

ABERDEEN CITY COUNCIL

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<b>COMMITTEE</b>	Audit, Risk and Scrutiny Committee
<b>DATE</b>	19 February 2026
<b>EXEMPT</b>	No
<b>CONFIDENTIAL</b>	No
<b>REPORT TITLE</b>	Internal Audit Report AC2611 – City Region Deal
<b>REPORT NUMBER</b>	IA/AC2611
<b>DIRECTOR</b>	N/A
<b>REPORT AUTHOR</b>	Jamie Dale
<b>TERMS OF REFERENCE</b>	2.2

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**1. PURPOSE OF REPORT**

- 1.1 The purpose of this report is to present the planned Internal Audit report on City Region Deal.

**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 City Region Deal.

**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 AC2611 – City Region Deal

**12. REPORT AUTHOR CONTACT DETAILS**

<b>Name</b>	Jamie Dale
<b>Title</b>	Chief Internal Auditor
<b>Email Address</b>	<a href="mailto:Jamie.Dale@aberdeenshire.gov.uk">Jamie.Dale@aberdeenshire.gov.uk</a>
<b>Tel</b>	(01467) 530 988

## Internal Audit

### Assurance Review of City Region Deal

**Status:** Final

**Date:** 19 November 2025

**Risk Level:** Strategic

**Report No:** AC2611

**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	4-Jul-2025	4-Jul-2025
Scope agreed	1-Aug-2025	17-Jul-2025
Fieldwork commenced	11-Aug-2025	1-Aug-2025
Fieldwork completed	12-Sep-2025	12-Sep-2025
Draft report issued	10-Oct-2025	6-Oct-2025
Process owner response	31-Oct-2025	27-Oct-2025
Director response	7-Nov-2025	19-Nov-2025
Final report issued	14-Nov-2025	19-Nov-2025

Distribution	
<b>Document type</b>	Assurance Report
<b>Director</b>	Rob Simpson, Director of Business Services, Aberdeenshire Alan Wood, Director of Infrastructure and Environment, Aberdeenshire Gale Beattie, Director of Commissioning, Aberdeen City
<b>Process Owners</b>	Stuart Bews, City Region Deal Programme Manager, Aberdeen City Karlyn Watt, Strategic Finance Manager, Aberdeenshire
<b>Stakeholder</b>	Paul Macari, Head of Planning and Economy, Aberdeenshire Mary Beattie, Head of Finance, Aberdeenshire Julie Wood, Chief Officer – City Growth, Aberdeen City Jonathan Belford, Chief Officer – Finance, Aberdeen City
<b>*Final only</b>	John Love, Accountant, Aberdeenshire Aigul Gray, Project Support, Aberdeen City Vicky Morris, Risk and Business Continuity Officer* Jenni Lawson, Interim Chief Officer – Governance, Aberdeen City* External Audit*
<b>Lead auditor</b>	Colin Harvey, Audit Team Manager

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# 1 Introduction

## 1.1 Area subject to review

The Aberdeen City Region Deal (the Deal), agreed in November 2016, is a three-way, ten-year agreement between the UK Government, the Scottish Government and regional partners including Aberdeen City and Aberdeenshire councils, and Opportunity North East (ONE) - the private sector partner which leads on innovation projects within the Deal. The total allocations of funding for the capital projects is £826.2 million.

The Deal's aim is to significantly advance economic and infrastructure development in the area, addressing the challenges which business and industry face in the North East of Scotland whilst grasping opportunities through projects which can enable Aberdeenshire and Aberdeen City to continue to be an attractive and productive area for organisations to locate and develop. Key projects include the Net Zero Technology Centre (formerly Oil and Gas Technology Centre), Food and Drink and Life Science Innovation Hubs, a Digital Infrastructure Fund, expansion of Aberdeen Harbour, and development of a Strategic Transport Appraisal (STAG).

The councils' jointly fund £20 million of activity relating to the Digital (£7 million), STAG (£2 million) and Harbour Expansion (£11 million) elements of the Programme. The Digital and Transport themes are led by Council based Working Groups whilst the other project themes, Innovation, and Internationalisation, are led by external Project Boards with which the Council has a Funding Agreement. The councils are responsible for ensuring projects are appropriately planned and managed and for monitoring their progress and finances. They also host the Aberdeen City Region Deal Joint Committee, which includes representation from each stakeholder.

Aberdeen City Council provides programme and project management support for the Deal's projects and outcomes. This is a facilitating and liaison role, including communication with key stakeholders (including the UK and Scottish governments) and project leads, promoting adherence to governance requirements, and a consistent approach to risk monitoring, reporting of progress and delivery of benefits.

Aberdeenshire Council is the 'Accountable Body' for project funding. It acts as a conduit for Government and Council funding in accordance with the signed Deal Agreement and the terms of the Scottish Government's annual Aberdeen City Region Deal Grant Offer, to provide payments to projects in line with relevant agreements, spend and progress.

## 1.2 Rationale for review

The objective of this audit is to provide assurance over the governance and financial spend of the Aberdeen City Region Deal. This review will focus specifically on the final stages and overall delivery. We will also review implementation of agreed actions from the previous audits to ensure controls are still operational and effective. As the programme is shortly coming to an end, whilst the audit will focus on current practice, it is intended that recommendations arising will be forward-facing for application to similar future projects.

The Deal is managed on behalf of various partners; each stakeholder will have an interest in assurance over the governance arrangements. The councils have lead responsibility for programme delivery and stewardship of funds.

Since 2022/23 the UK and Scottish governments' funding letter, setting out the terms of their annual grant offer, includes an expectation for the Deal to be included in the Internal Audit Plan at least every two years. This is the final planned internal audit of this area, in line with this requirement.

Governance of the Deal was last reviewed in 2023/24 (Internal Audit Report 2422/AC2413). Limited assurance was obtained, due to identified weaknesses in governance arrangements, review of supporting audit trails for expenditure, and delivery of outcomes. Improvements were recommended around strengthening the governance and reporting arrangements within the councils and from partners. These included updating and securing flexibility in funding agreements and reviewing delegations. Further work was recommended to develop and expand the level of data obtained, and its

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critical appraisal, in respect of use of funding, performance against plans, and realisation of benefits, at a more detailed level proportionate with the level of funds being managed through the City Region Deal.

Key elements of the review for the final stages of the Deal period will include controls over any late-stage project changes, benefits measurement and reporting, and demonstrating project sustainability following the end of the funding period. These were highlighted as risk areas in previous audits (Internal Audit Report 2101, in 2020).

### **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
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

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

Risk Level	Definition
Strategic <sup>1</sup>	This issue / risk level impacts the Council as a whole. Mitigating actions should be taken at the Senior Leadership level.

### 2.2 Assurance assessment

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.

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.

The review identified the following areas where enhancements could be made to strengthen the framework of control, specifically:

- Guidance and Funding Agreements** – The governance framework, including delegations, change controls, and reporting have been updated since the last audit. The dashboard approach for reporting is providing consistent data to the Board and Joint Committee to aid them in monitoring progress and decision making, though there is some variation in content. The 2025/26 grant offer from the Governments was below what was budgeted, due to recurring underspends; these are continuing. Commitment to continued funding of MOU projects (additional funding alongside the main Deal), varied in 2024/25, and has not been fully and formally restored. Work is ongoing to identify and bring forward further projects within the Deal and MOU to maximise the benefits to be delivered through use of the remaining funding, but there is limited time remaining for the Deal. The Governments have varied the terms of Grant Offer Letters over the Deal term, and closure guidance is currently in draft. If new requirements are brought in the final years, existing funding agreements with delivery partners may not fully provide for these.
- Change Management** – Clearer and more consistent procedures were implemented following the last audit. Higher risk changes are being reported, requested and approved through formal mechanisms. However, re-phasing and delays are evident across various projects, some of which are not able to spend their allocation because they have not yet fully developed business

<sup>1</sup> The audit methodology used across both councils is similar, with the only variance being slightly different assurance terms e.g. a Strategic review for Aberdeenshire is considered a Corporate Review for Aberdeen City. For ease of reporting and consistency, the Aberdeenshire terms have been used.

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cases, contracts, or progressed workstreams, and others due to issues which are not within their direct control. Risks, issues and delays are being reported, and forecasts are being updated, but these are not being captured promptly in formal change requests. This presented a low risk in the early years of the Deal but represents a higher risk as the Deal concludes. With one exception (Harbour Link Road) all projects must be concluded, and final claims paid up to 31 March 2027. Beyond this point, funding may be lost, and any incomplete projects may not achieve all of their objectives. This presents a reputational risk for the councils, a financial risk to Aberdeenshire Council as Accountable Body if the Governments deem non-completion to be a default on the Deal obligations and seek recovery of funding, and a financial risk for projects/delivery partners if they have committed funds which cannot be reimbursed.

- **Project Expenditure and Progress** – Reasonable assurance was obtained over the review and administration of claims by Finance and the Programme Manager. There is more in-depth review taking place than in previous years, though this is still on a sample basis and a full audit trail of documentation is not being retained, only confirmation that it has been reviewed. Council funding is being tracked and remitted as appropriate. However, there remains a high degree of variation in forecasts from period to period, indicating either risks and issues arising which were unanticipated, or poor forecasting of requirements. Variance notes indicate the reason for movement, but there is limited assurance being provided about how they will be addressed within the remaining time and budget. Without clear mitigations, there is limited assurance that the project/s will be delivered on time and within budget. If this happens in the final year/s there is a higher risk projects will not receive and maximise use of all of the available funding, representing a missed opportunity.
- **Benefits Realisation, Recording and Reporting** – Benefits were largely determined through development of project business cases, and the Benefits Realisation Plan. However, not all projects were set out in detail at the outset. Recent projects have not yet concluded and approved business cases to utilise the remaining funding. Their benefits will need to be determined, documented, and tracked. As reported in the last audit of this area, there remain concerns over the use of 'sensitive data' from delivery partners, including e.g. staff pay details, equalities data, and elements considered commercially sensitive (e.g. R&D investment). Action in response to this was 'not agreed' by Management as part of the last audit report. The Government reiterated in March 2024 that it remains a requirement to obtain data on protected characteristics, and there is no assurance that this has been resolved. Benefits included in the benefits tracker include targets up to 20 years after the deal/projects end (up to 2049), but there is no current plan for obtaining and monitoring and reporting delivery of benefits beyond the ACRD financial close, and no specific agreement from delivery partners that they will continue to provide data. If the councils cannot obtain this information and cannot hold delivery partners to account for it (due to lack of formal agreements on reporting), this could present a reputational risk, and the Governments' response to this is an unknown risk.
- **Closedown Arrangements, Final Reporting, and Lessons Learned** – The Programme Manager is working with the governments to progress Deal closure arrangements, but these have still to be finalised and formalised. There are clear indications of the type of requirements, and these generally mirror existing reporting arrangements. This should be sufficient to formulate an appropriate plan and prepare partners for what is likely to be required. A schedule would be beneficial but has yet to be prepared. There is a risk that if national guidance is delayed, this will impact on the time available to carry out required tasks.
- **Sustainability and Succession Planning** – Although funding was not provided with a specific requirement for continuity post-deal, it was described as an investment and includes a substantial amount of funding (£826m, of which £294m was from public sector bodies), therefore an expectation of continuity is implied. Some projects referenced exit plans and continuity in their business cases, but these were brief and high level. There has been no formal review or assurance obtained over sustainability/continuity of projects funded by ACRD beyond the initial funding period, or formal exit plans where these are not intended to continue. The Governments have included clauses that require them to be notified if assets generated through the Deal are sold within 10 years of their production, and to remit a relevant proportion of the proceeds. Such assets have not generally been tracked during the course of the Deal programme, and an equivalent clause was not included within funding agreements with delivery

partners, which effectively expire when the Deal funding period closes. Aberdeenshire Council as Accountable Body may bear a higher risk in the event of the Governments seeking to obtain data the Council cannot get from delivery partners, or should they seek to recover proceeds from asset sales which have not been remitted to the Council.

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.

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.

### 2.3 Severe or major issues / risks

Issues and risks identified are categorised according to their impact on the Council. The following are summaries of higher rated issues / risks that have been identified as part of this review:

Ref	Severe or Major Issues / Risks	Risk Agreed	Risk Rating	Page No.
1.4	<p><b>Benefits Realisation, Recording and Reporting</b> – Benefits were largely determined through development of project business cases, and the benefits realisation plan. However, there is unallocated funding, and not all projects have reached this stage. Their benefits will need to be determined, documented, and tracked.</p> <p>Benefit data is being updated and reported regularly to the Joint Committee, as part of a Projects Benefits Dashboard, which is also used to supplement annual reporting. Although this provides a good indication of progress, targets are not typically broken down into individual years. Some projects or outcomes have no targets, and others are 'in progress' with no current measure. It may therefore not be straightforward for readers to gauge whether outcomes are on target. A 2024/25 benefits realisation report, and an interim evaluation of progress with the deal, are planned to be reported to the Joint Committee in November 2025.</p> <p>As reported in the last audit of this area, there remain concerns over the use of 'sensitive data' from delivery partners, including e.g. staff pay details, equalities data, and elements considered commercially sensitive. Action in response to this was 'not agreed' by management as</p>	Y	Major	17

	<p>part of the last audit report. The Government has however reiterated that it remains a requirement to obtain data on protected characteristics.</p> <p>There is no current plan for obtaining, monitoring and reporting delivery of benefits beyond the ACRD financial close. There is no separate funding for ongoing Programme Management and Finance input, and no specific agreement from delivery partners that they will continue to provide data. The terms of their funding agreements were for the duration of the Deal funding period only.</p> <p>Government guidance on Deal closure is currently in draft. There will be an ongoing expectation that the councils continue to report on the benefits delivered. These include targets up to 20 years after the deal/projects end (up to 2049). Most, but not all of the longer-term targets relate to economic growth (GVA), which can be measured (though not necessarily attributed to individual projects) independently, but there are also project-specific targets. Partners to the Deal have worked together in the spirit of cooperation, and new opportunities are being progressed with the same partners with a view to continuing to work with the Council using similar structures. However, the incentive to prioritise working on the Deal may be reduced after the funding ends. The councils will however remain accountable.</p> <p>If the councils cannot obtain this information, and cannot hold delivery partners to account for it, this could present a reputational risk, and the Governments' response to this is an unknown risk.</p>			
1.6	<p><b>Sustainability and Succession Planning</b> – Although there is no specific requirement for continuity post-deal, ACRD funding was described as an investment, and includes a substantial amount of public (and private) funding, therefore an expectation of continuity is implied. Some projects referenced exit plans and continuity in their business cases, but these were brief and high level. Individual projects are responsible for producing/updating their own business continuity or exit plans. There has been no formal review or assurance obtained over sustainability/continuity of projects funded by ACRD beyond the initial funding period, or formal exit plans where these are not intended to continue.</p>	Y	<b>Major</b>	19

	<p>The annual Grant Offer Letters include a requirement to notify the Governments if assets generated through the Deal are sold within 10 years of their production, and to remit a relevant proportion of the proceeds. Such assets have not generally been tracked during the course of the Deal programme. Draft Deal closure guidance has a specific section on Tracking of Assets (including disposals) and a requirement to keep a list and nominated named officer to keep track.</p> <p>Asset tracking and recovery of proceeds was not covered in funding agreements between the accountable body (Aberdeenshire Council) and delivery partners. These only covered spend and grant funding during the Deal funding period. Data will need to be sourced from partners, and this may prove challenging in the absence of formal agreements to provide it. The councils have responsibility for continuing to provide information to the Governments post-Deal-closure. If they cannot get it from delivery partners, it is not clear what action the Governments could take in the event of default on these obligations outside of the councils' control.</p>			
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## 2.4 Management response

### *Reputational Risk – Benefits Reporting*

*Management accepts the reputational risk associated with Benefits reporting, rated as Major. We share Internal Audit's concern about the delay in Government's programme closure guidance, which is preventing us from finalising plans and providing clarity to partners. Despite repeated engagement to press for its release, the guidance remains outstanding.*

*In the meantime, we are using our experience and professional judgement to plan ahead and anticipate likely requirements. Programme Board has been briefed, and a report will be submitted once the guidance is published (expected November/December 2025), outlining implications and any additional partner requirements. These will be formalised through appropriate channels. While the delay is frustrating, we are prepared to respond quickly once the guidance is available.*

### *Risk – Sustainability and Succession Planning*

*This risk is also acknowledged, and we agree with Internal Audit that clearer direction is needed. We expect the forthcoming guidance to define expectations around sustainability and asset reporting. We have raised this with Government and continue to seek clarity.*

*Pending formal guidance, we are applying existing knowledge to prepare for anticipated requirements. The recommended actions align with our current planning and will be implemented once guidance is received. The delay continues to create uncertainty, but we remain committed to ensuring compliance and continuity.*

# 3 Issues / Risks, Recommendations, and Management Response

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

Ref	Description	Risk Rating	Moderate
1.1	<p><b>Governance and Funding Agreements</b> – The governance framework for the Deal was updated in February 2024 and has been embedded in relevant processes. This covers delegations, change controls, and reporting. A dashboard approach has been taken to reporting, which is providing more, and more consistent, data to the Board and Joint Committee to aid them in monitoring progress and decision making. There is some variation in content evident, although this largely relates to the stages reached and level of progress of individual projects.</p> <p>The 2025/26 Grant Offer Letter from the Governments included application of a 'sensitivity adjustment' to reflect their perceived risk of underspend within the financial year. Whilst the full level of agreed funding remains available, this would need to be formally requested which presents a risk of delay in Aberdeenshire Council claiming and remitting funds to projects, which could put delivery partners and projects at risk. This risk is mitigated by a reducing spend forecast due to risks/issues and delays in some projects within the current year, and ongoing regular meetings with Government representatives to discuss progress and highlight potential issues.</p> <p>MOU funding from the Scottish Government for Digital projects was paused in 2024, and project development was therefore paused. An email communication indicates they anticipate being able to release funding on a case-by-case basis from 2025/26. Communication is informal, not specific, and previous actions (pausing funding) could indicate a risk to availability of funds and delivery of projects, particularly if business cases are not brought forward and agreed timeously. There has been no indication that an extension beyond 2026/27 is being considered. A proposal to utilise £1m out of £3.4m remaining digital funds (£2m of which is MOU) was presented to the Joint Committee in September 2025, with a timeline indicating it would be complete by September 2026 (subject to approval of the business case by Scottish Government). There is limited time remaining to identify and bring forward further projects to maximise the benefits to be delivered through use of the remaining funding.</p> <p>Funding agreements with two external delivery partners were updated in 2024 to reflect changes in name, and to incorporate new 'fair work first' principles which were added by the Governments to the Grant Offer Letter conditions in 2024. Whilst this covered 'live' Deal projects still in payment, no similar requirements were applied for MOU projects which are still in progress. If the Governments seek to impose further new conditions in the 2026/27 Grant Offer Letter, as part of Deal closure documentation, or to MOU projects, further time may need to be spent negotiating and documenting changes with delivery partners, impacting on time and resource for progressing, finalising and reporting on projects.</p> <p>None of the funding agreements with delivery partners reflect what will happen post-Deal-closure. This is further discussed at 1.4 below.</p>		
<b>IA Recommended Mitigating Actions</b>			
Formal clarification should be sought on the availability and timescales for MOU funding.			
<b>Management Actions to Address Issues/Risks</b>			
Agreed.			
<b>Risk Agreed</b>	<b>Person(s)</b>	<b>Due Date</b>	

	Yes	Service Manager – Major Programmes and Partnerships	December 2025
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Ref	Description	Risk Rating	Moderate
1.2	<p><b>Change Management</b> – The Programme Manager put clearer and more consistent procedures in place following the last audit. They have noted they are not gatekeepers, but their role provides a route to highlighting any risks/issues to the Board/Committee as appropriate. Higher risk changes are being reported, requested and approved through formal mechanisms. However, some reliance is being placed on informal communications from Government, and it may be a risk to rely on them entirely.</p> <p>Virements have been agreed between budgets for Digital and Transport, to address a potential risk for the Harbour Link Road project. Each programme is being reduced by £575k, representing 3% and 8% of their original grant funded budget (£17m and £7m), and 8% and 29% of the councils' budgeted contributions (£7m and £2m), respectively. This budget was available for virement because detailed business cases and funding allocations within these themes have yet to be fully determined. The Government provided an indication it was 'broadly content', but it also indicated proposals could be strengthened to clarify the impact on these workstreams and how remaining funding would be used. Business cases have not been updated to reflect a reduction in scope. These areas also lack detailed targets and milestones in the live projects dashboard. This underlines risks in respect of progress with delivery, and achievement of the best outcomes through maximising use of the available funding.</p> <p>Re-phasing of projects is common. Delays are evident across various projects, some of which are not in a position to spend their allocation because they have not yet fully developed business cases, contracts, or progressed workstreams, and others due to issues which are not within their direct control. Risks, issues and delays are being reported, and forecasts are being updated, but these are not being captured promptly in formal change requests. This presented a low risk in the early years of the Deal but represents a higher risk as the Deal comes to a close.</p> <p>With one exception (Harbour Link Road) all projects must be concluded, and final claims paid up to 31 March 2027, with the final claim to be submitted to the Governments by Aberdeenshire Council by the 10th working day after 31 March 2027 (14 April 2027)<sup>2</sup>. If they do not spend and submit their claims within this period or have formal approval to extend (which the Governments have indicated is not their preference), then this funding may be lost, and projects may not achieve all of their objectives. This presents a reputational risk for the councils, and a financial risk for the projects if they commit funds which cannot be reimbursed.</p> <p>Depending on the nature and scale of work completed up to this point, failure to achieve the agreed objectives included in the Deal and supporting business cases could put funding already received at risk: The annual Grant Offer Letter allows the governments to reassess or require immediate repayment in the event of any change or departure from the purposes the grant was awarded, failure to carry out or progress the programme.</p>		
<b>IA Recommended Mitigating Actions</b>			
Assurance should be obtained from delivery partners that they have reviewed their project timelines and spend profiles to ensure the agreed outputs and outcomes are achievable within the remaining time. Any changes required should be progressed promptly through approved governance routes to ensure they can be requested, considered, agreed and formally documented in advance.			

<sup>2</sup> This is based on draft closure guidance, which mirrors existing requirements for annual reporting.

Ref	Description	Risk Rating	Moderate
	<p>A schedule for drawdown of final payments should be set, and delivery partners made aware that it will be strictly adhered to, with no recourse to the councils for funding which cannot be drawn down from the Governments.</p> <p><b>Management Actions to Address Issues/Risks</b></p> <p><i>Government approvals are secured in line with the agreed change control process. The example used where Scottish Government said they were “broadly content” was an example where Council contribution was being moved within the deal. As this was not Government funds, there was no reliance upon Government’s to approve. They were consulted for full transparency, after they had already advised the decision on virement on Council contributions was a decision for Council to take. As such, there is no reliance upon the Government in the example given, and no associated risk.</i></p> <p><i>Impact on workstreams:</i></p> <p><i>When council vired funding between deal themes, it moved funding from an area where the funding was not committed, and therefore there would be no negative impact on the theme which funding was being moved away from. This was detailed in prior reports which identified that the objectives of the Transport STA theme would be achieved, and that there was still unallocated (Council) budget. The risk identified over impact on workstreams was therefore fully mitigated. For the same reason, business cases were not adjusted to show a reduction in scope, because there was no reduction in scope.</i></p> <p><i>Risks are flagged in regard to final claims and suggests that any project not completed and having submitted its final claim by 31 March 2027 would face a risk financially. PMO shared with Internal Audit the Government Draft Programme closure guidance. This has specific sections relating to project timeline extensions, and shows flexibility in proposing, as an example, a second part claim. There is also a section specific for projects with an agreed extended timeline. This substantially reduces the financial risk identified. It is suggested that Government preference is not to extend projects – this is speculative and there is concern that a risk rating may be based upon an assumed Government position. There is already evidence from the Extension to Link Aberdeen South Harbour (ETLASH) project, that Government is able and willing to extend where a case is made.</i></p> <p><i>It is suggested that projects may fail to achieve their objective. There is no suggestion at this time that projects will fail to achieve their objectives, and the most recent annual report and Interim Evaluation shows that the overall Deal GVA, employment and tax revenues are on course to be met.</i></p> <p><i>With regards to the mitigating actions:</i></p> <p><i>1. Assurance should be obtained from delivery partners that they have reviewed their project timelines and spend profiles to ensure the agreed outputs and outcomes are achievable within the remaining time.</i></p> <p><i>Response – This already occurs on a monthly basis as per Project Status reports and is reported to programme board and joint committee on a quarterly basis through a programme dashboard.</i></p> <p><i>2. Any changes required should be progressed promptly through approved governance routes to ensure they can be requested, considered, and agreed in advance.</i></p>		

Ref	Description	Risk Rating	Moderate
	<p><i>Response – All changes proposed are processed per change control guidance. Unclear what else we are being asked to do here, or what risk we are being asked to mitigate?</i></p> <p><i>3. Where changes are required, clarity over formal agreement from the Governments should be obtained and fully documented</i></p> <p><i>Response – this already occurs and would be considered business as usual.</i></p> <p><i>4. A schedule for drawdown of final payments should be set, and delivery partners made aware that it will be strictly adhered to, with no recourse to the councils for funding which cannot be drawn down from the Governments.</i></p> <p><i>Response – A schedule for drawdown of payment will be put in place following publication of programme closure guidance by Government – to ensure alignment. Delivery partners will be made aware of the strict adherence to this. Content to inform delivery partners that there will be no recourse to the Councils for any funding that cannot be drawn down from Governments – however, to note that the accountable body only makes payment to projects following receipt of grant funding from Government.</i></p>		
	<b>Risk Agreed</b>	<b>Person(s)</b>	<b>Due Date</b>
	Yes	Service Manager – Major Programmes and Partnerships	March 2026

Ref	Description	Risk Rating	Moderate
1.3	<p><b>Project Expenditure and Progress</b> – Reasonable assurance was obtained over the review and administration of claims by Finance and the Programme Manager. There is more in-depth review taking place than in previous years, though this is still on a sample basis for some projects, and for others whilst there are some records on file, and assurance from Finance that further evidence (invoices, valuations, financial records) is being reviewed, copies are not routinely being obtained and retained.</p> <p>Forecasts are updated monthly for inclusion in monthly, quarterly and bi-annual reporting to the Governments. There is a lot of movement in forecasts, indicating either risks and issues arising which were unanticipated, or poor forecasting of requirements. This is a recurring trend, which has been reflected by the Government building in sensitivity adjustments to reflect a lower level of anticipated claims than budgeted/applied for at the start of the financial year.</p> <p>Where movements have been forecast, variance notes indicate the reason for movement, but there is limited assurance being provided about how they will be addressed within the remaining time and budget. Without clear mitigations, there is limited assurance that the project/s will be delivered on time and within budget. If this happens in the final year/s there is a higher risk projects will not receive and maximise use of all of the available funding, representing a missed opportunity. As noted above, there is also a financial risk for the projects if they commit funds which cannot be reimbursed.</p> <p>Data on progress is being collated by the Programme Manager from Project Status Reports prepared by project leads, into dashboards reported to the Joint Committee on a regular basis. Risks and issues are being highlighted, though some are being left blank. Higher risk projects are being reported separately in more detail, providing more assurance and opportunities for scrutiny by the Committee. Although there is more detail and explanation of the current issues within these reports, this does not provide substantial additional</p>		

Ref	Description	Risk Rating	Moderate
	<p>assurance over the mitigations being applied to bring projects back on schedule, and level of confidence in delivering within the deal period.</p> <p>Project closure is being reported on a template, updated following the previous audit. Lessons learned are being noted, but only at a project level. Benefits derived to date, and still to be delivered are being referenced, but in narrative form. There is no direct comparison of planned against actual benefits at the point each project closes. This is however being included in quarterly update reports, and the annual benefits dashboard. A snapshot at the point in time a project concludes may be useful in demonstrating the scale of benefits delivered during, and after completion.</p> <p>Council funding is being tracked and remitted as appropriate.</p>		
<b>IA Recommended Mitigating Actions</b>			
	<p>Supporting records should be retained on file to support all payments made.</p> <p>Increased scrutiny should be applied to forecasting to reduce the scope for variation, and to provide assurance that action is being taken to mitigate variances' impact on schedule and budget.</p> <p>Consideration should be given to capturing the benefits achieved against target at the point in time each project closes, to provide a baseline for comparison.</p>		
<b>Management Actions to Address Issues/Risks</b>			
	<p><i>It is suggested that PMO update the project closure template to capture benefits achieved at that point as a baseline as recommended, It is currently recorded through dashboard but agree that documenting at project closure would allow a clearer baseline point and the project closure template will be updated to reflect this.</i></p> <p><i>PMO will consider ways to increase scrutiny of forecasting. PMO will engage through the PMO network to identify any additional activities undertaken by other deals and seek to apply any additional good practice identified. PMO will also seek guidance from Government as to what measures they see in other deals to increase scrutiny around forecasting.</i></p> <p><i>"Supporting records should be retained on file to support all payments made." As internal audit has highlighted, there is a more in-depth review taking place than in previous years. Management fully supports the need for robust audit trails and transparency and are of the view that the current process which provide open access arrangements to all relevant evidence and documentation is sufficient. As part of the monthly review of claims from partner bodies, a template is completed to document and evidence Aberdeenshire Council's review and scrutiny of evidence from the partner bodies. This includes viewing invoices, valuations and financial records which are retained within the respective partner bodies systems. Retaining duplicate copies of documentation is deemed unnecessary and potentially counterproductive as the Funding Agreement with each partner body requires them to retain all evidence for 10 years and give the Council free access to its records. The risk to the Council of not having access to these records is therefore considered low.</i></p>		
	<b>Risk Agreed</b>	<b>Person(s)</b>	<b>Due Date</b>
	Yes	Service Manager – Major Programmes and Partnerships	January 2026

Ref	Description	Risk Rating	Major
1.4	<p><b>Benefits Realisation, Recording and Reporting</b> – Benefits were largely determined through development of project business cases, and the benefits realisation plan. However, not all projects were set out in detail at the outset. Recent projects (including projects within the Digital and Transport themes) have not yet concluded and approved business cases to utilise the remaining funding. Their benefits will need to be determined, documented, and tracked.</p> <p>Benefit realisation information is being updated regularly and reported to the Programme Manager for inclusion in reports to the Joint Committee, as part of a Projects Benefits Dashboard, which is also used to supplement annual reporting. This includes narrative, current measures, target measures and dates. Although this provides a good indication of progress, targets are not typically broken down into individual years, and results/trajectories may not necessarily be linear. Some projects or outcomes have no targets, and others are 'in progress' with no current measure. It may therefore not be straightforward for readers to gauge whether outcomes are on target based on the data as currently presented. A 2024/25 benefits realisation report, and an interim evaluation of progress with the deal, are planned to be reported to the Joint Committee in November 2025.</p> <p>As reported in the last audit of this area, there remain concerns over the use of 'sensitive data' from delivery partners, including e.g. staff pay details, equalities data, and elements considered commercially sensitive (e.g. R&amp;D investment), even though this had been included in the approved Benefits Realisation Plan. Action in response to this was 'not agreed' by management as part of the last audit report. During a meeting on benefits realisation planning in March 2024, the Government reiterated that it remains a requirement to obtain this data.</p> <p>There is no current plan for obtaining and monitoring and reporting delivery of benefits beyond the ACRD financial close. There is an implicit assumption the Programme Manager and Finance will continue to provide support as and when required, but this is not subject to specific agreements or funding. There is no specific agreement from delivery partners that they will continue to provide data, and they will technically no longer be bound by their funding agreements, which were put in place for the duration of the Deal funding period only.</p> <p>Government guidance on Deal closure is currently in draft, but regardless of its specific content there will be an ongoing expectation that the councils continue to report on the benefits delivered through the City Region Deal in line with those declared as part of the original Deal, project business cases, and benefits realisation plan. Benefits included in the benefits tracker include targets up to 20 years after the deal/projects end (up to 2049). Most, but not all of the longer-term targets relate to economic growth (GVA), which can be measured (though not necessarily attributed to individual projects) independently, but there remain specific targets post-deal for projects in the intervening period. Partners to the Deal have worked together in the spirit of cooperation, and new opportunities are being progressed with the same partners with a view to continuing to work with the Council using similar structures. However, the incentive for delivery partners to prioritise working on the Deal after it ends may be reduced when ongoing funding is no longer contingent on it. The councils will however remain accountable.</p> <p>If the councils cannot obtain this information and cannot hold delivery partners to account for it (due to lack of formal agreements on reporting), this could present a reputational risk, and the Governments' response to this is an unknown risk.</p>		
<b>IA Recommended Mitigating Actions</b>			
<p>Benefits to be realised should be defined for all projects.</p> <p>Delivery of benefits should be measured and reported in a way which allows for comparison of current performance against planned at the point in time they are reported.</p>			

Ref	Description	Risk Rating	Major
	<p>Formal assurance should be sought from delivery partners over continued access to data to allow the councils to meet the Governments' ongoing reporting requirements post-deal closure.</p> <p>The Benefits Realisation Plan should be updated to reflect the data which can be obtained.</p>		
<b>Management Actions to Address Issues/Risks</b>			
<p><i>Management Response.</i></p> <ol style="list-style-type: none"> <li>1. <i>Benefits to be realised should be defined for all projects.</i> <i>Response – Agreed and is in progress.</i></li> <li>2. <i>Delivery of benefits should be measured and reported in a way which allows for comparison of current performance against planned at the point in time they are reported.</i>  <i>Response – Benefits realisation is reported on an annual basis. Doing this on a more frequent basis would put too much information before Board and committee to consider, and risks loss of oversight of progress over agreed business case targets which are the primary focus. Where the intention is to provide a trajectory to review progress at intervals where the target dates is e.g. 10 years away, PMO will reach out to other Deals to identify approaches taken and to follow existing models.</i></li> <li>3. <i>Formal assurance should be sought from delivery partners over continued access to data to allow the councils to meet the Governments' ongoing reporting requirements post-deal closure.</i>  <i>Response – PMO will ensure compliance with any requirements contained within either the grant offer letter, or the programme closure guidance once published.</i></li> <li>4. <i>The Benefits Realisation Plan should be updated to reflect the data which can be obtained.</i>  <i>Response – PMO do not want to receive any data which would identify an individual because that would lead to a breach of GDPR regulations. PMO would prefer to remain compliant with legislation and are happy to inform Government that until sensitive personal data containing identifiable personal characteristics can be accumulated, we do not wish for it to be reported as it may identify an individual. This is because such data requires to be treated with higher protection under GDPR. Management will therefore review the Benefits Realisation Plan(BRP) to identify any data which may fall into this category and consider seeking to remove it from the BRP for simplicity.</i></li> </ol>			
<b>Risk Agreed</b>		<b>Person(s)</b>	<b>Due Date</b>
Yes		Service Manager – Major Programmes and Partnerships	March 2026

Ref	Description	Risk Rating	Minor
1.5	<p><b>Closedown Arrangements, Final reporting, and Lessons learned</b> – The Programme Manager is working with the governments to progress Deal closure arrangements, but these have still to be finalised and formalised. There are clear indications of the type of requirements, and these generally mirror existing reporting arrangements. This should be sufficient to formulate an appropriate plan and prepare partners for what is likely to be required.</p> <p>Final reporting will require support and coordination from the Programme Manager and Finance. Both are required to input to future programmes so are likely to remain in a position to support until all information has been published as required. A schedule would be beneficial but has yet to be prepared. This would only be indicative at this time, until Deal closure guidance is completed. There is a risk that if national guidance is delayed, this will impact on the time available to carry out required tasks.</p> <p>Lessons learned will need to be a part of closure documentation. This will benefit most from wider stakeholder involvement, and a broad lens to bring in learning from across the deal landscape - not just specific projects. Lessons are being applied in practice - particularly in respect of the Accountable Body role, now that the implications are better understood.</p>		
<b>IA Recommended Mitigating Actions</b>			
<p>A schedule/timeline should be developed and shared with the Board to highlight the likely requirements and timescales for reporting.</p> <p>A review of lessons learned, taking in feedback from partners and stakeholders across the board, should be scheduled and progressed.</p>			
<b>Management Actions to Address Issues/Risks</b>			
<p><i>A report will be presented to Programme Board, accordingly, following the publication of Government programme closure guidance.</i></p> <p><i>An interim evaluation is underway, and a final evaluation will take place post deal. Both take account of lessons learned.</i></p>			
<b>Risk Agreed</b>		<b>Person(s)</b>	<b>Due Date</b>
Yes		Service Manager – Major Programmes and Partnerships	February 2026

Ref	Description	Risk Rating	Major
1.6	<p><b>Sustainability and Succession Planning</b> – Although funding was not provided with a specific requirement for continuity post-deal, it was described as an investment and includes a substantial amount of funding (£826m, of which £294m was from public sector bodies), therefore an expectation of continuity is implied. Some projects referenced exit plans and continuity in their business cases, but these were brief and high level. Individual projects are responsible for producing/updating their own business continuity or exit plans. There has been no formal review or assurance obtained over sustainability/continuity of projects funded by ACRD beyond the initial funding period, or formal exit plans where these are not intended to continue.</p> <p>The annual Grant Offer Letters include a requirement to notify the Governments if assets generated through the Deal are sold within 10 years of their production, and to remit a relevant proportion of the proceeds. Such assets have not generally been tracked during the course of the Deal programme. Draft Deal closure guidance has a specific section on</p>		

Ref	Description	Risk Rating	Major
	<p>Tracking of Assets (including disposals) and a requirement to keep a list and nominated named officer to keep track.</p> <p>Asset tracking and recovery of proceeds was not covered in funding agreements between the accountable body (Aberdeenshire Council) and delivery partners. These only covered spend and grant funding during the Deal funding period. The Council is protected up to the point it hands over funds but has limited recourse in the event of default after this point. The option to suspend provision of further funding will not help recover funds up to 10 years after the Deal ends. Therefore, the risk to the Council is higher. Data will need to be sourced from partners, and although the Service has indicated working relationships have been amicable during the funding period, this may prove challenging post-Deal in the absence of dedicated resources (within the councils and partners) and formal agreements to provide it. The councils have responsibility for continuing to provide information to the Governments post-Deal-closure. If they cannot get it from delivery partners, it is not clear what action the governments could take in the event of default on these obligations outside of the councils' control.</p>		
	<b>IA Recommended Mitigating Actions</b>		
	<p>Assurance should be obtained over sustainability and exit plans post Deal closure for projects with legacy assets and/or continuing operations.</p> <p>Lists of assets generated and a means of tracking them should be developed and shared with the Programme Manager.</p> <p>Clarity should be provided to delivery partners over ongoing obligations and expectations in respect of assets.</p>		
	<b>Management Actions to Address Issues/Risks</b>		
	<p><i>There is no expectation on PMO to obtain assurance over sustainability post deal. The ACRD is capital funding, and the emphasis is upon approved business cases, which is what we currently report on. If Government were to stipulate this as a requirement, then PMO would respond accordingly, however it is not a requirement on PMO at this time.</i></p> <p><i>Assets – PMO have engaged already with Government to understand what information is desired to be made available to Government so that we can collate it in a consistent format which satisfies their expectations. We are awaiting confirmation from Government on this but have engaged with the NZTC to provide a list of their assets to Government with a view to agreeing what level of information Government desire on all Deal assets. This will enable PMO to give clarity to delivery partners.</i></p> <p><i>Management agree with the risk identified in regard to assets and are already taking action in this regard which we view as sufficient mitigation pending Government closure guidance.</i></p> <p><i>The area of post deal assurance is not something which Government have asked PMO to undertake, and therefore there is no compliance issue with the current reporting. We accept that it may be considered a risk but are surprised at the major risk rating as it is not something which Governments have required of PMO.</i></p> <p><i>PMO have set out proposed actions, which would address the risks identified, and note concern that this audit appears to have a focus on future funding (e.g. Investment Zone) which are outwith scope.</i></p> <p><i>In regards to specific recommendations:</i></p>		

Ref	Description	Risk Rating	Major
	<p>1. Assurance should be obtained over sustainability and exit plans post Deal closure for projects with legacy assets and/or continuing operations. (Agree)</p> <p>2. Lists of assets generated and a means of tracking them should be developed and shared with the Programme Manager. (Agree)</p> <p>3. Clarity should be provided to delivery partners over ongoing obligations and expectations in respect of assets. (Agree)</p>		
	<b>Risk Agreed</b>	<b>Person(s)</b>	<b>Due Date</b>
	Yes	Service Manager – Major Programmes and Partnerships	April 2026

## 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>Strategic</b>	This issue / risk level impacts the Council as a whole. Mitigating actions should be taken at the Senior Leadership level.
<b>Directorate</b>	This issue / risk level has implications at the directorate 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 directorate.
<b>Service</b>	This issue / risk level impacts at the Business Plan level (i.e. individual services or departments as a whole). Mitigating actions should be implemented by the responsible Head of Service.
<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

The Aberdeen City Region Deal (the Deal), agreed in November 2016, is a three-way, ten-year agreement between the UK Government, the Scottish Government and regional partners including Aberdeen City and Aberdeenshire councils, and other organisations including Universities and Opportunity North East (ONE) - the private sector partner which leads on innovation projects within the Deal. The total allocations of funding for the capital projects is £826.2 million.

The Deal's aim is to significantly advance economic and infrastructure development in the area, addressing the challenges which business and industry face in the North East of Scotland whilst grasping opportunities through projects which can enable Aberdeenshire and Aberdeen City to continue to be an attractive and productive area for organisations to locate and develop. Key projects include the Net Zero Technology Centre (formerly Oil and Gas Technology Centre), Food and Drink and Life Science Innovation Hubs, a Digital Infrastructure Fund, expansion of Aberdeen Harbour, and development of a Strategic Transport Appraisal (STAG).

The councils' jointly fund £20 million of activity relating to the Digital (£7 million), STAG (£2 million) and Harbour Expansion (£11 million) elements of the Programme. The Digital and Transport themes are led by Council based Working Groups whilst the other project themes, Innovation, and Internationalisation, are led by external Project Boards with which the Council has a Funding Agreement. The councils are responsible for ensuring projects are appropriately planned and managed and for monitoring their progress and finances. They also host the Aberdeen City Region Deal Joint Committee, which includes representation from each stakeholder.

Aberdeen City Council provides programme and project management support for the Deal's projects and outcomes. This is a facilitating and liaison role, including communication with key stakeholders (including the UK and Scottish Governments) and project leads, promoting adherence to governance requirements, and a consistent approach to risk monitoring, reporting of progress and delivery of benefits.

Aberdeenshire Council is the 'Accountable Body' for project funding. It acts as a conduit for Government and Council funding in accordance with the signed Deal Agreement and the terms of the Scottish Government's annual Aberdeen City Region Deal Grant Offer, to provide payments to projects in line with relevant agreements, spend and progress.

### 5.2 Rationale for review

The objective of this audit is to provide assurance over the governance and financial spend of the City Region Deal. This review will focus specifically on the final stages and overall delivery. We will also review implementation of agreed actions from the previous audits to ensure controls are still operational and effective. As the programme is shortly coming to an end, whilst the audit will focus on current practice, it is intended that recommendations arising will be forward-facing for application to similar future projects.

The Deal is managed on behalf of various partners; each stakeholder will have an interest in assurance over the governance arrangements. The councils have lead responsibility for programme delivery and stewardship of funds.

Since 2022/23 the UK and Scottish Governments' funding letter, setting out the terms of their annual grant offer, includes an expectation for the Deal to be included in the Internal Audit Plan at least every two years. This is the final planned internal audit of this area, in line with this requirement.

Governance of the Deal was last reviewed in 2023/24 (Internal Audit Report 2422/AC2413). Limited assurance was obtained, due to identified weaknesses in governance arrangements, review of supporting audit trails for expenditure, and delivery of outcomes. Improvements were recommended around strengthening the governance and reporting arrangements within the councils and from partners. These included updating and securing flexibility in funding agreements and reviewing delegations. Further work was recommended to develop and expand the level of data obtained, and its

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critical appraisal, in respect of use of funding, performance against plans, and realisation of benefits, at a more detailed level proportionate with the level of funds being managed through the City Region Deal.

Key elements of the review for the final stages of the Deal period will include controls over any late-stage project changes, benefits measurement and reporting, and demonstrating project sustainability following the end of the funding period. These were highlighted as risk areas in previous audits (Internal Audit Report 2101, in 2020).

### 5.3 Scope and risk level of review

This review will offer the following judgements:

- An overall **net risk** rating at the **Strategic**<sup>3</sup> 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:

- Follow-up of previous issues to ensure actions have been embedded:
  - Governance and funding agreements
  - Change management
  - Evidence and review of project expenditure and progress
  - Benefits realisation, recording and reporting
- Final reporting and close-down arrangements
- Sustainability, succession planning and lessons learned

### 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, guidance.

This review will also encompass an evaluation of the governance, risk management and controls in place to detect, prevent, and mitigate instances of fraud.

Due to hybrid working across the Council, this review will be undertaken primarily remotely.

### 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:

- Colin Harvey, Audit Team Manager (**audit lead**)
- Jamie Dale, Chief Internal Auditor (**oversight only**)
- Rachel Brand, Auditor

### 5.7 Council key contacts

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<sup>3</sup> The audit methodology used across both councils is similar, with the only variance being slightly different assurance terms e.g. a Strategic review for Aberdeenshire is considered a Corporate Review for Aberdeen City. For ease of reporting and consistency, the Aberdeenshire terms have been used.

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The key contacts for this review across Aberdeen City Council are:

- Gale Beattie, Director of City Regeneration & Environment
- Julie Wood, Chief Officer – City Development & Regeneration
- Stuart Bews, City Region Deal Programme Manager (**process owner**)
- Aigul Gray, Project Support

The key contacts for this review across Aberdeenshire Council are:

- Rob Simpson, Director of Business Services
- Alan Wood, Director of Environment and Infrastructure
- Paul Macari, Head of Planning and Economy
- Mary Beattie, Head of Finance
- Karlyn Watt, Strategic Finance Manager (**process owner**)
- John Lovie, Accountant

## 5.8 Delivery plan and milestones

The key delivery plan and milestones are:

Milestone	Planned date
Scope issued	4-Jul-2025
Scope agreed	1-Aug-2025
Fieldwork commences	11-Aug-2025
Fieldwork completed	12-Sep-2025
Draft report issued	10-Oct-2025
Process owner response	31-Oct-2025
Director response	7-Nov-2025
Final report issued	14-Nov-2025