

# 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 3 September 2025

## **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, 11 SEPTEMBER 2025 at 2.00 pm.**

JENNI LAWSON  
CHIEF OFFICER – GOVERNANCE

### **B U S I N E S S**

#### **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 28 July 2025 (Pages 5 - 18)

## **COMMITTEE PLANNER**

- 6.1 Committee Business Planner (Pages 19 - 22)

## **NOTICES OF MOTION**

- 7.1 There are none at this time

## **REFERRALS FROM COUNCIL, COMMITTEES AND SUB COMMITTEES**

- 8.1 There are no referrals at this time.

## **COMMITTEE BUSINESS**

### **Risk Management**

- 9.1 Business Continuity Annual Report - CORS/25/206 (Pages 23 - 30)
- 9.2 Information Governance Management Annual Report 2024-25 - CORS/25/203 (Pages 31 - 46)

### **Legal Obligations**

- 9.3 Use of Investigatory Powers Quarter 3 report CORS/25/211 (Pages 47 - 54)
- 9.4 Investigation report into Incorrect Political Listing - CORS/25/218 (Pages 55 - 70)

### **Scrutiny**

- 9.5 SPSO Decisions, Inspector of Crematoria Complaint Decisions - CORS/25/196 (Pages 71 - 78)

### **External Audit**

- 9.6 Update on Accounts Commission s.102 report on Council Tax Fraud - CORS/25/217 (Pages 79 - 88)

### **Internal Audit**

- 9.7 Internal Audit Charter - IA/25/012 (Pages 89 - 108)

- 9.8 Internal Audit Update Report - IA/25/011 (Pages 109 - 126)
- 9.9 Purchase Cards - AC2601 (Pages 127 - 150)
- 9.10 Bond Governance - AC2606 (Pages 151 - 168)
- 9.11 Early Learning and Childcare Setting Visits - AC2605 (Pages 169 - 184)

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](mailto:kfinch@aberdeencity.gov.uk)

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## AUDIT, RISK AND SCRUTINY COMMITTEE

ABERDEEN, 28 July 2025. Minute of Meeting of the AUDIT, RISK AND SCRUTINY COMMITTEE. Present:- Councillor Malik, Convener; Councillor Houghton, Vice-Convener; and Councillors Allard, Alphonse, Bonsell, Greig (as substitute for Councillor Buchanan), McLellan, Nicoll (as substitute for Councillor Massey) and van Sweeden (as substitute for Councillor McRae).

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.

### DECLARATIONS OF INTEREST AND TRANSPARENCY STATEMENTS

1. Members were requested to intimate any declarations of interest or transparency statements in respect of the items on today's agenda, thereafter the following was intimated:-

- (1) Councillor Greig advised that he had a connection in relation to agenda item 9.1 (ALEO Assurance Hub) by virtue of being a Council appointed member of the Aberdeen Performing Arts Board, however having applied the objective test, he did not consider that he had an interest and would not be withdrawing from the meeting.

### MINUTE OF PREVIOUS MEETING OF 8 MAY 2025

2. The Committee had before it the minute of its meeting of 8 May 2025.

#### **The Committee resolved:-**

- (i) in relation to article 7 (Use of Investigatory Powers Quarter 1 report), to note that officers were still compiling the requested information relating to the Enterprise Act 2002 – Information Disclosure, and that this would be circulated to Members outwith the meeting; and
- (ii) to approve the minute as a correct record.

### COMMITTEE BUSINESS PLANNER

3. 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.

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### ALEO ASSURANCE HUB - CORS/25/168

4. The Committee had before it a report by the Executive Director of Corporate Services which presented the Corporate Risk Register, Cluster Assurance Maps and Inspections Planner to provide assurance on the Council's overall system of risk management.

**The report recommended:-**

that the Committee -

- (a) 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;
- (b) 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; and
- (c) note the additional support to be offered by the ALEO Assurance Hub to each ALEO outlined at paragraph 3.5 to respond to changes in legislation and other legal developments.

In response to a question relating to the two governance arrangements which were marked as not applicable to BP Joint Venture (BPJV) and whether this would change in future, the Assurance Manager advised that the ALEO Assurance Hub had recognised that BPJV was at a different stage to the other ALEOs and reassurance requirements would be reviewed at a later date to ensure that the governance and compliance required was in place, and this would be reflected in a future workplan to Committee in the first half of 2026, at which point it was anticipated that the ask of BPJV would have changed.

In response to a question on the Economic Crime and Corporate Transparency Act 2023, the requirement of most ALEOs to comply with the legislation and whether this had caused the risk to rise to 'medium' for certain organisations, the Assurance Manager advised that the Hub did not have the required assurance at present that preparations were in place and it was therefore proposed that the Fraud Team would provide support and a briefing to ALEOs to assist them to put controls in place. Until that assurance was in place, the risk would remain as medium.

In response to a question on medium-term financial planning, the fact that certain ALEOs had shorter-term financial plans, and whether this could limit the reassurance provided to the Council, the Chief Officer – Finance advised that while single-year financial arrangements could be somewhat challenging in terms of managing the medium-term financial position, due to contact through the Hub and as group entities, there was constant dialogue about the ALEOs' finances and future funding arrangements, including discussions early in the financial year about the next financial year.

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In response to a question on why only three ALEOs were listed in section 3.5 of the report as requiring a Counter Terrorist Security Advisor assessment, the Assurance Manager advised that this was because those organisations had public buildings.

Finally, in response to a question on how organisations reported on cyber security, the Assurance Manager advised that the Hub had sought assurance on this matter last year and an update would be provided on this in the report to the November meeting of the Committee.

### **The Committee resolved:-**

- (i) to note that officers would include headings for each appendix on future reports; and
- (ii) to approve the recommendations.

## **PROCUREMENT COMPLIANCE AUDIT UPDATE - CORS/25/170**

5. With reference to article 14 of the minute of its meeting of 28 November 2024, the Committee had before it a report by the Executive Director of Corporate Services which presented an update on improvements implemented in relation to Procurement Compliance, following the previous Internal Audit report on the matter.

### **The report recommended –**

that the Committee note the information in relation to improvements implemented contained within the report and appendices.

In response to a question as to the next steps and whether there would be a further report back, the Chief Internal Auditor advised that no further action was required, however there were always procurement reviews in each audit plan, and so there would be updates on processes at that point.

In response to a question on the Assurance Reporting Indicators on page 58 of the report and the fact that assessments would be graded as high, medium or low where red, amber, green (RAG) was used in other Council reports, the Strategic Commercial Manager advised that the high, medium and low assessments did equate to the RAG status, and as the procurement service was shared across partners, reporting also had to fit with requirements of other organisations, however she would look at linking these to RAG status in future.

In response to a question relating to the arrangements made to calculate the key indicators, how much work this would entail and whether this would be distributed across clusters, the Strategic Commercial Manager advised that a template had been devised to collate data to be entered into PowerBI, but that at this stage it was not clear how many hours this would take. While Procurement would collate the information, there would be collaboration with other clusters through reporting to the Risk Board and engaging with services in terms of improvement actions, as well as with colleagues in Internal Audit.

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Finally in response to a question on the delegated procurement authority training undertaken by Chief Officers, the Strategic Commercial Manager advised that Chief Officers had been required to undertake this training and had oversight of a number of delegated procurers within their cluster.

### **The Committee resolved:-**

- (i) to note that officers would try to link Assurance Reporting Indicators to RAG status in future reports; and
- (ii) to otherwise note the report.

## **SCOTTISH PUBLIC SERVICES OMBUDSMAN DECISIONS AND INSPECTOR OF BURIAL, CREMATION AND FUNERAL DIRECTORS COMPLAINT DECISIONS - CORS/25/167**

6. With reference to article 8 of the minute of its previous meeting, the Committee had before it a report by the Executive Director of Corporate Services which presented provided information on all Scottish Public Services Ombudsman (SPSO) and Inspector of Burial, Cremation and Funeral Directors decisions made in relation to Aberdeen City Council since the last reporting cycle, to provide assurance to Committee that complaints and Scottish Welfare Fund applications were being handled appropriately.

### **The report recommended:-**

that the Committee note the report.

In response to a question to the change of decision in respect of a Community Care Grant application dated 18 February 2025, and whether officers agreed with the explanation, the Customer Service Manager advised that the applicant had not provided all the information at the initial stage to the Council, and that as the decision had been based on new information provided at the review stage, officers were content.

### **The Committee resolved:-**

to note the report.

## **INTERNAL AUDIT PROGRESS REPORT - IA/25/009**

7. 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 –



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- (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 AC2511 – Pre-School Commissioned Places, the change of due date from April 2025 to May 2026, and whether the necessary work to address cost pressures would be undertaken, the Chief Officer – Finance advised that all Chief Officers were now working on the budget process and the particular recommendation about modelling would be addressed as part of the 2026/27 budget processes.

In response to a question about the 10 recommendations which had been marked for completion in June 2025, and the 2 recommendations with a July 2025 due date, and whether these had not been completed, the Chief Internal Auditor advised that as the report had been prepared prior to the completion dates outlined in the paper, no updates would have been sought on the recommendations at that time, and updates would therefore be provided at the September Committee.

Finally in response to a question on AC2418 – Biodiversity and the Natural Environment, and the due dates changing for the two recommendations from April 2025 to May 2026, the Chief Internal Auditor advised that the extension had been requested based on available team resources, and Internal Audit had been assured that the new due dates would be met.

### **The Committee resolved:-**

to approve the recommendations.

## **HOUSING ALLOCATIONS AND CHOICE BASED LETTINGS - AC2517**

8. The Committee had before it a report by the Chief Internal Auditor which presented the planned Internal Audit report on Housing Allocations and Choice Based Letting.

### **The report recommended:-**

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

In response to a question as to whether officers agreed with the risks highlighted by Internal Audit, the Team Leader Housing Options and Allocations advised that the team agreed with the findings however noted the many variables as to why different applications took different time to process.

In response to a question about void properties being empty for an extended period of time, as well as the upkeep of gardens at those properties, the Chief Officer – Corporate

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Landlord advised that he would review the policy around the upkeep of such properties and advise Members accordingly, noting the potential cost implications involved.

In response to a question on page 111 of the report and whether the deadline for the introduction of an application checklist to ensure consistent processing of applications would be met, the Team Leader Housing Options and Allocations advised that a checklist had previously existed but there had been an issue with consistency and a digital checklist had now been implemented.

In response to a question on the introduction of Choice Based Letting and whether the Council had perhaps not anticipated the risk of it being so popular, the Team Leader Housing Options and Allocations considered that it had not necessarily increased demand. The Executive Director Corporate Services further noted that the system was introduced to manage the automation of the allocations policy to provide greater reach. He acknowledged that there were still some issues to iron out but that the system was about reducing administration, rather than increasing the amount of applications.

In response to a question as to whether the risks would diminish around the bidding process, the Team Leader Housing Options and Allocations advised that he could give that assurance as customers became more accustomed to the process. He explained that the team had also been on a similar learning curve and so expected that the risks would diminish.

In response to a question as to whether the audit sampling had included properties in Torry which might have been part of a different allocation process as a result of the issues with RAAC, the Team Leader Housing Options and Allocations advised that the RAAC affected households had been part of a separate process, dealt with by a separate team, and so had not been part of the sample. The Executive Director Corporate Services advised that these properties had not been part of the scope of the audit.

In response to a question seeking further information on restructuring within Housing Services, including consideration of the Housing Board and Quality Improvement Framework, the Chief Officer – Corporate Landlord advised that the planned restructure in the Housing team was out for consultation with staff and Trade Unions and was going through the formal negotiation process at present. He explained that within that, there would be a review of the allocations process, roles and responsibilities and the support available to staff. He advised that there had been work undertaken around the QI framework for housing, but that it was too early at this point to provide information on the exact mechanism of the framework as a number of options were being discussed.

In response to a question about where the figures contained within the report (218,000 applications against 6,000 people on the waiting list) sat against the national framework of housing applications, the Executive Director Corporate Services clarified that the 218,000 figure related to bids rather than applications, as applicants would bid on multiple properties. He advised that officers had data available on the number of waiting lists and

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applications per property and could share that benchmarking information with Members outwith the meeting, as well as the local government benchmarking framework.

It was noted that the report advised that some of the data referred to was not reflective of overall housing application processing times which had been reported to Committee in 2024, and a question was raised as to how prevalent the numbers were in terms of the wider situation, and whether this would be part of a further report to the Communities, Housing and Public Protection (CHPP) Committee. The Chief Officer – Corporate Landlord noted the points raised and advised that he could add this to the next Housing Board agenda, which would in turn go through the CHPP Committee. He added that it was important to put the figures in the context of the Council having let more than 2,500 properties in the last year, which was a high percentage of stock to turnover on an annual basis. The Executive Director Corporate Services advised that he would also work with the Team Leader Housing Options and Allocations to ascertain the detail included in the reports due to CHPP Committee, and provide a service update to Members of the Audit, Risk and Scrutiny Committee with any additional information not included in those reports.

In response to a question as to whether the service was confident that the deadlines for actions would be met, the Team Leader Housing Options and Allocations advised that the team was confident of meeting the deadlines, and some procedural and process changes had been made already.

In response to a question as to how many bids people were entitled to make over a fixed period of time, the Team Leader Housing Options and Allocations advised that each applicant was limited to 10 bids per weekly cycle.

In response to a question relating to the current staffing situation within the team, the Team Leader Housing Options and Allocations advised that there were 11 staff within the Allocations and Placement Team, with 1 vacancy. In response to a further question as to what was felt to be the optimum number of staff, the Team Leader advised that demand fluctuated and so it was difficult to quantify, but he noted that the team was working on increasing the digital capability of customers to enable them to provide information to allow the team to deal more quickly with applications.

Finally, in response to a question as to where the data would be presented from the Tenant Satisfaction Survey, it was noted that this would be provided to the Communities, Housing and Public Protection Committee.

### **The Committee resolved:-**

- (i) to note the concerns raised in relation to upkeep of gardens at void properties and that the Chief Officer – Corporate Landlord had undertaken to discuss this with colleagues in Environmental Services outwith the meeting;
- (ii) to note that the Executive Director of Corporate Services would liaise with officers outwith the meeting to review the information due to be presented in reports to the Communities, Housing and Public Protection Committee in respect of the queries

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- raised around the number of waiting lists and applications per property and national benchmarking of these figures, as well as how prevalent the issues raised in the audit were in terms of the wider situation as opposed to the sample data, and that officers would provide a service update to Members on any information which was not due to be covered in a report to the Committee;
- (iii) to note that the Chief Officer – Corporate Landlord had also undertaken to raise the above at the next Housing Board meeting; and
  - (iv) to otherwise note the report.

### GROUP STRUCTURE ASSURANCE - AC2508

9. The Committee had before it a report by the Chief Internal Auditor which present the planned Internal Audit report on Group Structure Assurance.

#### **The report recommended:-**

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

In response to a question on footnote 1 on page 124 of the report (*Subsidiaries are Group entities where the Council has a 'controlling interest' i.e. greater than 50%. Joint Ventures are agreements between two or more entities whereby each "partner" shares equally in the related risks and benefits. Associates are entities the Council has a "significant interest" in but less than controlling or joint interest*), and how the Energy from Waste Facility sat within this descriptive, the Assurance Manager advised that it had been reported to Council that the ALEO Assurance Hub would have some oversight of the facility, as it did with BP Joint Venture. The Chief Officer – Finance advised that he would review the assessment of the accounting treatment agreed for the Energy from Waste (EfW) facility. The Executive Director Corporate Services added that if there was an ask from the Committee to consider EfW through the ALEO Assurance Hub, the Assurance Manager could consider this, based on the advice from the Chief Officer – Finance. Following an additional query as to when the Chief Officer – Finance would provide the information to Members, due to the discussion of the EfW facility at the upcoming Special Finance and Resources Committee on 31 July 2025, the Chief Officer – Finance advised that he would circulate information to Members prior to this date.

In response to a question on the line included within footnote 1 "*equal partner in the Glasgow City Integration Joint Board with NHS Greater Glasgow and Clyde, which is termed as a 'joint board'*", the Chief Internal Auditor advised that this was a typographical error and would be remedied.

#### **The Committee resolved:-**

- (i) to note that (a) the Chief Officer – Finance had undertaken to review the accounting treatment for the Energy from Waste (EFW) facility, including why it was not part of the group entities considered by the ALEO Assurance Hub, and that if required, the EFW could be considered by the Assurance Hub in future,

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based on the advice from the Chief Officer – Finance; and (b) that the Chief Officer – Finance would endeavour to have this information to Members prior to the Special Finance and Resources Committee on 31 July 2025 where the EFW facility was due to be discussed;

- (ii) to note that the Chief Internal Auditor would correct the footnote on page 124 of the agenda pack (“equal partner in the Glasgow City Integration Joint Board with NHS Greater Glasgow and Clyde, which is termed as a ‘joint board’); and
- (iii) to otherwise note the report.

### CORPORATE LANDLORD RESPONSIBILITIES - AC2518

**10.** The Committee had before it a report by the Chief Internal Auditor which presented the planned Internal Audit report on Corporate Landlord Responsibilities.

**The report recommended:-**

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

In response to a question as to whether officers were in agreement with the findings of the audit, the Chief Officer – Corporate Landlord noted that management had accepted the recommendations made.

In response to a question relating to the budget for Corporate Landlord, and the fact that the spend on the budget for 2024/25 had been more than 50% over budget, the Chief Officer – Corporate Landlord advised that the audit related to statutory compliance work, but that the budget also covered essential repair and maintenance work, as well as capital work and replacement work. He explained that historically the spend had been approximately 50% on planned maintenance and 50% on reactive maintenance, however due to the construction cost inflation over the last few years, the statutory responsibility work had been undertaken first with less work on planned maintenance, which he acknowledged carried its own risk. This resulted in a portfolio which generally needed more work, and the current target given to the Corporate Landlord was to maintain buildings at a condition C rating until the size of the portfolio could be reduced. He explained that the service had ongoing discussions with Finance colleagues about essential spend outwith statutory responsibility work, and the budget provision was being reviewed at present.

In response to safety issues raised and whether there was an acceptable level of risk, and if not, how much budget was required to address the issues, the Chief Officer – Finance noted that although the budget for the last year had been £3.3m, the spend had been £5m, which highlighted that extra spend had been allocated to address certain issues. The Chief Officer – Corporate Landlord added for the assurance of Members that the statutory compliance work instructed had been undertaken, but the report highlighted that there were some areas where there were higher costs. He gave an example of a contractor who has been instructed to undertake work, but when statutory

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checks had been undertaken, further work was found to be required which then needed to be organised and undertaken. As certification was not done until the end of that process, this could sometimes take 6 to 8 weeks, therefore in the case of a June 2024 certificate, the June 2025 certificate might not be available until August or September due to the additional work required. The Chief Officer – Corporate Landlord further explained that much of the issue stemmed from contract management, and work was underway to look at consolidating external contracts which would mean that more officers could manage fewer contracts, allowing better use of resources.

In response to a question about the level of staffing within the service, the Executive Director Corporate Services advised that the organisation would always carry a level of vacancy but much effort went into trying to fill those vacancies. He noted that there was a lack of availability within the market for some of the vacancies within Corporate Landlord.

In response to a question about the transformation programme to redesign the service, the Chief Officer – Corporate Landlord advised that there were around 18 different workstreams looking at repairs and maintenance across the property estate and therefore officers were looking at how these were prioritised and delivered. One priority was the consolidation of the housing asset management database work, and immediate resource being directed to manage contracts and encourage contractors to upload documentation to Council portals which would free up staff resource. While there were some short term actions being worked on, a number of actions would be taken forward over a longer period of time and officers would look to consolidate these. Following a question relating to whether a new system could assist with addressing some of the issues, the Chief Officer – Corporate Landlord advised of a new module to the Confirm system which had been released which should assist with the process and give more assurance to officers and Members.

In relation to a question as to whether a new specialist contractor for emergency lighting was in place, the Chief Officer – Corporate Landlord advised that this was now the case.

In relation to a question as to whether the Council was at risk of setting standards and budgets where there was a strong likelihood of officers not achieving targets or actions, the Chief Officer – Finance noted that some of the questions asked on this report and the Housing Allocations and Choice Based Lettings audit were very relevant in terms of how the Council could manage and balance growth with savings within the budgets available to Chief Officers, and that he and colleagues would consider these points as part of the budget packs and reporting for 2026/27.

In relation to a question as to whether there were any issues not highlighted in the audit that officers wished to raise with Committee, the Chief Officer – Corporate Landlord reiterated that he wished to provide assurance to the Committee that there was a regime in place for statutory maintenance, as well as a robust process as to how work orders were raised and instructed. He noted that the audit had highlighted a risk around how that information was recorded and actions followed up. He advised that he and the Chief

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Internal Auditor had discussed where an audit might be helpful, and this report was the result of that discussion, therefore he was comfortable with where the service was at present. He noted the particular lack of skills available to the Council around asbestos and the risks this could raise, as well as having external contractors who could decide when they did and did not do work for the Council, however added that such risks were captured within the audit report.

In response to a follow up question about the difficulties with recruitment in specialist areas, the Chief Officer – Corporate Landlord highlighted that he should have nine chartered surveyors but the service currently only had three. This meant that resource had to be bought in, which was expensive and could mean that it was difficult to have a proper handover with permanent staff.

In response to a question as to how it could be evidenced that contracts, procurement and capital work represented best value, the Strategic Commercial Manager advised that a review group had been established at the end of 2024 as there had been a wide range of different framework agreements in place across various capital and building works. Officers had already identified a need to review these, prior to the audit report, to ensure that future iterations of those agreements delivered best value. She advised that an initial report had been produced considering options around future development and, there was ongoing review of framework agreements currently in place within building services which would be going through a procurement process.

The Executive Director Corporate Services proposed that the Chief Officer – Corporate Landlord provide an update back to Committee on the progress of the recommendations, including which actions were budget-related and which were process-related.

### **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.

### **INTERNAL AUDIT ANNUAL REPORT 2024/25 - IA/25/010**

11. The Committee had before it a report by the Chief Internal Auditor which presented the Internal Audit Annual Report for 2024/25.

### **The report recommended:-**

that the Committee –

- (a) note the Annual Report for 2024/25;

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- (b) note that the Chief Internal Auditor had confirmed the organisational independence of Internal Audit;
- (c) note that there had been no limitation to the scope of Internal Audit work during 2024/25;
- (d) note the outcome of Internal Audit's self-assessment against the requirements of the Public Sector Internal Audit Standards; and
- (e) note the content of Internal Audit's Quality Assurance and Improvement Plan.

In response to a question relating to the small number of recommendations which had not been accepted by management, therefore accepting the risk in not implementing the recommendations, and whether this was an acceptable way of working, the Chief Internal Auditor advised that Internal Audit adopted a risk-based methodology and therefore it was entirely accepted that not all recommendations would be taken forward. He advised that the Chief Executive had specifically asked management to consider the Risk Appetite Statement and not simply accept all recommendations as a matter of course. He explained that he highlighted any recommendations which were not accepted within his reports to Committee which management reasons as to why, and it would be for Members to determine whether they had required assurance from this.

In response to a question on the current team structure within Internal Audit, and whether officers considered there would be any challenges in future, the Chief Internal Auditor advised that the position was stable and he was content with the succession planning within the team.

In response to a question on page 177 of the report in respect of analysing results of audits, and the approach going forward, and whether this work could be reported to the Committee in future, the Chief Internal Auditor advised that he could build in any thematic work being done by officers as part of his regular update report to Committee.

Finally, in response to a question on Key Performance Indicators (section 4.1 of the annual report), the Chief Internal Auditor advised that he acknowledged that the KPIs were not in a good position, however they were not reflective of work on the ground and the good working relationship Internal Audit had with management. He added that the KPIs were a focus in his team and his discussions with Directors and Chief Officers, but that the evidence base was available through the work undertaken by Internal Audit which always allowed him to form an audit opinion for Committee.

### **The Committee resolved:-**

- (i) in relation to section 2.3.2 of the report, and recommendations being designed to be rolled out across the Council thematically, to note that the Chief Internal Auditor had undertaken to build in any thematic work being done by officers as part of his regular update report to Committee; and
- (ii) to approve the recommendations.

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



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	A	B	C	D	E	F	G	H	I
1	<b>AUDIT, RISK AND SCRUTINY COMMITTEE BUSINESS PLANNER</b> <b>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.</b>								
2	<b>Report Title</b>	<b>Minute Reference/Committee Decision or Purpose of Report</b>	<b>Update</b>	<b>Report Author</b>	<b>Chief Officer</b>	<b>Directorate</b>	<b>Terms of Reference</b>	<b>Delayed or Recommended for removal or transfer, enter either D, R, or T</b>	<b>Explanation if delayed, removed or transferred</b>
3	<b>11 September 2025</b>								
4	Use of Investigatory Powers Quarter 3 report CORS/25/211	to present the use of investigatory powers quarterly report.	A report is on the agenda	Jessica Anderson	Governance	Corporate Services	5.2		
5	SPSO Decisions, Inspector of Crematoria Complaint Decisions CORS/25/196	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.	A report is on the agenda	Lucy McKenzie	People and Citizens	Corporate Services	6.4		
6	Business Continuity Annual Report CORS/25/206	To provide the annual assurance report on the Council's Business Continuity arrangements	A report is on the agenda	Ronnie McKean	Governance	Corporate Services	1.2		
7	Information Governance Management Annual Report 2024-25 CORS/25/203	to present the annual report for the Council's Information Governance	A report is on the agenda	Caroline Anderson	Data Insights	Corporate Services	1.4		
8	Internal Audit Update Report IA/25/011	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	Governance	Corporate Services	2.2		
9	Purchase Cards AC2601	The objective of this review is to ensure purchase cards and associated expenditure is adequately recorded and controlled.	A report is on the agenda	Jamie Dale	Governance	Corporate Services	2.2		
10	Bond Governance AC2606	The objective of this audit is to obtain assurance over the governance arrangements in relation to the Council's bonds.	A report is on the agenda	Jamie Dale	Governance	Corporate Services	2.2		
11	Early Learning and Childcare Setting Visits AC2605	The objective of this audit is to ensure establishments have adequate procedures in place to manage the financial aspects of the establishment and comply with the Council's Financial Regulations.	a report is on the agenda	Jamie Dale	Governance	Corporate Services	2.2		

	A	B	C	D	E	F	G	H	I
1	<b>AUDIT, RISK AND SCRUTINY COMMITTEE BUSINESS PLANNER</b> 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	<b>Report Title</b>	<b>Minute Reference/Committee Decision or Purpose of Report</b>	<b>Update</b>	<b>Report Author</b>	<b>Chief Officer</b>	<b>Directorate</b>	<b>Terms of Reference</b>	<b>Delayed or Recommended for removal or transfer, enter either D, R, or T</b>	<b>Explanation if delayed, removed or transferred</b>
12	Accounts Commission Findings - s102 Report Council Tax Refunds - A Significant Fraud - CORS/25/031	<u>Reconvened Council 17/02/25</u> (v) refer the matter to the Audit, Risk and Scrutiny Committee, with the Chief Officer - Finance and Chief Internal Auditor providing a joint report on the implementation of the Commission findings and action plan no later than September 2025.	a report is on the agenda	J Belford/ J Dale	Finance/ Governance	Corporate Services	3.4		
13	Investigation into incorrect Political Listing	This report provides members with the security incident report relating to the incorrect listing of a member's political party on 15th August 2025.	a report is on the agenda	Steve Roud	Digital and Technology	Corporate Services	5.2		
14	<b>27 November 2025</b>								
15	Use of Investigatory Powers Quarter 4 report	to present the use of investigatory powers quarterly report.		Jessica Anderson	Governance	Corporate Services	5.2		
16	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		
17	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		
18	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	Governance	Corporate Services	2.2		
19	Internal Audit Reports	Reports that have been finalised will be submitted to the Committee		Jamie Dale	Governance	Corporate Services	2.2		
20	Annual Effectiveness Report	To present the committee's annual effective report for 2024-25		Karen Finch	Governance	Corporate Services	GD8.5		
21	<b>TBC</b>								

	A	B	C	D	E	F	G	H	I
1	<b>AUDIT, RISK AND SCRUTINY COMMITTEE BUSINESS PLANNER</b> 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	<b>Report Title</b>	<b>Minute Reference/Committee Decision or Purpose of Report</b>	<b>Update</b>	<b>Report Author</b>	<b>Chief Officer</b>	<b>Directorate</b>	<b>Terms of Reference</b>	<b>Delayed or Recommended for removal or transfer, enter either D, R, or T</b>	<b>Explanation if delayed, removed or transferred</b>
22	ETRO2 Lessons Learnt CRE/25/091	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.		Mark Reilly	Operations	City Regeneration & Environment	6.1		

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## ABERDEEN CITY COUNCIL

<b>COMMITTEE</b>	Audit Risk and Scrutiny Committee
<b>DATE</b>	11 <sup>th</sup> September 2025
<b>EXEMPT</b>	No
<b>CONFIDENTIAL</b>	No
<b>REPORT TITLE</b>	Business Continuity – Annual Report
<b>REPORT NUMBER</b>	CORS/25/206
<b>DIRECTOR</b>	Andy MacDonald, Executive Director - Corporate Services
<b>CHIEF OFFICER</b>	Jenni Lawson, Chief Officer - Governance
<b>REPORT AUTHOR</b>	Ronnie McKean
<b>TERMS OF REFERENCE</b>	1.2

### 1. PURPOSE OF REPORT

- 1.1 To provide the annual assurance report on the Council's Business Continuity arrangements that are required to comply with the requirements of a Category 1 responder under the Civil Contingencies Act 2004.

### 2. RECOMMENDATION(S)

That the Committee notes the activities undertaken in 2024 and planned in 2025 to review, exercise and improve the Council's Business Continuity arrangements.

### 3. CURRENT SITUATION

#### Legislative context

- 3.1 The Council is required to have Business Continuity arrangements in place as a Category 1 responder, as defined by the Civil Contingencies Act 2004, specifically:

- To maintain Business Continuity Plans (BCPs)
- To promote business continuity by providing advice and assistance to businesses and voluntary organisations

- 3.2 The Council's Business Continuity arrangements aim to increase the Council's resilience and minimise as far as is practicable the possible risk of disruption to Council services, particularly critical services. Given the number and range of critical services which the Council delivers, the continuing threat to these must be carefully mitigated.

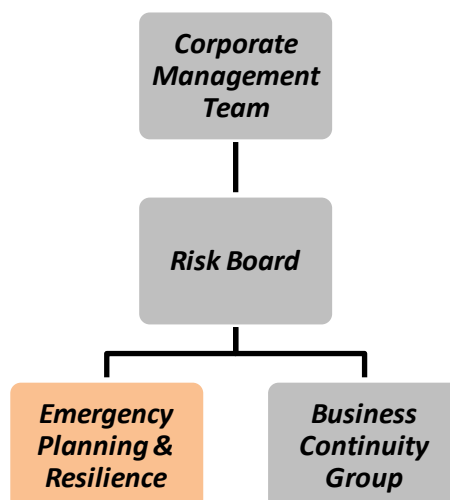
Disruptive events that may trigger activation of Business Continuity arrangements include:

- Loss of staff e.g., through illness, industrial action

- Loss of access to premises e.g., through power outage, flooding
- Loss of key I.T. systems/infrastructure e.g., through cyber-attacks or firewall failures
- Loss of key supplier/s e.g., through market disruption and wider economic forces.

### **Internal Governance**

- 3.3 The Council's Risk Management and Business Continuity arrangements are complementary, working together to identify and manage the risk of disruption. Business Continuity Plans (BCP) are essential control documents that are designed to respond to, and mitigate risks identified by officers within risk registers that could affect the delivery of Council services. Our plans provide a structured approach enabling officers to anticipate, prepare for, prevent, respond to, and recover from disruptive events within agreed timescales.
- 3.4 Plans and the accompanying guidance are designed to support officers to assess the impact of disruptive events, thereby enabling the development of comprehensive activation and recovery plans that address:
- Identification of critical services/processes
  - Determination of minimum levels of service and maximum allowable disruption periods
  - Specification of required minimum resources, including staff, technology and facilities
  - Definition of key roles and responsibilities necessary for delivery of the plan
  - Outline of actions and activities required for plan activation and recovery
- 3.5 The Risk Board retains oversight of the Council's preparedness and response to incidents and emergencies which are undertaken by the Emergency Planning and Resilience Team (reported annually to the Communities, Housing and Public Protection Committee) and the Business Continuity Group (BCG) reported to Audit, Risk and Scrutiny Committee.



- 3.6 The Council's BCG is chaired by the Corporate Risk Lead (CRL) and helps to provide assurance to the Risk Board that:



- Critical services and functions have plans in place;
- Plans are maintained and reviewed;
- Plans are tested in accordance with the testing/exercise schedule; and
- Good practice and improvement activities can be shared and communicated with other plan holders across the organisation.

### **Summary of Activity in 2024 and 2025 (YTD)**

#### **3.7 BCP Template Review and Redesign**

The existing BCP template was completely redesigned to address the improvements identified from a Quality Assurance review that had previously been conducted. The new template incorporates:

- Guidance to officers when creating plans including suggested mitigations and points for consideration.
- Additional sections for disruptive events including; extreme weather events and planned and unplanned power outages (NPO).
- Verification and assurance of BCP arrangement in place with key suppliers.
- Plan activation trigger points and associated actions.
- Impacts and consequences of disruption to critical services over specified durations.

- 3.8 The new template has been shared with plan owners and members of the BCG and work is now well underway to have the current plans updated to the new template by end of October 2025. Each of the Council's service areas require support from a BCP in this revised format, whether or not they involve direct delivery of services to the public. We have a heavy reliance on enabling services such as ICT, information and data, procurement, our operational assets and many others, in order to deliver outcomes through citizen facing services.

#### **3.8 Planned and Unplanned Power Outages**

The Council's National Power Outage (NPO) Preparedness Group is responsible for co-ordinating and establishing the Council's response plans to a NPO.

The BCG works closely to support the NPO Preparedness Group by ensuring that Critical Services have robust and detailed BCP arrangements in place to respond to planned and unplanned power outages within the City.

#### **3.9 School Business Continuity Arrangements**

The Education Service has maintained its practice of conducting an annual review of plans and arrangements within each school prior to the commencement of Term 1. These reviews enable Head Teachers and support staff to update and enhance existing plans, while also allowing new personnel to become aware of the location of these plans and to understand their specific roles and responsibilities in plan implementation.

The updates and improvements to plans include shared best practice identified, revised security arrangements, structural modifications to accommodate accessibility requirements for the new pupil intake and updates to school contact details for staff and key suppliers. These updates provide Head Teachers and support staff with the assurance that plans are accurate, up to date and reflect completed risk assessments.

### 3.10 Critical Service List Annual Review

The Council's Critical Service list details the Council's services that have been assessed by officers as being the most important to continue to be delivered as far as is practicable.

The list was reviewed and updated by Chief Officers in May 2025 and reviewed by the Risk Board to ensure that it remains relevant and up to date.

Each service added to the list is allocated with one of the following categories:

Red	Critical to the Local Resilience Partnership Response	These are services that perform activities and functions that are essential to support the Council's response as a Category 1 responder.
Yellow	Critical to protect vulnerable people	These are services that perform activities and provide services that are essential for the safety and wellbeing of vulnerable people.
Green	Critical Digital Technology	These are services that provide or depend on digital systems and technology to support Red, Yellow and Grey Critical Services.
Grey	Organisationally Critical	These are services upon which the red, yellow and green categories depend, as well as services which ensure the Council meets statutory obligations which still need to be met during the emergency or business continuity event(s)"

### 3.11 Business Continuity Group (BCG)

Updates to the Terms of Reference for the BCG were approved by the Risk Board in March 2025. Additionally, the group's membership was reviewed and revised to align with the current organisational structure.

### 3.12 Business Continuity Intranet Pages

Ongoing development and maintenance have been carried out on the Intranet pages that provide access to the Council's Business Continuity information, including; policies, guidance, templates, and the Critical Service list. These resources are available to staff and elected members and are linked to the Council's Risk Management Framework as well as Emergency Planning and Resilience pages.

### 3.13 Review of Plans Activated

#### Regional Communications Centre (RCC)

The RCC activated BCP plans during the course of 2024 in order to respond to I.T. system outages and fire alarm activations within Marischal College.

The existing plans in this area are being updated to reflect the implementation of new alarm receiving centre technology and the supporting operational arrangements being implemented in July 2025.

#### Storm Eowyn

A preparatory Incident Management Team (IMT) was convened to monitor Storm Eowyn in January 2025. A full IMT was not required and therefore, it was determined that activation of any of the Council's Business Continuity Plans (BCPs) was not required during this event

### **Planned Activity in 2025**

- 3.14 Development and improvement activities will continue in 2025 and will focus on the continued development of the Business Continuity Framework and plan improvement through activation debriefs/lessons learned and exercising. All BCPs are being transferred to the new template which is an important step forward in making sure the Council is adequately prepared in the current risk environment. Disruption to operations is a risk which many organisations are grappling with, particularly local authorities with statutory responsibilities to meet.
- 3.15 Further, a Testing/Exercise plan for 2025/26 will be developed to enable Table-top exercises to commence upon the completion of plan updates. The Council's Critical Service list will be used to establish the criteria and priority for plan exercising and to inform exercise and suitable combinations of plans for exercising.
- 3.16 Officers are also giving consideration to the relationship between our emergency plans and BCPs. Emergency plans regulate our immediate response and short-term actions whilst BCPs ensure that services are prepared for disruption caused by an incident and that they are able to resume as quickly as possible, in part or in full. These are medium to longer term. Some dovetailing will be undertaken across all plans as part of the work described at 3.14 and 3.15 above.

## **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.

5.2 The Council's existing Business Continuity framework and arrangements support compliance with legislation including the Civil Contingencies Act 2004.

## 6. ENVIRONMENTAL IMPLICATIONS

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

## 7. RISK

7.1 The Council's Business Continuity plans and supporting activities contribute to the Council's overall system of risk management.

7.2 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?
<b>Strategic Risk</b>	None			
<b>Compliance</b>	Non-compliance with legislation.	Effective Business Continuity plans and arrangements in place will support compliance with legislation as required.	L	Yes
<b>Operational</b>	Disruptive events may affect service delivery	Effective Business Continuity plans are designed to mitigate disruption to service delivery as far as is practicable.	L	Yes
<b>Financial</b>	None			
<b>Reputational</b>	Negative publicity in media/social media platforms to Council's response to a disruptive event.	Effective Business Continuity plans and arrangements are designed to support minimum levels of service as far as is practical including communication and information sharing with citizens.	L	Yes
<b>Environment / Climate</b>	Severe weather events may	Effective Business Continuity plans are designed to respond to	L	Yes

	affect delivery of Council services.	and minimise disruption resulting from weather related events as far as is practicable.		
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## 8. OUTCOMES

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

## 9. IMPACT ASSESSMENTS

Assessment	Outcome
<b>Integrated Impact Assessment</b>	It is confirmed by the Interim Chief Officer – Governance (Assurance) that no Integrated Impact Assessment is required.
<b>Data Protection Impact Assessment</b>	Not required.
<b>Other</b>	Not applicable.

## 10. BACKGROUND PAPERS

10.1 None.

## 11. APPENDICES

11.1 Not applicable.

## 12. REPORT AUTHOR CONTACT DETAILS

<b>Name</b>	Ronnie McKean
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## ABERDEEN CITY COUNCIL

<b>COMMITTEE</b>	Audit, Risk and Scrutiny
<b>DATE</b>	11 September 2025
<b>EXEMPT</b>	No
<b>CONFIDENTIAL</b>	No
<b>REPORT TITLE</b>	Information Governance Management Annual Statement 2024-2025
<b>REPORT NUMBER</b>	CORS/25/203
<b>EXECUTIVE DIRECTOR</b>	Andy MacDonald
<b>CHIEF OFFICER</b>	Martin Murchie
<b>REPORT AUTHOR</b>	Caroline Anderson
<b>TERMS OF REFERENCE</b>	1.4

### 1. PURPOSE OF REPORT

- 1.1 To provide Committee with an annual report on the Council's Information Governance Performance, including information about the changes implemented through the Council's information assurance improvement plan.

### 2. RECOMMENDATION

- 2.1 It is recommended that Committee:

Note the information provided about the Council's information governance performance at sections 3.1 – 3.5 and in the Information Governance Report at Appendix 1.

### 3. CURRENT SITUATION

- 3.1 The Council's Audit, Risk and Scrutiny Committee agreed the Council's revised and updated Information Governance Management & Reporting Framework in September 2016; as part of this the Committee agreed to receive an annual report in relation to the Council's information governance performance.
- 3.2 Ensuring the proper use and governance of the Council's information and data is an ongoing activity. New and changing legislation, systems, staff, and ways of doing business, as well as new and emerging cyber threats all shape and change the environment within which the Council operates in relation to effective use and governance of its information and data.

- 3.3 Keeping up means a careful balancing between the requirement to monitor and be adaptable to our changing environment, and the requirement to agree and implement assurance improvements over the medium term.
- 3.4 To this end, actions to improve assurance in the medium term are identified, actioned and monitored through the Information Governance risks on the Cluster Risk Register and the Cyber Security risks on the Corporate Risk Register; regular updates on which are reported separately to the Council's Communities, Housing and Public Protection and Audit, Risk and Scrutiny Committees.
- 3.5 Please refer to Appendix 1 for the consolidated Annual Report on the Council's Information Governance Performance from April 2024-March 2025.

#### **4. FINANCIAL IMPLICATIONS**

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

#### **5. LEGAL IMPLICATIONS**

- 5.1 The Council's use and governance of its information is subject to a variety of legislation including: The UK General Data Protection Regulation, the Data Protection Act 2018, Data (Use and Access) Act 2025, the Public Records (Scotland) Act 2011, the Freedom of Information (Scotland) Act 2002, the Environmental Information (Scotland) Regulations 2004, and the Re-use of Public Sector Information Regulations 2015.
- 5.2 The Annual Information Governance Performance Report at Appendix 1 forms part of the Council's wider Information Governance Management and Reporting Framework and is a key component of ensuring that the Council is undertaking adequate monitoring of its compliance with the above legislation.

#### **6. ENVIRONMENTAL IMPLICATIONS**

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

#### **7. RISK**

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)	*Does Target Risk Level Match
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			*taking into account controls/control actions	Appetite Set?
<b>Strategic Risk</b>	Strategic Risk	There are no risks arising directly from the presentation of this report. This report is part of the Council's wider Information Assurance Framework which mitigates against information-related risk as presented in the Corporate Risk Register	See controls column	Yes
<b>Compliance</b>	Compliance	As above	As above	Not applicable
<b>Operational</b>	Operational	As above	As above	Not applicable
<b>Financial</b>	Financial	As above	As above	Not applicable
<b>Reputational</b>	Reputational	As above	As above	Not applicable
<b>Environment / Climate</b>	Environment/Climate	As above	As above	Not applicable

## 8. OUTCOMES

<b>COUNCIL DELIVERY PLAN 2025-26</b>	
	<b>Impact of Report</b>
<b>Aberdeen City Council Policy Statement</b>  <a href="#"><u>Working in Partnership for Aberdeen</u></a>	The Council's Information Governance arrangements are a vital part of enabling the Council to realise its aims across its policy statement.
<a href="#"><u>Local Outcome Improvement Plan 2016-2026</u></a>	
Prosperous Economy Stretch Outcomes	Information and data are key assets of the Council and recognised in the Aberdeen City Local Outcome Improvement Plan 2016-26 and the Aberdeen City Council Strategic Business Plan as critical enablers

	of the Council achieving its priorities for people, place and economy. The activities outlined in Appendix 1 of this report framework are focussed on ensuring that the Council's information is good quality, accurate, and up to date to inform decision-making, that it is used and governed in a way which is effective and lawful, that the Council has the right arrangements in place to enable data to be shared appropriately and safely with partners, where this is necessary, and that our information can effectively evidence our decisions and actions so the Council can demonstrate accountability.
Prosperous People Stretch Outcomes	As above
Prosperous Place Stretch Outcomes	As above
<b>Regional and City Strategies</b>	The Council's Information Governance arrangements are vital to the implementation of regional and city strategies.

## 9. IMPACT ASSESSMENTS

Assessment	Outcome
<b>Integrated Impact Assessment</b>	Not required, authorised by Martin Murchie Chief Officer Data Insights
<b>Data Protection Impact Assessment</b>	Not required.
<b>Other</b>	Not required.

## 10. BACKGROUND PAPERS

None

## 11. APPENDICES

Appendix 1: IG Management Annual Statement 2024-2025

## 12. REPORT AUTHOR CONTACT DETAILS

<b>Name</b>	Dr Caroline Anderson
<b>Title</b>	Information and Data Manager
<b>Email Address</b>	Canderson@aberdeencity.gov.uk

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# Information Governance Management

Annual Report 2025

Senior Information Risk Owner



April 2024 -  
March 2025

# 1 Introduction

1.1 The Council's Audit, Risk and Scrutiny Committee agreed the Council's revised and updated Information Governance Management & Reporting Framework in September 2016; as part of this the Committee agreed to receive an annual report in relation to the Council's information governance assurance.

1.2 This report collates, analyses and monitors the Council's performance in relation to freedom of information, data protection and information security, to give assurance that trends, issues, incidents, and breaches are dealt with appropriately as they arise.

1.3 Ensuring the proper use and governance of the Council's information and data is an ongoing activity. New and changing legislation, systems, staff, and ways of doing business, as well as new and emerging cyber threats, all shape and change the environment within which the Council operates in relation to effective use and governance of its information and data.

1.4 Keeping up means a careful balancing between the requirement to monitor and be adaptable to our changing environment, and the requirement to agree and implement assurance improvements over the medium term.

1.5 To this end, actions to improve assurance in the medium term are identified, actioned and monitored through the Information Governance risks on the Cluster Risk Register and the Cyber Security risks on the Corporate Risk Register; regular updates on which are reported separately to the Council's Communities, Housing and Public Protection and Audit, Risk & Scrutiny Committees.

1.6 The Council's Data Protection arrangements were subject to Internal Audit, reported in November 2023. The object of the audit was to provide an assurance review that the Council has adequate controls in place to mitigate the risks identified in the Cluster Risk Register and that these controls are operating as expected. The Audit found a sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied. The level of risk assessed was minor with the control framework deemed to provide substantial assurance over the Council's approach to Data Protection.

1.7 The National Records of Scotland, Public Records (Scotland) Act (PRSA) 2011 Assessment Team, assessed the Council's annual update of its arrangements under the Act in May 2020. The Assessment Team found that the Council continues to take its statutory obligations seriously and maintains the required records management arrangements in full compliance with the Act.



## 2. Information Governance Performance Information April 2024 - March 2025

### 2.1 Data Protection Rights Requests

Fig 1: Annual number of requests received

Type of Request	2023/24	2024/25
Subject Access	316	401
Third Party	569	1417
Other Rights Request	27	26

#### Data Protection Rights Requests

Data protection law gives people certain rights about their data, including the right to access their data.

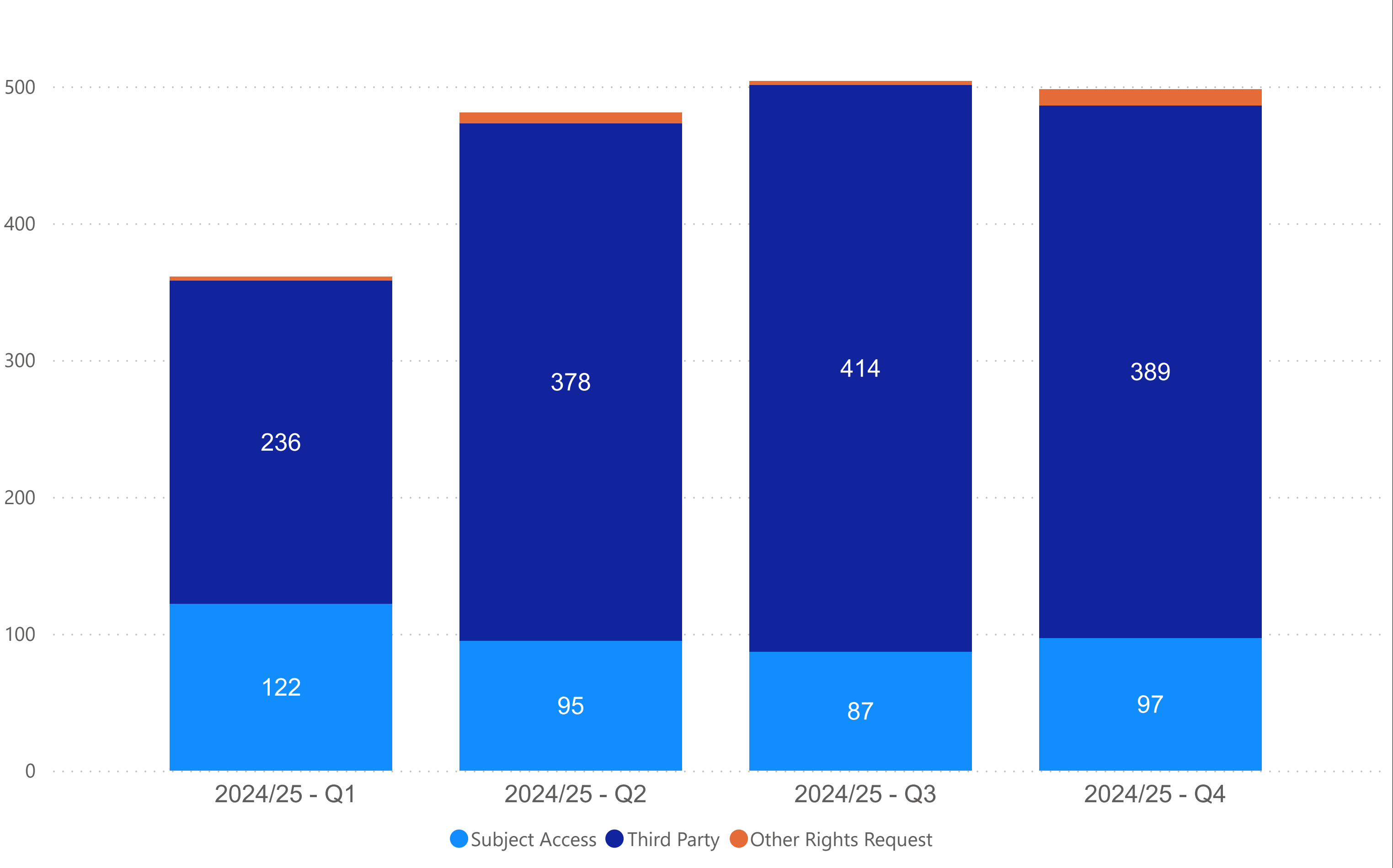
#### Third Party Requests

Other organisations (for example, Police Scotland, or the Care Inspectorate) can also request a customer’s personal data under certain circumstances.

#### Other Rights Requests

In certain circumstances individuals have other rights around their data: including the right to object, to erasure, to restrict processing and to data portability.

Fig 2: Requests received in the 12 month to end March 2025



## 2. Information Governance Performance Information April 2024 - March 2025

### 2.1 Data Protection Rights Requests cont'd

Fig 3: Corporate compliance with timescales for requests

Type of Request	2023/24	2024/25
Subject Access	71%	86%
Third Party	91%	95%
Other Rights Request	93%	100%

#### Timescales for responding

The statutory timescales for responding to data protection requests is between 30 and 90 days, depending on the complexity of the information being requested. The Council’s service standards for responding to Subject Access Requests (SARs) within statutory timescales is 80% of all non complex SARs within 1 month of receipt and 70% of all complex SARs within 3 months of receipt. For other Rights Requests the service standard is 100% within 1 month of receipt. There are no statutory timescales for responding to third party requests for personal data.

#### Commentary

Performance in relation to handling Subject Access Requests (SARs) has improved significantly over the past 12 months due to the implementation of an improvement plan. Actions included recruitment activity and building skillsets within the existing workforce to handle complex requests. This ensures that a robust and flexible operating model is in place to meet demand. Improvement is also evident in third party access request performance (from 91% to 95%).

The majority of complex SARs continue to be care experienced related, which are challenging to fulfil within timescale due to the specialist resource required. We continue to identify complex requests as soon as possible and work with applicants to refine requests and reduce handling times.

Third party request performance has improved this year to 95% compliance despite a substantial increase in the volume of requests recorded. This is due to the implementation of revised operating model whereby some requests previously directed to council services are now managed centrally to ensure accurate reporting and compliance with legislation.



2.2 Data Protection Breaches

Fig 4: Annual number of reported data breaches

Year	Data Protection Breaches	Near Misses	Reports to the ICO
2024/25	259	33	4
2023/24	205	34	2

Data Protection Breaches

All information security incidents should be reported. The action taken will depend on the nature of the incident or breach. Incidents will either be classified as:

- A data protection breach
- Not a data protection breach
- Not a data protection breach but a near miss

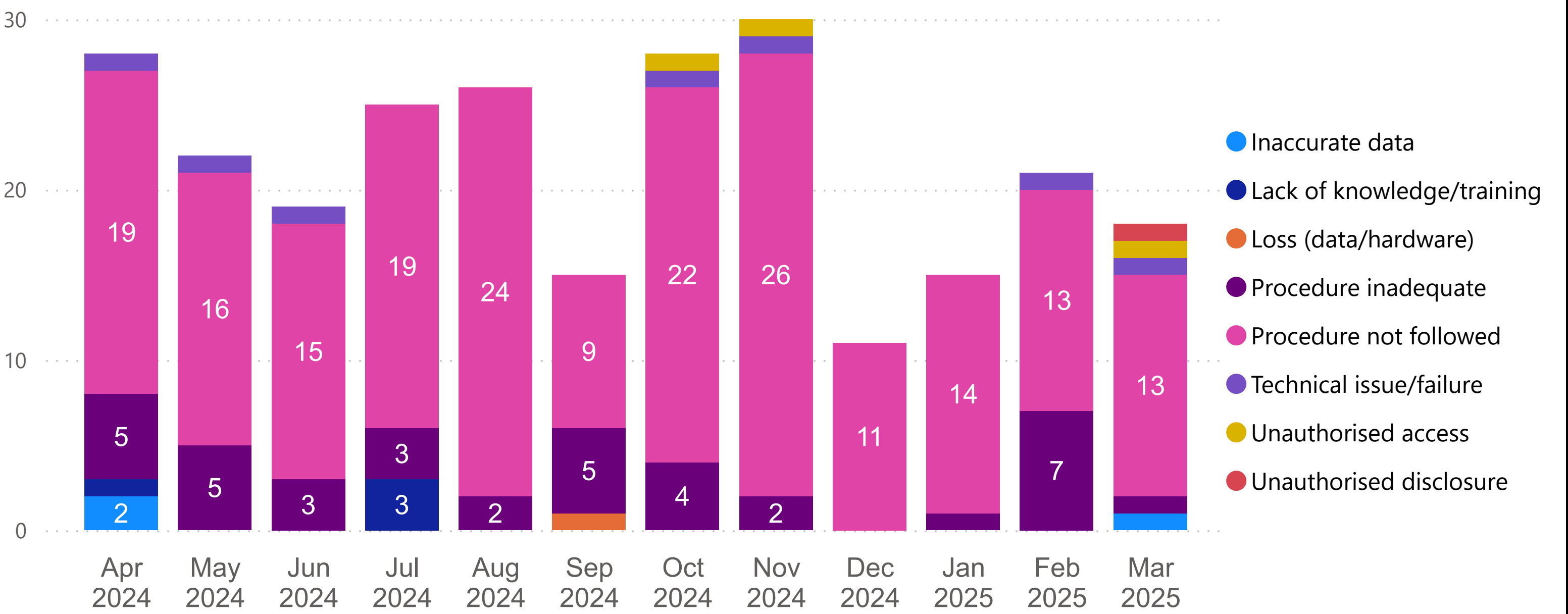
Where a breach is likely to pose a risk to the rights and freedoms of affected individuals then the Council must also notify the Information Commissioner’s Office (ICO).

Commentary on number and type of breaches

This year, there has been an increase in the number of information security incidents recorded as personal data breaches. The figures indicate that there is a strong organisational awareness of what constitutes a breach and how to report one. The number of breaches remains consistent with comparable organisations based on what we know about data protection breach trends across the UK and in particular, across local government. The strong trend is that the numbers of data protection breaches has risen year on year since GDPR came into force in May 2018, and therefore the increase of recorded data protection breaches at the Council is consistent with that.

Not following existing procedures continues to be a main cause of incidents. As part of incident handling, we always look at any underlying factors which may have contributed to staff not following procedures and recommended actions to reduce the likelihood of recurrence. The Council has a baseline of controls in place which include mandatory training for all staff, regular communication in the form the Data Protection Blog and targeted support where necessary.

Figure 5: Breaches by root cause in 12 months to end of March 2025

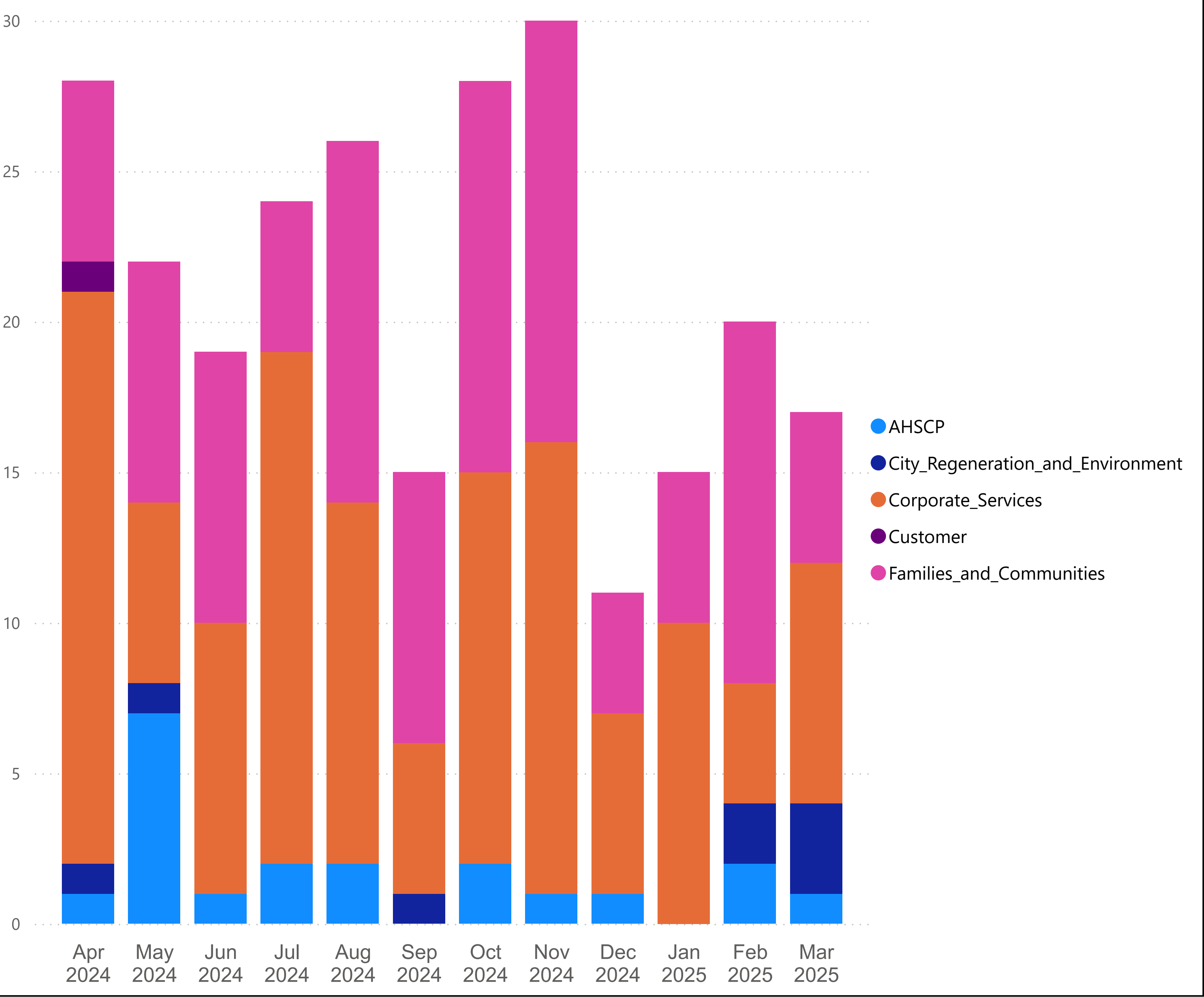


ICO Reported Breaches

The number of data breaches reported to the ICO has marginally increased in 2024/2025. When an incident has met the threshold for reporting to the ICO this is assessed and reported by the DPO. The DPO has responsibilities to monitor the compliance of the Council and has the final decision on reporting. In each case the Council has been able to evidence organisational controls sufficient to ensure that the ICO have closed with no further action being taken.

2.2 Data Protection Breaches (cont'd)

Figure 6: Breaches by Function in 12 months to end March 2025



Lessons Learned

The Council’s incident handling framework means that lessons learned are identified for each incident with Service Managers, who take forward any actions identified to strengthen controls and help prevent a re-occurrence. Data protection breach data is regularly considered by Chief Officers through the Council’s network of Data Forums. Lessons learned data has been made available via a real-time dashboard within the Managers Portal so it can be used across the organisation for wider learning and improvement.

Some examples of lessons learned in the past year include:

- Even when staff have appropriate training and procedures for a particular task, mistakes can still happen, particularly, when the identifying information used for the file upload is similar
- Although there are detailed procedures in place for staff around the need to double check email addresses prior to sending, mistakes are still made.

2.3 FOISA and EIR Information Requests

Fig 7: Annual number of requests received in the period

Number of requests received	2023/24	2024/25
Number of FOISA Requests	1280	1309
Number of EIR Requests	374	394

FOISA and the EIRs in brief

The Freedom of Information (Scotland) Act 2002 (FOISA) and the Environmental Information (Scotland) Regulations 2004 (EIR) give anyone the right to request information held by the Council, subject to certain exceptions.

Timescales for responding

The Council must respond to any request we receive within 20 working days. The Council’s service standard for responding to FOISA and EIR requests within statutory timescales is 85%.

Commentary on requests received

The number of requests has increased during 2024/25. The rise may reflect an increased public awareness of their rights to access information and also be linked to public interest in some matters. Analysis has highlighted trends in requests linked to reinforced autoclaved aerated concrete (RAAC) measures and the new low emission zone (LEZ) in the city centre.

Fig 8: Request numbers in 12 months to end March 2025

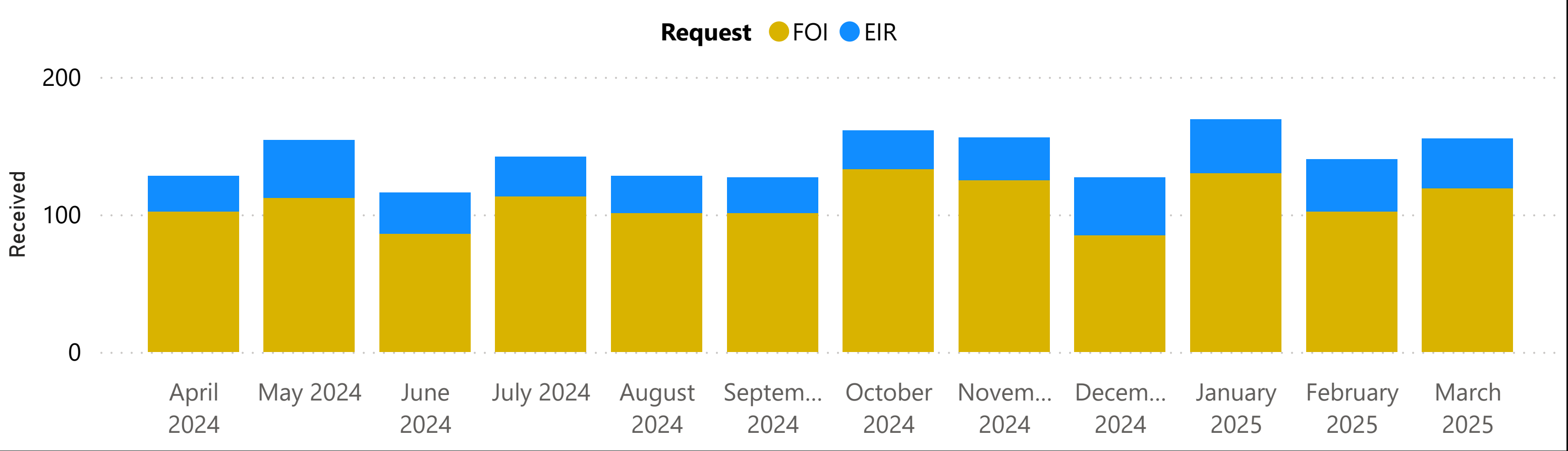


Fig 9: Compliance with timescales in the period

Report_Type	2023/24	2024/25
FOISA Requests	86%	82%
EIR Requests	89%	79%

Commentary on compliance

The volume of requests responded to within the 20-working day timescale has reduced. Performance is below target and there is a requirement to improve our compliance. An improvement plan has been developed which includes an internal campaign to raise awareness around statutory responsibility in relation to request handling.



## 2.4 FOISA and EIR Request Internal Reviews

Fig 10: Internal Reviews received by type in the period

Type of review received	2023/24	2024/25
No response received	19	13
Unhappy with response	22	22

### Internal Reviews in Brief

If the Council does not provide a response to a FOISA or EIR request within 20 working days, or if the requester is unhappy with the response we have given, they can ask the Council to review it.

Where a requester is unhappy with our response, an internal review panel will decide whether or not to uphold the original response or overturn it.

Fig 11: Internal Review Panel outcomes in the period

Type of review outcome	2023/24	2024/25
Response overturned or amended	26	19
Response Upheld	15	13

### Commentary on Internal Reviews

There has been a decrease in the number of reviews received this year which is positive.

The Access to Information Team continue to engage with applicants at the earliest opportunity to avoid escalation to review stage and services are reminded of their duty to respond to FOI/EIR requests fully and on time.

The importance of providing a clear explanation if refusing to provide information is also being highlighted with responding services.

## 2.5 FOISA and EIR Request Appeals

Fig 12: FOISA and EIR Appeals received and closed in the period

Type	2023/24	2024/25
Received	6	4
Closed	4	6

### Right to Appeal

Where a requester remains unhappy with a response to a FOISA or EIR request after an internal review, they have the right to appeal to the Scottish Information Commissioner for a decision.

### Commentary on Appeals

Of the 6 decisions made in 2024/25, 2 appeals were upheld (Aberdeen City Council decision unchanged), 2 withdrawn and 2 overturned (Aberdeen City Council decision changed).

## 2.6 Cyber Incidents

Fig 13: Annual number of internal cyber incidents

Incident Type	2023/24	2024/25
Internal Cyber Incident Attempts Prevented	0	0
Internal Cyber Incidents	0	0

### Internal Cyber Incidents

These are risks or threats to the Council's information software, infrastructure or computer network that originate from within the premises or organisation.

### Commentary on Internal Cyber Incidents

A combination of education, governance, supporting procedures and technologies have ensured the Council has not been the victim of any internal cyber incidents during this reporting period.

### External Cyber Incidents

These are risks or threats to the Council's information software, infrastructure or computer network that originate from outside the premises or from the public (e.g. hackers).

Fig 14: Annual number of external cyber incidents

Incident Type	2023/24	2024/25
▲ External Cyber Incident Attempts Prevented	7,053,507	9,586,234
External Cyber Incidents	0	0

2.7 Lost ID Badges

Fig 15: Annual number of lost ID Badges in the period

Incident Type	2023/24	2024/25
No. lost ID badges	147	153

Lost ID Badges

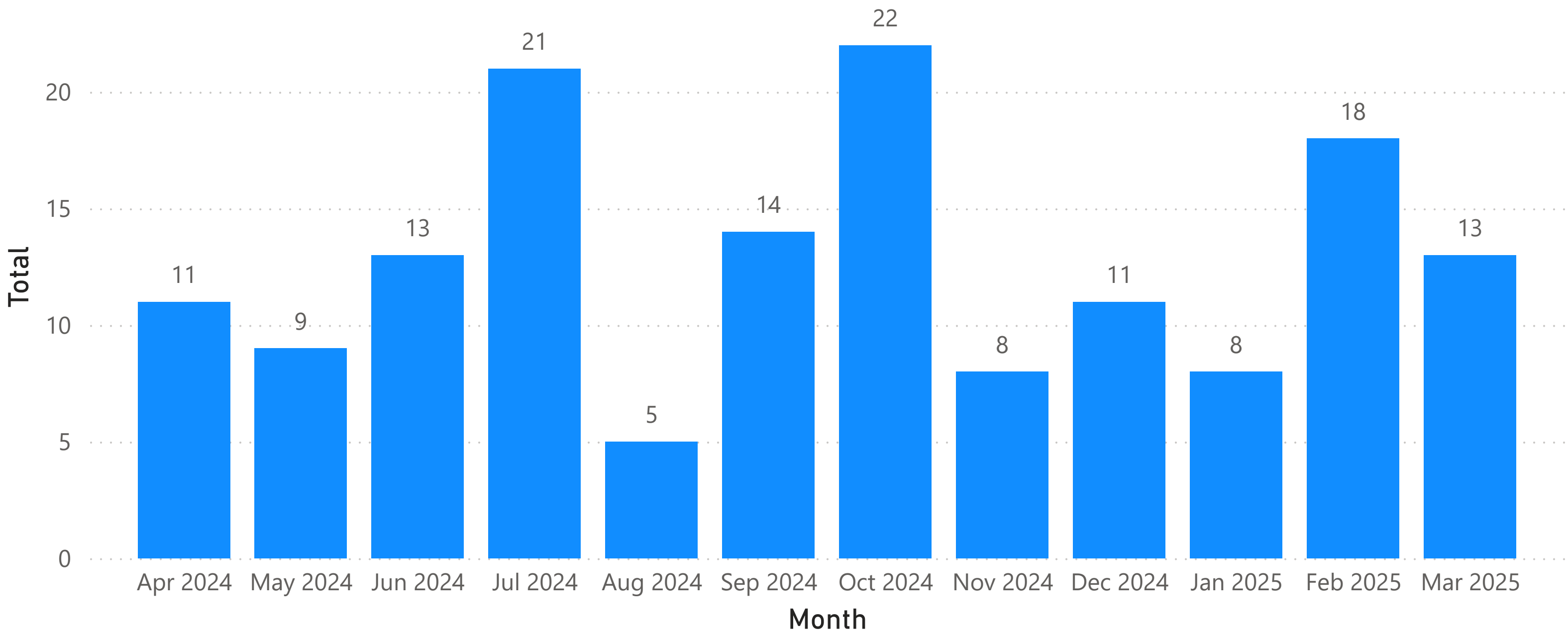
These are tangible and material risks or threats to the Council's information assets that originate from within the premises or organisation.

Commentary on Lost ID Badges

Facilities Management services continue to remind employees of the importance of their ID Badge, issuing 2 communications on the subject in the past financial year. The intranet post from April 2025 is the latest such post, with the link to the original post from September 2024 accessible within the April post. Despite this, the number of lost ID Badges has increased slightly in the 12 months covered in this reporting period.

Fig 16: Lost ID Badges in the period

Incident Type ● No. lost ID badges



## ABERDEEN CITY COUNCIL

<b>COMMITTEE</b>	Audit, Risk and Scrutiny Committee
<b>DATE</b>	11 September 2025
<b>EXEMPT</b>	No
<b>CONFIDENTIAL</b>	No
<b>REPORT TITLE</b>	Use of Investigatory Powers – Q3, 2025
<b>REPORT NUMBER</b>	CORS/25/211
<b>DIRECTOR</b>	Andy MacDonald
<b>CHIEF OFFICER</b>	Jenni Lawson – Chief Officer - Governance
<b>REPORT AUTHOR</b>	Vicki Johnstone, Solicitor - Regulatory & Compliance Team, Legal Services
<b>TERMS OF REFERENCE</b>	5.2

### 1. PURPOSE OF REPORT

- 1.1 To ensure that Elected Members review the Council's use of investigatory powers on a quarterly basis and have oversight that those powers are being used consistently in accordance with the Use of Investigatory Powers Policy.

### 2. RECOMMENDATION(S)

That the Committee:-

- 2.1 Note the Council's use of covert surveillance activity during Q3.
- 2.2 Note there have been no applications to acquire communications data during Q3.

### 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, for the duration of that authorisation and for the review, renewal or termination of authorisations. It gives the Council powers to conduct two types of covert surveillance:

1. Directed Surveillance (is covert surveillance in places other than residential premises or private vehicles); and
2. the use of a Covert Human Intelligence Source (CHIS) (e.g. the use of an undercover officer).

RIPSA defines Directed Surveillance as covert surveillance which is not intrusive, is related to a specific investigation or operation, likely to result in the obtaining of private information about a person and is not an immediate response to events, or circumstances. A CHIS defined as establishing or maintaining a personal or other [false] relationship with another, and using that [false] relationship for the purposes of obtaining or providing information, or using that [false] relationship for disclosing information. The operational procedures which sit under the Use of Investigatory Powers Policy, clearly set out the internal process for the application and authorisation of both.

This Committee has had oversight of covert surveillance activity under RIPSA since 2017.

- 3.2 The IPA permits the Council to acquire Communications Data for a lawful purpose. Communications data is the way in which, and by what method, a person or thing communicates with another person or thing. The IPA sets out the manner and process by which Communications data can be obtained and this is supported by the Home Office's Communications Data Code of Practice<sup>1</sup>. The operational procedure in respect of Communications data was reviewed in April 2024 and no amendments were made.
- 3.3 The Investigatory Powers Commissioner (IPCO) has oversight of both RIPSA and IPA and as such, the Council's use and management of powers under these will form part of the normal inspection process. The Council's next inspection is due on or around Spring 2026.
- 3.4 The Council determined that the Use of Investigatory Powers Policy was fit for purpose when it considered the Annual Report in February 2025. This policy governs compliance with both RIPSA 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.
- 3.5 Committee is being asked to note the update on the use of these powers, and the Council's compliance with the Policy, particularly in respect of covert surveillance activity during Q3.

### **Covert Surveillance – RIPSA**

- 3.6 During the period 16 June 2025 to 1 September 2025 (the submission of this report to committee), there was one application for Directed Surveillance. The application related to the sale of age restricted tobacco and vapour products and was cancelled in accordance with the Council's internal procedure.



The Directed Surveillance and CHIS authorisations reported to this Committee on 8 May 2025<sup>1</sup> were cancelled in this quarter in accordance with the internal procedure. As noted in that report, they related to the sale of age restricted tobacco and vapour products and the alleged counterfeit sale of goods online. The use of investigatory powers in these instances resulted in Trading Standards being able to proceed with their investigation.

## **Communications Data- IPA**

- 3.7 There were no applications for Communications Data during Q3.

### **Authorising Officers (AO)**

- 3.8 There was an Authorising Officer's meeting on 26 August 2025. At that meeting, a solicitor from Legal Services provided a refresher training session of the use and conduct of a CHIS focussing on the main aspects of what the AO should look out for in an application and what they need to consider in a review. A copy of the training was uploaded to the restricted online forum for other officers to access.

### **Training**

- 3.9 The number of Authorising Officers authorised to approve covert surveillance remains at four.

## **4. FINANCIAL IMPLICATIONS**

- 4.1 There are no financial implications arising from 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.

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<sup>1</sup> [\(Public Pack\)Agenda Document for Audit, Risk and Scrutiny Committee, 08/05/2025 14:00](#)

- 5.3 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 management, knowledge and awareness of those involved with RIPSA activity was something which was commended by the IPCO in the inspection in 2020. 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 environmental/ climate risks arising from the recommendations in this report.

## 7. RISK

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?
<b>Strategic Risk</b>	There are no strategic risks		L	Yes
<b>Compliance</b>	That the Council's use of RIPSA is not legally compliant.  The Council's acquisition of communications data does not comply with the Home Office	This Committee receives quarterly and annual reports on its use of investigatory powers under RIPSA and the IPA and related policy mitigates this risk highlighted in this Section.	L	Yes

	Code of Practice.			
<b>Operational</b>	Employees are not suitably trained for surveillance work. Failure to report to and update Committee on surveillance activity means that it would undermine public confidence in the Council and how it operates.	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.	L	<b>Yes</b>
<b>Financial</b>	There are no financial risks arising from this report		L	<b>Yes</b>
<b>Reputational</b>	Failure to update Committee on RIPSAs activity would mean that the Council would be at risk of reputational damage when this is raised by the IPCO in their 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)	L	<b>Yes</b>

		and is endorsed and approved by Committee.		
<b>Environment / Climate</b>	There are no environmental or climate impacts arising from this report.		<b>L</b>	<b>Yes</b>

## 8. OUTCOMES

<b><u>COUNCIL DELIVERY PLAN 2023-2024</u></b>	
	<b>Impact of Report</b>
<b>Aberdeen City Council Policy Statement</b>  <u><b>Working in Partnership for Aberdeen</b></u>	The report does not have an impact on the Policy Statement
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.
Prosperous Place Stretch Outcomes	
<b>Regional and City Strategies</b>	This report does not have an impact on the Regional and City Strategies.

## 9. IMPACT ASSESSMENTS

<b>Assessment</b>	<b>Outcome</b>
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<b>Integrated Impact Assessment</b>	<p>No assessment required. I confirm this has been discussed and agreed with Jenni Lawson, Chief Officer – Governance on 29 July 2025.</p> <p>The purpose of this report is to update Committee on the Council's use of investigatory powers. Further, there is no requirement to consider the Fairer Scotland Duty as this report does not seek approval for any Strategic decisions and is merely providing Committee with an update on this type of activity.</p>
<b>Data Protection Impact Assessment</b>	<p>The purpose of this report is to update Committee on the Council's use of investigatory powers. As such, a Data Protection Impact Assessment is not required.</p>
<b>Other</b>	<p>There are no other impact assessments relevant to this report.</p>

## 10. BACKGROUND PAPERS

10.1 There are no background papers to this report.

## 11. REPORT AUTHOR CONTACT DETAILS

<b>Name</b>	Vicki Johnstone
<b>Title</b>	Solicitor, Regulatory & Compliance Team, Legal Services
<b>Email Address</b>	vjohnstone@aberdeencity.gov.uk

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## ABERDEEN CITY COUNCIL

<b>COMMITTEE</b>	Audit, Risk and Scrutiny Committee
<b>DATE</b>	11 September 2025
<b>EXEMPT</b>	No
<b>CONFIDENTIAL</b>	No
<b>REPORT TITLE</b>	Investigation report into Incorrect Political Listing
<b>REPORT NUMBER</b>	CORS/25/218
<b>EXECUTIVE DIRECTOR</b>	Andy MacDonald
<b>CHIEF OFFICER</b>	Steve Roud
<b>REPORT AUTHOR</b>	Steve Roud
<b>TERMS OF REFERENCE</b>	5.2

### 1. PURPOSE OF REPORT

- 1.1 This report provides members with the security incident report relating to the incorrect listing of a member's political party on 15<sup>th</sup> August 2025.

### 2. RECOMMENDATIONS

That the Committee notes:-

- 2.1 the findings of the report;
- 2.2 the additional controls being implemented; and
- 2.3 the timeline for system upgrade as being end of 2025.

### 3. CURRENT SITUATION

The convener of Audit Risk and Scrutiny requested that report on the incident be brought to the committee.

### 4. FINANCIAL IMPLICATIONS

There are no financial implications arising from this report.

### 5. LEGAL IMPLICATIONS

There are no legal implications arising from this report.

### 6. ENVIRONMENTAL IMPLICATIONS

There are no 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?
<b>Strategic Risk</b>	No significant risks identified			Yes/No
<b>Compliance</b>	No significant risks identified			Yes/No
<b>Operational</b>	No significant risks identified			Yes/No
<b>Financial</b>	No significant risks identified			Yes/No
<b>Reputational</b>	Incorrect information being published in public causes confusion	<ul style="list-style-type: none"> <li>Additional controls and user guidance on use of the system</li> <li>Complete the scheduled system upgrade</li> </ul>	Medium	<del>Yes/No</del>
<b>Environment / Climate</b>	No significant risks identified			Yes/No

## 8. OUTCOMES

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

## 9. IMPACT ASSESSMENTS

Assessment	Outcome
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<b>Integrated Impact Assessment</b>	No assessment required. I confirm this has been discussed and agreed with Steve Roud, Chief Officer Digital & Technology.
<b>Data Protection Impact Assessment</b>	Required / not required
<b>Other</b>	N/A

## 10. BACKGROUND PAPERS

10.1 None

## 11. APPENDICES

11.1 INC0265306 - Incorrect Member Listing

## 12. REPORT AUTHOR CONTACT DETAILS

<b>Name</b>	Steve Roud
<b>Title</b>	Chief Officer Digital & Technology
<b>Email Address</b>	sroud@aberdeencity.gov.uk

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# Corporate Procedures

## Information Security Incident Reporting

<b>Date Created:</b>	May 2018	
<b>Version:</b>	V1.0	
<b>Location:</b>	Governance	
<b>Author (s) of Document:</b>	Information Security Officer	
<b>Approval Authority</b>	Chief Officer - Governance	
<b>Scheduled Review:</b>	May 2019	
<b>Changes:</b>	February 2018	Procedure supersedes previous Information Security Incident Reporting Procedure, incorporates personal data breaches and complies with GDPR.

## Information Matters

take your time and get it right

# Information Security Incident Reporting

- 1. About this procedure**
- 2. What is an Information Security Incident?**
- 3. Why should Information Security Incidents be reported?**
- 4. Who is responsible for reporting Information Security Incidents?**
- 5. How do I report an Information Security Incident?**
- 6. What happens after the initial report is made?**
- 7. Consequences of non-compliance with this procedure**

**APPENDIX 1: Workflow: Is this personal data?**

**APPENDIX 2: Incident Criticality**

**APPENDIX 3: Investigation Checklist**

**APPENDIX 4: ISIRP Procedure Simple Workflow**

## **1. About this procedure**

This procedure and associated templates set out the Council's process for reporting Information Security incidents and near misses.

This procedure supports the Council's information policies, and defines what a security incident is and how it should be reported.

## **2. What is an Information Security Incident?**

An information security incident is the exposure of Council information to risk. This information can be in any format, including data and hardcopy, and stored in any system or on any device. The incident can be either a manual incident, such as loss or theft, or a cyber incident, such as a virus or hacking.

The following, non-exhaustive list gives some examples of information security incidents:

- Missing or misplaced documents (correspondence, case files, council reports, etc.)
- Overheard sensitive conversations
- Accidental or intentional password sharing
- Hacking
- Malicious software (malware) attacks (viruses, spyware, key-loggers, etc.)
- Lost, found or stolen information, media or mobile devices (laptops, phones, tablets, pen-drives, etc.)
- Unsecured, unattended information (unlocked cabinets or PCs, desks not cleared, etc.)
- Misuse of systems or information
- Unauthorised access to, or alteration, corruption or deletion of, data
- Sharing information with incorrect recipients
- Theft of or damage to data or systems
- Any personal data breach (i.e. any breach of security leading to the accidental or unlawful destruction, loss, alteration, unauthorised disclosure of, or access to, personal data)
- Information Security breaches of the ICT Acceptable Use Policy

This list is not exhaustive and staff must ensure they report any incident where they have a reasonable belief that there is (or was) a risk to the security of information.

An information security near miss is an almost-incident, where there was no actual loss of information availability, confidentiality or integrity, but where there was the potential for serious, negative consequences. Such a loss was only prevented by fortunate events, not by pre-planned controls - this is why a near miss is sometimes called a 'close call' or a 'lucky escape'.

Physical security breaches, such as unauthorised access to buildings or secured areas, are subject to the Health & Safety Incident/Near Miss Reporting Procedure.

### **3. Why should Information Security Incidents be reported?**

Information security incidents often have statutory or contractual reporting requirements. Without timely visibility of the incident through reporting, we may not be able to fulfil legal obligations. For example, failure to notify the Information Commissioner's Office about a personal data breach within 72 hours of any member of staff becoming aware of it may result in a fine of up to €10million. Additionally, the longer an incident goes unreported, the longer a vulnerability may remain unaddressed allowing the incident to escalate or for further incidents to occur.

Following this procedure, undertaking proper investigations and keeping adequate investigation documents will help ensure the Council's compliance with relevant legislation. Failure to investigate and document any incident in a timely manner may result in a fine of up to €10million.

It is important that near misses are also reported, as understanding information security weaknesses allows us to develop and implement systems and processes that are more robust, and which prevent near misses from becoming future incidents. This will protect our customers' individual rights and freedoms, as well as minimise damage to the Council's information assets and reputation.

### **4. Who is responsible for reporting Information Security Incidents?**

This procedure applies to all staff, agency staff, elected members, contractors and sub-contractors, and to any person, without exception, who uses or requires access to Council information assets. We are all responsible for reporting information security incidents and near misses, and failure to do so may result in the Council taking any action that it considers necessary, including disciplinary action.

If any information security incident or near miss is reported to you by a customer or third party, this must also be reported in line with this procedure.

### **5. How do I report an Information Security Incident?**

Only basic details are required to make the initial report, so as soon as you are aware of an information security incident or near miss, you should report it to your line manager and to the ICT Service Desk. The following information will allow the Service Desk to correctly route the call, if necessary, to an incident manager:

- Date of incident
- Place of incident
- Reporting Officer details
- Brief description of incident and details of the information affected (e.g. was it personal information? See Appendix 1 if you are unsure what this is)
- Brief description of the effects of the incident, such as systems and number of users or customers affected
- Brief description of any action taken once the incident was discovered

Do not include any further personal data about affected users or customers in this initial report within ServiceNow; you will be asked to provide that to the Incident Handling Team directly.

## **6. What happens after the initial report is made?**

The nature of the information security incident reported will determine what happens next. The ICT Service Desk will make an initial assessment to determine the severity of the incident (see Appendix 2 for a breakdown of incident criticality levels).

A **no/low risk** incident will be managed within business as usual processes. Upon closure of the incident, your line manager will complete an investigation checklist (see Appendix 3) and email it, and any further documentation relating to the incident, to [ISO@aberdeencity.gov.uk](mailto:ISO@aberdeencity.gov.uk).

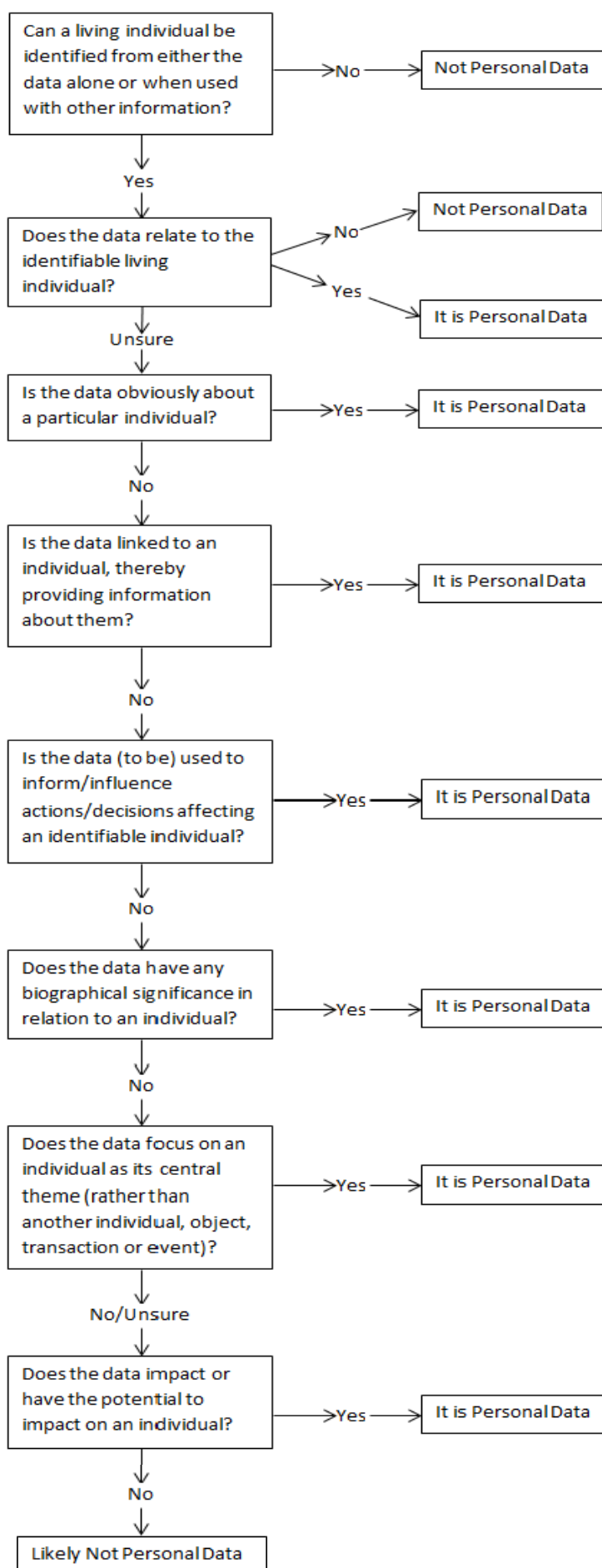
**Medium and high risk** incidents will be escalated to the appropriate team(s) for incident response. Depending on the nature of the information security incident, the teams involved in handling it will vary. However, each incident will have an Incident Handling Team Lead who will be responsible for coordinating the team's efforts in containing, investigating and remedying the incident. A variety of techniques and tools may be used by the Incident Handling Team to investigate an incident, and your cooperation with these is appreciated.

A workflow describing the investigation process for all incident types is available in Appendix 4.

## **7. Consequences of non-compliance with this procedure**

Compliance with this procedure is mandatory and non-compliance must be reported to your line manager, who will determine the action to be taken. Any breach of this procedure may be treated as misconduct under the Managing Discipline Policy and Procedures.

## APPENDIX 1: Workflow: Is this personal data?





## Appendix 2: Incident Criticality

Risk Factor	No/Low	Medium	High
Defining Characteristics	<p>Incident can be managed within normal operating procedures.</p> <p>No personal or sensitive information involved.</p> <p>Incident has minimal effect.</p> <p>Near Miss.</p>	<p>Sufficiently complex to require support of specialist teams.</p> <p>Service senior management needs to be notified.</p> <p>Personal data is/may/could be compromised.</p> <p>ICT Acceptable Use Policy breached.</p>	<p>A Major Incident affecting an information system.</p> <p>Serious breach of confidentiality or disclosure of sensitive personal data resulting in a high risk to the rights and freedoms of individuals.</p> <p>Any incident that requires involvement of law enforcement agencies or other external authorities.</p>
Example Incidents	<p>Encrypted laptop or other media device lost or stolen when switched off/locked.</p> <p>Unauthorised, accidental alteration of data through user error.</p> <p>Virus laptops/PCs with minimal effect.</p> <p>Hardware/software failure with minimal effect.</p>	<p>Encrypted laptop or other media device lost or stolen when unlocked.</p> <p>Unencrypted laptop or other media device containing confidential or personal data lost or stolen.</p> <p>Paper files containing sensitive or personal information lost.</p> <p>Email containing confidential or personal data being sent to an incorrect recipient.</p> <p>Personal data altered without permission.</p>	<p>Confidential or personal data incorrectly made publicly available on a website.</p> <p>Theft of customer database containing personal, financial information.</p>

**Please note:** All incidents should be assessed on a case-by-case basis, and in light of the potential harm that could be done to an individual, a third party or Aberdeen City Council. This table is for guidance only.

### Investigation background and Timeline

Date/ Time	Activity/ Event	Notified by
17/08/2025	Andy MacDonald received messages from SNP Partnership Leaders to advise that Councillor McLellan (an SNP Councillor) was erroneously listed as a Reform UK Councillor on the ACC website. Councillor McLellan had previously been listed as an SNP Councillor, which was correct.	Councillor Radley/Councillor Allard
17/08/2025 12:04	Jenni Lawson received a text from Andy Macdonald advising that Cllr McLellan was appearing as a member of Reform on the Council's website. Jenni contacted the Committee Lead who logged on and fixed the problem in Issue Manager and double checked that the website had been updated, which it had. The Chief Officer – Governance first messaged the Committee Lead on 17/8/25 at 12.33pm and the problem was fixed on 17/8/25 at 12.47pm.	Andy MacDonald
18/08/2025 08:34	Teams Message from Andy MacDonald to Jenni Lawson, Committee Lead, Steve Roud advising of error on Cllr McLellan's member page	Andy MacDonald
18/08/2025 08:57	Teams Message from Steve Roud to Service Manager Engineering & Operations asking him to stand up a security incident.	Steve Roud
18/08/2025 10:15am	In conjunction with our security, network, cloud engineering teams we analysed relevant access control and application log files to aid the investigation into the information change. It was confirmed from these that there was no evidence that suggests this was related to an unauthorised or cyber related change of the information contained within the system.	Service Manager Engineering & Operations
18/08/2025 10:30	Meeting with Security Team, Committee Services and vendor to initiate dialogue on probable causes.	Service Manager Engineering & Operations
18/08/2025 10:57am	Committee Services contacted the supplier to establish what happened.	Committee Clerk
18/08/2025 13:07	Teams message from Service Manager Engineering & Operations to Steve Roud advising that vendor are advising that likely cause is system software bug	Service Manager Engineering & Operations
18/08/2025 14:00	Meeting with Security Team, Committee Services and vendor confirms user behaviour and system bug as root cause.  Vendor advised: "The bug occurs when you double click on a user, decide that you need to open a different record and then click 'switch records'. Depending on the network speed, timings, and Database load times, users may experience	Service Manager Engineering & Operations and Committee Clerk

	cross pollution between these records when editing the information from one record to the other and it has been found that the politics tab is quite prone to this issue occurring."	
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### Appendix 3: Investigation Checklist

Check each box as the stage is completed. Delete/strikethrough options as appropriate. Once completed, email checklist and any associated documents to ISO@aberdeencity.gov.uk detailing the Incident's ServiceNow number.

#### ACTION

- ☐ Contain Threat
- ☒ Limit Damage
- ☒ Recover Losses

#### DETERMINE

<input checked="" type="checkbox"/>	How did it happen? Incorrect information was published to an official Council page detailing information about elected members. The incorrect information has the potential to be embarrassing and politically damaging.		
	Source	Internal / <del>External</del>	Internal threats have a authorised access to systems/networks.
	Agent	<del>Human</del> / Environmental / Technological	Human actors, such as users or hackers; environmental factors are natural; technological threats are problem hardware or software.
<input checked="" type="checkbox"/>	Why did it happen? Vendor logs have confirmed that a staff member (acting within their assigned role) was updating Councillor McLellan's surgery information on Friday 15 <sup>th</sup> August. These logs have confirmed that there were no updates being made to any Political affiliation to any elected member record. Findings from vendor have confirmed that this action has allowed the 'bug' to manifest without the user being aware. It appears that the incorrect information was displayed publicly from this date.		
	Intention	<del>Deliberate</del> / Accidental	For Human agents only. If internal and deliberate, disciplinary proceedings are likely, cease investigation & contact HR and Legal.
	Was it malicious?	<del>Yes</del> / No	Was harm intended? Environmental and technological agents are never malicious.
<input checked="" type="checkbox"/>	What were the impacts? The incorrect information listed the Councillor as belonging to the Reform party. This created reputational damage and caused negative media interest		
	Information (refers to both data and information, in any format, on any device)	<input type="checkbox"/> Destruction	
<input type="checkbox"/> Corruption			
<input type="checkbox"/> Theft		If internal, cease investigation & contact HR and Legal.	
<input type="checkbox"/> Loss			
<input checked="" type="checkbox"/> Incorrect Disclosure		Disclosure of incorrect information to a authorised recipients ie public web	
<input type="checkbox"/> Use Denial			
	<input type="checkbox"/> Privilege elevation	Granting/achieving access to information greater than that authorised	

		<input type="checkbox"/> Illegal usage	If internal, cease investigation & contact HR and Legal.
	Service	<input type="checkbox"/> Loss	
		<input type="checkbox"/> Use Denial	
		<input type="checkbox"/> Privilege elevation	Granting/achieving access to information greater than that authorised
<input checked="" type="checkbox"/>	How can we prevent it from happening again? 1. Amendment to standard operating procedures to ensure only single EM records are open at any time. Implement second check after any updates to provide independent validation that records are correct. 2. Issue Manager Build to be upgraded to the newest version at the earliest opportunity. Latest version will eliminate the known bug in the system software.		

## DOCUMENT

<input checked="" type="checkbox"/>	What were the outcomes? Confirmation that vendor solution has a 'bug' that manifested when changing Councillor McLellan's surgery details. This was not visible to the user, and it is evident that no deliberate or malicious action has occurred from any employee. The actions below capture steps to avoid a reoccurrence.		
<input checked="" type="checkbox"/>	Any Actions?		
	Action	Owner	Completed On
	Guidance to users on amended Standard Operating Procedure	Vikki Cuthbert	29/08/25
	Confirm date of software upgrade	Vikki Cuthbert	
	What lessons have been learned? Knowledge of the bug in this software version was not known to Aberdeen City Council. We have asked that the provider to ensure that similar risks/bugs are shared with us in future.		

## Appendix 4: ISIRP Procedure Simple Workflow

### INCIDENT OCCURS

1. Report incident to Line Manager
2. Report incident to ICT Service Desk
3. Initial Investigation & confirm facts
4. Check incident Risk Level against Criticality chart (see Appendix 2)

#### NO – LOW RISK

5. No further investigation required
6. Advise ISO that investigation is closed using Investigation Checklist (list any action taken, e.g. process improvements, actions to mitigate repeat occurrence, etc.)

#### Responsibilities

Notification Officer – actions 1 & 2  
Line Manager – No-Low Risk, action 6  
ICT Service Desk – actions 3 -5  
Incident Handling Team Lead – Med-High Risk, actions 6-10

#### Action Owners

1 & 2 – Notification Officer  
3-5 – ICT Service Desk  
  
No-Low Risk, 6 – Line Manager  
Med-High Risk, 6-10 – Incident Handling Team Lead

#### MEDIUM – HIGH RISK

5. Notify Incident Response Team, as per Information Security Incident Playbook
6. Incident Handling Team carry out full investigation. Notify and/or invite specialist teams to assist, as per the Playbook
7. **ACTION:** Implement any necessary continuity/containment plan
8. **DETERMINE:** If Investigation finds
  - Illegal Activity
    - Cease Investigation
    - Notify Head of HR and Chief Officer – Governance who, together with ISO, will consider whether to notify Police Scotland (final decision to be taken by the Chief Officer – Governance)
  - That disciplinary proceedings are likely
    - Cease Investigation
    - Notify Head of HR and Chief Officer - Governance who will decide on appropriate action, in line with the Disciplinary Process
  - Another Government department is affected
    - ISO report incident to NCSC (National Cyber Security Centre)
  - A Personal Data breach
    - Determine whether ICO (and affected individuals) need to be notified
9. **DOCUMENT:** Document & track Actions, Decisions, Evidence & Lessons Learned
10. Report incident, findings and outcomes to Information Governance Group

## ABERDEEN CITY COUNCIL

<b>COMMITTEE</b>	Audit Risk and Scrutiny
<b>DATE</b>	11 September 2025
<b>EXEMPT</b>	No
<b>CONFIDENTIAL</b>	No
<b>REPORT TITLE</b>	Scottish Public Services Ombudsman Decisions and Inspector of Burial, Cremation and Funeral Directors Complaint Decisions
<b>REPORT NUMBER</b>	CORS/25/196
<b>EXECUTIVE DIRECTOR</b>	Andy MacDonald
<b>CHIEF OFFICER</b>	Isla Newcombe
<b>REPORT AUTHOR</b>	Lucy McKenzie
<b>TERMS OF REFERENCE</b>	6.4

### 1. PURPOSE OF REPORT

- 1.1 This report provides information on all Scottish Public Services Ombudsman (SPSO) and Inspector of Burial, Cremation and Funeral Directors decisions made in relation to Aberdeen City Council since the last reporting cycle, to provide assurance to Committee that complaints and Scottish Welfare Fund applications are being handled appropriately.

### 2. RECOMMENDATION(S)

- 2.1 It is recommended that Committee notes the details of the report.

### 3. CURRENT SITUATION

- 3.1 A report detailing all Scottish Public Services Ombudsman (SPSO) and/or Inspector of Burial, Cremation and Funeral Directors decisions relating to Aberdeen City Council is submitted to Audit Risk and Scrutiny Committee each reporting cycle. This is to provide assurance that complaints and Scottish Welfare Fund decisions are being handled appropriately.

- 3.2 The last report on this matter was considered at the 28 July 2025 Committee.

#### **Scottish Public Services Ombudsman (SPSO) Complaint Decisions**

- 3.3 The Scottish Complaints Handling Procedure (CHP) followed by Aberdeen City Council is outlined by the SPSO. Details of the CHP can be accessed at [www.aberdeencity.gov.uk/complaints](http://www.aberdeencity.gov.uk/complaints)
- 3.4 The SPSO publish all decision reports on their website at [www.spsos.org.uk/decision-report-search](http://www.spsos.org.uk/decision-report-search)

- 3.5 There are no SPSO decisions relating to Aberdeen City Council complaints to notify Committee of in this reporting period.

#### **Scottish Public Services Ombudsman (SPSO) Scottish Welfare Fund Review Decisions**

- 3.6 The Scottish Welfare Fund is delivered by Local Councils across Scotland and offers two types of grants – Crisis Grants and Community Care Grants. Further information is available at [www.aberdeencity.gov.uk/services/benefits-and-advice/apply-scottish-welfare-fund](http://www.aberdeencity.gov.uk/services/benefits-and-advice/apply-scottish-welfare-fund)
- 3.7 There has been one SPSO Second Tier Review in relation to Aberdeen City Council Scottish Welfare Fund application decisions since the last reporting period. The original decision was upheld (not changed) and positive feedback was received around the handling of the application. Further information is detailed in Appendix A.

#### **Inspector of Burial, Cremation and Funeral Directors Decisions**

- 3.8 The Inspector of Burial, Cremation and Funeral Directors responds to complaints or queries from the public about cremations. There have been no decisions by the Inspector of Burial, Cremation and Funeral Directors in relation to Aberdeen City Council cremations to date.

### **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 considered to be consistent with the Council's Risk Appetite Statement.

Category	Risks	Primary Controls/Control Actions to achieve Target Risk Level	Low (L) Medium (M) High (H)  *taking into account	*Does Target Risk Level Match Appetite Set?
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			controls/control actions	
<b>Strategic Risk</b>	If we do not handle complaints or Scottish Welfare Fund (SWF) applications correctly then there is risk that we do not meet our strategic objectives.	Support in complaint handling is available to responding officers through a variety of methods and there is a centralised team in place to monitor compliance. The SWF team go through extensive training and ongoing guidance and support is available. Reviews are carried out by senior staff.	L	Yes
<b>Compliance</b>	The (SPSO) is the regulatory body for public services in Scotland. If we are non-compliant in our handling of a complaint or Scottish Welfare Fund application then there is risk that this is highlighted by the SPSO.	Support in complaint handling is available to responding officers through a variety of methods. In addition, all Stage 2 responses are also quality assured to ensure that responses are appropriate. Officers responsible for Scottish Welfare Fund applications receive full training to ensure they have the necessary knowledge to undertake assessments.	L	Yes

<b>Operational</b>	Staff morale may be lowered as a result of a negative outcome of a SPSO decision.	Whilst it is not pleasant to receive a complaint, officers are encouraged to view complaints in a positive light, as a learning point going forwards.	L	Yes
<b>Financial</b>	Each time a complaint escalates it is more costly to the council than the previous stage due to the effort involved, therefore financially it is in the council's best interest to resolve complaints early in the process. There is also a risk that the council may be required to undertake additional actions as a result of an SPSO decision, including financial compensation.	The complaint handling procedure encourages frontline resolution whenever possible and there is guidance and training in place to support staff in effective complaint handling. The financial benefit of early resolution is highlighted to responding officers in training.	L	Yes
<b>Reputational</b>	Non-compliance carries reputational risk. Customer perception of the council could also be negatively impacted if complaints and Scottish Welfare Fund applications are not handled correctly.	There is a centralised Customer Feedback Team responsible for ensuring that complaints are being handled consistently and appropriately across the council. Staff within the Scottish Welfare Fund Team receive	L	Yes

		comprehensive training to ensure applications are handled correctly and there is a robust procedure in place to review decision making when necessary.		
<b>Environment / Climate</b>	There are no environment / climate risks associated with this report.	N/A	N/A	Yes

## 8. OUTCOMES

<b><u>COUNCIL DELIVERY PLAN</u></b>	
	<b>Impact of Report</b>
<b>Aberdeen City Council Policy Statement</b>	Complaints are a vital part of organisational learning and improvement therefore enabling the Council to realise its aims across its policy statement. The report focuses on complaints outcomes which provide rich customer insight for the organisation to act upon to help transform service delivery.
<b>Aberdeen City Local Outcome Improvement Plan</b>	
Prosperous Place Stretch Outcomes	The Scottish Welfare Fund supports the delivery of the LOIP stretch outcome 1 as it can provide short term financial assistance to help with food costs which can relieve the pressure on use of food banks. It also works with partner agencies to identify citizens and signpost them for budget management, debt advice and benefit maximisation.

## 8. IMPACT ASSESSMENTS

<b>Assessment</b>	<b>Outcome</b>
<b>Impact Assessment</b>	Not required
<b>Data Protection Impact Assessment</b>	Not required
<b>Other</b>	Not required

## 9. BACKGROUND PAPERS

N/A

**10. APPENDICES (if applicable)**

Appendix A – SPSO Scottish Welfare Fund Decisions

**11. REPORT AUTHOR CONTACT DETAILS**

Lucy McKenzie

Customer Services Manager

[LucyMcKenzie@aberdeencity.gov.uk](mailto:LucyMcKenzie@aberdeencity.gov.uk)

## Appendix A – SPSO Scottish Welfare Fund Decisions

Application Received Date	Application Type	Aberdeen City Council 1 <sup>st</sup> Tier Review Decision Date	SPSO 2 <sup>nd</sup> Tier Review Decision Date	SPSO Decision	SPSO Feedback
25 June 2025	Crisis Grant	30 June 2025	4 July 2025	Aberdeen City Council decision upheld (not changed)	The SPSO provided positive feedback around responding promptly and providing full records to inform their decision making.

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## ABERDEEN CITY COUNCIL

<b>COMMITTEE</b>	Audit Risk and Scrutiny
<b>DATE</b>	11 September 2025
<b>EXEMPT</b>	No
<b>CONFIDENTIAL</b>	No
<b>REPORT TITLE</b>	Update on Accounts Commission s.102 report on Council Tax Fraud
<b>REPORT NUMBER</b>	CORS/25/217
<b>EXECUTIVE DIRECTOR</b>	Andy MacDonald
<b>CHIEF OFFICER</b>	Jonathan Belford & Jamie Dale
<b>REPORT AUTHOR</b>	Jonathan Belford & Jamie Dale
<b>TERMS OF REFERENCE</b>	3.4

### 1. PURPOSE OF REPORT

- 1.1 To provide the Committee with an update on the implementation of the Accounts Commission recommendations, following consideration of the s.102 report by the Council in February 2025.

### 2. RECOMMENDATION(S)

That the Committee:

- 2.1 note the content of the report;
- 2.2 note that the Accounts Commission Findings have been progressed to conclusion; and
- 2.3 note Council Tax system and process priority actions are complete.

### 3. CURRENT SITUATION

- 3.1 On 17 February 2025 the report to the Council, [CORS/25/031](#), included consideration of the Accounts Commission s.102 report into the Embezzlement of Council Tax monies.

- 3.2 The Council agreed the following recommendations:

1. Note the content of the Accounts Commission report and accept the Commission findings contained therein;
2. Commend the individual who identified the fraud, with the Chief Executive writing to them to express the Council's gratitude;
3. Note the Commission finding (4) in respect of the Internal Audit function regularly considering areas that might be perceived as low risk when developing audit plans and instruct the Chief Internal Auditor to consider this finding within the proposed Internal Audit Plan for 2025/26-2027/28, which is due to be presented to the Audit, Risk and Scrutiny Committee in February 2025;

4. Ask the External Auditor to set out in their Annual Audit Plan for 2024/25 and future years how, in light of the Commission's findings, the tests of assurance they undertake may be revised in respect of the significant risks of material misstatement due to control weaknesses and fraud caused by management override of controls; and
5. Refer the matter to the Audit, Risk and Scrutiny Committee, with the Chief Officer – Finance and Chief Internal Auditor providing a joint report on the implementation of the Commission findings and action plan no later than September 2025.

3.3 Following that meeting action was taken to address them and the table below confirms the position in relation to each one.

<b>Recommendation</b>	<b>Current Position</b>
1. Note the content of the Accounts Commission report and accept the Commission findings contained therein;	Complete.
2. Commend the individual who identified the fraud, with the Chief Executive writing to them to express the Council's gratitude;	Complete, the Chief Executive wrote to the individual following the meeting.
3. Note the Commission finding (4) in respect of the Internal Audit function regularly considering areas that might be perceived as low risk when developing audit plans and instruct the Chief Internal Auditor to consider this finding within the proposed Internal Audit Plan for 2025/26-2027/28, which is due to be presented to the Audit, Risk and Scrutiny Committee in February 2025;	Complete, the Chief Internal Auditor considered the content of the report and in delivering the Internal Audit Plan for 2025/26-27/28 to the Committee he confirmed in his introduction that this recommendation had been taken account of in preparing the plan.
4. Ask the External Auditor to set out in their Annual Audit Plan for 2024/25 and future years how, in light of the Commission's findings, the tests of assurance they undertake may be revised in respect of the significant risks of material misstatement due to control weaknesses and fraud caused by management override of controls; and	Complete, the Annual Audit Plan (EA/25/001), presented to the Committee on 8 May 2025, included additional actions from previous years that the audit team would undertake in carrying out the 2024/25 Annual Accounts audit, in light of Commission findings.
5. Refer the matter to the Audit, Risk and Scrutiny Committee, with the Chief Officer – Finance and Chief Internal Auditor providing a joint report on the implementation of the Commission	Complete, this report addresses this recommendation.



findings and action plan no later than September 2025.	
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3.4 As can be seen from the table above, the agreed actions from the Council report in February 2025 have been acted on in full.

3.5 In respect of the fifth action, there are two parts to this, (i) implementation of the Commission findings; and (ii) implementation of the action plan.

### **Implementation of the Commission Findings**

3.6 The Accounts Commission Report Findings were as follow:

- i. The member of staff who identified this fraud should be commended, for having the confidence to initially raise the issue and to then escalate it when they remained concerned by the response received. The Commission wishes to stress the importance of the council keeping its policies, training, and procedures in relation to counter-fraud and whistleblowing up to date and communicated to all staff. This will ensure that staff continue to have the confidence to raise concerns if they suspect something fraudulent may be happening.

Current position – the member of staff was commended by the Chief Executive. The Council has continued to focus on keeping policy and training up to date, with the Staff Governance Committee, 25 August 2025, receiving an update on the Whistleblowing policy (CORS/25/197), while the latest version of mandatory online training has been released, entitled “Introduction to Fraud, Bribery and Corruption”. Furthermore the Council has established the ‘Fraud Group’, reporting to the Risk Board with the following purposes (i) The identification of fraud risks and the organised response within a formal fraud risk management framework; (ii) act as a forum in which fraud risks and potential mitigations can be discussed in a transparent and collaborative manner prior to agreeing tasking requirements; and (iii) provide the Risk Board with updates on its activities at the Board’s Risk and Compliance meetings and will escalate all tasking and compliance issues as and when required.

- ii. The Commission recognises that the council reacted quickly once the suspected fraud was brought to their attention and has made progress to recover lost funds. However, this case exposed real weaknesses in internal controls, allowing the perpetrator’s actions to go unnoticed for 17 years. While controls and policies were in place, reports were not routinely run or reviewed and there was no scrutiny by the council to ensure the effectiveness of controls, something that is of concern to the Commission.

Current position – the full value that was embezzled has been recovered either from the perpetrator or the Council insurers, the Council were also awarded monies from further prosecution under the proceeds of crime laws. The actions taken initially in the area of Council Tax refunds included increased scrutiny of the processes and this has been maintained.

- iii. The Commission is pleased to see evidence that the council is taking the matters highlighted by this fraud seriously, including the segregation of

duties immediately following the issue coming to light, the development of an improvement plan by the service, and the engagement of internal audit to further strengthen key controls. However, controls have yet to be embedded in a way that fully addresses all the issues identified. December 2024 was identified as a key implementation date for improvement actions, but the absence of interim milestones makes it difficult to assess progress on the ground. As a matter of priority, the Commission asks the council's 'Task and Finish' Group to confirm to elected members and management when all actions will be complete, given it has now been more than a year since the perpetrator was charged.

Current position – the Chief Officer – Finance presented a summary position of the progress on the implementation of the action plan, this has been updated to reflect the current status and progress, as at end of August 2025. That summary is shown at paragraph 3.7 of this report.

- iv. There is an important obligation on Aberdeen City Council to have and to implement effective financial controls, which safeguard public assets, across all its functions, irrespective of the level of income and expenditure involved. Building on this experience, the Commission would urge the council to ensure that no areas are neglected within their control environment and that the council's internal audit function regularly considers areas that might be perceived as low risk when developing audit plans. Through governance processes, we expect to see evidence that the council's management team is acting upon and applying recommendations from both external and internal auditors to address potential weaknesses and risks.

Current position – the Chief Internal Auditor specifically considered the findings of the Commission in preparing and presenting his Internal Audit Plan for 2025-28 and has a number of internal audits that will consider the lower level of risks. The Council management team continues to track and follow up on both internal and external audit recommendations. This is formally recorded through the Risk Board, with each cycle of Audit Risk and Scrutiny Committee meetings receiving a report from the Chief Internal Auditor on the progress with implementing agreed actions to ensure that the control environment is as strong as it can be within the resources made available.

- v. The Commission expects all councils in Scotland to ensure that fundamental internal controls are in place and working effectively. Such controls include appropriate segregation of duties, ensuring systems reconciliations are carried out, maintenance of system documentation (detailing key controls), and budget monitoring. All councils should also be self-assessing controls and processes through their annual governance statement. It is also important that across all councils, internal and external auditors raise and discuss any areas of potential concern.

Current position – this is not something that the Council can directly influence, but it is noted that the Accounts Commission wrote to all local authorities following the publication of their s.102 report drawing the content and findings to their attention and highlighting the expectation that the Commission has of

local authorities. The Chief Officer – Finance has discussed the matter with members of the CIPFA Directors of Finance Section, drawing it to their attention too.

### **Implementation of the Action Plan**

- 3.7 In the report to Council, February 2025, it was noted that the Accounts Commission finding was clear that the actions must be completed and for milestones to be created to support the successful progress, tracking and implementation of these actions. The Chief Officer – Finance has updated the progress in implementing the action plan, a summary of which is as follows.

<b>Subject</b>	<b>Number of Areas for Action</b>	<b>Number of Sub-actions recommended by IA?</b>	<b>Has action been taken by management to address these actions?</b>	<b>Are milestones and target dates in place?</b>	<b>How many have been closed off by end Aug 2025 (Jan 2025)?</b>
Wider Council Tax Scrutiny and Controls	3	14	Yes	Yes	9/14 64% (9/14 (64%))
Applications to other Council Systems	7	24	Yes	Yes	4/24 17% (0/24 (0%))

- 3.8 While this shows progress, there remain actions to be completed. Where the time is being taken is primarily in respect of introducing enhancements to the control environment across different areas of the Council, and this includes the need for Data Protection Impact Assessments (DPIA) being carried out, procurement and implementation of systems. The delivery of these has been more challenging and far more resource intensive than had been intended. All actions continue to be worked on where they have not been closed off.
- 3.9 The latest update to the action plan, August 2025, shows that attention has been given to core Council Tax systems and processes with the priority actions having been completed.
- 3.10 These measures have significantly reduced the risk of recurrence under similar circumstances. Importantly, a proportion of the remaining actions are not indicative of systemic vulnerabilities but are enhancements aimed at further fortifying the Council's control environment. Outstanding items—such as cross-referencing employee bank details across systems, refining system administrator access controls, and formalising payee identification standards—can be seen as strategic improvements. They are designed to elevate the Council's fraud detection capabilities and align with best practices in financial governance. These actions are being pursued with clear milestones and responsible officers assigned, ensuring accountability and timely delivery.
- 3.11 The Council is actively exploring advanced technologies to reinforce its control environment. This includes:
- Cloud-based bank validation tools for fraud detection, with a cost-benefit analysis underway; and

- Potential deployment of NXG Forensics software to match employee and supplier payment data.
- 3.12 These innovations reflect a forward-looking approach that prioritises resilience, transparency, and continuous improvement.

### **Internal Audit Assessment**

- 3.13 Progress has been made in implementing enhanced controls for Council Tax, arising from actions contained in the Financial Controls Improvement Plan (FCIP). Finance and People and Citizen Services (Revenues and Benefits) have introduced a robust post-refund payment scrutiny process for Council Tax refunds, which contributes to the early detection and prevention of payment errors and fraud. Additionally, improvements to the Faster Payment/CHAPS requisition and approval processes have strengthened the segregation of duties, further safeguarding financial operations. While some related risks have been noted it is recognised that ongoing efforts remain necessary to further refine and improve control measures across Council systems, ensuring that fraud prevention and effective financial management continue to evolve.
- 3.14 However, as per the table in 3.7, actions have taken longer than originally estimated with delays to deliver improvements to controls over the following areas:
- Repeat Council Tax Refund process sign off
  - Bank Account Evidence/Validation Requirements (two actions)
  - Non-Payroll Payments to Employee Bank Account Detail checks
  - Privileged Financial System Access Control/Scrutiny
  - Control Over New Supplier Creation/Amendment
  - Purchase Card Use Scrutiny
  - Fraud Control Over Aged Creditors
- 3.15 Whilst it is positive that FCIP progress has been made in the last six months, more progress was expected to have been made, which would support the enhanced control environment, in turn reducing fraud risks across wider council systems. While there is a recognition of business as usual requirements and other priorities across the Council, this work was the result of an embezzlement therefore while actions remain in progress, the Chief internal Auditor will continue to follow the progress, in conjunction with the Chief Officer - Finance.
- 3.16 The Chief Officer – Finance acknowledges Internal Audit has played a valuable role in identifying additional opportunities to further strengthen control measures across our systems. Their constructive recommendations will be shared with the Chief Officer - Finance to support continuous improvement and will be incorporated into future Internal Audit reviews of the relevant areas, ensuring ongoing enhancement of the Council's control environment.

## **4. FINANCIAL IMPLICATIONS**

- 4.1 There are no direct implications arising from the recommendations of this report itself, the Council by maintaining the changes to the control environment and in following up the ongoing steps across a range of systems and working environments will continue to use existing resources.

## 5. LEGAL IMPLICATIONS

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

## 6. ENVIRONMENTAL IMPLICATIONS

- 6.1 There are no direct 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?
<b>Strategic Risk</b>	Fraud on this scale if repeated could impact the finances of the council to an extent that strategic direction would have to be altered.	Underlying control environment is in place, including scrutiny by internal and external auditors. Review of other systems and payment controls has been undertaken to identify improvements and implement new controls.	L	Yes
<b>Compliance</b>	Failure of controls leads to failing to meet legal obligations to CT payers – and other customers and bill payers.	Underlying control environment is in place, including scrutiny by internal and external auditors. Actions have been taken to enhance specific control arrangements and requirements to mitigate the specific frauds identified.	L	Yes
<b>Operational</b>	Staff are vulnerable to	Changes to the processes and procedures in Council	L	Yes

	allegations if controls do not manage the work they undertake.	Tax and other systems improve segregation of duties and reporting to provide dual insight into refunds protecting staff.		
<b>Financial</b>	Loss of money received by the Council may have to be replaced and refunded, which will have to be funded by General Fund. There is a cost to correct our systems and records.	All avenues have been explored to recoup funds from the accused, with the full value having now been recovered, including a successful insurance claim.	L	Yes
<b>Reputational</b>	Loss of trust from the population and our customers that the Council cannot manage finances adequately. Increase in non-payment as CT payers uncertain about their account being managed accurately and effectively.	<p>A communications strategy has helped to ensure consistent messages are used to inform citizens and council tax payers about the situation.</p> <p>Also ensuring that those that have committed crimes against the Council are brought to justice is an important part of building trust that offending will not be ignored.</p>	M	Yes

<b>Environment / Climate</b>	None			n/a
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## 8. OUTCOMES

<b><u>COUNCIL DELIVERY PLAN 2025-26</u></b>	
	<b>Impact of Report</b>
<b>Aberdeen City Council Policy Statement</b>  <u>Working in Partnership for Aberdeen</u>	There are no direct implications for the stretch outcomes
<u>Local Outcome Improvement Plan</u>	
Prosperous Economy Stretch Outcomes	There are no direct implications for the stretch outcomes
Prosperous People Stretch Outcomes	There are no direct implications for the stretch outcomes
Prosperous Place Stretch Outcomes	There are no direct implications for the stretch outcomes
Community Empowerment Stretch Outcomes	There are no direct implications for the stretch outcomes

## 9. IMPACT ASSESSMENTS

<b>Assessment</b>	<b>Outcome</b>
<b>Integrated Impact Assessment</b>	It is confirmed by Chief Officer – Finance that no Integrated Impact Assessment is required.
<b>Data Protection Impact Assessment</b>	Not required.
<b>Other</b>	No other impact assessments have been carried out.

## 10. BACKGROUND PAPERS

- 10.1 Council, 17 February 2025, Accounts Commission Findings – s102 report Council Tax refunds – a significant fraud – CORS/25/031
- 10.2 Audit Risk and Scrutiny Committee, 20 February 2025, Internal Audit Plan 2025-28 – IA/25/002
- 10.3 Audit Risk and Scrutiny Committee, 8 May 2025, Annual Audit Plan for 2024/25 Audit – EA/25/001

## 11. APPENDICES

11.1 None

## 12. REPORT AUTHOR CONTACT DETAILS

<b>Name</b>	Jonathan Belford	Jamie Dale
<b>Title</b>	Chief Officer – Finance	Chief Internal Auditor
<b>Email Address</b>	jbelford@aberdeencity.gov.uk	jamie.dale@aberdeenshire.gov.uk



## ABERDEEN CITY COUNCIL

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<b>COMMITTEE</b>	Audit, Risk and Scrutiny Committee
<b>DATE</b>	11 September 2025
<b>EXEMPT</b>	No
<b>CONFIDENTIAL</b>	No
<b>REPORT TITLE</b>	Internal Audit Charter
<b>REPORT NUMBER</b>	IA/25/012
<b>DIRECTOR</b>	N/A
<b>REPORT AUTHOR</b>	Jamie Dale, Chief Internal Auditor
<b>TERMS OF REFERENCE</b>	2.1

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### 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. Significant changes have been made to the Charter approved in February 2025 by the Committee to ensure compliance with GIAS, which replaces the previously used Public Sector Internal Audit Standards (PSIAS).

### 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**

<b>Assessment</b>	<b>Outcome</b>
<b>Impact Assessment</b>	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.
<b>Data Protection Impact Assessment</b>	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**

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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 Executive<sup>1</sup> 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.

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

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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.



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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:

<b>Internal Audit</b>	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.
<b>Assurance services</b>	Services through which internal auditors perform objective assessments to provide assurance. The nature and scope of assurance services are determined by Internal Audit.
<b>Advisory services</b>	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.
<b>Independence</b>	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.

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## 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.

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- 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.

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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**

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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.

- 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.



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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.



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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"> <li>• Timetable of planned work.</li> <li>• Audit outcomes.</li> <li>• Key themes and root causes.</li> <li>• Management's acceptance of risk.</li> </ul>	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"> <li>• Effectiveness of the governance, risk management and control framework.</li> <li>• IA independence.</li> <li>• Conformance with the GIAS (UK Public Sector) including ethics and professionalism requirements.</li> </ul>	Annually
7. Internal Quality Assessments <ul style="list-style-type: none"> <li>• Results including corrective action plans.</li> <li>• Compliance with the CIPFA Code of Practice for the Governance of IA in Local Government.</li> </ul>	Annually
8. External Quality Assessment <ul style="list-style-type: none"> <li>• Scope and plan.</li> <li>• Results including corrective action plans.</li> <li>• Compliance with the CIPFA Code of Practice for the Governance of IA in Local Government.</li> </ul>	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

- 
- 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

<b>COMMITTEE</b>	Audit, Risk and Scrutiny Committee
<b>DATE</b>	11 September 2025
<b>EXEMPT</b>	No
<b>CONFIDENTIAL</b>	No
<b>REPORT TITLE</b>	Internal Audit Update Report
<b>REPORT NUMBER</b>	IA/25/011
<b>DIRECTOR</b>	N/A
<b>CHIEF OFFICER</b>	Jamie Dale, Chief Internal Auditor
<b>REPORT OFFICER</b>	Jamie Dale, Chief Internal Auditor
<b>TERMS OF REFERENCE</b>	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.		
<b>Compliance</b>	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	<b>Yes</b>
<b>Operational</b>	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	<b>Yes</b>

		up progress with implementing those that are agreed with management. Those not implemented by their agreed due date are detailed in the attached appendices.		
<b>Financial</b>	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	<b>Yes</b>
<b>Reputational</b>	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	<b>Yes</b>



		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.		
<b>Environment / Climate</b>	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	<b>Yes</b>

## 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
<b>Impact Assessment</b>	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.
<b>Data Protection Impact Assessment</b>	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

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## **Internal Audit**

# **Audit, Risk and Scrutiny Committee Internal Audit Update Report September 2025**

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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:

- Three reviews have been completed.
- Management continue to work on implementation of agreed actions in response to recommendations.
- A review has been carried out to the Internal Audit methodology, resulting in slight changes, specifically to output reporting.

## 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	Carbon Budgeting	Review in Progress
City Regeneration & Environment	Trade Waste	Review Scheduled
City Regeneration & Environment	Roads Winter Service Plan	Review Scheduled
City Regeneration & Environment	City Region Deal	Review in Progress
City Regeneration & Environment	Capital Corporate Review	Review Scheduled
Corporate Services	Finance Controls Improvement Plan Follow Up	Review in Progress
Corporate Services	Purchase Cards	Final Report Issued
Corporate Services	Agency Costs	Review in Progress
Corporate Services	Voluntary Severance	Review Scheduled
Corporate Services	Mandatory Training Compliance	Review Scheduled
Corporate Services	Digital and Technology Demand	Review Scheduled
Corporate Services	Complaints Handling	Review in Progress
Corporate Services	Bond Governance	Final Report Issued
Families & Communities	RAAC Response	Review Scheduled
Families & Communities	Out of Authority Placements	Review Scheduled
Families & Communities	Nursery Visits	Final Report Issued
Families & Communities	PROTECT	Review Scheduled
Health & Social Care Partnership	Health and Social Care (staffing) Scotland Act 2019	Review Scheduled
Integration Joint Board	IJB Financial Sustainability	Review Scheduled
North East Scotland Pension Fund	Key Administrative Processes	Review Scheduled

### 2.2 Audit reports presented to this Committee

Report Title	Assurance Year	Net Risk Rating	Conclusion
AC2606 – Bond Governance	2025/26	Moderate	The level of net risk is assessed as <b>MODERATE</b> , with the control framework deemed to provide <b>REASONABLE</b> assurance over the Council's approach to Bond Governance. Reasonable assurance was available over the following areas reviewed: Payment Accuracy and Timelines, and Bond Trustee Year-End Compliance. However, the review identified some areas of weakness where enhancements could be made to strengthen the framework of control, specifically: Governance and Written Procedures, Training, Insider List and PDMR List, Credit Rating Risks, and London Stock Exchange Disclosures.

Report Title	Assurance Year	Net Risk Rating	Conclusion
			<p>Payment control arrangements are operating well. However, the various UK MAR compliance breaches risk mismanagement of inside information and FCA sanctions, whilst gaps in credit rating risk mismanagement, risk investor confidence, default events, and financial sustainability.</p> <p>Recommendations have been made to address the above risks, including reviewing and updating policies and procedures; improving the system of control over bond training and the Council's Insider List and PDMR List; improving bond risk management arrangements; monitoring a SMART (specific, measurable, achievable, relevant and time-bound) action plan for Economic Policy Panel recommendations; and enhancing control over London Stock Exchange announcements.</p>
AC2601 – Purchase Cards	2025/26	<b>Moderate</b>	<p>The level of net risk is assessed as <b>MODERATE</b>, with the control framework deemed to provide <b>REASONABLE</b> assurance over the Council's approach to purchase cards.</p> <p>During the 2024/25 financial year, a total of 556 cardholders made 21,021 purchases using purchase cards, amounting to approximately £780k.</p> <p>Governance arrangements are generally well controlled, with Finance centrally overseeing the allocation of new cards, setting cardholder transaction limits, designating card reviewers and approvers, and removing system access. Relevant purchase card use requirements are prescribed in Financial Regulations and these are expanded upon within user guidance, albeit this could be enhanced as described below in relation to prohibited spend. Current guidance was issued to cardholders, reviewers and approvers during this review with a requirement to acknowledge understanding of the guidance and related responsibilities via a newly introduced Accountability Form. Finance has warned failure to complete this form will result in cards being cancelled for cardholders or their use limited where reviewers/approvers fail to respond, helping to ensure purchase card requirements are understood.</p> <p>Purchase card user rules, where applied, are relevant to help ensure segregation in purchasing and approval of spend. Also, guidance warns of a three-stage escalation process, which when applied, can limit cardholder purchasing for a given area to £1 per transaction per cardholder, followed by cancelling cards for persistent delays in reviewing/approving. Finance advised they have cancelled 44 cards as a result of the process predominantly used by officers based in schools, but also cards used by Housing.</p> <p>However, the review identified some areas of weakness where enhancements could be made to</p>

Report Title	Assurance Year	Net Risk Rating	Conclusion
			<p>strengthen the framework of control, specifically: Written Procedures and Guidance, New Card Applications, Transaction Limits, Transactions, Monitoring, Children's Social Work and Family Support Payments, Multiple Cards, and Cardholder Data.</p> <p>This is a central process, which is controlled by Finance but operationally sits with first line card holders. We make recommendations centrally to add the most value but note the involvement of all services, with service specific recommendations also where applicable.</p> <p>Recommendations have been made to enhance the system of control, specifically in relation to administrator and user guidance; transaction limits; the new card order process; inactive cards; approval delay; absent receipts; petty cash management; and VAT recording. In addition, recommendations were made to establish C&amp;PSS monitoring arrangements; prevent cardholders approving spend; enhance control over Children's Social Work and Family Support spend; and monitor changes in cardholder data/access.</p>
AC2605 – Early Learning and Childcare Setting Visits	2025/26	<b>Moderate</b>	<p>The level of risk is assessed as <b>MODERATE</b>, with the control framework deemed to provide <b>REASONABLE</b> assurance over compliance with Financial Regulations and the management of the financial aspects of Early Learning and Childcare settings.</p> <p>The Council's Scheme of Governance, the Financial Services staff intranet SharePoint page, and related Schools Finance SharePoint page adequately define policy and expectations in relation to the management of nursery finances.</p> <p>Purchase orders had been raised as required for expenditure at nurseries visited, and supporting documentation was present for all transactions through the purchase card process. None of the settings collected any income or handled cash in any format. Milk and Healthy Snack scheme data is being provided as required.</p> <p>However, the review identified some areas of weakness where enhancements could be made to strengthen the framework of control, specifically: Guidance and Training, School Funds, Purchase Cards, Payroll, and VAT.</p> <p>Collectively the financial risks highlighted risk of financial loss, lack of Best Value and poorer financial outcomes for parents and pupils.</p> <p>Recommendations have been made to address the above points, including formalising school administrator guidance and related training; risk</p>



Report Title	Assurance Year	Net Risk Rating	Conclusion
			assessing nursery premises, and ensuring schools comply with school fund and purchase card requirements. In addition, it is recommended E&LL works with Finance to ensure an optimal approach to VAT accounting and that Payroll enhance monthly payroll reports for timesheet hour monitoring purposes.

### 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 June 2025 (the baseline for our exercise), 17 audit recommendations were due and outstanding:

- Two rated as Major
- 11 rated as Moderate
- Four rated as Minor

As part of the audit recommendations follow up exercise, 11 recommendations were closed:

- One rated as Major
- Seven rated as Moderate
- Three 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.

### 2.4 Review of Internal Audit methodology

In line with ensuring compliance with the new Global Internal Audit standards, and at the request of the Council's Management Team, Internal audit recently conducted a light touch review of the Internal Audit methodology.

The review involved examining the guidance and standards set by the Scottish Government, CIPFA, and HMT, as well as considering the practices and methodologies of other local authorities.

The review concluded the methodology is fit for purpose and in several ways, such as fully risk based and different review levels, is beyond what many other local authorities are doing. This does not create extra workload on Internal Audit or those being audited

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and instead makes the process easier by better articulating risks that can then be prioritised accordingly.

Maintaining the current approach is also consistent across the five organisations that Internal Audit serves.

However, based on the review and feedback from auditees, there has been slight changes around the methodology and reporting, specifically:

- **Update of the risk definitions to remove timescales** – The individual risk ratings include currently suggested timeframes for actions to be implemented. The timescales were intended as a way to allowing process owners to focus on prioritisation of risks. However, in practice, where there is prioritisation, some risks are quicker to address than others and not all similarly rated risks are in fact the same. It is therefore not deemed appropriate to define a timescale for individual risks. This should come from what Management believe they can deliver, as reported in the body of reports. It is then for Committee to decide if they are assured.
- **Update of the Executive Summary layout to include the number of risks** – The Executive Summary section of each report will now include a table showing the number of individual findings at each risk rating. This table will replace the repeated Major and Severe rated risks box currently included.

A briefing session for members is currently being planned by Governance officers and Internal Audit is feeding into this to facilitate a session on the methodology, both the updates and approach overall.

The methodology will continue to be reviewed to ensure it remains fit for purpose and any changes will be reported to Committee.

### 3 Appendix 1 – Grading of Recommendations

Risk level	Definition
<b>Corporate</b>	This issue / risk level impacts the Council as a whole. Mitigating actions should be taken at the Senior Leadership level.
<b>Function</b>	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.
<b>Cluster</b>	This issue / risk level impacts a particular Service or Cluster. Mitigating actions should be implemented by the responsible Chief Officer.
<b>Programme and Project</b>	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
<b>Minor</b>	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.	<b>Substantial</b>
<b>Moderate</b>	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.	<b>Reasonable</b>
<b>Major</b>	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.	<b>Limited</b>
<b>Severe</b>	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.	<b>Minimal</b>

Individual issue / risk	Definitions
<b>Minor</b>	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.
<b>Moderate</b>	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.
<b>Major</b>	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.
<b>Severe</b>	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	1.1b	The Council should develop a clear Asset Management approach.	Jun-25	May-26	The transformation for Fleet and Roads has not completed, and hence the review has been unable to progress. There is a Fleet replacement programme and a Roads Asset Management Plan. The RAMP needs to be updated, and the Fleet Replacement Programme needs to form part of a larger Asset Management Plan. Work in progress has been discussed with Internal Audit	In Progress
AC2407 – Creditors System	Minor	1.1	The Service should create current training resources for staff on the use of the Financial Management System.	Jun-25	Dec-25	Work in progress discussed between the Service and IA. Other priorities have resulted in a delay and required extension.	In Progress
AC2417 – Cyber Action Plan	Moderate	1.4c	A system of control should be established to ensure devices used under BYOD are promptly patched with any necessary security updates.	Jun-25	Jan-26	3MB presented to ECMT. Agreement to proceed as per the recommendations. Subsequently delayed implementation pending delivery and installation of new firewalls to address operational network problems.	In Progress

Report	Grading	Ref	Recommendation	Original Due Date	Current Due Date	Committee Update	Status
AC2417 – Cyber Action Plan	<b>Moderate</b>	1.4d	Users of devices under BYOD should be required to install and maintain up to date endpoint security software on their BYOD devices, including anti-malware and anti-virus solutions.	Jun-25	Jan-26	3MB presented to ECMT. Agreement to proceed as per the recommendations. Subsequently delayed implementation pending delivery and installation of new firewalls to address operational network problems.	<b>In Progress</b>
AC2417 – Cyber Action Plan	<b>Moderate</b>	1.4b	Users' actual access to Council systems, software and apps should be subject to regular review in the interests of revoking access where it is deemed unnecessary. This should be automated where possible.	Jun-25	Oct-25	Complete for systems using Oauth and SAML authentication pass through from EntraID. Action remain for systems not under D&T control and these will be reviewed by ECMT .	<b>In Progress</b>
AC2514 – Risk Management	<b>Moderate</b>	1.3	Cluster Risk Registers should be monitored monthly by Cluster SMTs with service manager input to ensure required monthly Cluster Risk Register reporting to Directors is accurate. A set agenda will be issued to Chief Officers for SMT meetings to address this.	May-25	Sep-25	Work in progress discussed between the Service and IA with extension to allow for evidence of completion.	<b>In Progress</b>

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## ABERDEEN CITY COUNCIL

<b>COMMITTEE</b>	Audit, Risk and Scrutiny Committee
<b>DATE</b>	11 September 2025
<b>EXEMPT</b>	No
<b>CONFIDENTIAL</b>	No
<b>REPORT TITLE</b>	Internal Audit Report AC2601 – Purchase Cards
<b>REPORT NUMBER</b>	IA/AC2601
<b>DIRECTOR</b>	N/A
<b>REPORT AUTHOR</b>	Jamie Dale
<b>TERMS OF REFERENCE</b>	2.2

### 1. PURPOSE OF REPORT

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

### 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 Purchase Cards.

### 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**

<b>Assessment</b>	<b>Outcome</b>
<b>Impact Assessment</b>	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.
<b>Privacy Impact Assessment</b>	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 AC2601 – Purchase Cards

## **12. REPORT AUTHOR CONTACT DETAILS**

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## Internal Audit

### Assurance Review of Purchase Cards

**Status:** Final

**Date:** 12 August 2025

**Risk Level:** Corporate

**Report No:** AC2601

**Assurance Year:** 2025/26

Net Risk Rating	Description	Assurance Assessment
<b>Moderate</b>	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.	<b>Reasonable</b>

Report Tracking	Planned Date	Actual Date
Scope issued	29-Apr-25	29-Apr-25
Scope agreed	06-May-25	29-Apr-25
Fieldwork commenced	19-May-25	19-May-25
Fieldwork completed	16-Jun-25	16-Jun-25
Draft report issued	07-Jul-25	01-Jul-25
Process owner response	28-Jul-25	30-Jul-25
Director response	05-Aug-25	12-Aug-25
Final report issued	12-Aug-25	12-Aug-25
ARS Committee	11-Sep-25	

Distribution	
<b>Document type</b>	Assurance Report
<b>Directors</b>	Andy MacDonald, Executive Director – Corporate Services
<b>Process Owner</b>	Bernie Bularan, Deputy Chief Finance Officer
<b>Stakeholders</b>	Richard Burnett, Senior Accountant
	Craig Innes, Chief Officer – Commercial and Procurement Services
	Mel Mackenzie, Strategic Commercial Manager
	David Cuthbert, Team Leader – Data Team
	Graeme Simpson, Chief Officer – Children's Social Work & Family Support
	Vikki Cuthbert, Interim Chief Officer – Governance*
	Jonathan Belford, Chief Officer – Finance*
<b>*Final Only</b>	External Audit*
<b>Lead auditor</b>	Agne McDonald, Auditor

---

# 1 Introduction

## 1.1 Area subject to review

Purchase cards are issued to named Council employees to procure goods or services up to the value of £200, for incidental/petty cash type spend, which cannot be fulfilled by one of the Council's approved supplier contracts. The cards are provided by the Royal Bank of Scotland/Natwest Banking Group, and their administration is undertaken by Finance.

Transactions must be reviewed monthly to ensure financial codes are assigned, to upload VAT receipts in support of expenditure and to allocate VAT, prior to transactions being approved (or otherwise) by the relevant budget holder.

Purchase cards may not be used for school fund or personal purchases, nor may they be used to circumvent the Council's Scheme of Governance. The Commercial and Procurement Shared Service (C&PSS) are available to provide advice where necessary on acceptable use.

During the 2024/25 financial year, a total of 556 cardholders conducted 21,021 transactions using purchase cards, amounting to approximately £780k.

## 1.2 Rationale for review

The objective of this review is to ensure purchase cards and associated expenditure is adequately recorded and controlled.

This has been included in the agreed 2025/26 Internal Audit Plan as it is a key Council system, which is yet to be subject to a full review by Internal Audit, albeit purchase cards have been considered previously as part of a management briefing note on Finance's Controls Improvement Plan.

## 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
<b>Moderate</b>	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.	<b>Reasonable</b>

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

Risk Level	Definition
<b>Corporate</b>	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 level of net risk is assessed as **MODERATE**, with the control framework deemed to provide **REASONABLE** assurance over the Council's approach to purchase cards.

During the 2024/25 financial year, a total of 556 cardholders made 21,021 purchases using purchase cards, amounting to approximately £780k. The breakdown by Function/Cluster is shown below:

2024/25 Purchase Card Spend Analysis	Spend (£'000)	%
Education	309	39%
Children's Social Work and Family Support	264	34%
Operations	115	15%
Health and Social Care Partnership	40	5%
City Regeneration and Environment	30	4%
Other Expenditure	22	3%
<b>Total 2024/25 Expenditure</b>	<b>780</b>	<b>100%</b>

Governance arrangements are generally well controlled, with Finance centrally overseeing the allocation of new cards, setting cardholder transaction limits, designating card reviewers and approvers, and removing system access. Relevant purchase card use requirements are prescribed in Financial Regulations and these are expanded upon within user guidance, albeit this could be enhanced as described below in relation to prohibited spend. Current guidance was issued to cardholders, reviewers and approvers during this review with a requirement to acknowledge understanding of the guidance and related responsibilities via a newly introduced Accountability Form. Finance has warned failure to complete this form will result in cards being cancelled for cardholders or their use limited where reviewers/approvers fail to respond, helping to ensure purchase card requirements are understood.

Purchase card user rules, where applied, are relevant to help ensure segregation in purchasing and approval of spend. Also, guidance warns of a three-stage escalation process, which when applied, can limit cardholder purchasing for a given area to £1 per transaction per cardholder, followed by cancelling cards for persistent delays in reviewing/approving. Finance advised they have cancelled 44 cards as a result of the process predominantly used by officers based in schools, but also cards used by Housing.

However, the review identified some areas of weakness where enhancements could be made to strengthen the framework of control, specifically:

- **Written Procedures and Guidance** – Whilst there is a requirement for all purchase card spend to be separately approved by an officer who is not the cardholder to determine spend legitimacy after the spend has already been incurred, purchase card administrator procedures do not cover how to ensure an officer approving the introduction of a new card or the related purchase card transactions has delegated authority, risking unauthorised spend. In addition, there is no system administrator guidance covering when it is appropriate to adjust single transaction limits up or down from the standard £200 limit and what are appropriate monthly limits e.g. for each service area. This risks excessive non-essential expenditure and Best Value. Positively the Purchase Card user guide indicates card limits are only adjusted up from £1 on submission of a Purchase Card Accountability form. However, administrator procedures do not cover the requirement to ensure an Accountability Form is completed risking card limits being increased prior to receipt of cards being acknowledged, and potentially risking related inappropriate spend, should a card be delivered to the wrong address, albeit there is a requirement for all purchase card spend to be subject to a review and approval which would detect such instances.
- **New Card Applications** – Two (13%) of 15 new cardholder requests were submitted by an individual who was not an approver for an area or a team leader, breaching guidance and risking unauthorised spend. It was also noted that inefficiently, the new card order form process does not capture details of card reviewers and approvers.
- **Transaction Limits** – Generally, requests to amend card limits occur on an ad hoc basis via email to Finance. A sample of ten requests to increase individual transaction limits were reviewed. However, it was noted one (10%) individual transaction limit increase to £10k with a related monthly transaction increase to £15k, was successfully requested by the cardholder inappropriately rather than it being requested by the approver with delegated authority. In addition, whilst another (10%) individual transaction limit increase was appropriately approved, the approver specifically requested to reduce the card limit to £300 after the purchase, however the single transaction limit remained at £750. Whilst all purchase card spend is subject to segregation in use of cards and the approval of related spend once incurred, where card transaction limits are amended without the necessary authority or remain at an unnecessary limit, this increases the risk of inappropriate, unnecessary expenditure, risks Best Value and potentially fraud albeit an approver has the opportunity to identify this after the spend is incurred.
- **Transactions** – A review of 50 purchase card transactions made by 42 cardholders confirmed that all cardholders were existing Council employees. 13 (26%) transactions ranging in value from £19 to £1,015 were not supported with itemised receipts; 12 (24%) separate purchases (24%) had receipts on request, but these were not uploaded to the purchase card system as required with seven (17%) cardholders failing to do so regularly; and four purchases (8%) occurred where existing contracts were in place/the supplier was on the purchase ordering system (two fuel, building supplies, gift cards); and seven (14%) purchases where a VAT receipt was available, however the service did not claim VAT (cumulatively £216 unclaimed VAT for sample). Where Purchase Card guidance is not complied with as described above, this risks inappropriate and unnecessary expenditure, financial loss, Best Value, and potentially fraud. Also, a purchase card was used to make a cash withdrawal to top up a Children's Social Work and Family Support petty cash imprest. However, this did not comply with petty cash procedures in breach of Financial Regulations, with related invoices unavailable and some individual purchases exceeding the procedural £20 limit.
- **Monitoring** – Finance is required to monitor timeliness of transaction reviews and approvals with a three-stage sanction process for non-compliance. Two (4%) of the 50 purchase card transactions reviewed by Internal Audit had overdue approvals however card limits were not restricted to £1 as required. Also, the system does not presently prevent an approver from being a cardholder. Instead ensuring this is a procedural requirement for Finance. A Children's Social Work and Family Support cardholder reviewed had been set up as an approver and as a result they approved 14 purchases in January 2025 and February 2025 that they purchased. Whilst a separate officer completed the administrative review duties, an approver should not approve their own purchases in line with Purchase Card guidance. Finance advised they identified this issue, and the related card was cancelled in May 2025 and the officer concerned

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is now only designated as an approver. However, to avoid similar occurrences in future, it would be prudent to establish system preventative controls if feasible. C&PSS are required to monitor spend by nature on a quarterly basis. However, procedures are yet to be formalised covering how these reviews will take place and the reviews themselves are yet to commence. In the absence of regular monitoring of spend by nature, there is a greater risk contractual arrangements will not be established where necessary in the interests of Best Value and a risk any fraudulent use of cards will not be detected and prevented.

- **Children's Social Work and Family Support Payments** – Purchase cards are used to provide assistance in kind or in cash to children and young people residing in the Council's Children's Homes. Whilst the Council has a related Children's Home Allowances procedure, this was in draft, meaning it had not been approved for use, risking inconsistency in its application. Also, procedures had not been formalised on assistance in kind or in cash falling outwith the scope of Children's Home Allowances, including provision of holidays abroad and payment of child/young person debts. In addition, on reviewing a clothing allowance financial record, it was noted that payments were made for items on three occasions where there were insufficient funds, and a £50 recorded cost was not accounted for, with there being no evidence of a formal reconciliation process to the ledger or segregation of duties in the preparation and review of the financial record. These issues increase the risk of inconsistent award of assistance to children and young people and of unjustified assistance where allowance balances are incorrectly calculated.
- **Multiple Cards** – One (1%) of 90 cardholders who had been allocated more than one card during their employment had two active cards, only one of which was in use. Whilst this appears to be an exceptional occurrence, where multiple active cards are allocated to a single cardholder, this is unnecessary and increases the risk of inappropriate use, albeit again this should be identified via the review/approval process once spend is incurred. Also in total, 41 inactive cards were identified across all cardholders. Five were reviewed and all retained credit balances of £2,000, with single transaction limits of £200 for four accounts and £400 for one. According to system guidance, inactive cards can be reactivated. Finance provided assurance that officers wouldn't be able to reactivate cards if set up correctly, however agreed to close accounts to avoid any potential for inappropriate reactivation of unnecessary cards.
- **Cardholders Data** – The central records of cardholders' data maintained by Finance are not being kept fully up to date, impeding the journal preparation process and monitoring of recorded system access. Finance advised this has been addressed during this review.

This is a central process, which is controlled by Finance but operationally sits with first line card holders. We make recommendations centrally to add the most value but note the involvement of all services, with service specific recommendations also where applicable.

Recommendations have been made to enhance the system of control, specifically in relation to administrator and user guidance; transaction limits; the new card order process; inactive cards; approval delay; absent receipts; petty cash management; and VAT recording. In addition, recommendations were made to establish C&PSS monitoring arrangements; prevent cardholders approving spend; enhance control over Children's Social Work and Family Support spend; and monitor changes in cardholder data/access.

## 2.3 Management response

*Finance – The Assurance Assessment given in this exercise is testament to the effort by the entire team (i.e., Finance and the Operational clusters) in ensuring that compliance with the existing Purchase Card Guidelines and its associated forms deliver on the required controls. We do recognise that further improvements need to be made in the context of its usage, review, continuous regular checks, and how it aligns with the overall commercial and procurement process of the Council, hence we aim to deliver on that objective.*

*CSW&FS – Specifically in relation to VAT and uploading all receipts for expenditure incurred staff will be reminded of requirements.*

### 3 Issues / Risks, Recommendations, and Management Response

#### 3.1 Issues / Risks, recommendations, and management response

Ref	Description	Risk Rating	Moderate
1.1	<p><b>Written Policies, Procedures, and Guidance</b> – Comprehensive written procedures, guidance, and training resources, which are easily accessible, can reduce the risk of errors and inconsistency. They provide management with assurance correct and consistent instructions are available, especially in the event of an experienced employee being absent or leaving.</p> <p>The Council's Financial Regulations set out high level relevant requirements relating to purchase card use, including personal use being prohibited; the need to support purchases with a VAT receipt where relevant; and that purchases must be reviewed and approved by appropriate members of staff.</p> <p>In addition, the Council's staff intranet has extensive purchase card guidance, covering new card requests; processing timelines; two useful videos on the use of the purchase card system; and a separate Purchase Card user guide.</p> <p>However, guidance could be enhanced in relation to the following.</p> <p><u>Delegated Authority</u></p> <p>The Council's Powers Delegated to Officers states under the General Delegations to Chief Officers [Chief Officers have the power]:</p> <p><i>"To approve purchase orders and authorise payments; and to approve officer signatory lists and officer authorisation levels in relation to the raising and approval of purchase orders and the authorisation of payments."</i></p> <p>However, the administrator "Procedure For Adding A New Reviewer/Approver" simply indicates to create a card approver based on an email request, without indicating how to check if the officer has the delegated authority or not.</p> <p>Similarly, in relation to new cardholders, the "Ordering a New Card" administrator guidance states Finance should on receipt of a new order form:</p> <p><i>"Check to ensure that the request has come from the approver of the area or an equivalent team leader".</i></p> <p>However, the guidance again doesn't describe how to determine if a proposed approver for an area or team leader approving a new cardholder has the delegated authority to do so.</p> <p>These gaps risk approvers and cardholders being set up without the necessary delegated authority and subsequent unauthorised use of purchase cards.</p> <p><u>Transaction Limits</u></p> <p>The Purchase Card user guide states:</p> <p><i>"These cards have single and monthly transaction limits. These limits will be set by Finance at an appropriate level for the establishment. Standard limit for a single transaction is £200. Monthly limits vary across the council."</i></p> <p>However, there is no system administrator guidance covering when it is appropriate to adjust single transaction limits up or down from £200, what are appropriate monthly limits e.g. for each service area, and who has the authority to request transaction/monthly limit changes. This risks excessive non-essential expenditure and Best Value albeit an approver has the opportunity to identify this after the spend is incurred.</p>		



Ref	Description	Risk Rating	Moderate
	Positively the Purchase Card user guide indicates card limits are only adjusted up from £1 on submission of a Purchase Card Accountability form, which requires confirmation of receipt of the new card by an employee. However, "Ordering a New Card" administrator guidance does not reflect this new accountability form requirement. This creates a minor risk transaction card limits could be increased prior to cards being received by Council employees and there being subsequent inappropriate use, should the card be delivered to the wrong address, albeit purchases should be subject to review and approval.		
	<b>IA Recommended Mitigating Actions</b>		
	<p>a) Purchase card administrator guidance should be reviewed and updated to ensure officers approving purchase card spend and new cardholders have the necessary delegated authority.</p> <p>b) Purchase card individual and monthly transaction limits should be formalised and approved, and administrator guidance should be updated to cover card receipt checks prior to increasing transaction limits as well as detailing who has the authority to request limit changes.</p>		
	<b>Management Actions to Address Issues/Risks</b>		
	<p>a) <i>Finance – Agreed. This will be addressed by work in response to the Creditors Sub System Payments audit AC2506 and reference will be made to the need for delegated authority checks in administrator guidance.</i></p> <p>b) <i>Finance – Prescribing limits by service area is difficult due to exceptional purchasing needs. A MS Form will be established for changes to card limits covering the business justification, the need for approvers to have delegated authority and the duration of limit increases. This will update a related spreadsheet for Finance to monitor limits. Administrator guidance will be established for the new MS Forms process and the need to ensure new cardholders confirm receipt of cards prior to increasing limits.</i></p>		
	<b>Risk Agreed</b>	<b>Person(s)</b>	<b>Due Date</b>
	Yes	Senior Accountant	<p>a) 31 March 2026</p> <p>b) 30 September 2025</p>

Ref	Description	Risk Rating	Moderate
1.2	<p><b>Cardholders</b> – The Council's dedicated Purchase Card intranet page captures all relevant information for requesting a new purchase card. This requires a New Card Order Form to be submitted to Finance with relevant data required by the bank, and the financial code the card will be linked to. In addition, the Purchase Card intranet page requires cardholders, reviewers and approvers to complete a Purchase Card Accountability Form, confirming they understand the Purchase Card user guidance document and their related purchase card responsibilities.</p> <p>In general, the new start process is adequate however some control gaps were identified.</p> <p><u>Purchase Card Accountability Form</u></p> <p>The Purchase Card Accountability form process is a new requirement from May 2025, helping to enhance control over purchase card use, review and approval.</p> <p>It is acknowledged that the new Purchase Card Accountability form process is bedding in. However, whilst the form should be completed by reviewers and approvers as well as</p>		

Ref	Description	Risk Rating	Moderate
	<p>cardholders, to acknowledge understanding of Purchase Card user guidance and their related responsibilities, this is not highlighted as a requirement in Purchase Card user guidance, administrator guidance or the Council's intranet, risking card reviewers or approvers being set up without being aware of their responsibilities when reviewing/approving transactions. This was not a risk for reviewers/approvers at the time of review since an email was issued by Finance on 15 May 2025, instructing all cardholders, reviewers and approvers to complete an Accountability Form by 27 June 2025, with a warning non-compliance will result in cancellation of the purchase card for cardholders and reduction of card transaction limits to £1 for any area where a reviewer or approver has not completed the form. Whilst this measure addresses current accountability gaps, the absence of guidance on reviewer/approver Accountability Form requirements, creates a minor risk of future reviewers/approvers being set up without this.</p> <p><u>New Card Order Form</u></p> <p>The New Card Order Form requires various cardholder personal details, including name, address, date of birth, and email address, as well as a security password should the bank need to be contacted regarding the card, and the financial code the card should be linked to.</p> <p>However, despite the Purchase Card intranet page indicating Finance needs to know who will review and approve new cardholder transactions, the form does not capture these details – addressing this would lead to a more efficient process. This is a minor issue since as advised by Finance reviewers and approvers are generally only required where a new service area needs a purchase card.</p> <p><u>Sample of New Cardholders</u></p> <p>A sample of fifteen cardholders was selected to observe the adequacy of new card controls.</p> <ul style="list-style-type: none"> <li>For six cases (40%), evidence of who initiated the request was absent. Finance advised five of these requests were historic relating to the previous purchase card system, with access rights granted in line with previous system on transitioning to the current purchase card system.</li> <li>Two requests (13%) were submitted by an individual who was not an approver for an area or a team leader, breaching guidance.</li> </ul> <p>Where new purchase cards are not approved by officers with the necessary delegated authority, this risks unauthorised and potentially inappropriate expenditure and Best Value. A recommendation has already been made at 1.1 to ensure officers approving new cardholders have the necessary delegated authority.</p> <p><u>Leavers Process</u></p> <p>Finance receives email notifications from AskHR when a manager reports a member of staff is due to leave and advised any such notifications are reviewed to remove financial system access where appropriate. A record of access removed in this manner has been maintained.</p> <p>However, there is not presently an equivalent system for staff moving between posts, increasing the risk purchase card access remains in the new post. Whilst inappropriate use should be detected via the review and approval process, it would be prudent to establish a similar process of financial system review for officers moving between posts.</p> <p><b>IA Recommended Mitigating Actions</b></p> <ul style="list-style-type: none"> <li>a) The New Card Order Form or any equivalent new card workflow process should capture reviewer and approver details, with reason for card on the form / as part of any established workflow.</li> <li>b) Children's Social Work and Family Support should ensure new purchase cards are only requested by officers with the necessary delegated authority.</li> </ul>		



Ref	Description	Risk Rating	Moderate
	c) Finance should monitor changes in employee posts/roles for the purposes of removing financial system access, including purchase card access.		
	<b>Management Actions to Address Issues/Risks</b>		
	a) <i>Finance – Agreed. The New Card Order Form has been updated on the Council's intranet.</i> b) <i>Confirmation and agreement that CSW staff will be reissued with PCG and compliance with process of requests coming from those with delegated authority.</i> c) <i>Finance will issue a quarterly notification to users of all financial systems asking users to notify Finance if they have moved post/role for the purposes of closing accounts.</i>		
	<b>Risk Agreed</b>	<b>Person(s)</b>	<b>Due Date</b>
	a) Yes	a) Senior Accountant	a) Implemented
	b) CSW&FS - Yes	b) Business Planning and Development Officer	b) 30 September 2025
	c) Finance – Yes	c) Senior Accountant	c) 30 September 2025

Ref	Description	Risk Rating	Moderate
1.3	<p><b>Transaction Limits</b> – It has already been highlighted in 1.1 above that there is no system administrator guidance covering when it is appropriate to adjust single transaction limits up or down from £200 nor is there guidance on appropriate monthly limits. A recommendation has already been made at 1.1 to address this.</p> <p>Generally, requests to amend card limits occur on an ad hoc basis via email to Finance.</p> <p>A sample of ten requests to increase individual transaction limits was reviewed. However, it was noted one individual transaction limit increase (10%) to £10k and monthly transaction increase to £15k, was successfully requested by the cardholder inappropriately. In addition, whilst another individual transaction limit increase (10%) was appropriately approved, the approver specifically requested to reduce the card limit to £300 after the purchase, however the single transaction limit remained at £750.</p> <p>Where card transaction limits are amended without the necessary authority or remain at an unnecessary limit, this increases the risk of inappropriate, unnecessary expenditure, risks Best Value and potentially fraud, albeit an approver has the opportunity to identify this after the spend is incurred. .</p> <p><b>IA Recommended Mitigating Actions</b></p> <p>N/A – a recommendation has already been made at 1.1 to address this.</p> <p><b>Management Actions to Address Issues/Risks</b></p> <p>N/A</p>		

Ref	Description			Risk Rating	Moderate
	Risk Agreed	Person(s)	Due Date		
	N/A	N/A	N/A		

Ref	Description			Risk Rating	Minor
1.4	<p><b>Multiple Cards</b> – During the 2024/25 financial year, a total of 556 cardholders conducted 21,021 transactions using purchase cards, amounting to approximately £780k.</p> <p>Finance provided a comprehensive report detailing all cardholders from 2022 to the time of the review. According to this report, 1,100 individual cardholders were recorded, of whom 90 had been allocated multiple cards. One (1%) of the 90 cardholders had two active cards, only one of which was in use. However, where multiple active cards are allocated to a single cardholder, this is unnecessary and increases the risk of inappropriate use, albeit this appears to be an exceptional oversight.</p> <p>In total, 41 inactive cards were identified across all cardholders. Five were reviewed and all retained credit balances of £2,000, with single transaction limits of £200 for four accounts and £400 for one. In contrast, a 'Closed' account had its transaction limit reduced to £0 meaning if reactivated it cannot be used to make a purchase.</p> <p>According to system guidance, inactive cards can be reactivated, and this was something Internal Audit could do with access granted during the review. Whilst Finance provided assurance that officers wouldn't be granted such access if set up correctly, this creates a minor risk of inappropriate reactivation of unnecessary cards and related inappropriate use.</p> <p><b>IA Recommended Mitigating Actions</b></p> <p>Inactive cards should be closed.</p> <p><b>Management Actions to Address Issues/Risks</b></p> <p><i>Finance – Agreed. The active card has been closed and inactive cards will be closed in July 2025 albeit on testing a reviewer account and an approver account it was not possible to reactivate the accounts that were inactive from the reviewer/approver accounts.</i></p> <p>Risk Agreed      Person(s)      Due Date</p> <p>Yes      Senior Accountant      Implemented</p>				

Ref	Description			Risk Rating	Moderate
1.5	<p><b>Transactions</b> – Purchase cards are issued to named Council employees to procure goods or services for incidental/petty cash type spend, which cannot be fulfilled by one of the Council's approved supplier contracts. Each service area is required to have at least one reviewer to allocate the correct financial codes, allocate VAT, and upload receipt within the purchase card system in support of transactions. A reviewer can be a cardholder but does not have to be i.e. can review on behalf of cardholders. In addition, each service area is required to also have at least one approver required to check transactions are "legitimate" prior to approving them. Approvers cannot be cardholders to ensure segregation in purchasing by cardholders and the scrutiny of those purchases.</p>				

Ref	Description	Risk Rating	Moderate
	<p>Deadlines for reviewing and approving transactions are specified on the Council's intranet, with deadline generally one month after a monthly purchasing period closes e.g. period 28 May to 27 June 2025 – deadline 25 July 2025. Multiple monthly email reminders are issued to all reviewers and approvers of these deadlines.</p> <p>A sample of 50 purchases made by 42 cardholders was reviewed. People and Citizen Services verified all cardholders in the sample were currently employed by the Council. In addition, where transactions were reviewed and approved, the review and approval processes were segregated between different officers. However, the following exceptions were noted:</p> <ul style="list-style-type: none"> <li>• <b>Approval</b> – Two (4%) purchases, one for Education and Lifelong Learning, and another for City Development and Regeneration were not approved at the time of review, and the card limits were not adjusted to £1 despite approval being overdue by approximately two months.</li> <li>• <b>Absent Receipts</b> – 13 (26%) transactions ranging in value from £19 to £1,015 were not supported with itemised receipts, albeit some assurance was available over five (38%) of these based on order confirmations and in one case a dispatch notice. In relation to the 13 absent receipts, seven (54%) related to Children's Social Work and Family Support (two of these purchases were supported by an order provided on request and a despatch note without costs), two (4%) Transaction Services Team payments (booking confirmation only), one Environmental Services restaurant/bar purchase (receipt present – not itemised), an Emergency Planning purchase (2%), a school signage purchase (2%) (order confirmation only), and a City Regeneration and Environment online retail purchase (2%).</li> <li>• <b>Receipts Present but Not Uploaded</b> – Twelve purchases (24%) had receipts on request, but these were not uploaded to the purchase card system as required. Five (10%) purchases related to Children's Social Work and Family Support, four (8%) related to schools, two (4%) Civic Affairs, and one (2%) a Building Services purchase. In addition, seven cardholders (17%) have repeatedly failed to upload receipts to the purchase card system (an Emergency Planning cardholder, three schools-based cardholders, a Children's Social Work and Family Support cardholder, a Civic Affairs cardholder and a Buildings Services cardholder). Also, one of the schools-based reviewers was unaware of the requirement to upload the receipt to the purchase card system, despite completing an Accountability Form indicating that they had read and understood the Purchase Card user guidance describing the requirement to upload receipts.</li> <li>• <b>Existing Contracts</b> – Four purchases (8%) occurred where existing contracts were in place but not used. A Buildings Services (2%) purchase for cladding and paint via a local supplier instead of via approved suppliers on a related adopted Scotland Excel framework agreement – the service advised this was the only suitable supplier and intends to use this new supplier in future however there has been no competitive tender/evidence of quotes sought, approved award report and no contract is in place. In addition, a City Regeneration and Environment purchase (2%) of gift cards as incentives for joining employability focus groups was via a purchase card to avoid delivery delay despite the service advising there was an existing supplier on PECOS which Purchase Card guidance requires the use of – the Service advised this was for exceptional reasons. Two Environmental Services (4%) fuel purchases were made using a purchase card instead of via a fuel card via the Crown Commercial Services fuel cards and associated services framework.</li> <li>• <b>Petty Cash Withdrawal</b> – One purchase card transaction was a cash withdrawal for £400 to top up a Children's Social Work and Family Support petty cash imprest. The Petty Cash procedure referenced in the Council's Financial Regulations states that except for postage, individual purchases cannot exceed £20 and that receipts must</li> </ul>		

Ref	Description	Risk Rating	Moderate
	<p>always be requested for reimbursement of all petty cash expenditure. Whilst the service shared the breakdown of monies spent, receipts to support the records were unavailable. Additionally, six (38%) out of sixteen payments recorded in the service's petty cash records from December 2024 to May 2025 were above the threshold of £20.00.</p> <ul style="list-style-type: none"> <li>• <b>VAT Not Claimed</b> – Seven cases (14%) were identified where a VAT receipt was available, however the service did not claim VAT (cumulatively £216.63 unclaimed VAT).</li> </ul> <p>Where Purchase Card guidance is not complied with as described above, this risks inappropriate and unnecessary expenditure, financial loss, Best Value, and potentially fraud.</p>		
<b>IA Recommended Mitigating Actions</b>			
<p>a) Where purchases are not reviewed/approved on time, cardholder sanctions should be applied in line with procedure.</p> <p>b) A system of monitoring for absent receipts should be established with sanctions for repeat failures to upload receipts.</p> <p>c) Children's Social Work and Family Support should ensure petty cash procedures are complied with.</p> <p>d) Services should ensure VAT is claimed where possible including for the highlighted exceptions.</p> <p>e) Where exceptions are identified above, the respective Cluster should notify staff of expectations in relation to purchase cards use to help avoid a repeat.</p>			
<b>Management Actions to Address Issues/Risks</b>			
<p>a) Agreed - Procedures will be updated to reflect the review of the processing for accuracy.</p> <p>b) Agreed – This will be implemented with 3 stage process and procedures updated to reflect. Finance already sent out warning to recent areas that failed to upload receipts.</p> <p>c) Agreed. This had been discussed between the Chief Officer of CSW &amp; FS and Deputy CFO. The Petty Cash Procedures will have to be updated and released for Council-wide advisory purposes by the Finance Operations Manager.</p> <p>d) and e) Finance – Chief Officers named per note (d) and (e) have been advised accordingly bar P&amp;CS and Governance. The Chief Officers CSW&amp;FS, E&amp;LL and Data and Insights have agreed that their teams will be advised accordingly in regards to the usage of the cards and that further details will be provided in the system's narratives column, the need to upload receipts, and the reference to existing supplier contracts.</p> <p>d) and e) CSW&amp;FS – Specifically in relation to VAT and uploading all receipts for expenditure incurred, staff will be reminded of requirements alongside the above refresh of awareness, in relation to ordering Purchase Cards. In addition, the Residential Children's Homes, and Youth Team staff will be reminded of the requirement to support VAT receipting.</p>			
<b>Risk Agreed</b>		<b>Person(s)</b>	<b>Due Date</b>
Yes		<p>Senior Accountant: for recommendation (a) and (b) above.</p> <p>Finance Operations Manager: Petty Cash Procedure update and release / publication (point c)</p>	30 September 2025

Ref	Description	Risk Rating	Moderate
	<p>Deputy CFO: For Chief Officers communique (d) and (e)</p> <p>Chief Officer – CSW&amp;FS (d) and (e) – discussing VAT and receipt requirements on understanding purchase card access may be removed.</p>		

Ref	Description	Risk Rating	Moderate
1.6	<p><b>Monitoring</b> – The Purchase Card user guidance states that periodic monthly reconciliations card usage will be carried out by Finance whilst quarterly reviews are undertaken by the Commercial and Procurement Shared Service (C&amp;PSS) on the nature of spend.</p> <p>Monthly Finance reviews were considered at 1.5 Transactions above with a related recommendation already made to ensure cardholder sanctions are applied where transactions are not reviewed/approved as required.</p> <p>It was also noted that the system does not presently prevent an approver from being a cardholder. Instead ensuring this is a procedural requirement for Finance. A Children's Social Work and Family Support cardholder reviewed had been set up as an approver and as a result a cardholder approved 14 purchases in January 2025 and February 2025 that they purchased. Whilst a separate officer completed the administrative review duties, an approver should not approve their own purchases in line with Purchase Card guidance. Finance advised they identified this issue, and the related card was cancelled in May 2025 and the officer concerned is now only designated as an approver. However, to avoid similar occurrences in future, it would be prudent to establish system controls if feasible.</p> <p>In relation to quarterly reviews by C&amp;PSS, procedures are yet to be formalised covering how these reviews will take place and the reviews themselves are yet to commence. This should be addressed to help mitigate risks to Best Value where contracts should either be established or existing contracts used. In addition, in the absence of regularly monitoring of spend by nature, there is a greater risk fraudulent use of cards will not be detected and prevented.</p> <p><b>IA Recommended Mitigating Actions</b></p> <p>a) C&amp;PSS should formalise procedures covering quarterly purchase card review requirements and commence related reviews to help ensure Best Value and detect and prevent fraud.</p> <p>b) If feasible, system controls should be established that prevent a cardholder being set up as an approver. Finance should liaise with the system supplier to determine if feasible.</p> <p><b>Management Actions to Address Issues/Risks</b></p> <p>a) <i>Agreed, a draft process has been drafted which will be finalised in conjunction with Finance following the first review being conducted. Giving time to do an initial review on Q1 25-26 data and then refine the procedure the procedure will be finalised and shared with CPSS staff / Finance by 30 September 2025.</i></p>		

Ref	Description	Risk Rating	Moderate
	<i>b) Finance – This is not technically feasible, but procedures will be reviewed to determine if any enhancements are possible to quality assurance processes.</i>		
	<b>Risk Agreed</b>	<b>Person(s)</b>	<b>Due Date</b>
	a) Yes	a) Strategic Commercial Manager	a) 30 September 2025
	b) Yes	b) Senior Accountant	b) 30 September 2025

Ref	Description	Risk Rating	Moderate
1.7	<p><b>Children's Social Work and Family Support Payments</b> – The Council has three residential Children's Homes – Kingsfield Children's Home, Marchburn Children's Home and Gilbert Road Children's Home.</p> <p><u>Children Home Allowances</u></p> <p>Children's Social Work and Family Support has a procedure describing Children's Home allowances available to looked after children and young people. This covers the various maximum allowances available for pocket money by age (up to £18.70 per week by age of 16) and maximum allowances for toiletries (£16.50 monthly), clothing (£100 monthly), birthday (£100) and Christmas (£100).</p> <p>However, the procedure shared during the review was in draft meaning it was not approved for use. Also, it did not describe how allowances should be determined based on need/alternative sources of income, increasing the risk of inconsistency in awarded allowances.</p> <p>Purchases for Council Care Home residents reviewed as part of 1.5 Transactions above varied in nature and value as follows:</p> <ul style="list-style-type: none"> <li>• Pair of trainers – £110</li> <li>• Clothing – £181</li> <li>• Pair of trainers – £190</li> <li>• Riding hat – £95</li> <li>• Cargo trousers x 2, fleece and hoodie – £170</li> <li>• Opticians purchase – £54</li> <li>• Jewellery – £181</li> <li>• Toiletries – £35</li> </ul> <p>The child/young person financial records for six of the above purchases were requested and provided, with explanations provided for three and financial records provided where payments were funded by Children Home Allowances. It was noted that income, expenditure and related balances were maintained on MS word-based Care Home Allowance records rather than spreadsheets, meaning there was no automated spreadsheet-based calculation of child/young person running balances and instead this had to be done manually.</p> <p>The young person clothing record relating to the £170 purchase of cargo trousers, a fleece and hoodie was reviewed in detail, and the purchase was recorded as required. However, it was noted, a £50 cost without a description recorded immediately prior to the £170 purchase in January 2025 was not accounted for properly, meaning it appears the young person's available clothing balance was overstated by £50.</p>		



Ref	Description	Risk Rating	Moderate
	<p>Also, three other purchases on the record, one in June 2024 and two in February 2025 were made when the young person concerned had insufficient funds, as shown by negative balances on the MS Word document shared, with the largest deficit being £129, albeit the deficit was recorded as only being £5 by the financial year end on receipt of gift funds and the March clothing allowance.</p> <p>In addition, the clothing financial record had no indication that it had been subject to review, or reconciled to the financial ledger, reducing scrutiny of expenditure and increasing the risk of financial misstatement.</p> <p>Where child/young person records are not adequately maintained, or reviewed, this risks award of funds the child/young person is not entitled to, and inappropriate/excessive expenditure.</p> <p><u>Other Children's Social Work Expenditure</u></p> <p>A Children's Home "children's expenses" purchase reviewed was for a holiday for a young person and a keyworker for £1,015. The service advised there is not a policy or procedure relating to holiday allowances/recreation and that holiday and recreational activities are modelled on the normative family experience. These activities are at the discretion of the individual team manager/budget holder and all holidays and recreational activities are planned around our existing budgets</p> <p>In addition, another purchase card transaction incurred by the Cluster related to a payment of £419.75 to the DWP for a debt owed by a young person. However, operational guidance was absent to cover payments such as these that do not relate specifically to Care Home Allowances.</p> <p>In the absence of clear formalised approved procedures, covering all assistance in kind and in cash for children and young people, there is a greater risk of inconsistent decision making and unequal awards to children/young people, which could lead to reputational damage for the Council. In addition, when coupled with the absence of review and reconciliation of financial records, this increases the risk of the award of funds the child/young person is not entitled to, and/or inappropriate/excessive expenditure, risking financial loss for the Council and Best Value.</p>		
<b>IA Recommended Mitigating Actions</b>			
<p>a) Children's Social Work and Family Support should formalise procedures covering the calculation of Children's Homes Allowances based on need and additional sources of income and procedures covering the award of assistance in kind for children/young people generally e.g. holidays, payment of debts etc. Proposals for the provision of assistance in kind and in cash to children and young people and related procedures should be suitably approved for use.</p> <p>b) Child/young person financial records should be regularly reviewed and reconciled to the financial ledger, with segregation in the preparation and review of child/young person financial records and any related reconciliation.</p>			
<b>Management Actions to Address Issues/Risks</b>			
<p><i>The role played by Children's Social Work in protecting and safeguarding children associated with the measures available by means of S22; S17 or S29 of the Children (Scotland) Act are not comparable to those which are deployed within the setting of children's residential care. Residential placements are regulated by the Looked After Children (Scotland) Regulations 2009, and the Residential Establishments – Child Care (Scotland) Regulations 1996. These regulations set out the responsibilities of the establishments.</i></p> <p><i>These include ensuring the child receives "adequate and efficient" education and their welfare is safeguarded and promoted. Similar to Foster Care, Residential Care for children is utilised, when children cannot be cared for by their birth parent(s) or by a kinship carer.</i></p>			

Ref	Description	Risk Rating	Moderate
	<p><i>Foster Care is similarly subject to aspects of regulation by the Looked After Children (Scotland) Regulations 2009.</i></p> <p><i>The ethos underpinning how we care for children connects to all aspects of their care, including how finances are spent. Children's Rights in respect of the UNCRC are fundamental in our public sector role in ensuring that the children in our care benefit from:</i></p> <ul style="list-style-type: none"> <li><i>• Article 3 (Best interests of the child)</i></li> <li><i>• Article 12 (Respect for the views of the child)</i></li> <li><i>• Article 15 (Freedom of Association)</i></li> <li><i>• Article 20 (Children unable to live with their family)</i></li> <li><i>• Article 23 (Children with a disability)</i></li> <li><i>• Article 24 (Health and Health services),</i></li> <li><i>• Article 27 (Adequate standard of living)</i></li> <li><i>• Article 31 (Leisure, play and culture)</i></li> <li><i>• Article 39 (Recovery from Trauma and reintegration)</i></li> </ul> <p><i>Consequently, children in alternative family placements i.e. foster and residential care require the same access to resources to promote their inclusion in family life, the same access to clothing, hobbies and holidays and gifts for birthdays and Christmas'.</i></p> <p><i>It is also important acknowledged that the needs of children vary and our response to their needs must take account of this. For example,</i></p> <p><i>Young people are often received into care with little or no belongings. To ensure their safety and needs are effectively met and to avoid a further stigmatising of the young person, staff apply a level of professional judgement to spend over and above the clothing allowance.</i></p> <p><i>Similarly, where a young person, as a consequence of past trauma, suffers from enuresis they will require clothing to be replaced more frequently.</i></p> <p><i>All such expenditure is made following full and careful discussion with the Team Manager and Service Manager and within the allocated budget for the Children's Home.</i></p> <p><i>Residential staff ensure best value on behalf of the children and young people in our care, in spite of diminishing budgets, to support their care and wellbeing. The Bright Spots survey supported our appreciation of the importance young people in public care have on the sense of self and self-confidence.</i></p> <p><i>The design and delivery of settings which care for children away from their birth families are finely balanced and attempt to create boundaried safe spaces, while replicating aspects of caring family relationships. How money is spent and what is bought must be understood within this context. Each children's home has an allocated budget. These are domestic settings and arrangements reflect meeting the needs of children and young people within our financial activities with and for children who cannot stay with birth families.</i></p> <p><i>It is acknowledged that the draft procedure attached to this process should have been reviewed and updated in light of many factors, including the impact of the rising cost of living versus day to day expenditure on essential items. This has been remedied and an updated procedure, incorporating The Promise made to the care community, following the Independent Care Review and the incorporation of UNCRC is being finalised. The revised procedure reflects the need for staff on occasion to exercise their professional judgement to adequately meet the needs of young people and the oversight role of the Service Manager.</i></p> <p><i>The Service is keen to find a mechanism that enables young peoples pocket money to be transferred to their bank accounts. Thus providing greater transparency and assurance but</i></p>		



Ref	Description	Risk Rating	Moderate						
	<p><i>also normalising life for young people. Unfortunately a solution to overcoming the barriers that prevent this has yet to be found.</i></p> <p><b>Agreed Improvements</b></p> <ol style="list-style-type: none"><li><i>1. The procedure setting out how staff manage allowances for children and young people in our residential home settings has been updated to appropriately incorporate the audits findings. This however is subject to consultation with potential for further revision. It will be finalised by the end of August 2025 at which point it will be shared with Finance and operational staff within local children's residential homes. This procedure will be comprehensive and cover all areas of spend with and for children in residential children's homes e.g. covering holidays etc.</i></li><li><i>2. Children's Social Work staff will upload all VAT receipts.</i></li><li><i>3. Spreadsheets have been created, replacing the Word documents in the young person's record on D365.</i></li><li><i>4. CSW &amp; Finance will explore options to enable the payment of pocket money into young peoples bank accounts.</i></li><li><i>5. Child/young person financial records will be reconciled to the ledger to avoid incorrect balances. Spreadsheets have now been created and will replace the Word documents in the young person's record on D365. This will be effective within residential children's homes from September 2025.</i></li></ol>								
	<table><tr><th>Risk Agreed</th><th>Person(s)</th><th>Due Date</th></tr><tr><td>Yes</td><td>Team Manager – Children's Residential Homes expenditure procedures  Senior Support Assistant – child/young person financial record reconciliations</td><td>30 September 2025</td></tr></table>	Risk Agreed	Person(s)	Due Date	Yes	Team Manager – Children's Residential Homes expenditure procedures  Senior Support Assistant – child/young person financial record reconciliations	30 September 2025		
Risk Agreed	Person(s)	Due Date							
Yes	Team Manager – Children's Residential Homes expenditure procedures  Senior Support Assistant – child/young person financial record reconciliations	30 September 2025							

Ref	Description	Risk Rating	Minor
1.8	<p><b>Cardholders Data</b> – Finance maintains a RBS – Total Account Group Users spreadsheet of all cardholders with associated card transaction limits, reviewers/approvers and default financial codes. According to the Purchase Card Administration Procedures, the spreadsheet should be updated whenever a new card is issued, or relevant card changes take place e.g. card cancelled.</p> <p>This spreadsheet is used as part of the monthly journal preparation procedure to verify the accuracy of financial codes. However, during transaction testing it was noted transactions were approved by officers absent from those listed as approvers in the spreadsheet.</p> <p>Finance advised that the spreadsheet is most likely not being updated with every change. This should be addressed in the interests of ensuring an efficient journal preparation process and to facilitate oversight of system access.</p> <p><b>IA Recommended Mitigating Actions</b></p> <p>Finance should reconcile the Total Account Group Users spreadsheet to the purchase card system. As part of this process appropriateness of system access should be monitored/sense checked.</p> <p><b>Management Actions to Address Issues/Risks</b></p>		

Ref	Description	Risk Rating	Minor
	<i>Agreed</i>		
	<b>Risk Agreed</b>	<b>Person(s)</b>	<b>Due Date</b>
	Yes	Senior Accountant	Implemented

## 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
<b>Corporate</b>	This issue / risk level impacts the Council as a whole. Mitigating actions should be taken at the Senior Leadership level.
<b>Function</b>	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.
<b>Cluster</b>	This issue / risk level impacts a particular Service or Cluster. Mitigating actions should be implemented by the responsible Chief Officer.
<b>Programme and Project</b>	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
<b>Minor</b>	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.	<b>Substantial</b>
<b>Moderate</b>	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.	<b>Reasonable</b>
<b>Major</b>	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.	<b>Limited</b>
<b>Severe</b>	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.	<b>Minimal</b>

Individual Issue / Risk Rating	Definitions
<b>Minor</b>	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.
<b>Moderate</b>	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.
<b>Major</b>	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.
<b>Severe</b>	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.

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## 5 Appendix 2 – Assurance review scoping document

### 5.1 Area subject to review

Purchase cards are issued to named Council employees to procure goods or services up to the value of £200, for incidental/petty cash type spend, which cannot be fulfilled by one of the Council's approved supplier contracts. The cards are provided by the Royal Bank of Scotland/Natwest Banking Group, and their administration is undertaken by Finance.

Transactions must be reviewed monthly to ensure financial codes are assigned, to upload VAT receipts in support of expenditure and to allocate VAT, prior to transactions being approved (or otherwise) by the relevant budget holder.

Purchase cards may not be used for school fund or personal purchases, nor may they be used to circumvent the Council's Scheme of Governance. The Commercial and Procurement Shared Service (C&PSS) are available to provide advice where necessary on acceptable use.

During the 2024/25 financial year, a total of 556 cardholders conducted 21,021 transactions using purchase cards, amounting to approximately £780k.

### 5.2 Rationale for review

The objective of this review is to ensure purchase cards and associated expenditure is adequately recorded and controlled.

This has been included in the agreed 2025/26 Internal Audit Plan as it is a key Council system, which is yet to be subject to a full review by Internal Audit, albeit purchase cards have been considered previously as part of a management briefing note on Finance's Controls Improvement Plan.

### 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:

- Policies and Procedures
- Access Control
- Purchasing
- Monitoring and Central Assurance

Where individual cardholders are responsible for their spend, and will be reviewed, this audit is primarily focused on the central control framework and the second line operations as managed by Finance. Where we recognise many different stakeholders in the process, any recommendations made will be targeted at those centrally to hopefully enhance the process and provide more value overall, whilst also reflecting on any failings across individual services.

### 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.

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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:

- Andy MacDonald, Executive Director – Corporate Services
- Bernie Bularan, Deputy Chief Finance Officer
- Craig Innes, Chief Officer, Commercial and Procurement Services
- Mel MacKenzie, Strategic Commercial Manager
- David Cuthbert, Team Leader, Data Team
- Richard Burnett, Senior Accountant

## 5.8 Delivery plan and milestones

The key delivery plan and milestones are:

Milestone	Planned date
Scope issued	29-Apr-25
Scope agreed	06-May-25
Fieldwork commences	19-May-25
Fieldwork completed	16-Jun-25
Draft report issued	07-Jul-25
Process owner response	28-Jul-25
Director response	05-Aug-25
Final report issued	12-Aug-25



## ABERDEEN CITY COUNCIL

<b>COMMITTEE</b>	Audit, Risk and Scrutiny Committee
<b>DATE</b>	11 September 2025
<b>EXEMPT</b>	No
<b>CONFIDENTIAL</b>	No
<b>REPORT TITLE</b>	Internal Audit Report AC2606 – Bond Governance
<b>REPORT NUMBER</b>	IA/AC2606
<b>DIRECTOR</b>	N/A
<b>REPORT AUTHOR</b>	Jamie Dale
<b>TERMS OF REFERENCE</b>	2.2

### 1. PURPOSE OF REPORT

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

### 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 Bond Governance.

### 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

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- 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**

<b>Assessment</b>	<b>Outcome</b>
<b>Impact Assessment</b>	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.
<b>Privacy Impact Assessment</b>	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 AC2606 – Bond Governance

## **12. REPORT AUTHOR CONTACT DETAILS**

<b>Name</b>	Jamie Dale
<b>Title</b>	Chief Internal Auditor
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<b>Tel</b>	(01467) 530 988





## Internal Audit

### Assurance Review of Bond Governance

**Status:** Final

**Date:** 6 August 2025

**Risk Level:** Function

**Report No:** AC2606

**Assurance Year:** 2025/26

Net Risk Rating	Description	Assurance Assessment
<b>Moderate</b>	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.	<b>Reasonable</b>

Report Tracking	Planned Date	Actual Date
Scope issued	08-May-2025	08-May-2025
Scope agreed	15-May-2025	14-May-2025
Fieldwork commenced	26-May-2025	26-May-2025
Fieldwork completed	20-Jun-2025	01-Jul-2025
Draft report issued	11-Jul-2025	11-Jul-2025
Process owner response	01-Aug-2025	30-Jul-2025
Director response	08-Aug-2025	06-Aug-2025
Final report issued	15-Aug-2025	06-Aug-2025
Audit Committee	11-Sep-2025	

Distribution	
Document type	Assurance Report
Director	Andy MacDonald, Executive Director – Corporate Services
Process Owner	Bernie Bularan, Deputy Chief Finance Officer
Stakeholder	Jonathan Belford, Chief Officer – Finance
	Jenni Lawson, Chief Officer – Governance
	Lesley Fullerton, Finance Operations Manager
	Neil Stewart, Accountant
	Alan Thomson, Legal Services Manager
	Jess Anderson, Team Leader Governance
	Steven Inglis, Team Leader, Regulatory & Compliance
	Deirdre Nicolson, Solicitor
	External Audit*
*Final only	
Lead auditor	Kostas Minas, Auditor

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# 1 Introduction

## 1.1 Area subject to review

In October 2016, the Council obtained its first credit rating, prior to issuing £370m of bonds in November 2016, on the London Stock Exchange, to finance the Council's capital investment programme.

The Bond Trust Deed (Deed) is a legal agreement made on 8 November 2016, between the Council and the Bond Trustee (BNY Mellon Corporate Trustee Services Limited), detailing the rights and obligations of both parties, in respect of bonds. In addition, there is an Agency Agreement dated 8 November 2016 between Aberdeen City Council (as Issuer), The Bank of New York Mellon (as Calculation Agent) and BNY Mellon Corporate Trustee Services Limited (as Bond Trustee).

These require the Council to:

- Settle Bond principal and interest payments owed<sup>1</sup>
- Maintain a Calculation Agent<sup>2</sup> and Paying Agent to calculate bond interest and principal payments owed and to make these payments on behalf of the Council to Bondholders.
- Withhold tax<sup>3</sup> on interest payments as required and make payments to HMRC<sup>4</sup>.
- Send to the Bond Trustee a copy of the Audited financial statements no later than 180 days<sup>5</sup> after the end of the financial year and a certificate covering any Events of Default<sup>6</sup>.

In addition, the Council is required to use reasonable endeavours to maintain a credit rating<sup>7</sup> during the term of the bonds, until the final instalment redemption date of 28 February 2054, when the outstanding principal will be repaid by the Council, and to do so the Council has appointed a credit rating agency who conduct credit rating reviews as required. The Aberdeen Economic Policy Panel produce an annual economic report on the Aberdeen and regional economic performance, with a view to providing constructive challenge and related recommendations on any wider interventions that could inform the Council's annual credit rating assessment.

The Council must also comply with the UK Market Abuse Regulation (UK MAR)<sup>8</sup>; the Financial Conduct Authority's Disclosure and Transparency Rules and Listing Rules (FCA Rules)<sup>9</sup> and the requirements of the London Stock Exchange (LSE) Admission and Disclosure Standards<sup>10</sup>. This means the Council must manage inside information, which is likely to have a significant effect on the price of issued bonds or on related derivative financial instruments, correctly to avoid insider dealing and misleading investors.

Sanctions imposed by the FCA for failing to comply with relevant legislation and regulations include suspension of trading on the LSE; unlimited fines; a statement published censuring the individuals concerned; and/or imprisonment.

## 1.2 Rationale for review

The objective of this audit is to obtain assurance over the governance arrangements in relation to the Council's bonds.

This has been included in the agreed Internal Audit plan due to the material value of the bonds, and the ongoing need to ensure payments and tax deductions are accurately calculated and related listing regulations and rules are complied with, to avoid financial loss, or sanctions as described above.

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<sup>1</sup> Bond Trust Deed: Promise to Pay on the day the money is due (Clause 2).

<sup>2</sup> Bond Trust Deed: Obligation to maintain a Paying Agent and Calculation Agent (Clause 15.2.1). See also Clause 1 for definitions of both phrases and refer to the Agency Agreement. Clause 2.2 of the Agency Agreement indicates that the Calculation Agent is appointed for the purpose of determining the interest and principal payable in respect of the bonds.

<sup>3</sup> Bond Trust Deed: Reference to FATCA (US withholding tax legislation) (Clause 23). Agency Agreement: The issuer (ACC) has responsibility for determining whether any deductions/withholdings are required (Clause 10) and Tax Certification Procedure (Clause 11).

<sup>4</sup> Bond Trust Deed: see Clause 5 and Schedule 2, paragraph 8 of the Agency Agreement.

<sup>5</sup> Bond Trust Deed: see Clause 15.1.5.

<sup>6</sup> Bond Trust Deed: see Clause 15.1.7.

<sup>7</sup> Bond Trust Deed: see Clause 15.3.3.

<sup>8</sup> [Market Abuse Regulation | FCA](#)

<sup>9</sup> [FCA Handbook - FCA Handbook](#)

<sup>10</sup> [LSEG Admission and Disclosure Standards | Effective July 2024](#)

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These areas were last reviewed in report AC1824 Bond Governance in February 2018 and report AC1921 Bond Trust Deed in January 2019 when compliance with arrangements was found to be generally adequate. Recommendations were however made to enhance the framework of control.

### **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
<b>Moderate</b>	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.	<b>Reasonable</b>

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

Risk Level	Definition
<b>Function</b>	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.

### 2.2 Assurance assessment

The level of net risk is assessed as **MODERATE**, with the control framework deemed to provide **REASONABLE** assurance over the Council's approach to Bond Governance.

Reasonable assurance was available over the following areas reviewed:

- **Payment Accuracy and Timeliness** – A sample of four payment runs between August 2023 and February 2025 was reviewed. Principal repayments and interest payments were accurately verified by Finance in line with the Bond Trust Deed and tax withheld and reported to HMRC was adequately supported.
- **Bond Trustee Year-End Compliance** – The Council complied with Bond Trust Deed obligations to the Bond Trustee to send a copy of the audited financial statements no later than 180 days after the end of the financial year and a certificate confirming there had been no Events of Default.

However, the review identified some areas of weakness where enhancements could be made to strengthen the framework of control, specifically:

- **Governance and Written Procedures** – The Scheme of Governance and the Council's Bond Governance Protocol are generally fit for purpose. However, the review identified obsolete references in the Bond Governance Protocol and a lack of detailed Finance procedures for verifying principal repayment, interest and taxation, risking clarity and business continuity.
- **Training, Insider List and PDMR List** – There was no record of mandatory training being delivered to three (15%) of 20 Chief Officers and four (9%) of 45 Councillors required to be on the Council's Insider List<sup>11</sup>. Also, in breach of the UK Market Abuse Regulation (UK MAR) no acknowledgement letters were available during the review for these individuals to confirm they were aware of their duties and sanctions for unauthorised disclosure of inside information. Also, the Council's Persons Discharging Managerial Responsibilities (PDMR) list did not include one (5%) of 20 required Chief Officers and this Chief Officer had not been notified of their obligations in writing, in breach of UK MAR. These breaches risk potential unlawful disclosure of inside

<sup>11</sup> Under the UK Market Abuse Regulation (UK MAR), an Insider List is a record maintained by the Council (or any relevant entity) that includes the names of individuals who have access to information of a precise nature that is not public and, if made public, would likely have a significant effect on the price of financial instruments.

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information, FCA sanctions and reputational damage, however no actual instances were identified.

- **Credit Rating Risks** – In line with the Bond Trust Deed, the Council is required to use reasonable endeavours to maintain a credit rating and the Chief Officer – Finance has responsibility for ensuring this. The Aberdeen Economic Policy Panel (EPP) should meet biannually, and the annual economic reports are intended to support the Council's credit rating. In addition, the Council's credit rating agency produces an annual credit opinion when issuing the Council's credit rating, with the most recent report in October 2024 highlighting factors that could lead to a credit rating downgrade. However annual EPP report recommendations and annual credit opinion risks are not being monitored, risking absent or inadequate controls, economic outcomes for Aberdeen, Best Value, and potentially an unfavourable downgrade in the Council's credit rating, resulting in a default event and reputational damage.
- **London Stock Exchange Disclosures** – UK MAR requires an issuer to inform the public as soon as possible of inside information that directly concerns that issuer. In addition, UK MAR requires the Council as a bond issuer to post and maintain on its website for a period of at least five years, all inside information it is required to disclose publicly. However, it was noted one (5%) of the 19 Council announcements going back to August 2023 present on the London Stock Exchange (LSE) news webpage, relating to quarter one financial results for 2024/25 appeared on the Council's website showing a date 10 days prior to its publication on the LSE news website – this was in fact a Council website posting error rather than an LSE reporting delay. Also, six (32%) announcements going back to August 2023 were absent from the Council's dedicated Bond website, albeit all announcements were available at different areas of the website (e.g. committee reports, budget consultation etc.). These Bond webpage issues risk reputational damage. Also, a more minor matter was noted that three (60%) of five LSE announcements reviewed were approved by an officer without the necessary delegated authority, in breach of the Council's Scheme of Governance, albeit the Chief Officer – Finance was copied into the related emails.

Payment control arrangements are operating well. However, the various UK MAR compliance breaches risk mismanagement of inside information and FCA sanctions, whilst gaps in credit rating risk mismanagement, risk investor confidence, default events, and financial sustainability.

Recommendations have been made to address the above risks, including reviewing and updating policies and procedures; improving the system of control over bond training and the Council's Insider List and PDMR List; improving bond risk management arrangements; monitoring a SMART (specific, measurable, achievable, relevant and time-bound) action plan for Economic Policy Panel recommendations; and enhancing control over London Stock Exchange announcements.

## 2.3 Management response

*Observations and recommendations are duly noted as the Council aims to further improve on its overall Bond governance inclusive of all risks mitigations, reporting and settlement compliance, and credit rating stabilisation.*

### 3 Issues / Risks, Recommendations, and Management Response

#### 3.1 Issues / Risks, recommendations, and management response

Ref	Description	Risk Rating	Minor
1.1	<p><b>Written Policies and Procedures</b> – Comprehensive written policies and procedures, which are easily accessible, can reduce the risk of errors and inconsistency. They provide management with assurance correct and consistent instructions are available, especially in the event of an experienced employee being absent or leaving.</p> <p>In general, bond governance policies and procedures are fit for purpose. The Scheme of Governance covers some bond governance matters, including Chief Officer – Governance responsibilities to maintain Insider Lists and Chief Officer – Finance obligations to maintain a credit rating and cover London Stock Exchange (LSE) reporting requirements.</p> <p><u>Bond Governance Protocol</u></p> <p>The Council's Bond Governance Protocol adequately specifying requirements to help ensure compliance with UK MAR in relation to training and the management of inside information and the Council's Insider List.</p> <p>However, the Bond Governance Protocol was overdue review, scheduled for January 2023 and some minor updates are required in relation to an obsolete job titles and Committee reference and an incorrect Chief Officer – Finance delegation number reference (delegation 13 instead of 14).</p> <p>In addition, it was noted a regulation was referred to that is no longer in force (Commission Implementing Regulation (EU) 2016/347), albeit it was an easy process to identify the related regulation which superseded this.</p> <p><u>Treasury Manual</u></p> <p>Finance verifies interest and principal repayment values supplied by the Bond Calculation Agent based on calculations requirements specified in the Bond Offer Circular document. Whilst the spreadsheet used could be followed by Internal Audit with reference to the Bond Offer Circular, it was noted the Treasury Manual does not refer to the basis of the calculations or where the basis can be found i.e. the Bond Offer Circular. Similarly, the approach to verifying tax to be withheld based on tax certificates is not documented.</p> <p>In the interests of business continuity, the Treasury Manual should be updated to cover bond principal, interest and taxation checks undertaken by Finance.</p>		
<b>IA Recommended Mitigating Actions</b>			
<p>a) The Bond Governance Protocol should be reviewed and updated where necessary and arrangements established to adequately schedule future reviews.</p> <p>b) The Treasury Manual should document bond principal repayment, interest and taxation checks undertaken by Finance for business continuity purposes.</p>			
<b>Management Actions to Address Issues/Risks</b>			
<i>Recommended mitigating actions duly considered and will be actioned accordingly.</i>			
<b>Risk Agreed</b>		<b>Person(s)</b>	<b>Due Date</b>
a) Yes		a) Solicitor	a) March 2026
b) Yes		b) Accountant	b) October 2025

Ref	Description	Risk Rating	Minor

Ref	Description	Risk Rating	Moderate
1.2	<p><b>Training</b> – As detailed in the Bond Governance Protocol, training is available to staff and Councillors to provide guidance on:</p> <ul style="list-style-type: none"> <li>• What the bonds are.</li> <li>• Why the Council has issued them.</li> <li>• What a credit rating is.</li> <li>• The implications of the bonds and credit rating on how ACC operates.</li> <li>• Who should be on an insider list.</li> <li>• The implications of being on an insider list.</li> <li>• Where to go for further help and guidance.</li> </ul> <p>Section nine of the Bond Governance Protocol also states:</p> <p><i>“Training is <b>mandatory</b> for all individuals identified as being on the Permanent Insider List or on any Deal or Event Specific List and training records are maintained in ACC Learn for employees.”</i></p> <p>Furthermore, as detailed in section five of the Bond Governance Protocol, and to comply with the requirements of the Market Abuse Regulations 596/2014 Article 18 and EU Withdrawal Act 2020:</p> <p><i>“The Chief Officer - Governance is responsible for issuing a letter to all persons on the Insider List advising them of the legal and regulatory duties of being on the Insider List and making them aware of the sanctions involved...The Chief Officer - Governance will keep all letters issued and acknowledgment for a minimum of five years not otherwise retained by HR after the individual's last entry on the Insider List. All reasonable steps must be taken to ensure that an acknowledgment is received. Reasonable steps includes ensuring that training has been undertaken”.</i></p> <p>The Insider List is split into two sections – a Permanent section and a Deal Specific or Event Driven section. Section three of the Bond Governance Protocol states:</p> <p><i>“The Permanent Section of the list shall comprise of all persons who, due to their nature or function, have access at all times to all inside information. From an ACC perspective this will include:</i></p> <ul style="list-style-type: none"> <li>• <i>all Councillors</i></li> <li>• <i>the Chief Executive and all Directors</i></li> <li>• <i>all Chief Officers and</i></li> <li>• <i>any staff identified by a Chief Officer”.</i></li> </ul> <p>However, there was no record of mandatory training being delivered to three (15%) of 20 officers required to be on the Insider List and four (9%) of 45 Councillors and no acknowledgement letters were available during the course of this review from these individuals.</p> <p>Where individuals on the Council's Insider List are not adequately trained and do not acknowledge in writing the legal and regulatory duties entailed and that they are aware of the sanctions applicable to insider dealing and unlawful disclosure of inside information, this is a breach of UK MAR and risks potential unlawful disclosure of inside information and insider dealing, FCA sanctions and reputational damage.</p>		



Ref	Description	Risk Rating	Moderate
	<p><u>Persons Discharging Managerial Responsibilities</u></p> <p>In addition, in accordance with Article 19 of Regulation (EU) 596/2014 and the EU Withdrawal Act 2018, the Council's Bond Governance Protocol states:</p> <p><i>"Persons discharging managerial responsibilities (PDMRs), as well as persons closely associated with them, shall notify the issuer or the emission allowance market participant and the competent authority (Financial Conduct Authority):</i></p> <ul style="list-style-type: none"><li><i>a) in respect of issuers, of every transaction conducted on their own account relating to the shares or debt instruments of that issuer or to derivatives or other financial instruments linked thereto;</i></li><li><i>b) in respect of emission allowance market participants, of every transaction conducted on their own account relating to emission allowances, to auction products based thereon or to derivatives relating thereto...</i></li></ul> <p><i>Issuers and emission allowance market participants shall notify the person discharging managerial responsibilities of their obligations under this Article in writing. Issuers and emission allowance market participants shall draw up a list of all persons discharging managerial responsibilities and persons closely associated with them".</i></p> <p>However, the Council's PDMR list did not include one (5%) of 20 required Chief Officers as required and this Chief Officer had not been notified of their obligations in writing, in breach of UK MAR</p> <p>Similarly, where PDMRs are not adequately trained and notified of their obligations this is also a breach of UK MAR, and risks disclosure failures by PDMR or persons closely associated by PDMRs, again risking FCA sanctions and reputational damage.</p>		
IA Recommended Mitigating Actions			
	<ul style="list-style-type: none"><li>a) Governance should ensure mandatory training in relation to the Bond is completed as required and establish an adequate system of control to ensure this in future.</li><li>b) Governance should establish an adequate system of control to ensure individuals on the Council's Insider List acknowledge in writing the legal and regulatory duties entailed as a result of being on the Council's Insider List and that they are aware of the sanctions applicable to insider dealing and unlawful disclosure of inside information.</li><li>c) PDMRs should be notified in writing of their responsibilities relating to transactions in Council bonds by PDMRs and those closely associated to PDMRs.</li></ul>		
Management Actions to Address Issues/Risks			
Mitigating actions discussed with the Governance Team and will be actioned on accordingly.			
Risk Agreed	Person(s)	Due Date	
Yes	Solicitor	March 2026	

Ref	Description	Risk Rating	Moderate
1.3	<p><b>Credit Rating Risks</b> – In line with the Bond Trust Deed, the Council is required to use reasonable endeavours to maintain a credit rating and the Chief Officer – Finance has responsibility for ensuring this.</p>		



Ref	Description	Risk Rating	Moderate
	<p><u>Economic Policy Panel (EPP)</u></p> <p>The Council established the EPP in 2017 – as per the EPP’s Terms of Reference the scope of the panel’s work is to:</p> <ul style="list-style-type: none"> <li>• <i>“Produce an annual “state of the nation” economic report on the Aberdeen and regional economic performance.</i></li> <li>• <i>Undertake site visits twice a year to consult with business in key sectors on the issues, challenges and opportunities in Aberdeen and the wider North East region to inform that report.</i></li> <li>• <i>Provide constructive challenge on any widen interventions that could inform the Council’s annual credit rating assessment.”</i></li> </ul> <p>The EPP should meet biannually, and the annual economic reports are intended to support the Council’s credit rating, with the view that it will not be <i>“withdrawn or downgraded to a rating that is three notches (or more) lower than the long-term rating for sovereign bonds of the UK at that time”</i> which would trigger a Default Event giving Bondholders the option to redeem their bonds if so desired.</p> <p>The EPP has published six annual reports to date however it was noted a report was not published by the EPP in 2024, albeit Governance has advised annual reports will resume from 2025.</p> <p>Previous annual reports have considered various national and local economic indicators as well as sector specific matters, with related recommendations made to improve the economic prospects of Aberdeen and ensure the Council’s strategic priorities, capital plans and financial sustainability are achieved.</p> <p>However, there was no evidence that EPP recommendations have been considered, and a related SMART plan developed and monitored to ensure their implementation.</p> <p>This risks economic outcomes for Aberdeen, Best Value in terms of use of the work of the EPP, and potentially an unfavourable downgrade in the Council’s credit rating as a result, as well as a default event in line with the Bond Trust Deed, should the Council’s credit rating fall to three notches (or more) lower than the long-term rating for sovereign bonds of the UK.</p> <p><u>Credit Rating Agency Annual Report</u></p> <p>In addition, Council’s credit rating agency produces an annual credit opinion when issuing the Council’s credit rating. The most recent report in October 2024 highlighted factors that could lead to a credit rating downgrade, including a sustained deterioration in Council operating performance and a material depletion of useable reserves or a material increase in debt levels.</p> <p>Furthermore, the report highlighted the high and increasing debt levels affecting debt affordability, with an expectation that debt affordability will deteriorate further. Also, inflation risks were highlighted since the outstanding bond is linked to inflation and a limited proportion of the Council’s income is linked to inflation.</p> <p>Whilst risks relating to the Bond or Bond Governance are not specifically identified in the Council’s risk registers, the Risk Board does receive annual “three-minute brief” updates on the annual credit rating. However, these are high level focussing on the key dates of the review rather than the credit opinion risks and associated control actions.</p> <p>Where risks to the Council’s credit rating are not monitored and mitigating actions implemented, this again increases risks to the Council’s financial sustainability, future credit rating outcomes, a default event, and reputational damage.</p>		
	<b>IA Recommended Mitigating Actions</b>		

Ref	Description	Risk Rating	Moderate
	<p>a) Bond governance risks and associated controls should be assessed and monitored including those risking credit rating outcomes.</p> <p>b) A SMART action plan should be formalised and monitored to ensure implementation of Economic Policy Panel recommendations.</p>		
	<b>Management Actions to Address Issues/Risks</b>		
	<p><i>Mitigating actions duly noted.</i></p> <p><i>Recognizing these, collaboration between Finance (financial resilience monitoring), City Development (strategic advancement), and Governance (regulatory compliance in reference to financial obligations) to further identify and strengthen credit rating guardianship will continue.</i></p>		
	<b>Risk Agreed</b>	<b>Person(s)</b>	<b>Due Date</b>
	Yes	Deputy Chief Finance Officer	March 2026

Ref	Description	Risk Rating	Minor
1.5	<p><b>London Stock Exchange Disclosures</b> – Article 17(1) of the Market Abuse Regulations 596/2014, onboarded into UK law by the EU Withdrawal Act 2018 states:</p> <p><i>“An issuer shall inform the public as soon as possible of inside information which directly concerns that issuer.”</i></p> <p>The Bond Governance Protocol reiterates this requirement as it relates to the Council and contains a useful decision tree for determining what is and is not inside information, with examples of required London Stock Exchange (LSE) announcements.</p> <p>The Council's Powers Delegated to Officers delegates authority to the Chief Officer – Finance to approve notifications to the London Stock Exchange through a Regulatory Information Service (RNS Submit), with the Communications and Marketing Manager responsible for making the announcement on instruction by the Chief Officer - Finance.</p> <p>Whilst notifications were all present on the Council's website as required, issues were noted in relation to the accuracy and completeness of the dedicated Aberdeen City Council Bond page, which indicates it records all LSE announcements since 1 December 2016.</p> <p><u>Reporting Delay</u></p> <p>As stated in the Council's Bond Governance Protocol, in line with the Market Abuse Regulation Article 17 and EU Withdrawal Act 2020:</p> <p><i>“Where there has been a delay in disclosing inside information, the Chief Officer - Finance must notify the Financial Conduct Authority (FCA) of the delay immediately after publicly disclosing the information. Any decision to delay disclosure will be taken by the Chief Officer – Finance”.</i></p> <p>However, it was noted one (5%) of the 19 Council announcements present on the London Stock Exchange (LSE) news webpage, relating to quarter one financial results for 2024/25 appeared on the Council's website showing a date 10 days prior to its publication on the LSE news website, and there was no evidence the Council notified the FCA. The People and Citizen Service and Finance provided evidence that this had in fact been posted on time, but the recorded publication date was typed incorrectly – this was resolved during the course of this review.</p>		

Ref	Description	Risk Rating	Minor
	<p><u>Announcement Retention</u></p> <p>Article 17(1) of the Market Abuse Regulations 596/2014, onboarded into UK law by the EU Withdrawal Act 2018 also states:</p> <p><i>"The issuer shall post and maintain on its website for a period of at least five years, all inside information it is required to disclose publicly."</i></p> <p>However, six (32%) announcements going back to August 2023 were absent from the Council's dedicated Bond website, however all announcements were available at different areas of the website (e.g. committee reports, budget consultation etc.).</p> <p><u>Delegated Authority</u></p> <p>In addition, a relatively minor risk was noted that three (60%) of five LSE announcements reviewed were approved by the Finance Operations Manager between, albeit the Chief Officer – Finance was copied into the related emails.</p> <p>The Chief Officer – Finance has since sub-delegated the power to approve LSE notifications to the Finance Operations Manager on 22 May 2025.</p>		
	<p><b>IA Recommended Mitigating Actions</b></p> <p>The system of control over LSE announcements should be reviewed and enhanced ensure accuracy of Bond related notifications and to ensure LSE announcements are maintained on the Council's website in line with UK MAR retention requirements.</p>		
	<p><b>Management Actions to Address Issues/Risks</b></p> <p><i>Observations and recommendations duly noted. Most aptly implemented.</i></p> <p><i>Documented checks on published reports to be put in place immediately ensuring their timely release across the mandated mediums.</i></p> <p><i>People and Citizen Services - The instruction to post to the ACC website after the LSE announcement has been made is contained in guidance already held on the External Comms Teams site. Relevant staff have been reminded of its existence and the need to comply with it.</i></p>		
	<b>Risk Agreed</b>	<b>Person(s)</b>	<b>Due Date</b>
	Yes	Finance Operations Manager	Implemented

## 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
<b>Corporate</b>	This issue / risk level impacts the Council as a whole. Mitigating actions should be taken at the Senior Leadership level.
<b>Function</b>	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.
<b>Cluster</b>	This issue / risk level impacts a particular Service or Cluster. Mitigating actions should be implemented by the responsible Chief Officer.
<b>Programme and Project</b>	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
<b>Minor</b>	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.	<b>Substantial</b>
<b>Moderate</b>	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.	<b>Reasonable</b>
<b>Major</b>	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.	<b>Limited</b>
<b>Severe</b>	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.	<b>Minimal</b>

Individual Issue / Risk Rating	Definitions
<b>Minor</b>	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.
<b>Moderate</b>	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.
<b>Major</b>	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.
<b>Severe</b>	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.

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## 5 Appendix 2 – Assurance Scope and Terms of Reference

### 5.1 Area subject to review

In October 2016, the Council obtained its first credit rating, prior to issuing £370m of bonds in November 2016, on the London Stock Exchange, to finance the Council's capital investment programme.

The Bond Trust Deed (Deed) is a legal agreement made on 8 November 2016, between the Council and the Bond Trustee (BNY Mellon Corporate Trustee Services Limited), detailing the rights and obligations of both parties, in respect of bonds. In addition, there is an Agency Agreement dated 8 November 2016 between Aberdeen City Council (as Issuer), The Bank of New York Mellon (as Calculation Agent) and BNY Mellon Corporate Trustee Services Limited (as Bond Trustee).

These require the Council to:

- Settle Bond principal and interest payments owed<sup>12</sup>
- Maintain a Calculation Agent<sup>13</sup> and Paying Agent to calculate bond interest and principal payments owed and to make these payments on behalf of the Council to Bondholders.
- Withhold tax<sup>14</sup> on interest payments as required and make payments to HMRC<sup>15</sup>.
- Send to the Bond Trustee a copy of the Audited financial statements no later than 180 days<sup>16</sup> after the end of the financial year and a certificate covering any Events of Default<sup>17</sup>.

In addition, the Council is required to use reasonable endeavours to maintain a credit rating<sup>18</sup> during the term of the bonds, until the final instalment redemption date of 28 February 2054, when the outstanding principal will be repaid by the Council, and to do so the Council has appointed a credit rating agency who conduct credit rating reviews as required. The Aberdeen Economic Policy Panel produce an annual economic report on the Aberdeen and regional economic performance, with a view to providing constructive challenge and related recommendations on any wider interventions that could inform the Council's annual credit rating assessment.

The Council must also comply with the UK Market Abuse Regulation (UK MAR)<sup>19</sup>; the Financial Conduct Authority's Disclosure and Transparency Rules and Listing Rules (FCA Rules)<sup>20</sup> and the requirements of the London Stock Exchange (LSE) Admission and Disclosure Standards<sup>21</sup>. This means the Council must manage inside information, that is likely to have a significant effect on the price of issued bonds or on related derivative financial instruments, correctly to avoid insider dealing and misleading investors.

Sanctions imposed by the FCA for failing to comply with relevant legislation and regulations include suspension of trading on the LSE; unlimited fines; a statement published censuring the individuals concerned; and/or imprisonment.

### 5.2 Rationale for review

The objective of this audit is to obtain assurance over the governance arrangements in relation to the Council's bonds.

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<sup>12</sup> Bond Trust Deed: Promise to Pay on the day the money is due (Clause 2).

<sup>13</sup> Bond Trust Deed: Obligation to maintain a Paying Agent and Calculation Agent (Clause 15.2.1). See also Clause 1 for definitions of both phrases and refer to the Agency Agreement. Clause 2.2 of the Agency Agreement indicates that the Calculation Agent is appointed for the purpose of determining the interest and principal payable in respect of the bonds.

<sup>14</sup> Bond Trust Deed: Reference to FATCA (US withholding tax legislation) (Clause 23). Agency Agreement: The issuer (ACC) has responsibility for determining whether any deductions/withholdings are required (Clause 10) and Tax Certification Procedure (Clause 11).

<sup>15</sup> Bond Trust Deed: see Clause 5 and Schedule 2, paragraph 8 of the Agency Agreement.

<sup>16</sup> Bond Trust Deed: see Clause 15.1.5.

<sup>17</sup> Bond Trust Deed: see Clause 15.1.7.

<sup>18</sup> Bond Trust Deed: see Clause 15.3.3.

<sup>19</sup> [Market Abuse Regulation | FCA](#)

<sup>20</sup> [FCA Handbook - FCA Handbook](#)

<sup>21</sup> [LSEG Admission and Disclosure Standards | Effective July 2024](#)

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This has been included in the agreed Internal Audit plan due to the material value of the bonds, and the ongoing need to ensure payments and tax deductions are accurately calculated and related listing regulations and rules are complied with, to avoid financial loss, or sanctions as described above.

These areas were last reviewed in report AC1824 Bond Governance in February 2018 and report AC1921 Bond Trust Deed in January 2019 when compliance with arrangements was found to be generally adequate. Recommendations were however made to enhance the framework of control.

### 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 during the visits are:

- Governance, including Written Policies, Procedures and Training
- Risk Management
- Payment Accuracy and Timeliness
- Economic Policy Panel
- Regulatory Compliance including Management of Inside Information
- Bond Trustee Year End Compliance
- Registers of Interests
- Reporting and Monitoring Arrangements

### 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, Internal Audit 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 Committee (final only)
  - External Audit (final only)

### 5.6 IA staff

The IA staff assigned to this review are:

- Kostas Minas, 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:

- Andy MacDonald, Executive Director – Corporate Services
- Jonathan Belford, Chief Officer – Finance
- Bernie Bularan, Deputy Chief Finance Officer (**process owner**)
- Alan Thomson, Legal Services Manager
- Jess Anderson, Team Leader, Regulatory & Compliance
- Steven Inglis, Team Leader, Regulatory & Compliance
- Deirdre Nicolson, Solicitor, Regulatory & Compliance
- Neil Stewart, Accountant
- Lesley Fullerton, Finance Operations Manager

## 5.8 Delivery plan and milestones

The key delivery plan and milestones are:

Milestone	Planned date
Scope issued	08-May-25
Scope agreed	15-May-25
Fieldwork commences	26-May-25
Fieldwork completed	20-Jun-25
Draft report issued	11-Jul-25
Process owner response	01-Aug-25
Director response	08-Aug-25
Final report issued	15-Aug-25

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## ABERDEEN CITY COUNCIL

<b>COMMITTEE</b>	Audit, Risk and Scrutiny Committee
<b>DATE</b>	11 September 2025
<b>EXEMPT</b>	No
<b>CONFIDENTIAL</b>	No
<b>REPORT TITLE</b>	Internal Audit Report AC2605 – Early Learning and Childcare Setting Visits
<b>REPORT NUMBER</b>	IA/AC2605
<b>DIRECTOR</b>	N/A
<b>REPORT AUTHOR</b>	Jamie Dale
<b>TERMS OF REFERENCE</b>	2.2

### 1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to present the planned Internal Audit report on Early Learning and Childcare Setting Visits

### 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 Early Learning and Childcare Setting Visits.

### 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 AC2605 – Early Learning and Childcare Setting Visits

## 12. REPORT AUTHOR CONTACT DETAILS

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Tel	(01467) 530 988



## Internal Audit

### Assurance Review of Early Learning and Childcare Setting Visits

**Status:** Final

**Date:** 13 August 2025

**Risk Level:** Cluster

**Report No:** AC2605

**Assurance Year:** 2025/26

Net Risk Rating	Description	Assurance Assessment
<b>Moderate</b>	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.	<b>Reasonable</b>

Report Tracking	Planned Date	Actual Date
Scope issued	29-May-25	28-May-25
Scope agreed	05-Jun-25	03-Jun-25
Fieldwork commenced	16-Jun-25	16-Jun-25
Fieldwork completed	04-Jul-25	02-Jul-25
Draft report issued	25-Jul-25	22-Jul-25
Process owner response	15-Aug-25	12-Aug-25
Director response	22-Aug-25	13-Aug-25
Final report issued	29-Aug-25	13-Aug-25
AR&S Committee	11-Sep-25	

Distribution	
<b>Document type</b>	Assurance Report
<b>Director</b>	Eleanor Sheppard, Executive Director – Families and Communities
<b>Process Owner</b>	Louise Beaton, Service Manager – Early Years Fiona Lawrie, Early Years Manager
<b>Stakeholder</b>	Shona Milne, Chief Officer – Education and Lifelong Learning
	Caroline Johnstone, Quality Improvement Manager
	Emma Douglas, Head Teacher, Abbotswell School
	Mark Evans, Head Teacher, Cornhill School
	Moir Maciver, Head Teacher, Kingswells School
	Karla Mennie, Early Years Manager, Duthie Park and Hazlehead ELC Settings
	Lara Macrae, Early Years Manager, Links ELC
	Jonathan Belford, Chief Officer – Finance*
	External Audit*
<b>*Final only</b>	
<b>Lead auditor</b>	Graeme Flood, Auditor

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# 1 Introduction

## 1.1 Area subject to review

As at 26 May 2025, Aberdeen City Council has 50 Early Learning and Childcare settings (three of which are not attached to a specific primary school). These establishments employ 477 salaried staff (375 FTE), while a further 109 relief workers engaged via the Relief Pool were paid in April 2025, teaching approximately 3,100 pupils. For the financial year 2025/26 they have a combined budget of £16.74m and under the Devolved School Management Policy, approximately 72% of this budget is managed directly at the school level by the Head Teacher.

As well as Council budget provision, nurseries may generate their own funds through various means that are managed through the Primary school's standalone bank accounts held in each school's name with the responsibility for their management and financial control resting with the Head Teacher and the operational management with the school administrator. Turnover within these accounts can, for larger establishments, exceed five figures. The school fund should have a written constitution detailing the roles and responsibilities of staff as well as the uses to which the funds can be made.

## 1.2 Rationale for review

The objective of this audit is to ensure establishments have adequate procedures in place to manage the financial aspects of the establishment and comply with the Council's Financial Regulations.

This area has not been subject to review previously. Primary Schools are managing financial transactions outwith the Council's centralised financial controls, to which Nurseries may contribute. With online and cash transactions being processed through standalone bank accounts and financial spreadsheets, it is essential a system of independent review is undertaken.

## 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
<b>Moderate</b>	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.	<b>Reasonable</b>

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

Risk Level	Definition
<b>Cluster</b>	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 risk is assessed as **MODERATE**, with the control framework deemed to provide **REASONABLE** assurance over compliance with Financial Regulations and the management of the financial aspects of Early Learning and Childcare settings.

The Council's Scheme of Governance, the Financial Services staff intranet SharePoint page, and related Schools Finance SharePoint page adequately define policy and expectations in relation to the management of nursery finances.

Purchase orders had been raised as required for expenditure at nurseries visited, and supporting documentation was present for all transactions through the purchase card process. None of the settings collected any income or handled cash in any format. Milk and Healthy Snack scheme data is being provided as required.

However, the review identified some areas of weakness where enhancements could be made to strengthen the framework of control, specifically:

- **Guidance and Training** – The errors/omissions detailed in this report below could have been avoided via compliance with existing corporate/education policies and procedures available in various locations on the Council's intranet. However, when issues were highlighted to the staff involved, they indicated that they were not aware of the related requirements. Where staff are inadequately trained this risks poor financial control and Best Value. The development of the administrator's handbook should help mitigate this risk.
- **School Funds** – The three standalone Early Learning and Childcare settings had no separate bank accounts, with all current expenditure funded through Council DSM budgets, however the three primary schools with attached nurseries had a school fund, which was available for funding resources for the whole school including the nursery. Of the three schools with a school fund, two (66%) did not have a school fund constitution prescribing permitted use of the school fund and authorisation requirements. One (33%) school fund was not maintaining a cash book to fully support the income and expenditure transactions undertaken. It did not provide a running balance of the fund's balance, and did not provide a recognisable bank reconciliation process for the Head Teacher to review. None (100%) of the schools had activity set up forms detailing the reason for the different activity balances being held in the school fund and the authorised signatories. In addition, one (33%) school had approximately £80 of unsupported cash held in the safe. Collectively, these issues risk poor financial control, unauthorised expenditure, the achievement of Best Value, allegations of misappropriation of funds, and reputational damage.

- **Purchase cards** – In breach of the Council's Purchase Card guidance a setting visited was retaining their purchase card in an unsecured public location, along with the PIN number. They were also allowing staff, other than the card holder to remove the card to make purchases, using a card sign in/out sheet. Failure to comply with the corporate guidance in this manner risks theft of the card and fraud, unauthorised and inappropriate spend, financial loss and reputational damage. In addition, two of the schools (33%) were not uploading the receipts relating to the spend made on the card, as required by the purchase card guidance. However, in each instance the hard copy of the receipt was available at the school and had been reviewed by the approver. Both card reviewers who updated the purchase card system indicated they were unaware of the requirement and will adhere to requirements in future.
- **Payroll** – All settings were receiving monthly staff monitoring reports from the Payroll Team, detailing the staff being charged to the setting, both permanent and relief. These reports were being checked to confirm that only the correct staff working at the location were being costed there, and that any relief hours being paid reconciled to the timesheets submitted. Testing of payments made highlighted a member of staff who had received an overtime payment of £765, the only such payment across all Early Learning and Childcare settings. The payment was not approved by the school and the Payroll Team confirmed it as a processing error within the Business Support Team. This was not detected by the budget holder at the time.. The monthly staff monitoring reports could be improved to emphasise the guidance / instructions to budget holders to check all payments included within the report to prevent future overpayments going undetected.
- **VAT** – Schools receive commission for facilitating school pupil photographs being taken. Under HMRC rules the commission is deemed as standard rated and therefore the Council must repay the 20% VAT element included in the commission received. One school paid the commission into their school fund and has never paid over the VAT element. The School Administrator indicated they were unaware of the requirement despite it being covered in school VAT guidance held on the Council's intranet, and that VAT for photo commission had not been accounted for during her 15-year tenure. The school are liaising with Finance to reimburse approximately £400 VAT due for the current and previous three financial years (in line with VAT regulations). A follow up review of income processed through the Councils financial ledger identified VAT commission transactions for 11 schools. This could indicate that the remaining schools are not correctly accounting for VAT or are receiving no commission. In relation to expenditure, where a Council location purchases standard rated supplies or services for the school, they can recover the VAT element, therefore reducing the cost to their budget. Instances were found at two (33%) of the settings where standard rated expenditure had been processed through the school fund. By processing the expenditure through the school fund, they were unable to recover the VAT element, approximately £300, a financial loss for the school, parents and pupils, where expenditure could instead be incurred via the school's per capita net of VAT.

Collectively the financial risks highlighted risk of financial loss, lack of Best Value and poorer financial outcomes for parents and pupils.

Recommendations have been made to address the above points, including formalising school administrator guidance and related training; risk assessing nursery premises, and ensuring schools comply with school fund and purchase card requirements. In addition, it is recommended E&LL works with Finance to ensure an optimal approach to VAT accounting and that Payroll enhance monthly payroll reports for timesheet hour monitoring purposes.

## 2.3 Management response

*The Service welcomes this review of Early Learning and Childcare administration, which has provided the Service with a clear set of priorities to help strengthen our arrangements. The Service has already progressed a number of agreed actions. Finance guidance for schools will be reshared with all schools, with particular attention drawn to the requirements identified in this audit report. This guidance is stored*

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*in a SharePoint site to ensure school staff always have access to the most up to date guidance and that the guidance can be updated easily as required. Where appropriate, the agenda for Quality Improvement Team Learning Walks and QI visits to schools has been amended to include requirements from this report.*

## 3 Issues / Risks, Recommendations, and Management Response

### 3.1 Issues / Risks, recommendations, and management response

Ref	Description	Risk Rating	Minor
1.1	<p><b>Guidance and Training</b> – Comprehensive guidance and training, made available to staff, can reduce the risk of errors and inconsistency and provide management with assurance over staff practices, especially in the event of an experienced employee being absent or leaving.</p> <p>The Council's Scheme of Governance, including the Financial Regulations and Procurement Regulations, as well as various guidance made available to staff via the Financial Services corporate SharePoint site, adequately define policy and expectations for staff on managing Council finances, including those managed by nurseries/Early Learning Centre (ELC) settings. This includes Education and Lifelong Learning's School Fund Accounting and Auditing Requirements procedure, which adequately defines school fund requirements (e.g. annual audit and reporting to Finance, activity set up, reconciliations, prohibited spend).</p> <p>Despite this, as highlighted below, some practice has contravened policy/procedure and when asked why this was the case staff indicated they were unaware of the related requirements. Where staff are inadequately trained, this risks inappropriate financial administration, financial loss and reputational damage.</p> <p>However, an Administrators Handbook is being compiled with a publication due date of September 2025, which will provide a single point of reference for school administrators covering all school financial and administrative matters, which should help to address this. A recommendation is included to track progress to ensure staff are adequately trained.</p>		
IA Recommended Mitigating Actions			
The Administrator's Handbook should be finalised, approved for use and issued and E&LL should establish a system of control to ensure staff are adequately trained.			
Management Actions to Address Issues/Risks			
A School Admin Handbook will be completed and shared with all schools and settings. The handbook will be stored within the existing Education Finance folder on SharePoint to ensure that schools and settings always have access to the most up to date version.			
Risk Agreed	Person(s)	Due Date	
Yes	Quality Improvement Manager	October 2025	

Ref	Description	Risk Rating	Moderate
1.2	<p><b>Purchase Card</b> – Purchase cards are issued to named Council employees to procure goods or services for incidental/petty cash type spend, which cannot be fulfilled by one of the Council's approved supplier contracts. Each service area is required to have at least one reviewer to allocate the correct financial codes, allocate VAT, and upload receipt within the purchase card system in support of transactions. A reviewer can be a cardholder but does not have to be i.e. can review on behalf of cardholders. In addition, each service area is required to also have at least one approver required to check transactions are "legitimate" prior to approving them. Approvers cannot be cardholders to ensure segregation in purchasing by cardholders and the scrutiny of those purchases.</p> <p>All the settings had at least one purchase card in use at the time of the audit and were using the card to purchase the healthy snack provided free to pupils under the Scottish</p>		



Ref	Description	Risk Rating	Moderate
	<p>Governments Milk &amp; healthy Snack scheme; this approach is acceptable to C&amp;PSS in terms of Best Value.</p> <p>The Council's purchase card guidance, which all cardholders, reviewers, and approvers are required to be aware of, states:</p> <p><i>"Only the designated card holder should know the Pin number...Only the named cardholders should be spending on the card, cards must not be shared with other team members for making payment. When not in use each card should be securely kept in an ACC safe or other secure ACC locked facility. As a guide for all external entities (e.g., schools), pre-defined arrangements should follow this principle as regards custodianship of cards not in use within their area / vicinity / work HQ".</i></p> <p>However, one (17%) setting visited during this review was retaining their purchase card in an unsecured public location, along with the PIN number, presenting the risk of its unauthorised use and cost to the public purse. They were also allowing staff, other than the card holder to remove the card to make purchases, using a card sign in/out process. Failure to comply with the corporate guidance in this manner risks theft of the card and fraud, unauthorised and inappropriate spend, financial loss and reputational damage.</p> <p>In addition, two of the schools (33%) were not uploading the receipts relating to the spend made on the card, as required by the purchase card guidance impeding central monitoring of expenditure, albeit in each instance the hard copy of the receipt was available at the school and had been checked by the approver, Both reviewers at these settings who updated the purchase card system indicated they were unaware of the requirement but will ensure they upload receipts in future.</p>		
<b>IA Recommended Mitigating Actions</b>			
<b>All E&amp;LL cardholders, reviewers and approvers should ensure they comply with the Council's purchase card guidance.</b>			
<b>Management Actions to Address Issues/Risks</b>			
<i>E&amp;LL will reshare the Council's purchase card guidance with all schools and settings and this will be added to the existing Education Finance folder on SharePoint to ensure that schools and settings always have access to the most up to date version. This will also be included on the agenda for the first in-person head teacher meeting of the new school session.</i>			
<b>Risk Agreed</b>		<b>Person(s)</b>	<b>Due Date</b>
Yes		Quality Improvement Manager	September 2025

Ref	Description	Risk Rating	Minor
1.3	<p><b>Payroll Costs</b> – All settings were receiving monthly staff monitoring reports from the Payroll Team, detailing the staff being charged to the setting, both permanent and relief. These reports were being checked to confirm that only staff working at the location were being costed there, and that any relief hours being paid reconciled to the timesheets submitted.</p> <p>Testing of payments made highlighted a member of staff who had received an overtime payment of £765, the only such payment across all Early Learning and Childcare settings. The payment was not approved by the school and was confirmed by the Payroll Team as having been a processing error within the Business Support Team.</p>		

Ref	Description	Risk Rating	Minor
	<p>The payroll element under which the payment was made does not show on the staff monitoring reports with the hours paid, but does show within the overtime account code (11112) as a value, therefore can be identified as overtime hours.</p> <p>Whilst there is guidance for budget managers to interpret the reports and the budget codes within the report included on a tab within the report, this could be improved which may help managers to identify errors and prevent incorrect payments happening. In this case, Education have contacted Payroll to arrange for the overpayment to be reimbursed. This employee has been notified of the overpayment and an invoice sent out to recover the monies.</p>		
	<b>IA Recommended Mitigating Actions</b>		
	The Payroll Team should review and revise the monthly staff monitoring report to ensure payroll errors relating to timesheet hours are more easily detected by making the guidance on using and interpreting the reports clearer for budget managers		
	<b>Management Actions to Address Issues/Risks</b>		
	<p><i>The current staff monitoring reports issued to budget holders provide clear guidance to managers on how to interpret the report and what each budget code relates to. In terms of overtime payments this is included in a different account costing column (11112) and reported against an individual employee.</i></p> <p><i>The Payroll Team will look into the possibility of adding a column in the Staff Monitoring report to confirm the actual number of hours as well as the value of the payment. In addition, communications will be issued to managers via the Leadership Forum about the importance of checking the monthly staff monitoring reports and will be emphasised in the covering email that accompanies the monthly reports.</i></p>		
	<b>Risk Agreed</b>	<b>Person(s)</b>	<b>Due Date</b>
	Yes	Team Leader - Payroll	October 2025

Ref	Description	Risk Rating	Moderate
1.4	<p><b>School Fund</b> – The School Funds Accounting and Auditing Requirements provides guidance for maintaining the school fund. A school fund should be governed by a constitution, which details the requirements for administering that specific fund, and what the funds can be used for. To ensure the fund is being administered appropriately, a reconciliation of the fund balance should be carried out monthly, and the fund should be subject to an annual independent audit.</p> <p>The three standalone nursery settings had no separate bank accounts, with all current expenditure funded through Council DSM budgets. The three primary schools had a fund, which was available for funding resources for the whole school including the nursery.</p> <p>Whilst all school fund expenditure reviewed was supported by receipts/invoices and all had an annual audit as required, the following exceptions were noted:</p> <ul style="list-style-type: none"> <li>Two (66%) of three schools didn't have a school fund constitution at the time of the review, risking unauthorised and inappropriate expenditure, due to school fund governance arrangements being inadequately prescribed.</li> <li>One of three (33%) school fund spreadsheets was not maintaining a cash book to fully support the income and expenditure transactions undertaken. It did not provide a running balance of the fund's balance, had a poor level of transaction narrative /</li> </ul>		

Ref	Description	Risk Rating	Moderate
	<p>description and activities had not been separated adequately, impeding management oversight.</p> <ul style="list-style-type: none"><li>• The same school (33%) mentioned above did not provide the Head Teacher with a monthly bank reconciliation to school fund category balances, reducing management financial control over the school fund.</li><li>• In addition, the same school (33%) mentioned above had unsupported cash (~£80) held in the safe, increasing the risk of accusations of misappropriation of funds and reputational damage. The school has verified this balance will be paid in to the school fund bank account at the next available cash uplift.</li><li>• None of the schools had completed activity set up forms reducing the supporting evidence as to why activities had been set up, who had authority to make use of these funds, and what should happen with any surplus / deficit when the activity ended</li></ul> <p>Collectively, these breaches of school accounting requirements, risk poor financial control, unauthorised expenditure, the achievement of Best Value, allegations of misappropriation of funds, and reputational damage.</p>		
IA Recommended Mitigating Actions			
Education should ensure staff comply with the school, fund requirements set out in the “Financial Services – Schools Finance” area of the Council's intranet.			
Management Actions to Address Issues/Risks			
E&LL have included checking schools’ compliance with financial regulations in respect of school funds on the agenda for Learning Walks/QI Visits from session 2025/26.			
Risk Agreed	Person(s)	Due Date	
Yes	Quality Improvement Manager	August 2025	

Ref	Description	Risk Rating	Moderate
1.5	<p><b>VAT</b> – Specific VAT guidance relating to schools is available on the Financial Services – VAT section of the Council's intranet. It describes the correct accounting arrangements for a range of school income and expenditure for VAT purposes. The guidance has been reviewed in July 2025 by Finance.</p> <p><u>Photo Commission</u></p> <p>In relation school photo commission, it states this income cannot be accounted for within the school fund and instead must be accounted for with the school per capita budget as a standard rated activity, meaning under HMRC rules, the Council must repay the 20% VAT element included in the commission received.</p> <p>However, one school paid the commission into their school fund and has not paid over the VAT element to HMRC. The school administrator indicated they were unaware of the requirement despite it being covered in school VAT guidance on the Council's intranet and this had never been done during her tenure (15 years). The school are liaising with Finance to reimburse the VAT due for the current and previous three financial years.</p> <p>A follow up review of income processed through the Councils financial ledger identified VAT commission transactions for 11 schools. This could indicate that the remaining schools are not correctly accounting for VAT or are receiving no commission.</p>		

Ref	Description	Risk Rating	Moderate
	<p>Failure to comply with VAT regulations could result in penalties and interest charges being levied by HMRC on the Council, risking financial loss, public reprimand, and reputational damage.</p> <p><u>School Expenditure</u></p> <p>Where a school purchases standard rated goods or services, they can recover the VAT element, reducing the cost to their budget, and where VAT would otherwise be incurred by the school fund, this represents a saving which can benefit parents and pupils.</p> <p>However, instances were identified at two of the settings where standard rated expenditure with significant VAT content (approx. £300), permitted to be charged to the school's per capita budget, had been processed through the school fund, meaning the VAT element was unnecessarily incurred by the school, fund at the expense of parents of pupils, risking reputational damage for the school, should charges for school fund activities be unnecessarily high.</p> <p>In such instances it would be more economical for the school to process the transactions through the Council's procurement and payment process and transfer the net cost from the school fund to per capita.</p>		
<b>IA Recommended Mitigating Actions</b>			
<p>a) Schools should be reminded of the VAT requirements regarding photo commission and the process for recovering VAT on expenditure being funded from the school fund, where permissible.</p> <p>b) Education should request positive assurance from all schools that they have reimbursed the Council for VAT on phot commission or they have received no commission. They should be instructed, that should they have received commission and not reimbursed the VAT that they contact Finance to arrange for the required period of unaccounted VAT to be reimbursed to the Council.</p>			
<b>Management Actions to Address Issues/Risks</b>			
<p>a) <i>Current ACC guidance around the VAT requirements regarding photo commission and the process for recovering VAT on expenditure being funded from the school fund, where permissible, will be reshared with all schools.</i></p> <p>b) <i>We will contact the schools who have not appeared on the Internal Audit review to ascertain their compliance with the requirements of reimbursing the VAT element within photo commission received. We will notify them to contact Finance where a required reimbursement has not been processed.</i></p>			
<b>Risk Agreed</b>		<b>Person(s)</b>	<b>Due Date</b>
Yes		Quality Improvement Manager	<p>a) August 2025</p> <p>b) October 2025</p>

## 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
<b>Corporate</b>	This issue / risk level impacts the Council as a whole. Mitigating actions should be taken at the Senior Leadership level.
<b>Function</b>	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.
<b>Cluster</b>	This issue / risk level impacts a particular Service or Cluster. Mitigating actions should be implemented by the responsible Chief Officer.
<b>Programme and Project</b>	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
<b>Minor</b>	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.	<b>Substantial</b>
<b>Moderate</b>	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.	<b>Reasonable</b>
<b>Major</b>	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.	<b>Limited</b>
<b>Severe</b>	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.	<b>Minimal</b>

Individual Issue / Risk Rating	Definitions
<b>Minor</b>	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.
<b>Moderate</b>	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.
<b>Major</b>	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.
<b>Severe</b>	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.

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## 5 Appendix 2 – Assurance review scoping document

### 5.1 Area subject to review

As at 26 May 2025, Aberdeen City Council has 50 Early Learning and Childcare settings (three of which are not attached to a specific primary school). These establishments employ 477 salaried staff (375 FTE), while a further 109 relief staff were paid in April 2025, teaching approximately 3,100 pupils. For the financial year 2025/26 they have a combined budget of £16.74m and under the Devolved School Management Policy, approximately 72% of this budget is managed directly at the school level by the Head Teacher.

As well as Council budget provision, nurseries may generate their own funds through various means that are managed through the Primary school's standalone bank accounts held in each school's name with the responsibility for their management and financial control resting with the Head Teacher and the operational management with the school administrator. Turnover within these accounts can, for larger establishments, exceed five figures. The school fund should have a written constitution detailing the roles and responsibilities of staff as well as the uses to which the funds can be made.

### 5.2 Rationale for review

The objective of this audit is to ensure establishments have adequate procedures in place to manage the financial aspects of the establishment and comply with the Council's Financial Regulations.

This area has not been subject to review previously. Primary Schools are managing financial transactions outwith the Council's centralised financial controls, to which Nurseries may contribute. With online and cash transactions being processed through standalone bank accounts and financial spreadsheets, it is essential a system of independent review is undertaken.

### 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 during the visits are:

- Training
- Purchasing
- Purchase Cards
- Timesheets
- Milk & Healthy Snack Data
- School Funds
- Income & Security of Monies

### 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, Internal Audit 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.

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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:

- Head Teachers / Setting Managers at each nursery visited will receive a risk-based memo with recommendations specifically dealing with their establishment, whilst Location Managers will receive a location specific memo.
- 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:

- Graeme Flood (**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
- Shona Milne, Chief Officer – Education and Lifelong Learning
- Louise Beaton, Service Manager – Early Years (**process owner**)
- Caroline Johnstone, Quality Improvement Manager
- Moira Maciver, Head Teacher, Kingswells School
- Emma Douglas, Head Teacher, Abbotswell School
- Mark Evans, Head Teacher, Cornhill School
- Lara Macrae, Early Years Manager, Links ELC
- Karla Mennie, Early Years Manager, Duthie Park and Hazlehead Outdoor ELC settings

## 5.8 Delivery plan and milestones

The key delivery plan and milestones are:

Milestone	Planned date
Scope issued	29-May-25
Scope agreed	5-Jun-25
Fieldwork commences	16-Jun-25
Fieldwork completed	04-Jul-25 <sup>1</sup>

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<sup>1</sup> Fieldwork based on availability of staff at schools being visited with onsite visits proposed to place prior to the summer holiday break.

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Milestone	Planned date
Draft report issued	25-Jul-25
Process owner response	15-Aug-25
Director response	22-Aug-25
Final report issued	29-Aug-25