



Internal Audit

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

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1 Executive Summary

1.1 Introduction and background

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

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

1.2 Highlights

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

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

1.3 Action requested of the ARS Committee

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

2 Internal Audit Progress

2.1 2025/26 Audits

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

2.2 Audit reports presented to this Committee

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

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

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

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

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

2.3 Follow up of audit recommendations

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

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

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

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

- 12 rated as Moderate
- Four rated as Minor

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

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

3 Appendix 1 – Grading of Recommendations

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

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

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

4 Appendix 2 – Audit Recommendations Follow Up – Outstanding Actions

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

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

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						and delivery of this work. Completion of the refreshed Natural Environment Strategy expected by the end of financial year 2026/27.	