

Internal Audit Work to February 2022**Report by Chief Internal Auditor****Report for Decision****1 Recommendations**

The Audit Committee is asked to:

- a) Consider the Executive Summaries of the final Internal Audit assurance reports issued;
- b) Note the Internal Audit Assurance Work in Progress and Internal Audit and Other Work carried out; and
- c) Acknowledge the assurance provided on internal controls and governance arrangements in place for the areas covered by this Internal Audit work.

2 Purpose of Report/Executive Summary

The purpose of this report is to provide members of the Audit Committee with details of the recent work carried out by Internal Audit and the findings and recommended audit actions agreed by Management to improve internal controls and governance arrangements.

The Internal Audit Annual Plan 2021/22 was approved by the Audit Committee on 9 March 2021. Internal Audit has carried out work associated with the delivery of the Plan to meet its objective of providing an opinion on the efficacy of the Council's risk management, internal control and governance.

An Executive Summary of the final Internal Audit assurance reports issued, including audit objective, findings, good practice and recommendations (where appropriate), and the Chief Internal Auditor's independent and objective opinion on the adequacy of the control environment and governance arrangements within each audit area, is shown in Appendix 1.

The MLC Internal Audit function conforms to the professional standards as set out in Public Sector Internal Audit Standards (PSIAS) (2017) including the production of this report to communicate the results of the reviews.

Date 7 March 2022**Report Contact:**

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3 Progress Report

- 3.1** The Internal Audit Annual Plan 2021/22 was approved by the Audit Committee on 9 March 2021. Internal Audit has carried out the following work in the period from 1 January to 25 February 2022 associated with the delivery of the Plan to meet its objective of providing an opinion on the efficacy of the Council's risk management, internal control and governance.
- 3.2** The MLC Internal Audit function conforms to the professional standards as set out in Public Sector Internal Audit Standards (PSIAS) (2017), including the production of this report to communicate the results.
- 3.3** Internal Audit issued final assurance reports on the following subjects:
- Early Learning and Childcare Expansion
 - Scottish Welfare Fund
 - Business Continuity Framework
 - ICT and Cyber Security
 - Waste and Recycling Services
 - Housing Allocations
 - Sustainable Environment
- 3.4** An Executive Summary of the final Internal Audit assurance report issued, including audit objective, findings, good practice and recommendations (where appropriate), and the Chief Internal Auditor's independent and objective opinion on the adequacy of the control environment and governance arrangements within each audit area, is shown in Appendix 1.

The definitions for Internal Audit assurance categories are as follows:

Level	Definition
Comprehensive assurance	Sound risk, control, and governance systems are in place. These should be effective in mitigating risks to the achievement of objectives. Some improvements in a few, relatively minor, areas may be required.
Substantial assurance	Largely satisfactory risk, control, and governance systems are in place. There is, however, some scope for improvement as current arrangements could undermine the achievement of objectives or leave them vulnerable to error or misuse.
Limited assurance	Risk, control, and governance systems have some satisfactory aspects. There are, however, some significant weaknesses likely to undermine the achievement of objectives and leave them vulnerable to an unacceptable risk of error or misuse.
No assurance	The systems for risk, control, and governance are ineffectively designed and operated. Objectives are not being achieved and the risk of serious error or misuse is unacceptable. Significant improvements are required.

Current Internal Audit Assurance Work in Progress

- 3.5** Internal Audit assurance work in progress to deliver the Internal Audit Annual Plan 2021/22 consists of the following:

Audit Area	Audit Stage
Information Governance	Continuous audit
Learning and Physical Disabilities Services	Testing underway
Capital Investment	Testing underway
Adult Social Care Contract Monitoring	Assignment Issued

Internal Audit Consultancy and Other Work

- 3.6** Internal Audit staff have been involved in the following for the Council to meet its aims and objectives, and its roles and responsibilities in accordance with the approved Internal Audit Charter and Strategy:
- Completed the work on the Destination Hillend capital project in line with the scope of the Internal Audit review commissioned by Midlothian Council at its June 2021 meeting.
 - In its critical friend role provided an independent view and challenge at various forums including Business Transformation Board, Capital Plan and Asset Management Board, Information Management Group, and Cyber Defence Group.
 - Learning and development during the research stage of new audit areas for all Internal Audit team members and through joining virtual audit forums and meetings. This has included the Chief Internal Auditor joining CIIA Local Authority Forum and webinars on the topics of Risk Appetite and the Annual Audit Opinion, and Fraud Risk Assessment to share good practice and to keep knowledge of new Internal Audit developments up to date.

Recommendations

- 3.7** Recommendations in reports are suggested changes to existing procedures or processes to improve the controls or to introduce controls where none exist. The grading of each recommendation reflects the risk assessment of non-implementation, being the product of the likelihood of the risk materialising and its impact:

High: Significant weaknesses in existing controls, leaving the Council or Service open to error, fraud, financial loss or reputational damage, where the risk is sufficiently high to require immediate action within one month of formally raising the issue. Added to the relevant Risk Register and included in the relevant Assurance Statement.
Medium: Substantial weaknesses in existing controls, leaving the Council or Service open to medium risk of error, fraud, financial loss or reputational damage requiring reasonably urgent action within three months of formally raising the issue.
Low: Moderate weaknesses in existing controls, leaving the Council or Service open to low risk of error, fraud, financial loss or reputational damage requiring action within six months of formally raising the issue to improve efficiency, effectiveness and economy of operations or which otherwise require to be brought to attention of senior management.
Outwith the report, Internal Audit informs operational managers about other matters as part of continuous improvement.

- 3.8** The table below summarises the number of Internal Audit recommendations made during 2021/22:

	2021/22 Number of Recs
High	7
Medium	10
Low	12
Sub-total reported this period	29
Previously reported	28
Total	57
Recommendations agreed with action plan	57
Not agreed; risk accepted	0
Total	57

4 Report Implications (Resource, Digital, Risk and Equalities)

4.1 Resource

Resource implications of implementing Internal Audit recommendations are considered as part of the audit process to ensure these are reasonable and proportionate to the risks.

4.2 Digital

There are no digital implications arising from this report.

4.3 Risk

The PSIAS require Internal Audit to evaluate the effectiveness of the Council's Risk Management arrangements and contribute to improvements in the process. At the start of each audit engagement, to capture potential areas of risk and uncertainty more fully, key stakeholders have been consulted and risk registers have been considered. During each audit engagement the management of risk has been tested.

It is anticipated that improvements in the management and mitigation of risks will arise as a direct result of Management implementing the Internal Audit recommendations made. If audit recommendations are not implemented, there is a greater risk of financial loss and/or reduced operational efficiency and effectiveness, and Management may not be able to demonstrate improvement in internal control and governance arrangements, and effective management of risks.

4.4 Ensuring Equalities

This report does not relate to a new or revised policy, service or budget change, which affects people (the public or staff), so an Integrated Impact Assessment (IIA) is not an applicable consideration.

The Internal Audit work is carried out in accordance with the appropriate legislation and professional standards. The latter includes compliance by those within the Internal Audit function with the Code of Ethics set out in the PSIAS which is appropriate for the profession of Internal Audit founded as it is on trust placed in its independent and objective assurance about risk management, internal control and governance.

4.5 Additional Report Implications (See Appendix A)

APPENDIX A – Additional Report Implications

A.1 Key Priorities within the Single Midlothian Plan

Although this report does not relate directly to the key priorities within the Single Midlothian Plan to which Midlothian Council and its Community Planning Partners have made a commitment (Reducing the gap in economic circumstances; Reducing the gap in learning outcomes; Reducing the gap in health outcomes; and Reducing the impact of climate change), good governance is important to enable Midlothian Council to deliver its key priorities in support of achieving the Council's objectives.

A.2 Key Drivers for Change

Key drivers addressed in this report:

- Holistic Working
- Hub and Spoke
- Modern
- Sustainable
- Transformational
- Preventative
- Asset-based
- Continuous Improvement
- One size fits one
- None of the above

Midlothian Council is committed to creating a great place to grow supported by the 9 drivers for change. Implementing the 9 drivers for change in practice is applicable to the Council's Internal Audit service provision to assist the Council in achieving its objectives.

A.3 Key Delivery Streams

Key delivery streams addressed in this report:

- One Council Working with you, for you
- Preventative and Sustainable
- Efficient and Modern
- Innovative and Ambitious

A.4 Delivering Best Value

The definition of Internal Auditing within the Public Sector Internal Audit Standards (PSIAS) is "Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes."

Implementation by Management of the actions associated with Internal Audit recommendations, that are designed to improve internal control and governance arrangements and management of risks, underpins the Council's own continuous improvement arrangements to enhance its effectiveness, thus supporting the delivery of the Council's best value duties.

A.5 Involving Communities and Other Stakeholders

The Chief Internal Auditor is accountable to the Audit Committee which, in fulfilling its governance role, acts as a bridge between the Council and other stakeholders.

This report has been presented to the Corporate Management Team to outline the key messages of assurance and areas of improvement. Senior Management relevant to the areas audited have agreed the final Internal Audit assurance reports as set out in the relevant Executive Summary within Appendix 1.

A.6 Impact on Performance and Outcomes

The Findings and Recommendations from Internal Audit work during the year are designed to assist the Council in improving its performance and outcomes.

A.7 Adopting a Preventative Approach

Internal Audit assurance work includes assessments on when a preventative approach can be adopted.

A.8 Supporting Sustainable Development

This report does not relate directly to supporting sustainable development. Good governance is important to enable Midlothian Council to achieve its objectives.

Report	Summary of key findings and recommendations	Recommendations			Status
		H	M	L	
<p>Subject: Early Learning and Childcare Expansion</p> <p>Category: Assurance – Risk (concurrent Strategic Risks: Early Years Expansion (1140 hours) and Growing Council)</p> <p>Date issued: 16 December 2021 Draft; 25 February 2022 Final</p> <p>Level of Assurance: Substantial (for the funding reporting requirements and the response to the Audit Scotland reports) and Limited (for future plans to ensure that capacity is available in line with forecasted need and the capital plans in place to deliver the remaining infrastructure projects).</p>	<p>The purpose of this assurance audit was to review the Council’s future plans for delivering the expansion in early learning and childcare to 1140 hours and the remaining allocation of the capital funding received to deliver the additional capacity required.</p> <p>The Children & Young People (Scotland) Act 2014 increased the number of hours of free early learning and childcare from 475 hours per year to 600 hours and introduced an entitlement for eligible 2 year olds in 2014. This entitlement was increased to 1,140 hours from August 2021 (initially planned for August 2020 but delayed due to the Coronavirus pandemic). As at December 2021 the Council, along with the Council's Partner Providers, continues to be able to meet the Council's statutory duty to deliver 1,140 hours of ELC to children in Midlothian.</p> <p>Internal Audit considers that the level of assurance is: Substantial for the funding reporting requirements, the response to the Audit Scotland reports, the plans to ensure that capacity is available in line with short-term need and the capital plans in place to deliver the remaining infrastructure projects; and Limited specifically on the projections against future capacity in place at the time of the audit and full utilisation of all of the 1,140 hours capital grant by the current deadline date set by Scottish Government. Education are currently undertaking a major review of the existing child/pupil projection model to provide assurance that projected need is in line with allocated budget. Although plans are in place to deliver the remaining infrastructure projects, £12.8m of capital grant (from a total of £19.4m) had not been spent by 31 March 2021 and as at period 6, 2021 there had been minimal capital spend. Use of the remaining grant within the required deadline set by the Scottish Government (31 March 2023 for £10.5m of the £12.8m) is at risk if there are further delays to projects. There are a number of significant projects which are at design stage and currently one of the significant projects is out to tender. It was discussed with Management that many of these delays were due to the ongoing review of the Learning Estate Strategy, staff resources spent dealing with pandemic-related issues which are ongoing, delays in tendering, and construction delays. Areas of potential risk include: the ELC staffing model requiring further refinement; risk management; recording and monitoring of the uptake of hours within the SEEMiS system; and a lack of formal post-implementation reviews of expansion projects.</p>	1	3	3	<p>Management Response: In general the findings are accurate and the recommendations are accepted with actions underway and resources deployed to implement the improvements; however, for context this is a complex programme involving multiple teams and strategies to achieve national policy outcomes with capital investment as a key enabler, concurrent with the ongoing pandemic response and significant population growth. Management have been in regular contact with the Scottish Futures Trust to appraise them of reasons for delays and rationale for changes.</p>

Report	Summary of key findings and recommendations	Recommendations			Status
		H	M	L	
Subject: Early Learning and Childcare Expansion (cont'd)	<p>Internal Audit made the following recommendations:</p> <ul style="list-style-type: none"> • Review the modelling used for projections to develop more accurate projections of pupil roll. The projection model should compare against future planned capacity to provide assurance that the Council can continue to deliver its statutory duty. (Medium) • The ELC staffing model should specify the requirements in terms of FTE and include all types of staffing roles used (e.g. Learning Assistants). Information on future plans for the ELC workforce and the partner provider rate changes should be provided to Financial Services to enable the costs to be modelled. (Medium) • Data recorded in NAMS should detail the weekly number of hours of uptake for Local Authority settings for each pupil. (Low) • Early Years should establish adequate risk management processes in line with the Council's Risk Management Policy and review if more formalised performance indicators could be developed for the service covering the core business. (Low) • Progress the remaining projects in the Early Years plan at speed to minimise the risk of losing the 1,140 hours capital funding. The capital plan held by Financial Services should be updated to ensure it accurately reflects the planned works that are proceeding. Management should clarify with the Scottish Government the acceptability of the 'front-loading' approach and if there is scope for any further extension on the use of the capital grant. (High) • Develop lessons processes for expansion projects, including that all settings delivered meet the design guide standards. This includes projects funded by the capital grant awarded to partner providers. (Medium) • Surveys should be formally reported on in full so the results are available to parents. As part of the response to the survey, the service should set out any changes they intend to make to take into account parental preferences. (Low) 				

Report	Summary of key findings and recommendations	Recommendations			Status
		H	M	L	
<p>Subject: Scottish Welfare Fund</p> <p>Category: Assurance – Risk</p> <p>Date issued: 23 December 2021 Draft; 26 January 2022 Final</p> <p>Level of Assurance: Substantial</p>	<p>The purpose of the audit was to assess the adequacy of the operational processes in place to administer the payment of Crisis Grants and Community Care Grants for the Scottish Welfare Fund (SWF) and that they are effective, appropriate and consistent.</p> <p>The Scottish Welfare Fund (SWF) implemented in 2013 is a national scheme which provides a safety net for some of Scotland's most vulnerable people. The SWF is locally delivered in partnership with the Scottish Government. Crisis Grants can be awarded to meet expenses that have arisen as a result of an emergency or disaster in order to avoid serious damage or serious risk to the health or safety of the applicant or their family; and to individuals who earn less than the Real Living Wage and will lose income as a result of self-isolation during the pandemic. A Community Care Grant can be provided where help is needed to establish or maintain a settled home, or to support individuals and families facing exceptional pressure. The total budget 2021/22 was £717,303.</p> <p>Revenues Services adapted quickly to working from home due to Covid-19 and maintained a high level of service in processing the increasing number of SWF applications, including self-isolation support grants which peaked in the summer of 2021 (Delta variant) and again in December 2021 (Omicron variant). Despite the increase in demand, processing times for crisis grants have continued to meet or exceed statutory deadlines.</p> <p>Internal Audit considers that the level of assurance is substantial. Local procedures are in place and Scottish Government guidance was followed for the majority of cases tested.</p> <p>Internal Audit made the following recommendations:</p> <ul style="list-style-type: none"> • Management should remind staff of the evidence requirements for self-isolation grants that should be obtained. (Low) • An up to date Non Competitive Action (NCA) form should be completed for the provision of household goods for fulfilment of Community Care Grant applications to the SWF. Sufficient quotes should be obtained for specialised items not provided by NCA / Scotland Excel contract. (Low) 	0	0	2	Management have accepted the factual accuracy of the report and its findings and have agreed to implement recommendations by June 2022.

Report	Summary of key findings and recommendations	Recommendations			Status
		H	M	L	
<p>Subject: Business Continuity Framework</p> <p>Category: Assurance – Risk</p> <p>Date issued: 14 February 2022 Draft; 4 March 2022 Final</p> <p>Level of Assurance: Limited</p>	<p>The purpose of this assurance audit was at a high level to review the process for setting, testing, reviewing and updating Business Continuity Plans (including ICT disaster recovery strategies and plans) to ensure the delivery of business critical services across the Council, that they are aligned with requirements and that they are fit for purpose.</p> <p>The Covid pandemic has been pervasive, simultaneously impacting employees, suppliers and customers and for a duration previously not considered a possibility. The impact of the Covid pandemic has meant that the Council has been forced to work in ways that are significantly different than before. The Covid pandemic responses, which exhibits elements of Business Continuity, has successfully navigated the Council through this very serious crisis and demonstrated the ability to adapt and innovate in extreme circumstances. Our audit is focussed on the Business Continuity Management System (BCMS) and not on responses to the pandemic.</p> <p>A Business Continuity Management Policy is in place and published on the Council's intranet but it is old (2017) and requires review and updating. The Business Continuity function that supports all Managers across Council Services to apply its business continuity management policy lacks sufficient resource to effectively manage and maintain up to date and robust Business Continuity Plans (BCPs) and prevent critical single points of failure.</p> <p>The Council does not presently use a BCMS system and there is a lack of effective central administration and oversight of Business Continuity Plans. BCMS software has been procured and is currently being configured. Ultimately the system will ensure modern up to date BCPs with a good level of consistency and will also allow for central oversight of plans.</p> <p>It cannot be demonstrated that BCPs are in place for all critical services, infrastructure and applications, how old those plans are, whether plans in place are robust and aligned with service delivery requirements or continue to be fit for purpose. It is possible that some plans may contain single points of failure. The response to the Covid pandemic has changed the ways of working beyond that which current BCPs could reasonably have envisaged. Some changes are likely to be permanent and most plans will require revision to reflect these changes.</p>	2	0	0	<p>Management have accepted the factual accuracy of the report and its findings and have agreed to implement recommendations. Actions are commencing immediately to progress improvements.</p> <p>Management Responses included the reference to note CMT's approval of the new Contingency Management System.</p>

Report	Summary of key findings and recommendations	Recommendations			Status
		H	M	L	
Subject: Business Continuity Framework (cont'd)	<p>In recent years, in part due to staff resource capacity, there has been no formal provision of training for Service Managers to equip them with the necessary competence to apply the business continuity policy and practices and to develop and maintain their BCPs.</p> <p>An ICT Business Continuity Plan is in place which identifies critical infrastructure and applications, but does not specify the order of recovery. Further, BCPs for recovering individual systems are out of date.</p> <p>A programme of testing has not been developed to validate over time the effectiveness of Business Continuity Plans and solutions. There have been no testing exercises of plans undertaken for at least five years (at least three for ICT) and consequently any necessary changes and improvements to business continuity processes have not been identified. Lessons learned from the Covid pandemic response do however provide some opportunity to make changes and improvements.</p> <p>Internal Audit considers the level of assurance is Limited. Risk, control, and governance systems have some satisfactory aspects. There are, however, some significant weaknesses likely to undermine the achievement of objectives.</p> <p>Internal Audit made the following recommendations:</p> <ul style="list-style-type: none"> • Up to date Business Continuity Plans should be created within the new BCMS and a programme of testing should be developed to validate those plans. Testing should be undertaken in accordance with the testing programme. (High) • The IT Business Continuity Test Strategy, ICT Business Continuity plan and the Business Continuity Management Policy should be reviewed and refreshed. Annual IT test plans should be developed and followed to ensure all plans are exercised over time. (High) 				

Report	Summary of key findings and recommendations	Recommendations			Status
		H	M	L	
<p>Subject: Sustainable Environment</p> <p>Category: Assurance – Risk</p> <p>Date issued: 15 February 2022 Draft; 4 March 2022 Final</p> <p>Level of Assurance: Limited (governance arrangements); Substantial (strategy, annual declaration and Council decisions taking into account sustainability / net zero implications)</p>	<p>The purpose of this assurance audit was to at a high level assess the Council's progress with the development of new governance arrangements and action plans to meet obligations regarding sustainable environmental programmes, including corporate and social responsibilities such as climate change.</p> <p>The Climate Change (Scotland) Act 2009 set economy-wide (not organisational) emissions reduction targets. Midlothian Council has unilaterally decided to make the Council's activities net carbon zero by 2030. Midlothian Council has made a good start when considering its own emissions in the context of demographic trends.</p> <p>In August 2020, the Council published a Climate change strategy and associated action plan: <i>Scotland's Changing Climate – Midlothian's Climate Change Strategy</i> response to the Council's declaration of a climate change emergency in December 2019 which clearly sets out the Council's vision and objectives.</p> <p>We found that a significant number of targets in the Action Plan have not been achieved and that progress with delivery of the plan is not routinely monitored. In addition some actions need updating and reassigning following departure of some employees.</p> <p>A Climate change risk assessment was produced in March 2021 based on the 2017 Climate Change Risk Assessment Summary for Scotland and provides a risk rated review of the action plan.</p> <p>The Climate Change (Duties of Public Bodies: Reporting Requirements) (Scotland) Order 2015 requires local authorities and other major public bodies to report to Scottish Ministers in November each year in respect of the preceding financial year on what they have done to comply with their duties. The report was submitted on time and in the required format following authorisation by Cabinet at their meeting of 19 October 2021.</p> <p>Sustainability / net zero implications are taken into account as part of the Council's decision making process. The comprehensiveness of completion of section A.8 Supporting Sustainable Development is inconsistent across directorates. Notwithstanding, during the course of our work we observed some excellent examples of where carbon neutrality clearly has been carefully considered and had influenced action taken.</p>	2	2	2	<p>Management have accepted the factual accuracy of the report and its findings and have agreed to implement recommendations.</p> <p>Management Responses included the reference to note the two very important projects (the Passivhaus developments now underway and the Waste to Energy plant) which show Midlothian Council's commitment to delivering carbon neutral approaches.</p>

Report	Summary of key findings and recommendations	Recommendations			Status
		H	M	L	
Subject: Sustainable Environment (Cont'd)	<p>Internal Audit considers that the level of assurance is Limited in respect of governance arrangements and Substantial in relation to strategy, annual declaration and Council decisions taking into account sustainability / net zero implications.</p> <p>Internal Audit made the following recommendations to ensure a well-managed Council-wide approach to meeting the strategic objective of reducing the impact of climate change, and to encourage attitudinal change amongst citizens of Midlothian:</p> <ul style="list-style-type: none"> • Credible offset schemes should be identified and developed. (High) • In the coming years, the Council should significantly increase education and messaging efforts in order to persuade people and businesses to modify their behaviour by raising awareness of climate change and suggesting adaptations. (Medium) • The Council has produced a large number of strategies which are designed to address a wide range of issues and which are not directly climate change related. As these strategies are articulated or refreshed the climate change implications of those strategies should be reassessed and greater emphasis given as appropriate. (Low) • The benefits of subjecting information contained in the Climate Change (Duties of Public Bodies: Reporting Requirements) (Scotland) Order 2015 report to external validation or peer review should be considered and if assessed as beneficial, arrangements put in place. (Low) • To ensure a consistent focus on sustainability matters in reports for decision by Council, an aide memoire / toolkit should be developed to assist report writers in identifying key implications. (Medium) • A Terms of Reference and membership of the Carbon Neutral by 2030 Board should be agreed with meetings commencing as soon as possible. (High) 				

Report	Summary of key findings and recommendations	Recommendations			Status
		H	M	L	
<p>Subject: Waste and Recycling Services</p> <p>Category: Assurance – Risk</p> <p>Date issued: 21 February 2022 Draft; 4 March 2022 Final</p> <p>Level of Assurance: Substantial</p>	<p>The purpose of this assurance audit was to ensure there are adequate financial and operational controls in place for the effective delivery of waste collection and recycling services including plans to achieve Zero Waste targets.</p> <p>A clear strategic direction has not been established to achieve Waste and Recycling services' contribution towards the Council's obligations concerning zero waste, the need for which is recognised in the Climate Change Strategy <i>Scotland's Changing Climate – Midlothian's Climate Change Strategy</i>, although there are excellent examples of action which is taking the Council towards zero waste targets.</p> <p>Budget monitoring procedures are accurate, relevant and timely and meet the needs of service management who receive information on a four weekly basis, actively scrutinise budget monitoring reports and contribute towards refinement of forecasts for the remainder of the year.</p> <p>Performance monitoring and benchmarking is undertaken to maintain and improve performance. There is an opportunity to further develop performance monitoring for the collection side of the service. Benchmarking is provided through the LGBF which is also available to the residents of Midlothian.</p> <p>Arrangements are in place which enable monitoring of contracts with third parties. Suppliers are required to provide specified data on a monthly basis although monthly contract meetings do not take place between the supplier and service management. Instead any issues are raised on an ad hoc basis as necessary.</p> <p>The replacement cycle for refuse collection vehicles may not currently be optimised to deliver value for money.</p> <p>Internal Audit considers that the level of assurance is Substantial. Largely satisfactory risk, control, and governance systems are in place.</p>	0	3	0	Management have accepted the factual accuracy of the report and its findings and have agreed to implement recommendations.

Report	Summary of key findings and recommendations	Recommendations			Status
		H	M	L	
Subject: Waste and Recycling Services (cont'd)	<p>Internal Audit made the following recommendations which are designed to improve the efficacy of governance arrangements to achieve objectives:</p> <ul style="list-style-type: none"> • The Waste and Recycling Service should develop a Waste Management and Recycling Strategy, which sets out how zero waste targets are to be achieved, in accordance with the Climate Change Strategy. (Medium) • The benefits of having performance data on various aspects of the waste collection process should be considered and if judged to be beneficial, performance targets should be set and monitored through the use of appropriate performance indicators. (Medium) • The replacement cycle for refuse vehicles should be revaluated and changed if analysis indicates that an alternative replacement cycle offers lower total cost of ownership and better value for money. (Medium) 				

Report	Summary of key findings and recommendations	Recommendations			Status												
		H	M	L													
<p>Subject: Housing Allocations Category: Assurance – Risk Date issued: 24 February 2022 Draft; 4 March 2022 Final Level of Assurance: Substantial (Policy, procedures, process, management information and reporting); Limited (audit trail of application supporting documentation)</p>	<p>The purpose of this assurance audit was to assess the policies and procedures and practices in place to ensure the Council allocates housing in accordance with the Housing (Scotland) Act 1987 as amended by the Housing (Scotland) Act 2001, the Housing (Scotland) Act 2014, other relevant legislation and statutory guidance, and good practice available from the Scottish Government, the Scottish Housing Regulator and the Chartered Institute of Housing.</p> <p>The Council has over 7,000 properties of various sizes and types. There were 4,183 active housing applicants (3,506 on General Needs List and 677 on Homeless List)@14 February 2022. The Housing Allocations Policy sets out a lettings target of 60% of allocations to be made to the Homeless Group and 40% of allocations to be made to the General Needs Group.</p> <table border="1"> <thead> <tr> <th></th> <th>Homeless Group applicants</th> <th>General Needs applicants</th> <th>Total lets</th> </tr> </thead> <tbody> <tr> <td>2020/21</td> <td>204 (54.3%)</td> <td>172 (45.7%)</td> <td>376</td> </tr> <tr> <td>2021/22 to 31 January 2022</td> <td>193 (57.3%)</td> <td>144 (42.7%)</td> <td>337</td> </tr> </tbody> </table> <p>The Housing Allocations process is supported by the Capita housing system. This system maintains a record of all Council housing stock including details of the house type, number of bedrooms, location, the applicant's housing application reference number, the applicant's points circumstances, and the Council's live waiting list. Relevant documentation supporting the Council's housing allocations process including the scanned Housing Applications, Tenancy Agreements, Pre-tenancy Checks, Allocation Checklists, and application shortlisting documentation are stored electronically in the D360 document management system.</p> <p>Internal Audit considers that the level of assurance is Substantial over the Council's Housing Allocations Policy, procedures, management information and reporting arrangements, and aspects of the Housing Allocations process, including control over the housing list, allocation of points, management review arrangements, and documentation of bypass reasons (where supporting documentation was available in the D360 system). Assurance is Limited on the audit trail of application supporting documentation including the verification of applicant identity.</p>		Homeless Group applicants	General Needs applicants	Total lets	2020/21	204 (54.3%)	172 (45.7%)	376	2021/22 to 31 January 2022	193 (57.3%)	144 (42.7%)	337	1	1	5	Management have accepted the factual accuracy of the report and its findings and have agreed to implement recommendations by June 2022.
	Homeless Group applicants	General Needs applicants	Total lets														
2020/21	204 (54.3%)	172 (45.7%)	376														
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Report	Summary of key findings and recommendations	Recommendations			Status
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Subject: Housing Allocations (cont'd)	<p>Internal Audit made the following recommendations:</p> <ul style="list-style-type: none"> • The next update to the Housing Allocations Policy should more clearly define the outcomes of the Housing Allocations Policy and monitoring arrangements to ensure those outcomes are achieved; the Consultation Report should be published and made available to the public in full prior to finalisation of the Housing Allocations Policy; and reasonable preference groups should make clear those required by the Act and any additional groups set out in the Council's policy. (Low) • Current gaps in written procedures should be addressed so there is clarity and consistency going forward. (Low) • The current approach to obtaining proof of identity and overcrowding evidence should be reviewed and relevant evidence should be photographed and uploaded to the D360 system to minimise the risk of tenancy fraud. (Medium) • Housing Services should to carry out a review of how information is stored in D360, named to ensure that the file is named something easily recognisable, and to ensure that the missing documentation is primarily down to scanning issues and the appropriate checks / documents have been completed. Where possible, missing documentation should be located and added to D360. Shortlisting documentation and proof of identity documentation should be uploaded by Housing Officers directly to ensure that the documentation is always saved and uploaded to the correct place every time. (High) • Management should recommence the Housing Applications review process. (Low) • Where an application has been cancelled Management should ensure that a letter documenting the cancellation has been submitted to the applicant in all cases. (Low) • Retention rules in the D360 system should be reviewed to ensure data is held for no longer than is required in compliance with the Council's retention schedule. (Low) 				

Report	Summary of key findings and recommendations	Recommendations			Status
		H	M	L	
<p>Subject: ICT and Cyber Security</p> <p>Category: Assurance – Risk</p> <p>Date issued: 25 February 2022 Draft; 4 March 2022 Final</p> <p>Level of Assurance: Substantial (ICT policies, guidance, training, risk management; physical, environmental, operational, and system enforced ICT security controls; backup systems; and ICT and cyber security controls over the Council's network: and Limited (ICT business continuity and disaster recovery arrangements, and the current level of resources available to support cyber-security).</p>	<p>The purpose of this assurance audit was to assess the ICT and cyber security arrangements associated with the Council's network and Digital Services' support towards the ICT and cyber security arrangements of the Council, including policy and guidelines, physical and operational controls, business continuity and disaster recovery arrangements, and third party access. This includes a review of Public Sector Network (PSN) requirements, Cyber Essentials Plus requirements, and the Council's response to the published reports by the Scottish Environmental Protection Agency (SEPA) on their recent cyber-attack.</p> <p>ICT and cyber security controls are essential for organisations such as local authorities. The impact of a successful cyber-attack can be devastating on an organisation in terms of the loss of the ability to deliver services, the time taken for the organisation to recover, and the costs of recovery. Recent successful cyber-attacks on the Scottish Environmental Protection Agency (SEPA), Hackney Council, and Redcar and Cleveland Council have highlighted the impact these can have, their potential frequency, and that they can happen to organisations with reasonably well established ICT controls.</p> <p>Aspects of Midlothian's ICT control arrangements are externally reviewed twice annually through the Public Sector Network (PSN) review and the Cyber Essentials review. Midlothian achieved PSN compliance and Cyber Essentials Plus compliance in 2021, and is on track to achieve Cyber Essentials Plus Compliance in 2022. The PSN review will be later in the year, around June/July 2022.</p> <p>The Council has established a wide range of ICT controls and cyber defence arrangements including physical security over the Council assets and asset monitoring arrangements, local backups and cloud backups of Council data, user access controls applied to digital assets, password standards including two factor authentication, anti-virus software, modern firewalls with intrusion detection implemented, email filtering controls, web-filtering controls, vulnerability scanning software, a log event monitoring system implemented, a system to ensure significant changes to systems are risk assessed and authorised, and controls established to monitor third party access to the Council's network.</p>	1	1	0	<p>Management have accepted the factual accuracy of the report and its findings and have agreed to implement recommendations. Actions are commencing immediately to progress improvements, and an Action Plan with agreed prioritisation of actions and timescales is scheduled to be presented to CMT by April 2022.</p>

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Subject: ICT and Cyber Security (cont'd)	<p>In 2021/22 Digital Services has taken forward a number of actions to further improve the Council's security arrangements. Digital Services have recently undertaken a review of the actions identified as part of the SEPA cyber-attack from the publically available audit reports. A number of significant actions have been highlighted by Digital Services which would help further improve the Council's cyber-security arrangements although this is likely to involve significantly more resource to implement.</p> <p>Internal Audit considers the level of assurance is: Substantial (ICT policies, guidance, training, risk management; physical, environmental, operational, and system enforced ICT security controls; backup systems; and ICT and cyber security controls over the Council's network); and Limited (ICT business continuity and disaster recovery arrangement, and the current level of resources available to support cyber-security). An ICT Business Continuity Plan is in place which identifies critical infrastructure and applications, but does not specify the order of recovery. Business Continuity Plans for recovering individual systems are out of date and there is no annual programme for business continuity and disaster recovery testing. This was raised in the recently concluded Business Continuity audit and a recommendation made to enable improvements.</p> <p>Internal Audit made the following recommendations:</p> <ul style="list-style-type: none"> • A formal cyber defence action plan should be prepared with agreed actions, prioritisation of actions and timescales. Cost and benefit analysis of proposed risk mitigation measures outlined in the SEPA GAP analysis and Cyber Defence Risk Analysis should be undertaken as part of the action plan. It should be presented for approval to either CMT or the Digital First Strategic Board as the action plan and mitigation measures impact all Council services. (High) • The level of resources to support the Council's cyber defence arrangements should be reviewed, taking into account the range of projects currently being delivered by Digital Services. Senior Management should be made aware at appropriate intervals of the level of vacancies and cover arrangements within Digital Services to assess the dependency risk for delivery of the Digital transformation projects concurrent with cyber defence arrangements. (Medium) 				