



Internal Audit

Audit, Risk and Scrutiny Committee Internal Audit Update Report November 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.

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

2.2 Audit reports presented to this Committee

Report Title	Assurance Year	Net Risk Rating	Conclusion
AC2603 – Complaints Handling	2025/26	Moderate	<p>The level of net risk is assessed as MODERATE, with the control framework deemed to be providing REASONABLE assurance over Complaints Handling at a Corporate level. Where there is central oversight by the Customer Feedback Team, individual services are involved in handling complaints, and the risk sits with the Council overall.</p> <p>Policies and procedures are in place; services are aware of these and are generally experienced in dealing with complaints. As reported to the Audit Committee annually, few cases are being escalated to the SPSO and very few complaints are upheld at that stage – indicating the process meets national standards. Performance information is also available for management review.</p> <p>The audit however identified some areas where Management could strengthen the framework of control, specifically: Corporate Policy and</p>

Report Title	Assurance Year	Net Risk Rating	Conclusion
			<p>Procedures, Records and Data, Data Protection, Assignment and Progress, Responses and Conclusion, and Performance and Benchmarking</p> <p>Recommendations have been made to address the above risks, including: updating guidance and training, and consideration of mandatory refresher training; developing a process around third-party complaints processes; developing guidance on the production and management of supporting records for complaints, and a quality assurance process; ensuring awareness of and implementing controls over adherence to data protection requirements; enhancing and formalising the complaint assignment and extension processes; and developing processes for sharing and progressing lessons learned from complaints.</p> <p>It is recognised that the risks are largely driven by variation in practice between and within the various customer-facing services. However, recommendations have been targeted at the central team to better drive compliance and promote a consistent approach to customer service.</p>
AC2602 – Carbon Budgeting	2025/26	Major	<p>The level of net risk is assessed as MAJOR, with the control framework deemed to provide LIMITED assurance over the arrangements in place regarding carbon budget setting, monitoring and reporting.</p> <p>Although controls have been developed, the review identified areas of weakness in their implementation and application, and there is a requirement to strengthen the framework of control to provide assurance over delivery against the Council's priorities, specifically: Staff Guidance and Governance, Carbon Budget Setting, Carbon Budget Monitoring, Carbon Budget Programme Management, and Carbon Budget Reporting.</p> <p>Recommendations have been made to review and strengthen governance arrangements supporting delivery against the carbon budget; to ensure a balanced budget is being set with clarity over the extent and quantifiable impact of planned actions to meet the required savings; to review baselines where new requirements are added; to develop carbon budget monitoring so that it provides assurance and appropriate stimulus for action; to develop processes to ensure supporting data for project/programme management is maintained up to date; and to ensure reports are complete prior to publication.</p> <p>It is acknowledged this is a developing area of work, and the central climate change team has limited available resource and is reliant on Functions/Clusters for provision of data and progress updates. However, as a corporate risk, and</p>

Report Title	Assurance Year	Net Risk Rating	Conclusion
			considering the Council's declared commitment to address the climate and nature emergency, Internal Audit considers that the recommended actions are more appropriately driven from the centre.

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 September 2025 (the baseline for our exercise), 37 audit recommendations were due and outstanding:

- One rated as Major
- 31 rated as Moderate
- Five rated as Minor

As part of the audit recommendations follow up exercise, 20 recommendations were closed:

- 18 rated as Moderate
- Two rated as Minor

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

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

3 Appendix 1 – Grading of Recommendations

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

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

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

4 Appendix 2 – Audit Recommendations Follow Up – Outstanding Actions

Report	Grading	Ref	Recommendation	Original Due Date	Current Due Date	Committee Update	Status
AC2418 - Biodiversity and Natural Environment	Moderate	1.6	A comprehensive strategic system of budgetary oversight and control should be introduced for all biodiversity and natural environment budgets. This should ensure funds available are used effectively to achieve desired strategic outcomes.	Sep-25	Sep-26	Officers had been working to develop a system with an external partner but due to capacity constraints they were not able to provide support this year. In the absence of that support officers are progressing work independently and aim to have this prepared for Summer 26	In Progress
AC2502 - SEEMiS	Moderate	1.2b	Data Insights should work with Education to create a list of defined system profiles whose access rights are standardised and minimised based on job responsibilities and remove any non-standard profiles. If feasible an exception report should be developed flagging any users with access to sensitive system data which is not in line with the standard.	Aug-25	Dec-25	Work is ongoing to consolidate all other application profiles, with support and oversight provided through the Children and Young People Data Forum.	In Progress
AC2201 - IT Infrastructure Resilience	Minor	2.1.6	Digital and Technology should introduce mandatory online cyber security training.	Sep-25	Mar-26	National Cyber Security Centre training is in place. D&T are reviewing options to check completion or link course completion to access.	In Progress
AC2407 - Creditors System	Moderate	1.3b	Finance should carry out regular monitoring of supplier standing data amendments. As well as covering	Sep-25	Mar-26	Management are working with Internal Audit to provide an update and	In Progress

Report	Grading	Ref	Recommendation	Original Due Date	Current Due Date	Committee Update	Status
			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.			evidence of completion. Delayed due to staff turnover.	
AC2601 - Purchase Cards	Moderate	1.5d	Services should ensure VAT is claimed where possible including for the highlighted exceptions.	Sep-25	Mar-26	This is progressing, however will be checked with our VAT point of contact to ensure compliance with HMRC reporting. It is vital to the successful VAT reporting compliance that all service lines provide all VAT related documentation.	In Progress
AC2601 - Purchase Cards	Moderate	1.5e	Where exceptions are identified above, the respective Cluster should notify staff of expectations in relation to purchase cards use to help avoid a repeat.	Sep-25	Mar-26	This is progressing, however will be checked with our VAT point of contact to ensure compliance with HMRC reporting. It is vital to the successful VAT reporting compliance that all service lines provide all VAT related documentation.	In Progress
AC2504 - Resettlement Governance	Moderate	1.3b	The Council should develop risk, cost, and capacity reporting to obtain a holistic view of the potential and ongoing impact of resettlement and integration activities, to factor into future business planning for both	Jul-25	Mar-26	Management discussed work in progress with Internal Audit and advised an extension was required to allow for implementation of final elements. Internal	In Progress

Report	Grading	Ref	Recommendation	Original Due Date	Current Due Date	Committee Update	Status
			integration and core services, ensuring risk management and monitoring mechanisms are appropriate.			Audit continue to support Management.	
AC2504 - Resettlement Governance	Moderate	1.3a	The Council should develop risk, cost, and capacity reporting to obtain a holistic view of the potential and ongoing impact of resettlement and integration activities, to factor into future business planning for both integration and core services. Trajectory to be shared with Services and Cost Model to be developed which supports development of MTFS and HRA 30-year Business Plan.	Jul-25	Mar-26	Management discussed work in progress with Internal Audit and advised an extension was required to allow for implementation of final elements. Internal Audit continue to support Management.	In Progress
AC2407 - Creditors System	Moderate	1.2a	Monitoring of users including system administrators should be reviewed and where possible established to evidence compliance with the ICT Access Control Policy. This should be undertaken by officers without administrative / superuser system access and should be done with a view to reduce the risk of fraud.	Sep-25	Mar-26	This work is underway in line with the Finance Controls Improvement Plan and should be completed by Dec.	In Progress
AC2404 - Stores Stock Control	Minor	1.1a(ii)	Written procedures should be revised for Buildings and Roads reflect the current systems, controls and practice which governs the stores functions. These should be reviewed annually to capture system developments and other change.	Sep-25	Mar-26	These were given a review at the time, and found to be largely correct, other than one or two typos. We are still waiting for the introduction of the NEC system to us for all things	In Progress

Report	Grading	Ref	Recommendation	Original Due Date	Current Due Date	Committee Update	Status
						Building Services and this will require large-scale re-writing of processes and procedures at that time - latest date we have been given is end of current financial year i.e. March 26.	
AC2404 - Stores Stock Control	Minor	1.1b(ii)	In conjunction with IT, the Service should explore options to improve the efficiency and accuracy of the job and work order management system used for managing Buildings services and Roads services. Management should consider whether stock coding across Building Maintenance and Roads Services could be more informative and effectively structured to aid stores operations, layout, and stock control. Stock labelling should be included as part of the wider review of systems and storage to ensure stock labelling facilitates stores stock control and service delivery.	Sep-25	Mar-26	As above, the move to NEC will give us the opportunity to review our Stores Coding, operations and layouts. As far as I understand the Roads department will be moving to a separate system, Confirm, at which point I will no longer have responsibility for the Store - would expect that they also take this opportunity.	In Progress
AC2404 - Stores Stock Control	Moderate	1.2b	Buildings Services and Roads management should periodically review all stock lines in the stock systems to ensure only appropriate and relevant items are recorded. Assets that are not technically stock should not be included in the stock valuation; the movement of such	Sep-25	Mar-26	Again, the move to NEC would be an appropriate time to dispose of non-moving lines, although often there is a requirement to keep a legacy stock just in case, as some items, particularly in the Non-	In Progress

Report	Grading	Ref	Recommendation	Original Due Date	Current Due Date	Committee Update	Status
			items should however continue to be controlled by appropriate means. Consideration should be given to items which can be reclassified as consumables, and to the continued retention or disposal of slow moving stocks.			Housing sector, are very difficult to track down. This is also very much the case in Roads where because of the advances in technology, many lighting systems are being changed and the Store has been left with many items that will never be used. Would recommend to Roads that they also take this opportunity.	
AC2404 - Stores Stock Control	Moderate	1.3	Roads and Buildings services management should review operations and work with staff to ensure that: where stock issued varies from what was requisitioned, the reason for this should be adequately explained, stock should only be issued on receipt of a requisition form, signed by both the storeman and receiver, and all stock issues should be recorded on the stock system promptly.	Sep-25	Mar-26	When Operational staff pick up items in Store and for whatever reason the requisition requires to be amended, this is done at the time, and the correct items are then booked out of Stores and onto job at that time. With the introduction of the NEC system, and greater reliance on handhelds this will be revisited to explore how amendments to Goods requisitioned can be made.	In Progress
AC2422 - Recruitment	Moderate	1.1	The Service should review the layout of the employee file, consider the use of an index at the start listing all attached documents, and ensure all documentation is correctly	Sep-25	Jan-26	Management has discussed this recommendation with Internal Audit, showing work in progress and also wider consultation across the	In Progress

Report	Grading	Ref	Recommendation	Original Due Date	Current Due Date	Committee Update	Status
			completed/obtained, retained, and attached to the file			Council with relevant services who are supporting. An extension has been applied to allow for completion and evidence of this work.	
AC2422 - Recruitment	Moderate	1.2	The Service should review and confirm all tasks have been completed, recorded as such, and appropriately documented/evidenced prior to setting up an employee on the system	Sep-25	Jan-26	Management has discussed this recommendation with Internal Audit, showing work in progress and also wider consultation across the Council with relevant services who are supporting. An extension has been applied to allow for completion and evidence of this work	In Progress
AC2601 - Purchase Cards	Moderate	1.2b	Children's Social Work and Family Support should ensure new purchase cards are only requested by officers with the necessary delegated authority.	Sep-25	Mar-26	This is being processed, and a Business Case is currently with the Service for process definition and risk assessment.	In Progress
AC2519 - Freedom of Information and Subject Access Requests	Moderate	1.1	Management should ensure that the new System addresses the issues noted in this report, along with other known issues from the Central Team and other users across the Council. Plans should be finalised and a robust timeframe put in place for the roll out of the new System.	Sep-25	Jun-26	Management discussed work in progress with Internal Audit and advised an extension was required to allow for implementation.	In Progress