



Internal Audit

Annual Assurance Report and Chief Internal Auditor's Opinion 2024/25

Contents

1	Executive Summary	3
1.1	Introduction and background	3
1.2	Purpose of this report	3
1.3	Conclusion	4
1.4	Action requested of the Audit, Risk and Scrutiny Committee	4
2	Annual Assurance Opinion	5
2.1	Basis of annual assurance opinion	5
2.2	Annual assurance opinion 2024/25	5
2.3	Rationale for the opinion	5
2.3.1	Overview	5
2.3.2	Internal Control	6
2.4	Areas of risk for future IA focus	7
2.5	Follow up of audit recommendations	8
3	Audit Results	9
3.1	In year audit results	9
3.1.1	Previous year reviews finalised in 2024/25	9
3.1.2	2024/25 reviews finalised in year	9
3.2	Post year end assurance	10
3.2.1	2024/25 reviews finalised in 2025/26	10
3.3	Consultancy and other work by IA	10
3.4	Counter Fraud	10
4	IA Performance	11
4.1	Key Performance Indicators	11
4.2	Quality assurance and improvement plan	13
4.3	Staffing	13
5	Appendix 1 – Grading of Recommendations	14

1 Executive Summary

1.1 Introduction and background

Internal Audit's (IA) 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 presented when finalised to the Audit, Risk and Scrutiny Committee. Along with other evidence, these reports are used in forming an annual opinion on the adequacy of risk management, control, and governance processes.

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

Public Sector Internal Audit Standards set the mission of IA as to enhance and protect organisational value by providing risk-based and objective assurance, advice, and insight.

1.2 Purpose of this report

Public Sector Internal Audit Standards require that IA produce an annual report on the adequacy and effectiveness of the Council's framework of governance, risk management and control. It is one of the functions of the Audit, Risk and Scrutiny Committee to review the activities of the IA function, including its annual work programme.

This report is designed to meet three objectives: to present to the Audit, Risk and Scrutiny Committee, and through them, the Council:

- A formal opinion on the adequacy and effectiveness of the Council's arrangements for:
 - Governance
 - Risk Management
 - Internal Control
- A narrative over the key strategic and thematic findings from the assurance work undertaken by IA during 2024/25, drawing out key lessons to be learned.
- An account of the assurance activities and resources of IA during the period 2024/25.

This report covers the period from 1 April 2024 to 31 March 2025, and any work finalised during the 2024/25 assurance period. It also takes account of work undertaken up to the date of the issue of this report. The report is grounded in the

whole activity and work of IA, whether in terms of formal audit evidence and work, management assurance and consultancy activity, or evidence gathered throughout wider engagement across the Council.

1.3 Conclusion

The overall Chief Internal Auditor's opinion is:

In my opinion the Council had an adequate and effective framework for governance, risk management and control, covering the period 1 April 2024 to 31 March 2025.

For further commentary see the Annual Assurance Opinion section of this report.

1.4 Action requested of the Audit, Risk and Scrutiny Committee

The Audit, Risk and Scrutiny Committee is requested to note the contents of this report and the assurance opinion, to inform its annual report and its review of the Council's financial statements, in particular the Annual Governance Statement.

2 Annual Assurance Opinion

2.1 Basis of annual assurance opinion

In accordance with the Public Sector Internal Audit Standards, IA's assessment, and opinion over the framework of governance, risk management and control is based upon the whole activity and work of IA including:

- The results of internal audits completed (in final or draft) up to the date of this report.
- Any follow-up action taken in respect of audits from previous periods.
- The effects of any significant changes in the Council's control environment.
- Matters arising from previous annual reports to the Council.
- Any limitations that may have been placed on the scope of IA – there are no restrictions to declare in this report.
- Reports issued by External Audit.
- IA's knowledge of the Council's governance, risk management and performance monitoring arrangements.
- The assessment of risk completed during the formation of the 2025-26 Audit Plan and the work on risk in general led by the Council.
- The results of other assurance activities completed during the year.

The Standards also require that IA confirms to the Committee, at least annually, that it is organisationally independent. The organisational independence of IA is established through Financial Regulations (approved by full Council) and the Internal Audit Charter (approved by the Audit, Risk and Scrutiny Committee). Other factors that help ensure Internal Audit's independence are that: the IA Plan is approved by the Audit, Risk and Scrutiny Committee; and IA reports its outputs to Committee in the name of the Chief Internal Auditor. The Chief Internal Auditor considers that IA is organisationally independent.

2.2 Annual assurance opinion 2024/25

IA is satisfied that sufficient audit and assurance work has been undertaken to allow a reasonable conclusion to be drawn as to the adequacy and effectiveness of the Council's framework for governance, risk management and control. Aberdeen City Council had an adequate and effective framework for governance, risk management and control, covering the period 1 April 2024 to 31 March 2025.

2.3 Rationale for the opinion

2.3.1 Overview

The Council has faced a challenging year, with several issues having to be addressed. These have primarily been financial, such as the pressures being faced across all local authorities and the Public Sector, operationally, such as the response to RAAC, legal challenges, and a recent review of working arrangements, but also politically. The

latter has resulted in a year made up of requisitioned meetings, Full Council agendas having to be heard over multiple days, and a recognition of poor working relations between members of the different political groups. Where the impact on the Audit, Risk and Scrutiny, the Committee that Internal Audit reports to, has been minor compared to other committees and Full Council, there have been wider impacts. Across the year Internal Audit has noted increased delays in Management responding to the Internal Audit process. Analysis of the reasoning, primarily discussions with Management, has highlighted the extra workload because of the additional and extended meetings, which have created a need for officers to prioritise this at the expense of other workstreams, including Internal Audit reviews. Where Internal Audit recognises the political nature of the Council and the need for officers to prioritise other workstreams on occasion, a continuing trend, as has been seen in 2024/25, could risk the assurance that is able to be provided and could have a negative impact on Internal Audit's Annual Opinion in future years. In recognising this risk, Internal Audit has engaged with Governance officers and also made recommendations to the Council's Governance Reference Group on how to ensure effective scrutiny of reports.

2.3.2 Internal Control

It is the responsibility of the Council's Senior Management to establish an appropriate and sound system of internal control and to monitor the continuing effectiveness of that system. It is the responsibility of the Chief Internal Auditor to provide an annual overall assessment of the robustness of the internal control system.

The main objectives of the Council's internal control systems are to:

- Ensure adherence to management policies and directives to achieve the organisation's objectives.
- Safeguard assets.
- Ensure the relevance, reliability, and integrity of information, so ensuring as far as possible the completeness and accuracy of records.
- Ensure compliance with statutory requirements.

Any system of control can only ever provide reasonable and not absolute assurance that control weaknesses or irregularities do not exist or that there is no risk of material errors, losses, fraud, or breaches of laws or regulations. Accordingly, the Council is continually seeking to improve the effectiveness of its systems of internal control.

On balance, most of the audited areas were operating as anticipated. Areas of good practice, improvement, and procedural compliance have been identified, and these have been detailed in individual assignment reports to the Committee.

However, during the year, IA identified Major risks across eleven (2023/24: eight) reviews in the following areas¹:

- **Procurement Compliance** – Delegated Procurement Authority, Procurement Documentation, Approvals, Tenders and Quotations, and Direct Awards.

¹ Some areas will include more than one recommendation.

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- **Social Care Financial Assessments** – Charging Policy, Written Procedures, and Supporting Records.
 - **Recruitment** – PVG Dispensation.
 - **National Fraud Initiative** – Security Checks, and Payment Fraud Controls.
 - **Trusts and Common Good Fund** – Payments and Monitoring.
 - **ELC Funded Provider Places** – Contracts, and Budget Monitoring.
 - **Adoption, Fostering and Kinship** – Adoption Allowance, and Payments.
 - **Creditors Sub-System Payments** – Delegated Authority.
 - **Right to Work in the UK** – Verifying Original Documents, and Incomplete Documentation.
 - **Housing Allocations and Choice Based Letting** – New Applications, and Allocations.
 - **Corporate Landlord Responsibilities** – Contracts, Planning and Scheduling, and Documentation.

Full details of the risks are presented to the Committee in individual audit reports.

Most other recommendations made during the year were around reinforcing application of existing controls, the improvement of efficiency and the drive for Best Value. Common trends in IA's recommendations were also around governance, systematising processes, or the need to better evidence and document the operation of controls.

When analysing the results of the individual reviews, it is clear that the Council, on the whole, has designed controls effectively and instead where issues emerge it is in the operation. This is particularly the case where there is a dedicated second line team that is reliant on first line services across the council e.g. hiring managers carrying out recruitments or officers providing responses to Freedom of Information requests. To support the strengthening of operations, Internal Audit has looked at making recommendations that can be rolled out across the Council thematically, whilst recognising issues within individual services. This will be the approach going forward, along with Internal Audit engaging with Management outwith the standard review process to support the strengthening of the operation of controls and maintenance of their design.

2.4 Areas of risk for future IA focus

In addition to the points above continuing to be areas of focus for the Council, in the year there will be significant new risk areas for us to consider. The specific risk and control areas in the upcoming year that IA intend to focus on to a greater degree, determined primarily as part of planning, include:

- RAAC Response
- Governance
- Carbon Budgeting
- Corporate Responsibilities
- Digital and Technology
- Other emerging risks identified during the year.

2.5 Follow up of audit recommendations

Public Sector Internal Audit Standards require that IA 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.

Progress made by officers in implementing recommendations is monitored by Internal Audit and reported to the Audit, Risk and Scrutiny Committee each cycle within the Chief Internal Auditor's Progress Report. In 2024/25, 144 actions were completed in year (compared to 99 in 2023/24) and as at year end, 118 audit recommendations were open (compared to 123 in 2023), 48 of which were due for implementation and the remaining 70 due in the future (either as the original planned date of implementation or through an agreed extension which has been reported to the Committee). The vast majority of these recommendations were rated as either Minor (17) or Moderate (79), with the remaining recommendations (22) being in the more significant Major space. These numbers include the HSCP work but exclude the IJB and Pension Fund. Management have highlighted in update reports that, where necessary, progress with implementing actions has continued but some have taken longer than expected due to factors such as resourcing and delivery of other priority areas.

3 Audit Results

3.1 In year audit results

Across the year, irrespective of the period initially planned for the review, IA issued 20 audit reports (2023/24: 20). These reviews span the entire breadth of the Council's operations, touching on not just individual services but also cross-Council areas, and IA's work with the Aberdeen City IJB and the North East Scotland Pension Fund.

This section highlights the results of our work in 2024/25, including finalisation of reviews. It should however be noted that:

- Previous years' work, issued in the current year, is considered for and factors into IA's annual assurance opinion.
- Work in progress, where the report is at a draft stage, is also considered for and factors into IA's annual opinion.
- The same is considered for consultancy work, which also factors into IA's annual assurance opinion.
- For all assurance reviews, IA ensured that they were at the work in progress stage by year end. The majority are beyond this stage and draft reports are being finalised with the process owners for the areas under review.

Summaries are also included of fraud assurance, consultancy and other work performed by IA.

3.1.1 Previous year reviews finalised in 2024/25

Directorate	Audit Area	Overall Rating
Corporate Services	Procurement Compliance	Major
HSCP	Social Care Financial Assessments	Major
Corporate Services	Recruitment	Moderate
Corporate Services	Creditors System	Moderate
Families & Communities	Private Sector Housing	Minor
Corporate Services	Prevent	Moderate
Corporate Services	Revenue Budget Setting and Financial Strategy	Minor

3.1.2 2024/25 reviews finalised in year

Directorate	Audit Area	Overall Rating
Corporate Services	Allowances	Minor
Corporate Services	National Fraud Initiative	Moderate
Corporate Services	Financial Controls Improvement Plan	N/A
Families & Communities	SEEMiS	Moderate
IJB	IJB Budget Setting and Monitoring	Moderate
IJB	IJB Counter Fraud	Moderate

Directorate	Audit Area	Overall Rating
Corporate Services	Councillors Induction and Development	Moderate
Families & Communities	Resettlement Governance	Moderate
Families & Communities	ELC Funded Provider Places	Moderate
Corporate Services	Trusts & Common Good Fund	Moderate
Corporate Services	Risk Management	Moderate
Families & Communities	Adoption, Fostering and Kinship	Major
Corporate Services	Creditors Sub-System Payments	Moderate

3.2 Post year end assurance

The information presented in the above table, concerning audit work, covers the period 1 April 2024 to 31 March 2025. However, consideration has been given to any work during the period until the issue of this report. Since year end, IA has issued a further seven reports, completing the Internal Audit Plan for 2024/25:

3.2.1 2024/25 reviews finalised in 2025/26

Directorate	Audit Area	Overall Rating
HSCP	HSCP Commissioning	Moderate
Corporate Services	Freedom of Information and Subject Access Requests	Moderate
Corporate Services	Right to Work in the UK	Moderate
NESPF	Pension Fund Payroll	Moderate
Families & Communities	Housing Allocations and Choice Based Letting	Moderate
Corporate Services	Group Structure Assurance	Moderate
Families & Communities	Corporate Landlord Responsibilities	Major

3.3 Consultancy and other work by IA

In addition to planned assurance work, IA has also supported several services across the year. This has either been through requests for support or structured management assurance pieces of work, including but not limited to Service Standards, Rent Assistance Scheme, the Performance Board, the City Region Deal/Investment Zone.

This is an overview of the more substantial pieces of work delivered during the year; however it should be noted that other informal advice was provided on an adhoc basis and will continue as IA looks to further support the Council overall.

3.4 Counter Fraud

IA does not have a dedicated responsibility across the Council to lead on Counter Fraud activities; this is instead within the remit of a separate inhouse team. The potential for fraud is however considered as part of all reviews carried out by IA from a control framework perspective.

4 IA Performance

4.1 Key Performance Indicators

Key Performance Indicator (KPI) results could be better, and this is recognised by IA, whilst also acknowledging the impact engagement from Council Management can have on the delivery of audit work. However, the results show that IA still in a better position than recent years. Also, where the KPIs, which are an important tool for IA Management, are not at the levels desired, the strong assurance base, which is used for annual reporting purposes, is a positive output from the year.

Description	Target	2022/23	2023/24	2024/25	Commentary
Percentage of planned audits commenced where the Service was given advance notice of commencement of field work.	100%	100%	100%	100%	All audits were agreed with Management in advance.
Percentage of current year audits (as adjusted through consideration of subsequent year's plan) where draft report issued by deadline.	90%	50%	33.33%	8.33%	Across the year, IA was not successful in issuing draft reports as per the agreed timescale. Analysis of the individual engagements show a mix or reasons, partly down to the work of IA but also through the availability of Management to provide the required information, access to systems, and engage with the process overall.
Percentage of current year audits (as adjusted) completed by end of current year.	65%	55.56%	68.18%	60%	Work was carried out in the previous year to ensure a minimal number of audits was carried forward and this facilitated strong performance, but the target has not been met overall. However, only one review has not been able to be completed in advance of year end reporting to the June Committee.
Percentage of previous year audits (as adjusted) completed by end of current year.	100%	100%	100%	100%	All previous year audits were completed within 2024/25.
Percentage of current year audits (as adjusted) that were completed in the year within 110% of planned time allocated.	90%	80%	35.71	33.33%	Across the year, IA was not successful in completing work within the planned timescale. Analysis of the individual engagements show a mix or reasons, partly down to the work of IA but also through the availability of Management to provide the required information,

Description	Target	2022/23	2023/24	2024/25	Commentary
					access to systems, and engage with the process overall.
Percentage of previous year audits (as adjusted) that were completed within 110% of planned time allocated.	90%	50%	40%	14.29%	Across the year, IA was not successful in completing work within the planned timescale. Analysis of the individual engagements show a mix or reasons, partly down to the work of IA but also through the availability of Management to provide the required information, access to systems, and engage with the process overall.
Percentage of planned time taken for current year audits that were completed in the year.	90 - 110%	88.30%	145.98%	133.04%	This shows that current year audits are being completed slower on the whole. However, analysis of the underlying data does highlight variances (both over and under) across individual reviews.
Percentage of planned time taken for all previous year audits completed by end of current year.	90 - 110%	129.51%	133.11%	211.60%	Across the year, IA was not successful in completing work within the planned timescale. Analysis of the individual engagements show a mix or reasons, partly down to the work of IA but also through the availability of Management to provide the required information, access to systems, and engage with the process overall.
Percentage of recommendations accepted by management.	95%	97.97%	98.15%	97.85%	Small number of recommendations not accepted in year, which is expected in line with the new risk based methodology.
Where management has not agreed recommendation, percentage who accept risk.	100%	100%	100%	100%	In the small number of cases where recommendations were not accepted by Management, they accepted the risk.

Based on the current year results, where efforts will be made across all KPIs, the completion of work within the budgeted time, specifically, the issue of reports, both in draft and final, will be a priority for IA.

4.2 Quality assurance and improvement plan

The Public Sector Internal Audit Standards (PSIAS) require that the annual report must also include a statement on conformance with the PSIAS and the results of the quality assurance and improvement programme (QAIP).

In previous reports IA has updated the Committee on the work to address previously noted issues; the main driver for these being the internal quality assessment, any external quality assessments and recommendations made by External Audit.

IA is pleased to confirm an external review of the control framework was concluded in the previous year and found that IA fully conforms with PSIAS, with no recommendations due for implementation in 2024/25. An internal review of the control framework concluded that IA still fully conforms with PSIAS, with work underway to ensure full compliance with the recently published Global Internal Audit Standards from 2025/26.

4.3 Staffing

At present IA is operating with a 12.8 FTE, 0.2 FTE under budget due to flexible working arrangements across the Team.

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