

Internal Audit Report

Short Term Lets Licensing

27 March 2026

PL2504

**Overall
Assessment**

**Reasonable
Assurance**

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This Internal Audit review is conducted for the City of Edinburgh Council under the auspices of the 2025/26 internal audit plan approved by the Governance, Risk and Best Value Committee in March 2025. The review is designed to help the City of Edinburgh Council assess and refine its internal control environment. It is not designed or intended to be suitable for any other purpose and should not be relied upon for any other purpose. The City of Edinburgh Council accepts no responsibility for any such reliance and disclaims all liability in relation thereto.

The internal audit work and reporting has been performed in line with the requirements of the Global Internal Audit Standards (UK Public Sector) and as a result is not designed or intended to comply with any other auditing standards.

Although there are specific recommendations included in this report to strengthen internal control, it is management’s responsibility to design, implement and maintain an effective control framework, and for the prevention and detection of irregularities and fraud. This is an essential part of the efficient management of the City of Edinburgh Council. Communication of the issues and weaknesses arising from this audit does not absolve management of this responsibility. High and Critical risk findings will be raised with senior management and elected members as appropriate.

Executive Summary

Overall
Assessment

Reasonable
Assurance

Engagement conclusion and summary of findings

There is a generally sound system of governance, risk management and control in place: controls established for the processing, management and monitoring of short term lets licensing and enforcement were generally found to be managed effectively.

















However, management governance and oversight controls, particularly around risk management, information governance and training and development could be strengthened. The following improvement actions were identified:

- the Licensing risk register should be regularly reviewed to ensure that current mitigating controls are recorded for all risks, and the effectiveness of these controls is regularly reviewed
- oversight arrangements should be established by management to monitor delivery and completion of training activities
- a records management manual should be developed setting out how short term lets records will be created, managed and disposed in line with [Council guidance](#)
- specific records retention requirements for short term let records should be discussed with the Council's Information Governance team.

Areas of effective practice

- The [Short Term Lets policy](#) is up to date, available on the Council's website, regularly updated, and aligned to legislation with advice from the Council's Legal team
- clear [guidance](#) is available on the Council's website to help users navigate the short term lets licencing process
- applications are processed efficiently with consistent review by senior licencing officers
- licencing officers are in regular communication with applicants to support applications and statutory consultees are consulted in a timely manner
- fees for short term lets licences are set in line with the service's costs to comply with regulatory requirements
- there is an effective collection process for fees, and officers ensure the timely collection of outstanding fees
- complaints going to enforcement have a single, clear method of contact which is the same for both Council colleagues and public complaints
- the enforcement team has regular, clear and consistent communication with complainants and respondents
- Key Performance Indicators (KPIs) have been developed for short term lets monitoring, and an updated register is published on a regular basis.

Audit Assessment

Audit Area	Control Design	Control Operation	Findings	Priority Rating
Risk Management			Finding 1 – Completion and review of the Licensing risk register	Medium Priority
Policies, procedures and training			Finding 2 – Training Oversight	Medium Priority
Communication, guidance and applications			No issues noted	N/A
Fees, charges and finance			No issues noted	N/A
Enforcement			No issues noted	N/A
Monitoring and Governance			No issues noted	N/A
Information Governance			Finding 3 – Short Term Lets Records Management	Medium Priority
Service Level Agreements and service standards			No issues noted	N/A

[See Appendix 1 for Control Assessment and Assurance Definitions](#)

Background and scope

[The Civic Government \(Scotland\) Act 1982 \(Licensing of Short term lets\) Order 2022](#) required Scottish local authorities to establish a licensing scheme for short term lets by 1 October 2022.

A short term letting licence is a mandatory licence for short term lets across Scotland, unless the accommodation is [specifically excluded in the legislation](#).

[Short term lets](#) can be either home sharing (accepting paying guests at a primary residence during a period of occupancy), home letting (allowing paying guests to stay at a primary residence when absent) or secondary letting (where a secondary residence accepts paying guests). A further licence is available for a mixture of home sharing and letting.

Applications

To apply for a licence, those intending to operate a Short Term Let must:

- obtain [planning permission](#) if required
- fill out the short term let Licence application form, and associated [fire safety](#) and [self-declaration](#) checklists
- provide key documents in support of their application – including an annual gas certificate, electrical installation condition report (EICR), portable appliance testing (PAT) report, floor plans of the property in question, and evidence of planning permission/certificate of lawfulness as required for secondary lettings.
- provide the correct [licence application fee](#) for their application.

Licence applications at the City of Edinburgh Council (the Council) can be either new applications, renewals, temporary licences or applications to transfer an existing licence. The Council also offers temporary exemptions from requiring a short term let licence. The requirements for a temporary exemption are less extensive than a short term let licence and exemptions are generally applied for during periods when demand is high, e.g. during the Edinburgh Fringe. The Council has up to 9 months to process applications for short term lets.

Per the legislation, the Council must consult with Police Scotland on every Short Term Let licence application and, where appropriate, with the Scottish Fire and Rescue Service.

The Scottish Government have set [mandatory conditions](#) which must be attached to all licences and the City of Edinburgh Council has provided [additional conditions](#) for licences awarded by the Council.

Licences last for between 1 to 3 years on approval, with temporary exemptions being awarded for up to a total of 6 weeks per year.

Enforcement

Operating a short term let, including taking bookings, without a licence or exemption is a criminal offence. In this event, the Council have developed a discretionary three-step process for carrying out enforcement activities, with the ultimate resort of reporting to the Crown Office and Procurator Fiscal service for prosecution of unlicensed short term lets.

Scope

The objective of this review was to review the arrangements established to manage licencing of short term lets including submission of required supporting information, fees, statutory notices, exemptions, compliance, and enforcement.

Population testing of all short term lets licence applications involving Data Analytics techniques was used to identify higher risk areas for further audit review.

Alignment to Risk and Business Plan Outcomes

The review also considered assurance in relation to the following Corporate Leadership Team risk categories:

- Governance and Decision Making
- Regulatory and Legislative Compliance
- Service Delivery

- Fraud and Serious Organised Crime
- People
- Technology and Information

Business Plan Outcomes:

Edinburgh has a stronger, greener, fairer economy and remains a world leading cultural capital.

Reporting Date

Testing was undertaken between 5 December 2025 and 2 February 2026.

Audit work concluded on 26 March 2026, and the findings and opinion are based on the conclusion of work as at that date.

Findings and Management Actions

Finding 1 – Completion and review of the Licensing risk register

Finding Rating	Medium Priority
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Risk management enables risks to service objectives to be identified, recorded and managed. This provides greater assurance that objectives are achieved on an ongoing basis.

The Licencing service risk register has been prepared using the Corporate Risk Management team’s proforma. The risk register includes a specific risk to capture the ongoing concerns related to planning application withdrawals for short term lets holding a secondary letting short term lets licence. Controls and further actions required to minimise the risks are also recorded in the register.

Additionally, a risk related to the short term lets second judicial review’s impact on Council strategy and decision making is captured in the Sustainable Development risk register.

The risk register initially supplied to Internal Audit in November 2025 was missing current controls for 13 of the 15 risks, and no mitigating actions were noted for the risks identified. The service later provided a fully completed risk register as audit work progressed in January 2026.

Risks

- **Governance & Decision Making** – missing controls, mitigating actions and risk scoring may mean that risks remain unmanaged or improperly prioritised.

Recommendations and Management Actions: Completion and review of the Licensing risk register

Ref.	Recommendation	Agreed Management Action	Action Owner	Lead Officers	Timeframe
1.1	Management should complete all sections of the Licencing service risk register and ensure that it is reviewed on a regular basis.	This action has now been completed. The service will ensure that future updates to the register are fully completed with support from the Corporate Risk Team.	Corporate Director - Place	Head of Regulatory Services Licensing Manager	30/06/2026

Finding 2 – Training Oversight

Finding Rating	Medium Priority
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Management oversight of training ensures that training programmes are aligned with organisational objectives, effectively delivered and that officers complete training and apply what they have learned.

Training for Licencing officers is carried out through a combination of colleague induction, role-specific learning modules, on-the-job training, mentoring and ad hoc training sessions.

While Licensing service management has oversight of role specific learning completed through myLearning Hub, most training is completed outside the system and there are currently no processes established to ensure oversight of training completed offline. It was also noted that, as temporary Licensing colleagues do not have access to myLearning Hub, they cannot complete role-specific learning modules.

The Licensing service has developed a training matrix which enables officers to self-assess their confidence in carrying out tasks related to Civic and Miscellaneous licencing. While management can identify gaps in knowledge or competency with key processes, there are limited training records to provide management assurance that training is being completed to reduce these gaps.

Risks

- **Service Delivery** – applications may be processed or documented inconsistently
- **People** – management has limited oversight of officer training and may not have a full overview of officers’ capabilities or training gaps.

Recommendations and Management Actions: Training Oversight

Ref.	Recommendation	Agreed Management Action	Action Owner	Lead Officers	Timeframe
2.1	Training logs should be established to monitor completion of training including but not limited to role specific learning, on-the-job learning and familiarisation with new short term lets processes. Training logs should be reviewed alongside the training matrix to ensure training is assigned to support officers. Formal attendance logs should also be considered to record officer attendance at training sessions.	The Service will introduce a training log for each member of staff to track key learning and with the support of colleagues in Learning and Development will seek to utilise MyLearningHub wherever possible to issue, track and evidence training requirements. The training log will include a register of staff attendance at training.	Corporate Director – Place	Head of Regulatory Services Licensing Manager	30/11/2026
2.2	Management should develop a process to ensure that temporary/agency members of staff have access to MyLearningHub in line with the process outlined on Orb .	A temporary solution of manually adding existing temporary staff has been introduced and will ensure it is updated when new temporary/agency staff join.	Corporate Director – Place	Head of Regulatory Services Licensing Manager	31/05/2026

Finding 3 – Short Term Lets Records Management

Finding Rating	Medium Priority
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Records management manuals support compliance with the Council’s information governance policies and assist employees to manage information in a secure manner. The Council has [detailed requirements](#) on the Orb, which set out how individual teams can maintain records management manuals or establish procedures setting out how they intend to meet the Council’s commitment to managing records properly in practice.

The Licencing service has not developed a records management manual to detail how they create, manage and dispose of records. Management advised that they comply with the Council’s [records retention schedule](#), which provides guidance on how long Council records are to be held, to ensure that records are effectively managed. However, the retention schedule does not include specific information related to records held while processing short term lets applications. Management have advised that records are retained for 6 years after the licence ends or is surrendered by

the licence holder. This is in line with practice for other types of similar licensing applications such as alcohol licencing.

A review of a sample of training records established that information governance training is not being completed in accordance with the role specific learning requirement to complete at least every three years. This is related to the issue noted in finding 2 where management have not developed oversight processes to monitor completion of officer training.

Risks





- **People** – officers who do not have up-to-date training may not be aware of best practice related to Information Governance
- **Technology and Information** – records may not be retained in line with the Council’s records retention schedule.

Recommendations and Management Actions: Short Term Lets Records Management

Ref.	Recommendation	Agreed Management Action	Action Owner	Lead Officers	Timeframe
3.1	A records management manual should be established for short term lets business activities in accordance with the guidance set out on the Orb.	A records management manual will be prepared for all types of licences and implemented in agreement with colleagues in information governance.	Corporate Director - Place	Head of Regulatory Licensing Manager	30/11/2026
3.2	Management should engage with the Information Governance team to determine whether a stand-alone Short Term Lets activity is to be added to the Council’s records retention schedule in relation to short term lets application processing.	Short term lets licensing will be added to the retention schedule with respect to other licence types under the Civic Government (Scotland) Act 1982. There is no difference between the requirements of the retention schedule for other types of licence and those that need to apply to STL licences.	Corporate Director - Place	Head of Regulatory Services Licensing Manager	30/06/2026
3.3	Management should direct officers to undertake Information Governance refresher training every 3 years and, where officers are employed on a temporary basis,	The Service will, with the support of colleagues in Learning and Development, utilise MyLearningHub wherever possible to	Corporate Director - Place	Head of Regulatory Services Licensing Manager	30/06/2026

Ref.	Recommendation	Agreed Management Action	Action Owner	Lead Officers	Timeframe
	their induction should cover Information Governance practice at the Council and guidance on where to obtain further information.	issue, track and evidence training requirements.		Trading Standards & Licensing Enforcement Manager	
3.4	In line with recommendation 2.1, training logs established to monitor completion of Licensing officer training should ensure that Information Governance refresher training is tracked to completion.	<p>The Service will introduce a training log for each member of staff to track key learning and with the support of colleagues in Learning and Development will seek to utilise MyLearningHub wherever possible to issue, track and evidence training requirements.</p> <p>The training log will include a register of staff attendance at training</p>	Corporate Director - Place	Head of Regulatory Services Licensing Manager	30/11/2026

Appendix 1 – Control Assessment and Assurance Definitions

Control Assessment Rating		Control Design Adequacy	Control Operation Effectiveness
Well managed		Well-structured design efficiently achieves fit-for purpose control objectives	Controls consistently applied and operating at optimum level of effectiveness.
Generally Satisfactory		Sound design achieves control objectives	Controls consistently applied
Some Improvement Opportunity		Design is generally sound, with some opportunity to introduce control improvements	Conformance generally sound, with some opportunity to enhance level of conformance
Major Improvement Opportunity		Design is not optimum and may put control objectives at risk	Non-conformance may put control objectives at risk
Control Not Tested	N/A	Not applicable for control design assessments	Control not tested, either due to ineffective design or due to design only audit

Overall Assurance Ratings	
Substantial Assurance	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.
Reasonable Assurance	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.
Limited Assurance	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.
No Assurance	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.

Finding Priority Ratings	
Advisory	A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.
Low Priority	An issue that results in a small impact to the achievement of objectives in the area audited.
Medium Priority	An issue that results in a moderate impact to the achievement of objectives in the area audited.
High Priority	An issue that results in a severe impact to the achievement of objectives in the area audited.
Critical Priority	An issue that results in a critical impact to the achievement of objectives in the area audited. The issue needs to be resolved as a matter of urgency.

Appendix 2 – Areas of Audit Focus and Control Objectives

Audit Areas	Control Objectives
Risk Management	<ul style="list-style-type: none"> • Risks related to short term let licencing are identified, recorded and managed within a service risk register, and regularly reviewed to ensure appropriate mitigating actions are in place and remain effective, with escalation to divisional and directorate level risk committees where required. This includes consideration of fraud and serious organised crime related risks, and risks relating to the APP system.
Policies, procedures and training	<ul style="list-style-type: none"> • There are clearly established policies and procedures in place for short term lets licencing which are adhered to and are reviewed and updated in line with the relevant legislation, requirements and guidance, and following any changes to practice. • Training and development requirements for officers in short term lets licencing are relevant, clearly understood, completed on time and monitored to completion.
Communication, guidance and applications	<ul style="list-style-type: none"> • Guidance for licence applicants and complaints about short term lets licensing and has been effectively communicated to applicants and citizens. • Short term let applications are processed consistently, supported by appropriate documentation and declarations, with quality assurance checks established to identify errors. • There are clear processes in place to ensure that consultations with statutory and additional consultees are scheduled, and their responses documented in good time. • There is effective communication with applicants throughout the licence application process.
Fees, charges and finance	<ul style="list-style-type: none"> • Short term let licence application fees are accurately calculated, collected and correctly assigned to relevant applications. • There is effective reconciliation of payments to short term let licencing application fees. • The short term let service is self-funding, and fees set for short term let licences are in line with the service's costs to prevent excess or shortfalls.
Enforcement	<ul style="list-style-type: none"> • There are clear processes for reporting unlicensed short term lets to Enforcement. • Enforcement action is consistently applied, following a robust investigation process, which includes a clear rationale for decisions made and supported by established evidence criteria. • There are clear communications to those affected by enforcement actions, and the process is consistently applied to all enforcement actions.

Audit Areas	Control Objectives
Monitoring and Governance	<ul style="list-style-type: none"> • Short term let licensees are regularly monitored to ensure they are in compliance with the time limits associated with their licence, e.g. exemptions are only available up to 6 weeks. • The Council's short term lets licence register is complete, accurate, and regularly updated and reported. • The Council meets statutory deadlines for deciding short term lets applications, and KPIs have been developed to support this at internal and committee level.
Information Governance	<ul style="list-style-type: none"> • Information governance risks for short term lets licencing are clearly understood and effective controls have been established to ensure adherence to relevant Council policies and procedures.
Service Level Agreements and service standards	<ul style="list-style-type: none"> • Where services are provided by another Council area, team or third party to support short term lets licencing, there is a service level agreement in place which sets out the types or services provided, relevant service requirements, timescales and performance requirements.