scope".

2.3 Resources

To undertake the attached plan, Internal Audit has an establishment of thirteen posts. It is anticipated that this will be split between Aberdeenshire and Aberdeen City councils on a 2:1 ratio. Where not presented in this document underlying the Plan is detailed calculations based on the number of audits days available, which provides assurance on the level of resource available to deliver the work. On agreement of the Plan, individual audit days will be assigned to each review, and these will be inline with the allocation resource, which is again determined to be sufficient to deliver the planned work.

3 Appendix 1 – 2026-29 Internal Audit Plan

The below table sets out the Internal Audit Plan for 2026-29. The Plan should be read with the following considerations:

- Where each audit has been mapped to a Function (and a Cluster at Appendix 2), some audits will cut across many different areas of the Council's operations. During the scoping, fieldwork and reporting stages, Internal Audit will engage all officers as relevant regardless of the area the review has been assigned to.
- The same is applicable for the mapping to the Council's risk categories. This is to show that consideration has been given to ensuring the Plan addresses the myriad of risks across the Council's operations but individual audits will cut across many different risk categories; the principal risk has been shown below for ease of review.
- Core assurance audits are the typically traditional compliance based reviews that are the foundation for the annual opinion provided by the Chief Internal Auditor and, where not exclusive, will typically focus on the internal financial controls and systems. Wider assurance audits are reviews that will focus more on value adding work and the broader governance framework. Whilst mapping has been provided to show a split in the Plan for the year, the type of review is not exclusive and Internal Audit will ensure that all work contributes to the annual opinion, whilst also adding value where possible. It is considered that a mix of both core and wider assurance reviews is required to provide an evidence base on which the Chief Internal Auditor's annual opinion can be given.

The planned work with the Aberdeen City Integration Joint Board and North East Scotland Pension Fund for 2026-29 is also presented.

Function	Auditable Area	Objective	Principal Risk	Assurance
2026/27				
City Regeneration & Environment	Joint Mortuary	To obtain assurance over the governance arrangements and the agreement in place for management of the Council's responsibilities in relation to the joint mortuary.	Operational	Wider
City Regeneration & Environment	Capital Programme Delivery	To assess whether governance, financial controls, and project management arrangements for the capital programme ensure delivery within approved budgets, timescales, and strategic objectives. This review will also specifically look at the work of the Capital Control Board	Operational	Core

Function	Auditable Area	Objective	Principal Risk	Assurance
City Regeneration & Environment	Fixed Penalty Notices	To assess the adequacy and effectiveness of controls over the issuance, processing, and enforcement of Fixed Penalty Notices to ensure compliance with legislation and Council policies.	Operational	Wider
City Regeneration & Environment	Energy From Waste	To evaluate the efficiency, effectiveness, and compliance of the Council's energy from waste controls in achieving sustainable waste management.	Operational	Wider
Corporate Services	Contractual Performance	To assess the adequacy and effectiveness of contractual arrangements and performance management for projects across the Council.	Operational	Core
Corporate Services	Information Governance	To obtain assurance over the Council's approach to information governance, and specific compliance with GDPR legislation.	Strategic	Wider
Corporate Services	Recovery of Payroll Overpayments	To provide assurance that overpayments are identified and recovered consistently and timeously.	Financial	Core
Corporate Services	IT Procurement	To provide assurance on the effectiveness of internal controls, governance and risk management processes related to goods and services procurement in relation to IT.	Financial	Core
Corporate Services	Income Management System	To consider whether appropriate control is being exercised over the income management system, including contingency planning and disaster recovery, and that interfaces to and from other systems are accurate and properly controlled.	Operational	Core
Corporate Services	Privileged System Access	To ensure privileged system access across the Council is controlled to mitigate the risk of fraud.	Operational	Wider
Corporate Services	Fixed Asset Register	To consider whether procedures for ensuring timely recording of the acquisition/disposal of assets are adequate, revaluations are undertaken in accordance with recognised best practice, that a sample of recorded assets exist and those assets that should be recorded are done so.	Financial	Core
Families & Communities	Demand for School Places	To obtain assurance over the Council's approach meeting the demand for school places across the authority.	Operational	Wider
Families & Communities	Housing Void Control	To ensure that adequate procedures are in operation relating to the control of void properties.	Operational	Core
Families & Communities	Security in Schools	To provide assurance that the Council has adequate security arrangements in respect of the Council's school estate and its school pupils.	Operational	Core

Function	Auditable Area	Objective	Principal Risk	Assurance
Health & Social Care Partnership	Child Care to Adult Care Transition ¹	To review the adequacy of procedures for transitioning individuals from child care to adult care services, ensuring continuity and compliance with statutory requirements.	Operational	Wider
Health & Social Care Partnership	Self-Directed Support Payments	To obtain assurance over the processes in place for administering self-directed support payments.	Operational	Core
Various	Consulting Opportunities	To support various opportunities for change, including providing appropriate checks and challenges to ensure risks, governance and internal controls are given timely consideration as part of key change programmes and systems development.	Various	Wider
2027/28				
City Regeneration & Environment	Beach Master Plan	To review the procurement governance in place with regards to the Beach Master Plan.	Strategic	Wider
City Regeneration & Environment	Investment Zone	To provide assurance over the governance and financial spend of the Investment Zone.	Strategic	Wider
City Regeneration & Environment	Crematorium	To ensure that the control framework is designed and operating effectively across all aspects of Aberdeen Crematorium.	Operational	Wider
Corporate Services	Procurement Fraud Controls	To ensure there are robust procedures in place to prevent, detect, and address potential fraud in the procurement process.	Financial	Core
Corporate Services	Low Value Procurement Review	To evaluate whether low-value procurement activity is compliant with policy, appropriately controlled, and monitored to mitigate cumulative spend risks and potential Best Value concerns.	Financial	Wider
Corporate Services	Bank Reconciliations	To obtain assurance that adequate procedures are in place which ensure that accurate, timely reconciliations are produced, and differences addressed.	Financial	Core
Corporate Services	Councillor Payroll and Expenses	To assess the accuracy, completeness, and compliance of payroll and expense payments to councillors.	Financial	Core
Corporate Services	Council Financial Resilience	To obtain assurance that the Council has appropriate arrangements in place to manage its financial resilience, specifically with the areas within its control.	Financial	Core
Corporate Services	Attendance Management	To obtain assurance that controls in this area are designed and operating effectively and to determine whether the Council's approach is having a positive impact on attendance.	Operational	Wider

¹ This review will also engage with the relevant functions within the Families & Communities Directorate.

Function	Auditable Area	Objective	Principal Risk	Assurance
Corporate Services	System Licences	To ensure controls are in place over the Council's use of licences across its suite of systems.	Operational	Wider
Corporate Services	Access & Sensitive Records	To obtain assurance that adequate procedures are in place, and are being followed, for the management of building access and the holding of sensitive records.	Operational	Wider
Corporate Services	ALEO Assurance	To assess whether the ALEO Assurance Hub provides effective oversight, risk management, and compliance monitoring in line with council governance requirements ² .	Operational	Core
Corporate Services	Timesheets	To undertake a review of timesheets and allowance claim forms to ensure that they are being completed and authorised properly and, where appropriate, clusters could support and justify the hours being claimed.	Financial	Core
Families & Communities	RAAC Private Home Owner Sale Transactions	To evaluate the approach to RAAC private home owner sale transactions to ensure transparency, accuracy, and adherence to council policies.	Financial	Wider
Families & Communities	PROTECT	To ensure the Council's compliance with PROTECT requirements.	Compliance	Core
Families & Communities	Primary Visits	To ensure establishments have adequate procedures in place to manage the financial aspects of the establishment and comply with the Council's Financial Regulations.	Operational	Core
Families & Communities	Education IT Assets	To assess whether IT assets in schools are managed and safeguarded effectively to prevent loss, misuse, or data security breaches.	Operational	Wider
Families & Communities	Teachers Payroll	To obtain assurance that all aspects of payroll administration are adequately controlled, and that payment is being made accurately to bona fide employees, covering new starts, changes of circumstance, and leavers along with the payment of additional hours and allowances. A focus will also be given to any overpayments and their recovery.	Financial	Core
Families & Communities	Fostering, Adoption and Kinship	To provide assurance that adequate procedures are in place governing the Fostering, Adoption and Kinship Care. This review will also focus on the financial elements of calculation, award and payments of allowances.	Operational	Wider

² This review will also look to provide assurance over the transfer of Bon Accord Care.

Function	Auditable Area	Objective	Principal Risk	Assurance
Health & Social Care Partnership	HSCP Out of Authority Placements	To assess whether governance, approval, and monitoring arrangements for out-of-authority placements ensure compliance with policy, cost-effectiveness, and safeguarding of service users.	Financial	Core
Health & Social Care Partnership	Day Care Establishments	To consider whether adequate control is exercised over income, expenditure, and payroll across Day Care Establishments.	Operational	Core
Various	Consulting Opportunities	To support various opportunities for change, including providing appropriate checks and challenges to ensure risks, governance and internal controls are given timely consideration as part of key change programmes and systems development.	Various	Wider
2028/29				
City Regeneration & Environment	Fleet Management	To gain assurance over the key controls in place regarding vehicle usage.	Operational	Wider
City Regeneration & Environment	Heritage and Historical Assets	To consider whether adequate control is exercised over heritage / historical assets' inventory management over the key controls in place regarding vehicle usage.	Operational	Wider
City Regeneration & Environment	Developer Obligations	To assess whether processes for securing, monitoring, and enforcing developer obligations are robust, transparent, and ensure timely delivery of agreed contributions and infrastructure commitments.	Operational	Wider
Corporate Services	Payroll Data	To review the controls in place to ensure accurate data is used in the Council's payroll processes.	Financial	Core
Corporate Services	First Line Management Development	To review the controls in place to ensure first line Management are aware of their corporate responsibilities and are discharging these effectively.	Operational	Wider
Corporate Services	Cyber Risk Resilience	To provide assurance that cyber security controls and resilience measures are effective in safeguarding systems and data against threats.	Operational	Core
Corporate Services	Procurement Monitoring	To review the processes in place centrally to monitor procurement across the Council. This review will look at the resource and capacity within the central Team.	Strategic	Core
Corporate Services	IR35	To provide assurance that the Council has made appropriate arrangements to deal with the requirements of Off-Payroll Working legislation (IR35) and that services have taken the required action to identify any individuals who may be subject to the requirements and are ensuring compliance.	Compliance	Core
Corporate Services	Disclosure Scotland Checks	To provide assurance that appropriate Disclosure Scotland checks are being obtained, in advance of employment, as required.	Compliance	Core

Function	Auditable Area	Objective	Principal Risk	Assurance
Corporate Services	National Fraud Initiative	To review the Council's engagement and controls for actioning outputs of the National Fraud Initiative.	Compliance	Core
Corporate Services	Credits Management	To ensure credits are adequately controlled to mitigate the risk of fraud.	Financial	Core
Families & Communities	Health and Safety in Schools	To provide assurance that arrangements in place adequately manage health and safety risks in the classroom particularly in relation to science and technical classes.	Compliance	Core
Families & Communities	Secondary Visits	To ensure establishments have adequate procedures in place to manage the financial aspects of the establishment and comply with the Council's Financial Regulations.	Operational	Core
Families & Communities	Corporate Parenting	To assess whether corporate parenting responsibilities are fulfilled effectively and in line with statutory requirements.	Compliance	Core
Health & Social Care Partnership	Out of Hours Social Work	To ensure that out-of-hours social work arrangements are robust, responsive, and supported by appropriate governance and risk management processes.	Operational	Core
Health & Social Care Partnership	HSCP Commissioning	To evaluate whether Health and Social Care Partnership commissioning arrangements are robust, transparent, and aligned with strategic objectives, ensuring value for money and quality of services delivered.	Operational	Core
Various	Consulting Opportunities	To support various opportunities for change, including providing appropriate checks and challenges to ensure risks, governance and internal controls are given timely consideration as part of key change programmes and systems development.	Various	Wider

Function	Auditable Area	Objective	Principal Risk	Assurance
2026/27				
Integration Joint Board	IJB Governance	To evaluate the adequacy and effectiveness of governance arrangements within the Integration Joint Board, ensuring compliance with statutory requirements and clarity of roles, responsibilities, and decision-making processes	Strategic	Core
Integration Joint Board	Alcohol and Drugs Partnership	To review the ADP's governance and working arrangements to ensure they are effective and fit for purpose.	Operational	Wider
2027/28				
Integration Joint Board	Civil Contingencies	To provide assurance that the IJB's civil contingency arrangements are appropriate to meet relevant statutory duties.	Strategic	Core
2028/29				
Integration Joint Board	IJB Performance Management	To provide assurance that the IJB's performance controls are aligned to its Strategic Plan, Medium Term Financial Framework and national outcomes.	Strategic	Core



Function	Auditable Area	Objective	Principal Risk	Assurance
2026/27				
North East Scotland Pension Fund	Pension Fund Fraud Prevention and Detection	To assess the adequacy and effectiveness of controls designed to prevent, detect, and respond to fraudulent pension payments and inaccurate death notifications	Financial	Core
2027/28				
North East Scotland Pension Fund	Pensions Investments	To evaluate the effectiveness and compliance of investment strategies, ensuring alignment with regulatory requirements and Fund objectives.	Strategic	Core
2028/29				
North East Scotland Pension Fund	Pension Fund Governance Arrangements	To provide assurance over the governance arrangements and procedures in place including risk management and performance management.	Strategic	Core

4 Appendix 2 – Mapping to Council Structure (2026/27 only)

The below table maps the Internal Audit Plan for 2026/27 to the Council’s Service Structure. Where not presented, consideration has been given, and assurance is provided that the 2027/28 and 2028/29 plans give reasonable coverage of the different services across the Council³.

Corporate Services	City Regeneration & Environment	Families & Communities	Other
Commercial	Strategic Place Planning	Education & Lifelong Learning	Health & Social Care and IJB
<ul style="list-style-type: none"> IT Procurement Contractual Performance 	-I	<ul style="list-style-type: none"> Demand for School Places Security in Schools 	<ul style="list-style-type: none"> Self-Directed Support Payments <ul style="list-style-type: none"> IJB Governance Alcohol and Drugs Partnership
Governance	City Development & Regeneration	Children’s Social Work & Family	Pension Fund
<ul style="list-style-type: none"> Information Governance 	<ul style="list-style-type: none"> Fixed Penalty Notices 	<ul style="list-style-type: none"> Child Care to Adult Care Transition 	<ul style="list-style-type: none"> Fraud Prevention and Detection
Digital & Technology	Operations	Corporate Landlord	
<ul style="list-style-type: none"> Privileged Systems Access 	<ul style="list-style-type: none"> Energy From Waste Joint Mortuary 	-	
Finance	Capital	Housing	
<ul style="list-style-type: none"> Fixed Asset Register Income Management System 	<ul style="list-style-type: none"> Capital Programme Delivery 	<ul style="list-style-type: none"> Housing Void Control 	
People & Citizen			
<ul style="list-style-type: none"> Recovery of Payroll Overpayments 			
Data Insights			
-			

³ It is not a requirement to audit each area of the Council each year. However, it is noted that Data Insights, Corporate Landlord, and Strategic Place Planning have no scheduled 2026/27 reviews. It should be noted that these areas have been audited in recent years, will be included in wider Council corporate reviews carried out centrally, and have dedicated audits across 2027/28 and 2028/29.

5 Appendix 3 – Mapping to Council Risks (2026/27 only)

A review of the Council’s risk register was carried out, focusing on those at the Corporate and Cluster levels, and those that are currently outwith appetite. This resulted in the identification of six key risk themes⁴ that have been used for ensuring appropriate coverage of different areas across Council operations.

Identified Risk Areas ^{5, 6}		
Workforce Capacity and Organisational Resilience	Financial Sustainability	Compliance ⁷
<ul style="list-style-type: none"> Recovery of Payroll Overpayments 	<ul style="list-style-type: none"> Fraud Prevention and Detection <ul style="list-style-type: none"> Fixed Asset Register 	<ul style="list-style-type: none"> Information Governance
Procurement and Supply Chain	IT, Systems and Cyber Security	Service Delivery ⁸
<ul style="list-style-type: none"> IT Procurement Contractual Performance 	<ul style="list-style-type: none"> Income Management System Privileged System Access 	<ul style="list-style-type: none"> JB Governance Alcohol and Drugs Partnership <ul style="list-style-type: none"> Energy From Waste Capital Programme Delivery <ul style="list-style-type: none"> Fixed Penalty Notices <ul style="list-style-type: none"> Joint Mortuary Demand for School Places <ul style="list-style-type: none"> Housing Void Control Security in Schools Self-Directed Support Payments Child Care to Adult Care Transition

⁴ These six key risk themes have been identified by Internal Audit based on those main areas across the Council’s Risk Register. Below these overarching themes are individual risks that are being managed through different mitigating actions, and the Council has a range of different assurances over. There are also other unique risks that have not been included above; Internal Audit seeks to gain reasonable and not absolute assurance.

⁵ Where an audit has been mapped to a certain risk, this will not be the only risk that the review will focus on; detailed scoping will be carried out prior to commencement of the work, and it is anticipated that work will cut across many different risks. The mapping above is only for illustrative purposes to show consideration of the different risks the Council faces.

⁶ Some audits are focused on wider aspects of the Council’s operations that do not directly align with the six identified risks. Where this is the case, the audit has been mapped to the risk that is seen to most align or support the mitigation of overall.

⁷ This category encompasses the corporate risks around Health and Safety Compliance, Climate Change and Civil Contingencies.

⁸ This category encompasses the corporate risks around Reinforced Autoclaved Concrete Panels and Planks (RAAC) and the Council’s responsibilities in relation to Resettlement and Asylum.

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