The Highland Council

Agenda Item	3
Report No	AC/1/26

Committee:	**Audit Committee**
Date:	**4 February 2026**
Report Title:	**Internal Audit Reviews and Progress Report – 24/10/2025 - 16/01/2025**
Report By:	**Strategic Lead (Audit and Risk)**

1. Purpose/Executive Summary

1.1 This report provides details of the work undertaken by the Internal Audit section since the last report to Committee in November 2025.

2. Recommendations

2.1 Members are asked to:

i. **Consider** and **note** the Final Reports referred to in Section 5.1 of the report.
ii. **Scrutinise** and **note** the current work of the Internal Audit Section outlined at sections 6 and 7, and the status of work in progress detailed at **Appendix 1**.

3. Implications

3.1 Risk - the risks and any associated system or control weaknesses identified as a result of audit work or corporate fraud investigations will be reviewed and recommendations made for improvement.

3.2 There are no Resource, Legal, Health and Safety or Gaelic implications arising from this report.

4. Impacts

4.1   In Highland, all policies, strategies or service changes are subject to an integrated screening for impact for Equalities, Poverty and Human Rights, Children's Rights and Wellbeing, Climate Change, Islands and Mainland Rural Communities, and Data Protection.   Where identified as required, a full impact assessment will be undertaken.

4.2   Considering impacts is a core part of the decision-making process and needs to inform the decision-making process. When taking any decision, Members must give due regard to the findings of any assessment.

4.3   This is an update report and therefore an impact assessment is not required.

5. Internal Audit Reports

5.1   There have been two reports issued during this period as detailed in the table below.

Service Cluster	Subject	Audit opinion
Corporate	Human Resources – Learning and Development	Reasonable Assurance

The following report will be considered in private by Members:

Service Cluster	Subject	Audit opinion
Place	Investigation into harbour's operations - control weaknesses	Limited Assurance

Each report contains an audit opinion based upon the work performed in respect of the subject under review. The five audit opinions are set out as follows:

(i)   Full Assurance: There is a sound system of control designed to achieve the system objectives and the controls are being consistently applied.
(ii) Substantial Assurance: While there is a generally a sound system, there are minor areas of weakness which put some of the system objectives at risk, and/ or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.
(iii) Reasonable Assurance: Whilst the system is broadly reliable, areas of weakness have been identified which put some of the system objectives at risk, and/ or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.
(iv) Limited Assurance: Weaknesses in the system of controls are such as to put the system objectives at risk, and/ or the level of non-compliance puts the system objectives at risk.
(v) No Assurance: Control is generally weak, leaving the system open to significant error or abuse, and/ or significant non-compliance with basic controls leaves the system open to error or abuse.

6. Internal Audit work in progress

6.1 Audits for the 2025/26 audit plan are in progress, and their current status is provided at **Appendix 1**. The Internal Audit Team has continued to make best efforts to ensure timely completion of this audit work.

6.2 The time required to complete the Internal Audit Team restructure including appointing a trainee auditor (with ongoing training needs), and recruiting to the vacant auditor post has resulted in fewer available audit days than originally anticipated when the audit plan was prepared. As a result, some audits which have not yet commenced, will need to be carried forward into the 2026–27 Internal Audit Plan.

7. Other Work

7.1 The Section has been involved in a variety of other work during the period which is summarised below:

- Audits for other Boards, Committees and Organisations

  Audit work has been undertaken during this period for the Valuation Joint Board, Pensions Board and for High Life Highland which will be reported to the respective Boards/ Committees in due course.

- Attendance at HR & Payroll Programme Board

  Audit representation has been requested on the Board in an independent non-voting capacity. The role being carried out by the Corporate Audit Manager is to act as the "critical friend" to assist in providing assurance in matters relating to internal controls, governance and risk management.

- Attendance at officer meetings for Inverness Green Freeport

  Developing preparatory understanding of arrangements surrounding the role of the Highland Council as Accountable Body for the Inverness Green Freeport. The Green Freeports Framework sets a range of new expectations and assurance requirements including additional internal audit reporting requirements.

- Internal Audit Planning 2026-27

  Work is substantially complete to prepare the 2026-27 Internal Audit plan, with planning meetings recently concluded with the Chief Executive and Assistant Chief Executives. This will be presented to the May Audit Committee for approval.

- Global Internal Audit Standards (GIAS)

  Work continues implementing and embedding the requirements of the GIAS. The first report detailing conformance against the GIAS in the UK Public Sector will be provided within the Internal Audit Annual Report 2025/26 which will also be provided to the May Committee meeting.

- Corporate Fraud, Whistleblowing concerns and other investigations activity

  The Single Point of Contact (SPOC) work is an ongoing commitment providing information to Police Scotland, the Department of Work and Pensions and the UK Immigration Enforcement Office. This work assists these organisations in investigating potential crimes and in making our communities safer. An allowance of time for these commitments is made within the Internal Audit Plan each year. We have seen an increase in activity in this area over the last reporting period.

We have a current commitment of 10 cases. This comprises of several active cases subject to investigation and those where the investigation has been concluded but there is ongoing recovery or report to the Procurator Fiscal.

Ongoing investigations during this period include:

- Four ongoing Whistleblowing cases.
- One Tenancy enquiry which also appeared as a "match" within the National Fraud Initiative exercise.
- One Payroll Mandate Fraud.
- Three ongoing investigations, two reported by the Service.
- One suspected theft allegation. This investigation has been concluded, and the control weakness report is on the agenda as separate item.

Where active fraud and whistleblowing investigations are in progress, no further information can be provided in order to prevent these being compromised. However, once the investigations have been completed including any associated disciplinary/ legal action where relevant, the control weaknesses reports will be provided to the Audit Committee to scrutinise. As detailed above, there is one such report provided.

Designation: Strategic Lead (Audit and Risk)

Date: 8 January 2026

Authors: Donna Sutherland, Strategic Lead (Audit and Risk)
Jason Thurlbeck, Corporate Audit Manager

Background Papers: N/A

Appendices: Appendix 1 – 2025/26 Internal Audits in progress

Appendix 1 – 2025/26 Internal Audits in progress

Service	Audit Subject	Priority	Planned Days	Current Status	Planned Committee Reporting Date
Audits c/fwd from 2024/25 Audit Plan					
Place	Property Maintenance & Repairs	High	30	Substantially complete	May 2026
2025/26 Audit Plan					
Place	Asset Management	High	30	Planning initiated *	-
Place	Roads Operations and Maintenance	High	30	Planning initiated *	-
Corporate	IT Infrastructure	High	30	Fieldwork in progress	May 2026
Corporate	ICT & Digital Services	High	30	Substantially complete	May 2026
Place	Harbours	High	30	Substantially complete	May 2026
People	Emergency Social Work Service	Medium	30	Substantially complete	May 2026
Corporate	Legal Services	Medium	30	Fieldwork in progress	May 2026
Place	Ferries	Medium	30	Fieldwork in progress	May 2026
Corporate	General Ledger	High	30	Substantially complete	May 2026
Place	Property Capital Projects	High	30	Planning initiated *	-
Corporate	Strategic Improvement	Medium	30	Not yet started	-
Corporate	Payroll	Medium	30	Fieldwork in progress	May 2026
People	Primary Schools	Medium	30	Not yet started	-
Corporate	Insurance	Medium	30	Not yet started	-
People	Early Years	Medium	30	Fieldwork in progress	May 2026
People	Secondary Schools	Medium	30	Not yet started	-
People	Additional Support for Learning	Medium	30	Fieldwork in progress	May 2026
Additional unplanned audit added					
Corporate	Review of Exit Packages	n/a	n/a	Fieldwork in progress	May 2026

* Once the Terms of Reference has been prepared, this will detail the planned Committee reporting date.

Internal Audit Final Report

Corporate

Human Resources – Learning and Development

Description	Priority	No.
Major issues that managers need to address as a matter of urgency.	High	2
Important issues that managers should address and will benefit the Organisation if implemented.	Medium	5
Minor issues that are not critical, but managers should address.	Low	0

Audit Opinion

The opinion is based upon, and limited to, the work performed in respect of the subject under review. Internal Audit cannot provide total assurance that control weaknesses or irregularities do not exist. It is the opinion that **Reasonable Assurance** can be given in that whilst the system is broadly reliable, areas of weakness have been identified which put some of the system objectives at risk, and/ or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.

Distribution:
Assistant Chief Executives
Chief Officers
Head of People
Learning & Development Manager
Audit Scotland

Draft Date: 14/01/26
Final Date: 23/01/26

1.   Introduction

1.1   Learning and Development (L&D) refers to the training and development activities provided by the Council to help employees build the skills and knowledge they need to do their jobs effectively. This includes mandatory and compliance training, professional development, leadership and management development, digital skills and systems training, wellbeing and resilience training and role specific training.

1.2   The audit assessed current L&D activities to ensure that they were aligned with the Councils core strategic priorities as set out in The Council Programme 2022-2027 and the Delivery Plan 2024-2027. This included looking at how staff training needs were identified and how this process fed into the development of training plans at organisational and individual employee level. Spending on L&D activity was examined to determine whether the Council had a clear picture of what was being spent across services, and whether there was effective oversight to ensure funds were used strategically and delivered value for money.

The audit also looked at the processes in place to ensure that all new members of staff received and completed an induction and that all staff completed the required mandatory and statutory training. The way in which risks relating to skills gaps and succession planning were managed to ensure that the Council was able to carry out its core functions on an ongoing basis was also examined.

2.   Main Findings

2.1   *Learning and development activities align with the Council's core priorities.*

This audit objective was substantially achieved. The Council's People Strategy and associated Talent Strategy and People Development Strategy were well aligned with the Delivery Plan 2024–2027, particularly in supporting the Workforce for the Future and Corporate Solutions portfolios through targeted workforce planning, leadership development, and digital capability. Both strategies incorporated action plans with measurable outcomes, although consistency varied due to differences in clarity, use of success metrics and timelines, and these were reviewed annually. There were plans to develop a dedicated L&D strategy which would be aligned with the broader People Development Strategy and Talent Strategy and include measurable outcomes. The planned L&D strategy provided an opportunity to strengthen strategic alignment by defining clearer success metrics, improving the ability to evaluate progress, and ensuring regular monitoring and reporting (see action plan M1).

2.2   *There is a process in place to identify staff training needs and plans are put in place to address these.*

This audit objective was partially achieved. There was an Employee Review and Development (ERD) process for non-teaching staff and a Personal Review and Development (PRD) process for teaching staff. Policy and guidance for both processes confirmed that meetings were to be held with staff annually and must include the identification of training needs.

There was no Council wide record of ERD completion across staff groups, limiting the ability to monitor compliance and identify training needs. Non-teaching staff with ICT access had partial monitoring via Traineasy, but completion rates were low (49%) and there was no visibility of ERD completion for those without ICT access. Teaching staff PRDs were recorded on Gateway and 96% had been completed by June 2025. No Council wide record of training requirements identified as part of the ERD process existed, restricting the Council's ability to identify themes and where possible coordinate provision. People Development planned to introduce a new process using Microsoft Forms and SharePoint to address these gaps, but it was not yet implemented (see action plan M2).

There was a structured workforce planning process that incorporated skills gap analysis. Service workforce plans were developed using the Workforce Planning Toolkit, ensuring a top-down approach from strategic drivers to actionable plans. Identified gaps in skills and capacity were addressed through

targeted strategies, with progress monitored and reported to relevant strategic committees.

2.3 *Spending on learning and development is appropriately targeted, clearly understood across the Council and delivers value for money.*

This audit objective was not achieved. L&D budgets sit with individual services. Information on training spend was available through CiA reporting. The total budgeted expenditure for Staff Development and Training Courses for 2025/26 was £1.186m (YTD actual as at 12/01/26 was £1.094m) against total budgeted staff costs of £492m for over 10,000 employees. There was limited council wide oversight of how training needs were prioritised, coordinated and delivered. It was therefore difficult to ensure L&D was adequately resourced, consistently targeted, effectively monitored, and aligned with Council-wide priorities, potentially impacting value for money and strategic workforce development. However, devolved responsibility does place decision-making closer to where training needs were identified and understood, which supported more tailored responses to service-specific requirements. (see action plan M3).

2.4 *Mandatory training, including inductions for new employees, is completed by staff in a timely manner.*

This audit objective was partially achieved. Mandatory training requirements had been established for all staff in line with UK and Scottish legal obligations. The timing and renewal intervals for these courses had also been addressed, with key modules scheduled for an annual refresh. However, not all staff had completed the required mandatory training. In addition, mandatory training completion reporting was found to be incomplete and inconsistent, with gaps affecting staff without ICT access and teaching staff (for some modules only). The Learning & Development Manager was leading on a Mandatory Training Improvement Plan (MTIP) aimed to address these weaknesses and improve completion rates by 10% by March 2026 (see action plan M4).

It was Council policy that all employees should receive an induction when they started a new job or changed roles. The

induction acted as the first part of the ERD process to identify initial training needs and also included completion of mandatory training. However, completion rates for the Employee Induction e-learning module on Traineasy were low (48%), and there was no Council wide record of induction completion. Feedback from new employees on the effectiveness of the induction process was not currently gathered, limiting opportunities for continuous improvement (see action plan M5).

Monitoring of mandatory training completion was in place through Traineasy, with staff and line managers having visibility of training records. Monthly reports were issued to ACEs and HR Business Partners (previously quarterly), and mandatory training completion had been highlighted at Operational Management Team meetings. However, the current process relied heavily on manual checks and lacked automated escalation for overdue training, which increased the risk of non-compliance going undetected. Planned improvements under the MTIP such as automated reminders, and a monthly dashboard, were positive steps toward strengthening monitoring and transparency (see action plan M4).

2.5 *Risks relating to skills gaps and succession planning are appropriately managed.*

This audit objective was partially achieved. Risks relating to skills gaps and succession planning were reflected in the Corporate Risk Register and supported by mitigating actions such as workforce planning and targeted recruitment strategies. Some service risk registers also identified similar risks with measures including recruitment, retention, and succession planning. However, the registers had not been updated to reflect the revised service cluster structure, and coverage was inconsistent, with some services not recording risks. In addition, none of the identified risks had been updated in the Performance and Risk Management System (PRMS) since before Q4 24/25, and the risk ratings did not align with the new scoring framework. Ownership was unclear for at least one risk, and there was no evidence of active monitoring of mitigating actions (see action plan H1).

The Corporate Risk Register indicated that a workforce planning cycle was in place, supported by tools enabling services to develop

succession plans. Although the workforce planning cycle was operational and a succession planning toolkit had been developed, succession planning had not yet been fully implemented across the Council (see action plan H2).

3. Conclusion

3.1 The audit found that L&D arrangements broadly supported the Council's strategic priorities and workforce planning objectives. However, weaknesses were identified in governance, monitoring, and resource oversight. The absence of Council wide visibility over L&D activity, incomplete compliance reporting for mandatory training and induction, and fragmented processes for capturing training needs created risks to achieving consistent standards and optimising value for money.

Implementing the planned L&D strategy, strengthening data capture and reporting, and improving oversight of training investment will help ensure that learning and development activities remain strategically targeted, measurable, and capable of sustaining organisational delivery.

4. **Action Plan**

					Implementation	
Ref	**Priority**	**Finding**	**Recommendation**	**Management Response**	**Responsible Officer(s)**	**Target Date**
H1	High	Some service risk registers noted recruitment and retention risks, but updates were inconsistent. Registers were not aligned to the new service cluster structure, risks were outdated in PRMS, ratings did not match the revised framework, ownership was unclear, and there was no evidence of active monitoring.	Formal linkages between the Corporate Risk Register and Service Cluster Risk Registers should be established, and current service risks reviewed to ensure alignment and escalation of significant workforce risks. Service Cluster Risk Registers should be updated in PRMS to reflect revised Service clusters and risks, using the new risk scoring system and ensuring each risk has clear ownership. Registers should then be subject to regular monitoring to confirm that mitigating actions remain effective and up to date.	A reminder will be issued to Services on the risk management process and officer's role in the process including: A) Review risk registers to align to new service clusters B) Update PRMS C) Risks outlined in new framework and format. Service risks will be reviewed by the appropriate committee along with quarterly reviews of the Service Plan work (Quarterly Performance & Revenue Reports) and linkages made from the identified service risks Service Corporate Risk register will be reviewed to reflect escalation of service risks.	Head of People/ Chief Officer HR and Communications Chief Officers	A) 31/03/26 B) 31/05/26 C) 30/06/26
H2	High	A succession planning toolkit had been developed but succession planning had not yet been fully implemented across the Council.	Succession planning should be formally rolled out across all services as part of the workforce planning cycle. This should include clear timelines, responsibilities, and monitoring arrangements to confirm that succession plans are developed, maintained, and aligned with organisational workforce needs.	A) Service management briefings have taken place. Reminder should be issued to services to include succession planning in their workforce plans. This will be supported by HR Business Partners and progress monitored at service management meetings and Strategic Committees. B) From a Learning and Development perspective, a Modern Apprenticeship	Head of People/ Senior HR Business Partner	30/06/26 31/03/26

Ref	Priority	Finding	Recommendation	Management Response	Responsible Officer(s)	Target Date
					Implementation	
				eLearning module has been developed to provide clear information on the recruitment of Modern Apprentices. The module is intended to support understanding of the Modern Apprenticeship process and reduce barriers associated with recruitment. This activity aligns with workforce development activity and supports succession planning approaches, contributing to delivery of the People Strategy.		
M1	Medium	There were plans to develop a dedicated L&D strategy which would be aligned with the broader People Development Strategy and Talent Strategy and include measurable outcomes.	The planned L&D strategy should be developed and implemented. It should include clearly defined objectives, measurable outcomes, and success metrics, along with timelines and assigned accountability, to ensure consistency and effective monitoring of learning and development activities across the Council.	L&D recognises the importance of a clear, consistent and measurable approach to learning and development. A corporate Learning and Development (L&D) Strategy is currently in development and will provide the overarching framework to address this recommendation. The Strategy will align learning and development activity to the Council's corporate priorities, workforce plan and organisational values, ensuring that investment in skills and capability is targeted, measurable and delivers value for money and have tangible	Head of People/ Learning and Development Manager	31/03/26

					Implementation	
Ref	Priority	Finding	Recommendation	Management Response	Responsible Officer(s)	Target Date
				links to the People Development and Talent strategies.		
				This will align with the overall Corporate and People strategies.		
M2	Medium	There was no Council wide record of ERD completion across all staff groups, which limited the ability to monitor compliance and identify training needs effectively.	The revised process developed by People Development for managers to record ERD completion should be fully implemented, applied consistently across all service areas (apart from teaching staff), and subject to regular compliance monitoring. The information captured on training needs should then be utilised by People Development to where possible identify common themes and inform the scheduling and organisation of appropriate training provision.	A) Recording of whether an ERD has been completed is captured via Traineasy. This process will be enhanced soon with an MS Forms based approach and will capture ERD verbatim. This will make performance conversations more accountable, actionable and data driven. This process will continue until such time ERD's can be incorporated into a future HR system. B) Services should own and develop a training needs plan collated from employee ERDs once the data has been collated and shared by L&D via the new MS Form. By the end of the financial year, an organisational level mechanism will be established to support oversight and coordination of Learning and Development activity across services. This will involve service input and will aim to strengthen accountability for significant training	Head of People/ Learning and Developing Manager Chief Officers	31/03/26 31/12/27

					Implementation	
Ref	Priority	Finding	Recommendation	Management Response	**Responsible Officer(s)**	**Target Date**
				decisions, reduce the risk of duplication and inefficient use of resources and support the development of a consistent learning culture aligned to organisational strategy and transformation priorities.		
				The initial scope will exclude statutory NHS and Education training, recognising that NHS training is managed through integrated health and social care arrangements. Consideration of the wider scope, including Education, will be aligned to the Medium-Term Improvement Programme (MTIP), which is scheduled for completion in December 2027.		
				C) IIP outcomes and report will determine future needs in this space too. This will be iterative based on cluster completion and recommendations.	Chief Officers	30/09/26
M3	Medium	There was limited council wide oversight of how training needs were prioritised, coordinated and delivered. It was therefore difficult to ensure L&D was adequately resourced, consistently targeted, effectively monitored, and aligned with	A more Council wide approach to monitoring Learning and Development (L&D) activity should be considered. This could involve: • Enhanced Oversight: Assigning a function, such as People Development, to	A) It is good practice for large, diverse organisations to have both a consolidated training function which provides for corporate training needs (such as universal mandatory training, an e-training suite and leadership	Chief Officers	30/09/26

| | | | | | Implementation | |
Ref	Priority	Finding	Recommendation	Management Response	Responsible Officer(s)	Target Date
		Council-wide priorities, potentially impacting value for money and strategic workforce development. However, devolved responsibility does place decision-making closer to where training needs were identified and understood, which supported more tailored responses to service-specific requirements.	monitor and report on L&D activity across all services. • Standardised Guidance: Developing clear policies on allowable activity categories. • Consolidated Reporting: Introducing regular organisation-wide reporting by service area, training type, and provider to support effective monitoring and strategic alignment. • Strategic Planning: Linking L&D investment to workforce development priorities and organisational objectives to ensure consistency and better demonstrate value for money.	development) and service-level budgets for specialist learning. Services are best placed to identify their individual needs and how these can be met. Chief Officers are well placed to review budget spend on service learning and development activity due to the nature of legislative training undertaken by front line services. This spend can be monitored at strategic service committees. B) Learning and Development will support services by providing consistent guidance, offering proportionate oversight of significant learning programmes, and helping to assess value for money and avoid duplication of effort.	Learning and Development Manager	31/03/26
M4	Medium	Not all staff had completed the required mandatory training. In addition, mandatory training completion reporting was found to be incomplete and inconsistent, with gaps affecting staff without ICT access and teaching staff (for some modules only).	The MTIP should be implemented with the following additional actions: 1. Expand mandatory training reporting to cover every employee cohort, including those without corporate ICT accounts and teaching staff. 2. Work collaboratively with Education to align mandatory training requirements under a single	1. A pilot approach with Waste Services teams has started, in collaboration with Improvement and Performance teams, focusing on alternative methods for capturing and reporting mandatory training completion for employees with limited access to corporate ICT. Learning from this pilot will	Learning Development Manager and Strategic Lead - Improvement & Performance	31/07/26

Ref	Priority	Finding	Recommendation	Management Response	Responsible Officer(s)	Target Date
			governance and reporting framework, ensuring consistent compliance for all Highland Council employees: A) Develop and implement practical solutions (e.g. location-based devices, scheduled access points) so staff without corporate ICT access can complete mandatory training. B) Reporting arrangements to governance bodies should be formalised, for example by incorporating mandatory training performance into service performance reports to Strategic Committees, to ensure greater transparency and oversight.	inform the refinement and potential wider rollout of arrangements to other relevant employee groups but is also tied to the pace of the ICT and Future Operating Model (FOM) programmes. 2A) As part of an 18-month Mandatory Training Improvement Programme (MTIP), work will begin to review mandatory training requirements and identify opportunities to improve alignment of governance and reporting arrangements, whilst recognising the distinct regulatory and operational context of Education services, with the aim being to remove duplication. Practical solutions are in consideration with Improvement and Performance teams and ICT to support completion of mandatory training by employees without corporate ICT access. This includes exploration of approaches such as shared or location-based devices and facilitated or scheduled access points within service settings.		31/12/26

| | | | | | Implementation | |
Ref	Priority	Finding	Recommendation	Management Response	Responsible Officer(s)	Target Date
				2B) Stats on completion of mandatory training will form part of service performance reports submitted to Strategic Committees. Mandatory training data is now also available via Power BI dashboard as is updated weekly and reported on monthly – this was quarterly previously.		30/09/26
M5	Medium	Completion rates for the Employee Induction e-learning module on Traineasy were low (48%), and there was no Council wide record of induction completion. Feedback from new employees on the effectiveness of the induction process was not currently gathered.	The introduction of a Council wide process for monitoring induction completion and identification of initial training requirements should be considered. This could mirror the forthcoming ERD submission process, where managers provide induction completion details via Microsoft Forms. Feedback from new employees on the effectiveness of the induction process could also be collected at this stage to inform improvements and enhance the overall onboarding experience.	Work is ongoing to strengthen corporate processes relating to workforce data collection, including the development of a forthcoming Employee Review and Development (ERD) submission process, which will utilise Microsoft Forms to capture manager provided information. This approach provides a model that can be applied to induction monitoring further supporting the identification of strengths and areas for improvement in onboarding arrangements and inform future enhancements.	Head of People/ Learning and Development Manager	31/05/26