



Internal Audit

Audit, Risk and Scrutiny Committee Internal Audit Update Report June 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 2024/25 Internal Audit Plan, audit recommendations follow up, and other relevant matters for the Committee to be aware of.

1.2 Highlights

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

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

1.3 Action requested of the ARS Committee

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

2 Internal Audit Progress

2.1 2024/25 Audits

Service	Audit Area	Position
NESPF	Pension Fund Payroll ¹	Final report Issued
Corporate Services	Group Structure Assurance	Final report Issued
Families and Communities	Housing Allocations and Choice Based Letting	Final report Issued
Families and Communities	Corporate Landlord Responsibilities	Final report Issued

2.2 Audit reports presented to this Committee

Report Title	Assurance Year	Net Risk Rating	Conclusion
AC2517 – Housing Allocations and Choice Based Letting	2024/25	Moderate	<p>The level of net risk is assessed as MODERATE, with the control framework deemed to provide REASONABLE assurance over the Council's approach to Creditors Sub-System Payments.</p> <p>Reasonable assurance was available over the following areas reviewed: Governance, Performance Monitoring, and Appeals and Cancellations.</p> <p>However, the review identified some areas of weakness where enhancements could be made to strengthen the framework of control, specifically: New Applications, Allocations, Deferrals, Tenant Satisfaction, Application Annual Review, and Policies and Procedures.</p> <p>Recommendations have been made to address the above risks, including reviewing the Housing Allocation policy and enhancing the system of control over application assessment and allocations. In addition, recommendations were made to enhance control over deferrals, suspensions and annual reviews and to improve tenant satisfaction where feasible.</p>
AC2508 – Group Structure Assurance	2024/25	Moderate	<p>The level of net risk is assessed as MODERATE, with the control framework deemed to provide REASONABLE assurance over the Council's approach to Group Structure Assurance.</p> <p>Reasonable assurance was available over the following areas reviewed: Committee Reporting, ALEO Assurance Hub, and Following the Public Pound (FtPP) Guidance.</p> <p>However, the review identified the following areas where enhancements could be made to strengthen the framework of control, specifically: Governance Enhancements, Aberdeen Heat and Power (AH&P_</p>

¹ NESPF reports are only presented to the Pensions Committee for scrutiny.

Report Title	Assurance Year	Net Risk Rating	Conclusion
			<p>Ltd, Assessment of Fraud Risks, and ALEO Strategic Partnership and Service Leads.</p> <p>Recommendations have been made to address the above risks including ensuring all aspects of the ALEO Assurance Framework are operational and related meeting actions are documented; enhancing ALEO Assurance Hub checks in relation to FtPP; formalising assurance arrangements concerning AH&P Ltd; and ensuring fraud risks are adequately monitored.</p>
AC2518 – Corporate Landlord Responsibilities	2024/25	Major	<p>The level of net risk is assessed as MAJOR, with the control framework deemed to provide LIMITED assurance over the systems in place to provide assurance over compliance with the legal requirements in relation to the Council's Corporate Landlord role for operational properties. If these requirements are not being planned, scheduled, met and adequately evidenced, there is an increased risk to building users' safety, and thereby to the Council's financial resources and reputation.</p> <p>The review identified areas of weakness where enhancements are required to be made to improve the framework of control and compliance including: Written Procedures, Contracts, Contractor Performance, Planning and Scheduling, and Documentation.</p> <p>Recommendations have been made to address the identified risks including: review and updates to procedures to clearly explain roles and requirements; ensuring contract documentation is on file and procurement regulations are satisfied; reviewing how KPI's are set and monitored; improving processes and reporting to deliver assurance that statutory maintenance is taking place as scheduled, and that safety critical defects/risks are being addressed promptly, and development of an appropriate quality assurance system to confirm corporate landlord responsibilities are being discharged effectively.</p>

2.3 Follow up of audit recommendations

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

As at 30 April 2025 (the baseline for our exercise), 25 audit recommendations were due and outstanding:

- Three rated as Major
- 18 rated as Moderate

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- Four rated as Minor

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

- One rated as Major
- Six rated as Moderate

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

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

3 Appendix 1 – Grading of Recommendations

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

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

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

4 Appendix 2 – Audit Recommendations Follow Up – Outstanding Actions

Report	Grading	Ref	Recommendation	Original Due Date	Current Due Date	Committee Update	Status
AC2418 – Biodiversity and the Natural Environment	Moderate	1.4a	The planned public and wider stakeholder biodiversity awareness and engagement campaign should be delivered.	Apr-25	May-26	Extension requested due to attrition within the Team and wider capacity issues.	In Progress
AC2418 – Biodiversity and the Natural Environment	Moderate	1.4b	An engagement and communication plan should be prepared for longer term biodiversity engagement and communication with the public and wider stakeholders.	Apr-25	May-26	Extension requested due to attrition within the Team and wider capacity issues.	In Progress
AC2414 – Financial Assessments	Moderate	1.3b	Processes should be reviewed to ensure assessments can be completed timeously, within available resource.	Mar-25	Jun-25	Management has progressed the action in relation to this recommendation and are currently working with Internal Audit on evidencing the steps taken. Extended slightly to allow for this to be completed.	In Progress
AC2414 – Financial Assessments	Moderate	1.3a	The Service should set priorities for completing overdue assessments.	Mar-25	Jun-25	Management has progressed the action in relation to this recommendation and are currently working with Internal Audit on evidencing the steps taken. Extended slightly to allow for this to be completed.	In Progress
AC2507 – IJB Budget Setting and Monitoring	Moderate	1.6b	Partners / the IJB should engage with government bodies to identify opportunities to improve access to	Mar-25	Jun-25	Management has progressed the action in relation to this recommendation and are	In Progress

Report	Grading	Ref	Recommendation	Original Due Date	Current Due Date	Committee Update	Status
			Prescribing data and information on Funding, to aid financial planning.			currently working with Internal Audit on evidencing the steps taken. Extended slightly to allow for this to be completed.	
AC2507 – IJB Budget Setting and Monitoring	Moderate	1.6c	The HSCP should define the level of detail and assurance required from budget holders where a variance is anticipated.	Mar-25	Jun-25	Management has progressed the action in relation to this recommendation and are currently working with Internal Audit on evidencing the steps taken. Extended slightly to allow for this to be completed.	In Progress
AC2507 – IJB Budget Setting and Monitoring	Moderate	1.6a	The HSCP should review forecast accuracy with budget holders and identify areas where further work is required with partners.	Mar-25	Jun-25	Management has progressed the action in relation to this recommendation and are currently working with Internal Audit on evidencing the steps taken. Extended slightly to allow for this to be completed.	In Progress
AC2507 – IJB Budget Setting and Monitoring	Moderate	1.2	The HSCP should review the support services being provided by partners, against the budget and costs incurred, on an annual basis to ensure it continues to deliver Best Value, in line with provision 6.5 of the Integration Scheme. All revisions to the budget or additional recharges	Mar-25	Jun-25	Management has progressed the action in relation to this recommendation and are currently working with Internal Audit on evidencing the steps taken. Extended slightly to allow for this to be completed.	In Progress

Report	Grading	Ref	Recommendation	Original Due Date	Current Due Date	Committee Update	Status
			should be subject to tripartite agreement in advance.				
AC2507 – IJB Budget Setting and Monitoring	Minor	1.3	The HSCP should set out its budget/MTFF to more explicitly demonstrate the level of investment planned in delivering each of the Aims set out in the Strategic Plan.	Mar-25	Jun-25	Management has progressed the action in relation to this recommendation and are currently working with Internal Audit on evidencing the steps taken. Extended slightly to allow for this to be completed.	In Progress
AC2507 – IJB Budget Setting and Monitoring	Moderate	1.4	The HSCP should set out its budget/MTFF to more explicitly demonstrate the level of investment planned in delivering each of the Aims set out in the Strategic Plan.	Mar-25	Jun-25	Management has progressed the action in relation to this recommendation and are currently working with Internal Audit on evidencing the steps taken. Extended slightly to allow for this to be completed.	In Progress
AC2507 – IJB Budget Setting and Monitoring	Moderate	1.5b	The IJB should review plans with the Council and NHS Grampian for the strategic allocation of its resources between partners and activities in the medium term, setting out the case for change in funding and allocation where required. Agreed changes to the balance of funding should be underlined through issue of a formal Direction from the IJB.	Mar-25	Jun-25	Management has progressed the action in relation to this recommendation and are currently working with Internal Audit on evidencing the steps taken. Extended slightly to allow for this to be completed.	In Progress

Report	Grading	Ref	Recommendation	Original Due Date	Current Due Date	Committee Update	Status
AC2507 – IJB Budget Setting and Monitoring	Moderate	1.5a	The IJB should review the cost base in detail to ensure the current budget is reflective of its ongoing costs.	Mar-25	Jun-25	Management has progressed the action in relation to this recommendation and are currently working with Internal Audit on evidencing the steps taken. Extended slightly to allow for this to be completed.	In Progress
AC2407 – Creditors System	Moderate	1.3b	Finance should carry out regular monitoring of supplier standing data amendments. As well as covering superuser changes this should include a reconciliation of changes / new supplier standing data processed by the Virtual Worker as compared to related requests by Services.	Dec-24	Sep-25	We are looking at sharing the information and then doing a random percentage check - this should be in practice by end Sept 2025.	In Progress
AC2408 – Revenue Budget Setting and Financial Strategy	Minor	1.4	The medium-term and long-term financial models would benefit from refreshing on a basis that reflects significant changes when they occur, such as progress on the transformation timeline and issues with economic instability, to allow time to mitigate against issues. It would be prudent to do this more frequently in the current climate of change, than is necessary in times of stability. Management Actions.	Mar-25	Mar-26	Aligned closely with the Finance Structure change, resilience is a subject that will get prime attention. This will cover the 4 pillars of Financial Resilience: Getting Routine, Financial management right, Benchmarking, Clear plans for delivering savings options, and Managing Reserves. As the Finance Team Structure is being	In Progress

Report	Grading	Ref	Recommendation	Original Due Date	Current Due Date	Committee Update	Status
						changed, the concept is gradually being introduced. Due date in line with Finance Team Structure Change, but must stress this is being promoted / encouraged as the Annual Budget 26-27 discussions kicks in.	
AC2511 – Pre-School Commissioned Places	Major	1.5b	Finance should ensure risks are highlighted to Council as part of the budget setting process.	Apr-25	Mar-26	The most recent Budget Holder meeting (20 May 2025) with the Early Years Team has included and emphasized the issue regarding the cost pressures that still needs to be covered (inclusive of the £1.3m pressure from cross boundary charges) and savings options required to meet the Council's overall targets. Savings options to be presented by the EY Service Manager to the CO - Education / Lifelong Learning for onward scrutiny with the CO - Finance during the first stages of the MTFS cycle 26-27.	In Progress

Report	Grading	Ref	Recommendation	Original Due Date	Current Due Date	Committee Update	Status
AC2503 – National Fraud Initiative	Minor	1.1b	Recruitment and selection guidance and training should be updated to provide information to managers about when and how to undertake security checks required by staff including BPSS checks.	Apr-25	Jul-25	Service requested short extension to facilitate the completion of the required changes.	In Progress
AC2503 – National Fraud Initiative	Major	1.5	Finance should liaise with Audit Scotland to highlight the potential for improvement in data matching through the NFI process via comparison of payroll employee bank details to bank details used by other payment systems.	Mar-25	Jul-25	As part of the Finance Improvement Plan, 10-point recommendation, we are carrying out the following: DPIA with a view to acquiring a 3rd party data matcher wherein employee data is compared with supplier data to ensure that no employee data is used (misused) for purposes of payment other than what they should be used for. Once the DPIA is completed, we can proceed with the agreement with the 3rd party, i.e., NXG Forensics to carry out this comparison / checks. Separately, we will engage with Audit Scotland.	In Progress
AC2201 – IT Infrastructure Resilience	Minor	2.1.6	Digital and Technology should introduce mandatory online cyber security training.	Mar-25	Sep-25	Content has been created/linked. Work ongoing with P&OD	In Progress

Report	Grading	Ref	Recommendation	Original Due Date	Current Due Date	Committee Update	Status
			Agreed - P&OD will work with D&T on the mandatory and essential elements of training and seek to ensure training is appropriate to job families. Consideration will be given to including the course as part of existing mandatory training (e.g. Information Governance course).			agreeing the mandatory requirement.	