

Notice of Meeting and Agenda



Audit Committee

Venue: Council Chambers,
Midlothian House, Dalkeith, EH22 1DN

Date: Tuesday, 28 May 2019

Time: 10:00

Director, Resources

Contact:

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Further Information:

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1 Welcome, Introductions and Apologies

2 Order of Business

Including notice of new business submitted as urgent for consideration at the end of the meeting.

3 Declaration of Interest

Members should declare any financial and non-financial interests they have in the items of business for consideration, identifying the relevant agenda item and the nature of their interest.

4 Minute of Previous Meeting

4.1 Minute of meeting of 12 March 2019 submitted for approval 5 - 10

4.2 Action Log 11 - 12

5 Public Reports

5.1 Final Internal Audit Report Follow-up Review of Developer Contributions - Report by Chief Internal Auditor 13 - 22

5.2 Final Internal Audit Report Performance Management LGBF - Report by Chief Internal Auditor 23 - 28

5.3 Final Internal Audit Sales to Cash - Report by Chief Internal Auditor 29 - 34

5.4 Final Internal Audit Report Pupil Equity Fund - Report by Chief Internal Auditor 35 - 42

5.5 ICT Security Controls - Report by Chief Internal Auditor 43 - 54

5.6 Audit Scotland Report Local Government in Scotland Performance and Challenges 2019 - Report by Chief Executive 55 - 68

5.7 Risk Management Update for 1 January - 31 March 2019 - Report by Risk Manager 69 - 100

5.8 Procurement and Commercial Improvement Programme (PCIP) - Report by Head of Finance and Integrated Service Support 101 - 120

5.9 Internal Audit Annual Assurance Report 2018_19 - Report by Chief Internal Auditor 121 - 130

5.10 Counter Fraud Annual Report 2018-19 - Report by Chief Internal Auditor 131 - 136

6 Private Reports

No items for discussion

7 Date of Next Meeting

The next meeting will be held on Monday 24 June 2019 at 11 am

Minute of Meeting

Audit Committee
Tuesday 28 May 2019
Item No: 4.1



Audit Committee

Date	Time	Venue
Tuesday 12 March 2019	10.00 am	Council Chambers, Midlothian House, Dalkeith, EH22 1DN

Present:

Mike Ramsay (Chair)
Councillor Baird
Councillor Hardie
Councillor Milligan
Councillor Muirhead
Councillor Parry
Councillor Smail
Peter de Vink (Independent Member)

In attendance:

Grace Vickers	Chief Executive
Kevin Anderson	Acting Director Resources
Gary Fairley	Head of Finance and Integrated Service Support
Stephen Reid	Ernst and Young
Chris Lawson	Risk Manager
Jill Stacey	Chief Internal Auditor
Elaine Greaves	Principal Auditor
Mike Broadway	Democratic Services Officer

1. Welcome and Apologies

The Chair, Mike Ramsay welcomed everyone to the meeting, following which there was a round of introductions. There were no apologies.

2. Order of Business

The order of business was confirmed as outlined in the agenda that had been previously circulated.

3. Declarations of interest

No declarations of interest were received.

4. Minutes of Previous Meetings

- 4.1 The minutes of the meeting of 29 January 2019 were submitted and approved as a correct record having been proposed by Councillor Muirhead and seconded by Councillor Smaill.
- 4.2 The Action log was submitted and the following agreed:
- 1) 'Annual Governance Statement 2017/18' - To note the completion date for this was June 2019.
 - 2) 'Treasury Management and Investment Strategy 2019/20' - To note that the issue of further briefings on this and any other subject would be picked up as part of the self-assessment training needs analysis.
 - 3) 'Delivering Excellence – Governance Arrangements' - To note this would be addressed through the BTSG and reported back to the Audit Committee, as required.

5. Public Reports

Report No.	Report Title	Submitted by:
5.1	Risk Management Q3 Update for 1 October 2018 – 31 December 2018	Risk Manager
Outline of report and summary of discussion		
<p>There was submitted report, dated 21 February 2019 by the Risk Manager providing the Committee with the 2018/19 Quarter 3 strategic risk management update, covering the period 1 October 2018 – 30 December 2018. The Strategic Risk Profile sought to provide a strategic look at the current issues, future risk and opportunities facing the Council.</p> <p>Thereafter Officers responded to questions and comments raised by members, which included:</p> <ul style="list-style-type: none">• Shawfair.• Developer Contributions.		

- Schools Learning Estate Strategy.
- Lothian Buses Pension Fund.

With regards to the Lothian Buses Pension Fund it was felt that a further report addressing the potential risks and any possible future financial implications to the Council would be useful. Consideration may also require to be given to adding it to the risk register.

Decision

The Audit Committee agreed to –

- seek a further report on Lothian Buses Pension Fund; and
- otherwise note the current response to the issues, risks and opportunities highlighted in the Quarter 3 2018/19 Strategic Risk Profile.

Action

Legal Manager/Head of Finance and Integrated Services Support/Risk Manager

Report No.	Report Title	Submitted by:
5.2	External Audit Annual Plan 2018/19 for Midlothian Council	Stephen Reid, EY, External Auditors
Outline of report and summary of discussion		
<p>There was submitted the Midlothian Council Annual External Audit Plan 2018/19. Stephen Reid, External Auditor presented the Plan to the Committee explaining this Annual Audit Plan was prepared for the benefit of the Council and Audit Committee and provided Members with a summary and update on the planned audit approach for the audit of the financial year ending 31 March 2019. He went on to explain that their responsibilities fell into two main areas, one in respect of the financial statements and the other in respect of their responsibility around the wider-scope public sector audit dimensions and highlighted some key sections from the Report.</p> <p>Thereafter the External Auditor responded to questions and comments raised by members of the Committee.</p>		
Decision		
The Audit Committee noted the content of the report.		

Report No.	Report Title	Submitted by:
5.3	Final Internal Audit Report – Workforce Strategy and Planning	Chief Internal Auditor
Outline of report and summary of discussion		
<p>A report dated 22 February 2019 was presented by the Chief Internal Auditor. The purpose of this audit was to review the approach to workforce development in alignment with business and financial planning processes to provide skills, knowledge and competency requirements for service delivery to meet the Council's objectives.</p>		

Thereafter the Chief Internal Auditor in responding to questions and comments raised by Members emphasised that the audit had focused on examining and evaluating the Framework and Governance arrangements rather than the specifics of the Policy itself, which were picked up elsewhere.

Decision

The Audit Committee noted the content of the report.

Report No.	Report Title	Submitted by:
5.4	Final Internal Audit Report – Information Governance Framework and GDPR	Chief Internal Auditor

Outline of report and summary of discussion

A report dated 22 February 2019 was presented by the Chief Internal Auditor. The purpose of this audit was to review the Council's Information Governance Framework including roles and responsibilities, policy development, and implementation. This included a review of the Council's compliance with the requirements of the General Data Protection Regulations (GDPR).

Thereafter a discussion took place regarding the take-up of the GDPR training module and the monitoring of data breaches. It was highlighted that the low completion level for Elected Members would be reviewed and if required additional follow up would be taken to encourage completion. It was further reported that key areas where data breaches may occur – letters/email being sent to the wrong person - were being targeted, with control/monitoring be undertaken by the Information Management Group (IMG) and Corporate Management Team (CMT). It was also acknowledged that a dedicated Data Protection Officer (DPO) appointment had now been made.

Decision

The Audit Committee noted the content of the report.

Report No.	Report Title	Submitted by:
5.5	Internal Audit Strategy and Annual Plan 2019/20	Chief Internal Auditor

Outline of report and summary of discussion

There was a report submitted dated 12 February 2019 presented by the Chief Internal Auditor for approval to the proposed Internal Audit Strategy and Annual Plan 2019/20 to enable the Chief Internal Auditor to prepare annual opinions on the adequacy of the overall control environment of Midlothian Council, and Midlothian Health and Social Care Integration Joint Board.

The Internal Audit Strategy at Appendix 1 outlined the strategic direction for Internal Audit to provide independent and objective assurance on the systems of internal control, risk management, and governance to the relevant organisation's senior management and board/audit committee.

The Internal Audit Annual Plan 2019/20 developed by the Shared Chief Internal Auditor is presented at Appendix 2. The proposed reviews have been grouped into key themes as set out in the Internal Audit Strategy at Appendix 1.

Thereafter the Chief Internal Auditor and Chief Executive responded to questions raised by members of the Committee.

Decision

The Audit Committee approved the Audit Strategy and Annual Plan 2018/19.

Action

Chief Internal Auditor

6. Private Reports

No private business was discussed.

7. Date of Next Meeting

The next meeting will be held on Tuesday 28 May 2019.

The meeting terminated at 11.42 am

Actions Log

Audit Committee
Tuesday 28 May 2019
Item No: 4.2



No	Subject	Date	Action	Action Owner	Expected completion date	Comments
1	Annual Governance Statement 2017/18 (2018/19 Areas for Improvement)	19/06/18		Chief Executive	June 2019	Final AGS 2017/18 included within audited Statement of Accounts 2017/18 for 25/09/2018. Management's proposal is to report on Areas of Improvement progress to Audit Committee on a quarterly basis.
2	Briefing – Informal Audit Committee Session(s) - Treasury Management	12/03/19	Agreed that the need for further briefings would be addressed as part of the self-assessment/training needs analysis	Chief Internal Auditor	28 May 2019	Informal Session on self-assessment/training needs analysis planned for 28 May 2019.
3	Delivering Excellence Programme - Governance	12/03/19	Noted that the Governance arrangement were being addressed through the BTSG and Agreed that they be reported back to the Audit Committee, as required.	Chief Internal Auditor	As Required	

No	Subject	Date	Action	Action Owner	Expected completion date	Comments
4	Risk Register – Lothian Buses Pension Fund	12/03/19	Agreed to seek a further report addressing the potential risks and any possible future financial implications to the Council	Legal Manager/Head of Finance and Integrated Services Support		



Chief Internal Auditor
Jill Stacey

Audit Committee
Tuesday 28 May 2019
Item No: 5.1

Auditor: Amber Ahmed

Final Internal Audit Report
to
Chief Executive
All Directors
All Heads of Service
Financial Services Manager
Legal Services Manager
Planning Manager
Resource Manager
Senior Accountant Projects & Treasury
Lead Officer Planning Obligations
on
Follow-Up review of Developer Contributions

19 April 2019

1 Introduction

- 1.1 In March 2016, an Internal Audit report was presented to the Audit Committee on the controls in place over Developer Contributions. In total 11 recommendations were made in the report to improve controls within this area focusing on Governance, Monitoring and Procedures. The Audit Committee requested that Internal Audit follow up on the monitoring recommendations raised in the Internal Audit report.
- 1.2 A Follow-Up review was reported to the Audit Committee in June 2016 which highlighted Management were making steady progress in improving the controls operating over the Developer Contributions system, however expected completion dates for a number of actions had not yet been reached. It was agreed that a fuller report would be brought to the Audit Committee on the recording and monitoring of Developer Contributions once the Compliance Officer and the new database is in place.

2 Audit Scope

- 2.1 As set out in the Internal Audit Annual Plan 2018/19, we have reviewed the recommendations raised in the Developer Contributions March 2016 report, which were all signed off as complete on the Pentana Performance system by Management, to ensure they had been adequately completed and that there was evidence of improvement.

3 Management Summary

- 3.1 Midlothian Council is currently experiencing high levels of growth and investment with further significant levels of development proposed in the Council's adopted and proposed development plans. As the population of Midlothian increases there are increasing demands placed on the existing infrastructure and services. Developer Contributions are used by the Council as a means of mitigating the impact of new development on the Council's existing infrastructure and for the provision of new facilities. Contributions are used to fund education provision, road infrastructure improvements, community facilities, town centre improvements, delivery of affordable housing, and other infrastructure which is required as a consequential impact of development. The infrastructure requirements are identified during the preparation and adoption of the Local Development Plan and associated Supplementary Planning Guidance.
- 3.2 Contributions are secured as part of the planning process where the developer and the Council sign an agreement under Section 75 of the Town and Country Planning (Scotland) Act 1997 (as amended by the Planning etc. (Scotland) Act 2006) or under S69 of the Local Government (Scotland) Act 1973. This commits the developer to make a contribution to the Council linked to the progress of completion of the development. In return the Council commits to procuring the required infrastructure within a specified time limit.
- 3.3 The Council currently has 230 Planning Agreements and contributions have been allocated to 91 infrastructure projects. The Developer Contribution balance as at 31/03/2019 was anticipated to be £35,915,904 which is committed to fund future expenditure. In 2018/19, the amount of contributions receipted was £9,795,463, and 1 late penalty fee was applied to a Developer.
- 3.4 A new Exacom database system has been implemented which is used to record all of the developments and stages of completion. The finance spreadsheet demonstrates when the Council has receipted the contribution and the year it was receipted which allows officers to determine the expiry date of the contribution. The finance spreadsheet and the Uniform system provides a good foundation for the Exacom database system.

- 3.5 From the 11 recommendations reviewed, **5** were found to have been completed satisfactorily, and **6** were partially complete. Internal Audit have noted improvements such as: a decision was taken to implement the new Exacom database system, Planning service have been proactive in instructing Finance to calculate and raise invoices for contributions that have reached their trigger points; Legal, Planning and Finance Services work closely together over the developer contribution process and have a shared file location; 3 reports on specific infrastructure projects in relation to developers contributions have been presented to the Capital Plan and Asset Management Board; Finance and Education services have been consulted on costings to be included in the new Supplementary Guidance and have been have been working together with Planning service to perform an in-depth analysis of contributions received and their allocation to capital infrastructure for school projects.
- 3.6 Issues noted are: the Exacom database system is not fully populated; there has been no summary reports on the developer contributions which highlights the total agreements signed during the year reporting the value and number of units, agreements completed during the year with the value of contribution received, developer contribution allocated to specific projects, a breakdown of the balance held by the project and a summary of contributions which are due to expiry; a Compliance Officer was appointed in 2017 to assist with monitoring the level of completion of developments but left the Council in November 2018 and has not been replaced (the Lead Officer Planning Obligations is currently monitoring the trigger points in the agreements); and although significant improvements have been made to the finance spreadsheet, there needs to be a clearer audit trail of the schedule of estimated future payments to establish how future forecast payments have been determined and calculated.
- 3.7 Management have advised that their main priority is to ensure the data is fully accurate and input into the Exacom database system which is now approximately 75% complete. The system will improve the monitoring and reporting of the contributions being receipted, allocated and spent which will provide an efficient reporting functionality. It has been advised that over the next 12 months, Planning Service are scheduling to roll out the Exacom database system across the Council which will also allow Services to monitor contributions allocated and spent in their area.
- 3.8 As is standard Internal Audit practice, we have not rated this review since it is a follow-up of previously raised Internal Audit recommendations. We have however noted **6** Internal Audit recommendations which are incomplete as stated in the Findings section. Actions remaining from this review, with realistic completion dates, are stated in the Recommendations section noting that some related remaining actions have been integrated for ease of Management implementation thus 5 Recommendations in total.
- 3.9 The Internal Audit function conforms with the professional standards as set out in the Public Sector Internal Audit Standards (2017), including the production of this report to communicate the results of the review.
- 3.10 We would like to thank those officers who assisted us during our review.

4 Findings

No	Original Recommendation (2016)	Original Priority	New Findings and Conclusion (2019)
1	<p>The Developer Contribution Steering Group should be re-established with a specific terms of reference developed that clearly identifies the responsibilities of each service involved in the process and its reporting line, meet regularly and provide periodic reporting to CMT.</p> <p>Management should implement regular reporting to the Developer Contribution Steering Group of: agreements signed during the year reporting the value and number of units; agreements completed during the year with the value of contributions received.</p> <p>The infrastructure projects funded during the year and value of funding allocated; a breakdown of the balance held by agreement and infrastructure project; and highlight reports showing contributions that are approaching expiry.</p>	High	<p>The Capital Plan Asset Management Board which has a terms of reference has replaced the Developer Contribution Steering Group. 13 meetings have been held since the new Board was established.</p> <p>3 reports were presented to the Capital Plan Asset Management Board in relation to specific infrastructure projects but there has been no summary reports on the developer contributions which highlights the total agreements signed during the year reporting value and number of units, agreements completed during the year with the value of contribution received, developer contribution allocated to specific projects, a breakdown of the balance held by the project and a summary of contributions which are due to expiry. It was advised that the new Exacom database system has a reporting functionality but input of the data on the system is only 75% complete and therefore no summary reports on Developer Contributions have been presented to the Capital Plan Asset Management Board. Reports will be presented when all of the Developer Contribution data is registered on the system.</p> <p>Conclusion: Partially Satisfied – New Recommendation 5.1 and 5.2</p>
2	<p>Management should review the current risk score and develop a series of actions to reduce the risk level to within the Council's risk appetite.</p>	High	<p>The Lead Officer Planning Obligations maintains an operational risk register for developer contributions but this has not been entered into the Pentana Performance system and we noted that the risk register was last updated in August 2018.</p> <p>Conclusion: Partially Satisfied – New Recommendation 5.3</p>

No	Original Recommendation (2016)	Original Priority	New Findings and Conclusion (2019)
3	<p>In the short term Management should:</p> <ul style="list-style-type: none"> a) update the finance spreadsheet recording developer contributions received with the planning reference number and the expiry date of each contribution; b) review the developer contribution balance and analyse it by agreement and infrastructure project; c) examine the individual contributions and identify any that may have expired and those that are nearing expiry; and d) more fully develop the schedule of estimated future payments for all signed agreements to enhance capital planning. 	High	<p>Financial services maintain a spreadsheet which records the developer contribution balance and how it has been allocated to the infrastructure projects. Currently, officers have to analyse a significant number of columns and rows to check the developer contribution balance and when it is due to expire. This needs to be summarised at a higher level which the Exacom system will be able to do when the data is fully populated.</p> <p>It has been advised that until the data is fully populated in the new Exacom database system, the Council has to rely on officers to monitor and track the expiry date of each contribution. The main priority is to ensure the data is accurate and input into the system which will improve monitoring of the payments being receipted, how they are allocated to projects and how they are spent. The system will provide an efficient reporting function.</p> <p>Although there is an established schedule of estimated future payments recorded on the spreadsheet, there is not a clear audit trail of how future forecast payments have been determined and calculated.</p> <p>Conclusion: Partially Satisfied – New Recommendation 5.4</p>

No	Original Recommendation (2016)	Original Priority	New Findings and Conclusion (2019)
4	<p>The Developer Contribution Steering Group should review any contributions which have passed or are approaching their contractual date to ensure that there is a clear audit trail from the contribution to the infrastructure.</p>	High	<p>As mentioned above, the Capital Plan Asset Management Board has replaced the Developer Contribution Steering Group. 3 reports were presented to the Capital Plan Asset Management Board in relation to specific infrastructure projects and one of these reflected on a contribution which was due to expiry. Appropriate actions were taken and noted.</p> <p>For the agreements that are currently registered on the system, the payments collected are recorded and allocated to a project and once allocated they are available for spending. This has reduced the risk of contributions passing their due date as there is an audit trail of the contribution to the infrastructure on the Exacom database system. There is also a strong audit trail including planning application reports, Heads of Terms reports, Director of Resources sign off reports, reports to Council on individual projects etc.</p> <p>Conclusion: Partially Satisfied – New Recommendation 5.2</p>
5	<p>For assets procured in advance of contributions being received:</p> <ul style="list-style-type: none"> • a spreadsheet should be prepared comparing the capital and borrowing cost of assets procured with the contributions received to ensure sufficient contributions have been collected to meet the agreed proportion of costs on either fully or partially funded assets; and • The Supplementary Planning Guidance should be updated to make it clear to developers that contributions are being sought for forward funded assets and that contributions will be applied to related borrowing costs. 	Medium	<p>Financial Services have been carrying out an analysis of forward funded assets. Costs have been ascertained for these assets and the analysis of amounts allocated to these assets will form part of the above analysis of contributions received. However this exercise has not been fully completed. Costs associated to school projects were concluded as part of the Learning Estate Strategy (LES) however costs associated to other projects are still not complete.</p> <p>The new supplementary guidance could not be updated until the Local Development plan 2017 was approved by the Planning Committee in November 2017. The new supplementary guidance is still in draft form; the Planning Team are in the process of consulting on the revised guidance with services.</p> <p>Conclusion: Partially Satisfied – New Recommendation 5.4</p>

No	Original Recommendation (2016)	Original Priority	New Findings and Conclusion (2019)
6	<p>A procedure should be developed that covers the entire developer contribution process identifying which steps in the process are to be carried out by each service. Each service should then develop their own procedures for each of their parts</p> <p>The process should be outlined in the revised Supplementary Planning Guidance for the information of the developers (although this would not be required at the same level of detail as the council's procedure).</p>	Medium	<p>Procedures on how to use the new Exacom database system are in place. Procedures will be developed when the system is being rolled out to areas across the Council ie Finance and Legal etc. The new supplementary guidance will note the Developer Contribution process at a high level (e.g. monitoring agreement set by the Council and the Developers).</p> <p>Conclusion: Partially Satisfied – New Recommendation 5.5</p>

5 Recommendations

Rec. Ref No	Recommendation	Rating	Management Response	Responsibility and Timescale
5.1	All Developer Contribution agreements should be fully recorded on the new Exacom database system. This includes recording all of the Planning Agreements, when developments are complete, contribution receipted from each of the Planning Agreements, contributions allocated to the infrastructure projects and when they were spent.	Medium	This was the Planning Service's aim when securing the new monitoring system and appointing a Compliance Officer. Over 75% of agreements are recorded and there is a plan to fully populate the new system over the coming months. The delay in populating system is a result of the Compliance Officer post becoming vacant.	Planning Manager, 31/12/2019
5.2	<p>Regular reporting to the Capital Plan and Asset Management Board should be provided and include the following information:</p> <ul style="list-style-type: none"> agreements signed during the year reporting the value and number of units; agreements completed during the year with the value of contributions received; 	Medium	3 reports on specific infrastructure projects have been presented to the Capital Plan Asset Management Board over the last 12 months. Further reports will be presented as required.	Planning Manager, 31/12/2019

Rec. Ref No	Recommendation	Rating	Management Response	Responsibility and Timescale
	<ul style="list-style-type: none"> the infrastructure projects funded during the year and value of funding allocated; a breakdown of the balance held by agreement and infrastructure project; and highlight any contributions which have passed or are approaching their contractual date and what actions are required to be undertaken. 			
5.3	The Developer Contribution risk register should be recorded on the Pentana Performance system and regularly reviewed and updated.	Medium	The Performance Officer for Education, Communities and Economy has been tasked with inputting the risk register on Pentana Performance and Officers will be given access to the register.	Planning Manager, 30/06/2019
5.4	<p>An analysis of the forward funded assets needs to be fully completed for all of the infrastructure projects.</p> <p>There also needs to be a clearer audit trail of the schedule of estimated future payments to establish how future forecast payments have been determined and calculated.</p>	Medium	Agreed	Senior Accountant Projects & Treasury 31/12/2019 -TBC
5.5	A procedure should be developed that covers the entire developer contribution process identifying which steps in the process are to be carried out by each Service. Each Service should then develop local procedures for the functions carried out in their area.	Medium	Procedures are in place for the developer contribution processes whilst progressing through the planning system. Planning section will liaise with other services with regards to their procedures.	Planning Manager, 31/12/2019

Recommendation Ratings

Recommendations in Internal Audit Reports are suggested changes to existing procedures or processes, to improve the controls or to introduce controls where none exist. The rating of each recommendation reflects our risk assessment of non-implementation, being the product of the likelihood of the risk materialising and its impact. The ratings are:

- 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. The risk should be added by Management to the relevant Risk Register for control and monitoring purposes and included in the relevant Head of Service Annual 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 the attention of Senior Management.
- Other - Minor administrative weaknesses posing little risk of error, fraud, financial loss or reputational damage.

The Action Plans in Internal Audit Reports address only Recommendations rated High, Medium or Low. Outwith the Internal Audit Report, we inform Service Management about Other Minor matters to improve internal control and governance.

The recommendations have been input to the Pentana performance system to assist with Management tracking of implementation. If responsible owners are unable to achieve the agreed timescales for actions please notify the Chief Internal Auditor with the reason for the delay in implementation and the revised timescales to assist with the implementation and follow-up of these recommendations to improve internal control and governance.

Jill Stacey
Chief Internal Auditor



Chief Internal Auditor
Jill Stacey

Audit Committee
Tuesday 28 May 2019
Item No: 5.2

Auditor: Amber Ahmed

Final Internal Audit Report

to

Chief Executive
All Directors
All Heads of Service
Policy and Scrutiny Manager
Policy and Scrutiny Officer
Financial Services Manager
All Lead Performance and Improvement Officers

on

Performance Management: Local Government Benchmarking Framework (LGBF)

11 April 2019

1 Introduction

- 1.1 The purpose of the review was to validate the Council's Performance Indicators which are reported on an annual basis to the Improvement Service as part of the Local Government Benchmarking Framework (LGBF).

2 Audit Scope

- 2.1 The scope of this audit was to examine and evaluate the following areas:
- Validate the figures reported, together with the collection, performance and reporting methods, for a sample of LGBF specific indicators requested by the Improvement Service as part of the 2017/18 return, to determine the adequacy of processes and controls to allow accurate reporting;
 - Review the processes to allow the timely submission of figures by the end of August 2018; and
 - Review any analysis undertaken to explain variances between current and previous years.

3 Management Summary

- 3.1 The LGBF brings together a wide range of information about how all Scottish Councils perform in delivering better services to local communities, including the cost of services and how satisfied citizens are with them. The data is from all Scottish Councils which represent very diverse communities in terms of geography, population, deprivation levels and community needs. This information is collated by the Improvement Service which works with local authorities to improve the framework and to offer support to Councils enabling them to drive improvements forward.
- 3.2 Performance Indicators (PIs), including statutory returns, are required to be submitted to various bodies e.g. Scottish Government, Scottish Environment Protection Agency (SEPA), Skills Development Scotland (SDS) and the Scottish Housing Regulators (SHR). Local Finance Returns (LFRs), providing data on service costs, are submitted to the Improvement Service. The data from the statutory returns and the LFRs are used by the Improvement Service to calculate the PIs.
- 3.3 PIs and any variances are recorded on the Council's performance management system (Pentana Performance). An overview of the Council's performance against the LGBF indicators is submitted annually to Cabinet and the Performance Review and Scrutiny Committee (PRSC). This includes Management's plans to improve performance for indicators in the bottom quartile. PRSC and Cabinet also receives quarterly updates on the Council's performance indicators.
- 3.4 The Improvement Service is planning to publish the validated data for the 2017/18 LGBF indicators by 10 April 2019. The Council's performance against the LGBF indicators for 2017/18 was submitted to Cabinet in February 2019 and to the PRSC in March 2019 and an updated performance against the LGBF indicators is expected to be presented to Cabinet and PRSC after the data is published by the Improvement Service.
- 3.5 It has been advised that all 6 LGBF Health and Social Care Indicators are under review by the Improvement Service centre which will improve the data collection methods.

- 3.6 A sample of 6 (out of 79) Performance Indicators were reviewed and Internal Audit considers that the level of assurance we are able to give is **Substantial Assurance**. The Council's LGBF return and LFR were both submitted to the Improvement Service by the deadline and reasons for change since 2016/17 were noted in the returns and on Pentana Performance system.
- 3.7 Internal Audit considers that from the sample tested, the figures provided and reported in the LGBF for 2017/18 to be reasonable and accurate. The individual data collection methods applied by the Services are suitable and appropriate for the majority of Services. However, some improvements over the production of the figures can be made such as: retaining an audit trail of source documentation, creating procedure notes to enable the PIs to be reproduced in the absence of key individuals, reviewing the methodology for calculating pre-school costs, and ensuring Council reports accurately reflect the LGBF performance indicators. We have made recommendations accordingly.
- 3.8 The Internal Audit function conforms with the professional standards as set out in the Public Sector Internal Audit Standards (2017), including the production of this report to communicate the results of the review.
- 3.9 We would like to thank those officers who assisted us during our review.

4 Findings on sample of LGBF Indicators 2017/18

CHN 3: Cost per pre-school education registration

The pre-school education cost per pupil was reported as £4,296 in 2017/18 which is £167 better than the Scottish average. 26 primary schools within Midlothian have a nursery (pre-school). We noted that the methodology used to calculate the PI is to allocate 4% of the premises costs to pre-schools and 96% of the premises costs to primary schools. However, other expense types such as employer's costs, supplies and services etc. are fully allocated to primary schools with none being allocated to pre-schools which indicates an understatement of costs for this PI.

CHN11: Percentage of pupils entering positive destinations

This PI is obtained from the Insight website (Scottish Government Data portal) which is updated twice a year. At the time of Internal Audit testing, the figure on the Insider website was still showing the PI for 2016/17 as 94.66% and this was found to be accurate. It has been advised that the data for the Positive Destination indicator will be revised and published by the Improvement Service and the updated indicator will be presented to Cabinet and the PRSC.

ENV6: Percentage of total household waste arising that is recycled

There has been a slight decrease in the total household waste that is recycled this year which went down from 53.49% to 51.61%. This PI is complex to produce and relies on the expertise of a key individual in the Waste team. The PI was difficult to verify due to the complexities and the fact that the split between household and trade waste was not always detailed on invoices. An understanding of the methodology used to produce the PI and the fact that the PI is validated by SEPA gives us assurance over the accuracy of the calculation for 2017/18. Due to the complexity of the calculation and the reliance on key personnel, it would be beneficial to ensure that guidance notes are produced.

HSN1b: Gross rent arrears (all tenants) as at 31 March each year as a percentage of rent due

This PI is submitted as part of the Scottish Housing Regulator (SHR) return. The purpose of this indicator is to minimise the rent arrears and for this year there was an increase in arrears to 6.92% from 6.39% the previous year. It has been advised that this is mainly due to the impact of Universal Credit. Internal Audit were able to verify the figures used in the calculation for this indicator to the supporting documentation. The Business Application team are planning to implement an automated process for generating the reports required for compiling the PI.

SW5: Net cost of residential care services per older adult (over 65) per week

The net cost of residential care per adult (over 65) per week was reported in 2017/18 as £412 and in 2016/17 it was reported as £363. Midlothian Council currently only purchase residential care at the approved National Care Home Contract rate, and the reported figure is higher than the national average. Testing of the PI highlighted that although the figure reported could be validated to source documentation, the Improvement Service did not use the correct data from the LFR spreadsheet which has been highlighted and will be rectified when the validated data for the 2017/18 LGBF indicators are published in April 2019.

SW1: Older persons (over 65) home care costs per hour

The indicator is calculated by using the data from the LFR and the social care data return. Home care costs per hour for older people (over 65) was reported in 2017/18 as £36.88 and in 2016/17 it was reported as £24.65. Testing of the indicator noted that the definition in the social care data return was not clear (as mentioned above Health and Social Care indicators are under review by the Improvement Service). However we were able to verify the figure reported for this indicator to the supporting documentation although the source documentation for calculating the indicator could not be easily obtained from the Service. The Performance Officer for Health and Social care has agreed to keep an audit trail of the figures submitted in the ISD Source data return and to produce a procedural note for the reports used to generate the figures for the return.

Reporting of LGBF Performance Indicators

It was noted that for 1 of the above PIs (household waste recycled) reported to Cabinet in February 2019 and the PRSC in March 2019, there was a slight difference between the figure reported by the Improvement Service and the Council reports. An explanation for this variance has been sought from the Service area.

It was advised that all 6 LGBF Social Care indicators are currently under review by the Improvement Service as there is an ongoing issue in relation to the criteria that is asked for in the Information Services Division (ISD) Source data return which is used to obtain Social Care data. The ISD Source data return slightly changed from the previous Scottish Government social care data return. The cost of the 2 PIs sampled increased in 2017/18. It has been advised that this was due to an increase in staffing numbers due to rising dependency levels.

5 Recommendations

Rec. Ref No	Recommendation	Rating	Management Response	Responsibility and Timescale
5.1	The methodology used for preparing the PI for 'Cost per pre-school education registration' should be reviewed to ensure accurate information is reported for the 2018/19 return.	Medium	The methodology of preparing LFR 01 has been applied for a number of years and ensures LFR's and LGBF cost-base indicators are prepared on a consistent basis. Due to the increase in the number of free early learning and childcare hours, the methodology applied in LFR 01 will be reviewed for 2018/19 to ensure it is still appropriate. Nurseries that are attached to primary schools will have separate general ledger codes so all costs in the LFR can be 100% allocated to pre-schools.	Financial Services Manager 30/09/2019
5.2	Local procedures should be available for the preparation of the LGBF Performance Indicators.	Low	A process will be implemented whereby LGBF Methodology Checklist sheet which will be issued to service areas to ensure the source data and procedures are available.	Policy and Scrutiny Officer 30/09/2019
5.3	The household waste recycled PI reported in the LGBF 2017/18 submission should be reflected in the Council reports.	Low	An updated report will be sent to Cabinet and PRSC when the refreshed data from the Improvement Service is available. The PI from SEPA is reported on a calendar year basis which resulted in the slight difference as Council reports are reported on a financial year basis.	Policy & Scrutiny Officer 30/06/2019

Overall Audit Opinion level and 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 might 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.

Recommendation Ratings

Recommendations in Internal Audit Reports are suggested changes to existing procedures or processes, to improve the controls or to introduce controls where none exist. The rating of each recommendation reflects our risk assessment of non-implementation, being the product of the likelihood of the risk materialising and its impact. The ratings are:

- 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. The risk should be added by Management to the relevant Risk Register for control and monitoring purposes and included in the relevant Head of Service Annual 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 the attention of Senior Management.
- Other - Minor administrative weaknesses posing little risk of error, fraud, financial loss or reputational damage.

The Action Plans in Internal Audit Reports address only Recommendations rated High, Medium or Low. Outwith the Internal Audit Report, we inform Service Management about Other Minor matters to improve internal control and governance.

The recommendations have been input to Pentana performance system to assist with Management tracking of implementation. If responsible owners are unable to achieve the agreed timescales for actions please notify the Chief Internal Auditor with the reason for the delay in implementation and the revised timescales to assist with the implementation and follow-up of these recommendations to improve internal control and governance.

Jill Stacey
Chief Internal Auditor



Chief Internal Auditor
Jill Stacey

Audit Committee
Tuesday 28 May 2019
Item No: 5.3

Auditor: Amber Ahmed

Final Internal Audit Report

to

**Chief Executive
Director, Resources
Head of Finance and Integrated Service Support
Financial Services Manager
Senior Accountant Projects and Treasury
Business Services Manager
Business Applications Manager
Revenues Services Manager**

on

Sales to Cash

09 May 2019

1 Introduction

- 1.1 The purpose of the audit was to review the adequacy of the control framework over the income collection on the ICON receipting system.

2 Audit Scope

- 2.1 The scope of this audit was to examine and evaluate the following areas:
- defined policies and procedures are in place for cash and income banking and that the Council's Financial Regulations are being complied with;
 - the controls in place that ensure the integrity of income and banking transactions are adequate; and
 - that there is effective security in place for processing cash and other receipts.

3 Management Summary

- 3.1 Midlothian Council receipts its income in the ICON receipting system which was upgraded last year. Personal payments are collected at a number of locations (eg Buccleuch House, Midlothian House, Registrars and Newbattle Library (for Blue Badge payments only)). The Council has a contract with G4S to uplift cash and cheques from dedicated locations which is subsequently banked by the company. Non Domestic rates are collected by Edinburgh Council and is posted through Midlothian's ICON receipting system. Other income, such as school meals, is collected through a different income receipting stream.
- 3.2 The total net amount of income collected through the ICON receipting system during 2018/19 was £64,065,244. This figure excludes income collected by direct debit as this is posted straight to the Council's bank account. Customers are encouraged to pay by direct debit but a range of other payment methods is also offered to customers such as cash, cheque, debit/credit card or over the phone on the automated telephone system (ATP). Council Tax, Rents, Housing Benefit Overpayments, Integra Invoices, Non Domestic Rates can be paid online or ATP. Council tax payers and rent payers can also pay by standing order, direct debit, at a bank, at a post office or at any shop displaying the pay point logo. Garden Waste can be paid online only. Planning payments can be paid online through the Scottish Government portal and by cash, cheque, and debit/credit card.
- 3.3 Internal Audit considers that the level of assurance we are able to give is **Substantial Assurance**. There are adequate and effective systems of control for the identification, recording and banking of income and any payments which do not reconcile are investigated.
- 3.4 Up to date procedures and guidance is required over the processing of refunds and the requirement to undertake spot checks on cash floats should be undertaken by Service Managers and documented in the refreshed Financial Regulations. Banking arrangements at sites need to be reviewed to ensure there is an adequate audit trail. Sample checks need to be undertaken on the VAT default setting to each fund account code within the ICON receipting system and staff should be advised that cash floats should be locked away in the safe at the end of the day.
- 3.5 The Internal Audit function conforms with the professional standards as set out in the Public Sector Internal Audit Standards (2017), including the production of this report to communicate the results of the review.
- 3.6 We would like to thank those officers who assisted us during our review.

4 Findings

Risk	Expected Control	Results	Effectiveness of Actual Control	Rec. Ref No
4.1 Lack of policies and procedures could potentially result in legal and regulatory sanction by failing to accurately account for income received or adequately account for VAT.	Defined policies and procedures are in place for cash and income banking and that the Council's Financial Regulations are being complied with.	<p>The governance arrangement for the Council's income collection is detailed in the Financial Regulations and is supported by Income Collection procedures. The Financial Regulations and the Income Collection procedures are available on the Finance Intranet however these have not been updated or reviewed since 2011.</p> <p>The Anti-Money Laundering policy is available on the Finance Intranet but has not been updated since 2013 and does not reflect the new Anti-Money Laundering legislation which came into force in June 2017. No annual reminders of the Anti-Money Laundering policy are sent out to staff. The last reminder was sent out in April 2017 however it has been advised that no cash over £5k has been collected since April 2017.</p> <p>Internal audit noted that 3 of the service areas that we visited were compliant with the current Financial Directives (apart from undertaking spot checks on floats). Occasionally service areas may delay banking their income by a day or two but the Financial Directives state it should be banked without delay. It was advised that the Financial Directives needs to be updated to ensure it is taking account of the Council's current processes as it is not practical for all services to do their banking every day.</p>	Satisfactory but requires updating and further guidance is required on refunds	5.1
		<p>Operational procedures are in place on how refunds should be processed in the ICON receipting system. However there are no governance procedures on how refunds should be controlled and managed by service areas.</p>		5.2
4.2 Financial loss due to funds not being correctly allocated to the Council's bank accounts	Controls are in place to ensure the integrity of income and banking transactions is adequate.	<p>Reconciliations are undertaken on a regular and timely basis. A number of reconciliations are automated. The Business Applications team are in the process of updating the system to allow more automated reconciliations to be undertaken.</p> <p>For reconciliations that are not automated services collecting income undertake reconciliations on a daily basis and ensure the income collected through the ICON receipting system is reconciled to the services fund account. Finance undertake reconciliations on a monthly basis and make</p>	<p>Good</p> <p>Good</p>	

Risk	Expected Control	Results	Effectiveness of Actual Control	Rec. Ref No
		<p>sure the income collected from the ICON receipting system reconciles to the income credited to the Council's bank account. Any mismatches are investigated by Finance with the service area.</p> <p>The Business Applications team liaises with Financial Services to ensure the correct VAT treatment is applied when the fund account is set up on the ICON receipting system. When income is recorded by the service on the ICON receipting system, the VAT is defaulted to the fund account code. No checks have been undertaken by Finance to ensure the VAT treatment is still being correctly applied in the ICON receipting system.</p>	Satisfactory subject to sample check of VAT treatment	5.3
4.3 Financial loss due to fraud or misappropriation of funds	Effective security controls are in place for processing cash and other receipts.	<p>As part of the end of day cash up process, cash is sealed in a G4S bag with the totals and reference noted and is dropped in the G4S safe where it remains until collected by the company. Only G4S staff have access to the drop-in safe.</p> <p>The Financial Directive and the Income Collection Guidance states "transfers of money between employees must be evidenced in divisional records by the signature of the receiving official". At the end of the day, 2 areas hand their banking to the cash room but don't obtain confirmation from the cash room to declare the amount of banking they have deposited.</p> <p>Internal Audit noted that in one area, floats were left in the till at the end of the day and in 3 areas we noted no spot checks were undertaken by Management. This control is documented in the 2017 Petty Cash Imprest procedure and requires to be reflected in the refreshed Financial Regulations. This has been discussed with the relevant sampled services who have agreed to implement improved practices.</p> <p>Digital Services (Back office and Business Solutions), Revenues Control and the Business Application team have access to the files in the directory where the importing of files into the ICON receipting system are stored (for a very limited time) however we noted that access to the directory needs to be reviewed and restricted.</p>	<p>Good</p> <p>Satisfactory</p> <p>Weak - Though improvement is underway by service managers.</p> <p>Satisfactory subject to restricting access to the directory</p>	5.4

5 Recommendations

Rec. Ref No	Recommendation	Rating	Management Response	Responsibility and Timescale
5.1	<p>Financial Regulations, the Anti-Money Laundering policy and Income Collection procedures need to be reviewed and updated in line with changes to the legislation and Council's structure and processes.</p> <p>The updated guidance should be communicated to the appropriate areas to ensure compliance with the new guidance and the requirement to undertake spots check and to lock tills away at night. Services handling cash should be reminded that transfer of cash between areas needs to be receipted.</p>	Medium	Agreed	<p>Head of Finance and Integrated Services Support</p> <p>Senior Accountant Projects and Treasury</p> <p>31 December 2019</p>
5.2	The updated Financial Regulations need to include the controls and governance over how refunds should be processed in service areas.	Medium	Agreed	<p>Senior Accountant Projects and Treasury</p> <p>31 December 2019</p>
5.3	A sample check should be undertaken on the VAT treatment for the income collected via the ICON receipting system.	Low	Agreed	<p>Senior Accountant Projects and Treasury</p> <p>31 December 2019</p>
5.4	Access to the directory where the files are imported to the ICON receipting system needs to be reviewed and restricted to ensure only appropriate officers have access.	Medium	Agreed	Business Applications Manager, 31 July 2019

Overall Audit Opinion level and definition

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Recommendation Ratings

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- 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. The risk should be added by Management to the relevant Risk Register for control and monitoring purposes and included in the relevant Head of Service Annual 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.
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The recommendations have been input to Pentana performance system to assist with Management tracking of implementation. If responsible owners are unable to achieve the agreed timescales for actions please notify the Chief Internal Auditor with the reason for the delay in implementation and the revised timescales to assist with the implementation and follow-up of these recommendations to improve internal control and governance.

Jill Stacey
Chief Internal Auditor



Chief Internal Auditor
Jill Stacey

Audit Committee
Tuesday 28 May 2019
Item No: 5.4

Auditor: James Polanski, Ext 5646

Final Internal Audit Report

to

Chief Executive
Director Education, Communities and Economy
Director, Resources
Head of Education
Head of Finance and ISS
Schools Group Managers
Financial Services Manager

on

Pupil Equity Fund

14 May 2019

1 Introduction

- 1.1 The purpose of this audit was to assess the arrangements in place to administer the Pupil Equity Fund (PEF) and ensure that it is being utilised in line with the National Operational Guidance issued by the Scottish Government which was presented to Cabinet in February 2017.

2 Audit Scope

- 2.1 The scope of the audit was to examine and evaluate the following areas:
- the adequacy of the budgetary and financial control of the Pupil Equity Fund;
 - the adequacy of the governance and planning processes for utilisation of the allocated funds; and
 - the adequacy of the management performance reporting including monitoring of outcomes and evaluation measures.

3 Management Summary

- 3.1 Pupil Equity Fund (PEF) has been allocated to local authorities by the Scottish Government with funding allocated directly to schools with the aim of closing the poverty related attainment gap. The amount allocated to each school has been calculated according to the number of children in P1 to S3 who are registered for free school meals. Midlothian Council's funding was: £2,272,800 for 2017/18, £2,273,160 for 2018/19, and an allocation of £2,253,240 for 2019/20. Amounts allocated to each school varied considerably from £8,400 to £144,000 (from 2018/19 allocation).
- 3.2 Head Teachers have discretion on the utilisation of funding although it should be focused on activities and interventions that will lead to improvements in literacy, numeracy, health and wellbeing as per the National Operational Guidance. Council policies and procedures, such as those relating to procurement, Information Communication Technology, and the Local Code of Corporate Governance should be adhered to for PEF.
- 3.3 There are examples of innovative work taking place around the use of PEF. For example, many schools have appointed home-school practitioners or youth workers to support children and young people. The Newbattle Cluster has shared their budgets and appointed a PEF Manager who ensures a joined up approach to supporting children, their families, and schools.
- 3.4 Our review identified that key financial and budgetary controls have been established for PEF. However, our audit identified that for two service contracts, the standard procurement process had not been adequately followed (*Recommendation 5.1*) and improvements are required to contract monitoring (*Recommendation 5.2*). The majority of schools have established appropriate PEF plans and put these into action. A small number of schools had a substantial projected PEF underspend, and these are being reviewed by Management to establish the reasons why (*Recommendation 5.3*).
- 3.5 Annual reporting by schools was reviewed, and it was noted that the plans focussed on strategies and plans in place with the aim of closing the poverty related attainment gap, and included a section on the stakeholder consultation undertaken in preparing the plan. From the sample of plans reviewed it was recognised that for some schools the PEF aspects of the plan should be made more clearly identifiable (*Recommendation 5.4*).

- 3.6 Annual reporting, including performance reporting, covering the Council as a whole was reviewed. The annual PEF report submitted to Cabinet in October 2018 shows there has been improvement in performance for learners in SIMD¹ 1 and 2 from 2016/17 to 2017/18 along with improvement for most other SIMD categories. Performance reporting for PEF could be enhanced by reporting on improvements made by children registered for free school meals, as the funding is allocated on the number of free school meal pupils, not by SIMD (*Recommendation 5.5*).
- 3.7 Internal Audit considers that the level of assurance we are able to give is **Substantial Assurance**.
- 3.8 The Internal Audit function conforms with the professional standards as set out in the Public Sector Internal Audit Standards (2017), including the production of this report to communicate the results of the review.
- 3.9 We would like to thank those officers who assisted us during our review.

¹ SIMD is the Scottish Government's official tool to identify areas of multiple deprivation in Scotland. It identifies small area concentrations of multiple deprivation across all of Scotland in a consistent way. SIMD ranks small areas (called data zones) from most deprived (ranked 1) to least deprived (ranked 6,976). The data zones can be categorised into groups, e.g. deciles. By splitting into ten groups, SIMD 1 and 2 represents the most deprived 20% of data zones. <https://www.gov.scot/publications/scottish-index-multiple-deprivation-2016/>

4 Findings

Risk	Expected Control	Results	Effectiveness of Actual Control	Rec. Ref No
4.1 Inadequate administration of Pupil Equity Funding leading to schools not achieving best value or not delivering educational improvement outcomes	Adequate budgetary and financial controls over the Pupil Equity Fund	Financial Administration The majority of PEF has been spent on staffing, play therapy support, education resources, and training. Separate cost centres have been established and each school's PEF budget had been appropriately allocated to the relevant cost centre. Monthly financial reporting to each school on PEF is in place, which includes a review of PEF commitments. Finance staff meet head teachers periodically to provide support on the PEF budget as required.	Good	-
		Information Technology A small amount of IT purchases have been made in the year using PEF. From the sample of hardware purchases reviewed, the Council's appropriate supplier framework contracts were used, and the purchases followed the standard route through Digital Services. From discussion with Digital Services managers, no issues were noted with Information Technology purchases made using PEF.	Good	-
		Human Resources The largest percentage of PEF has been spent on staffing. New posts were created for schools to recruit and the standard HR processes were followed for this. The necessary HR processes did result in there being a lead time until the postholder started in post. Additionally, due to the annual nature of the funding and the resultant need for these posts to be fixed term, some schools have experienced difficulty recruiting. However, no issues have been noted in terms of HR compliance.	Good	-
		Training It was noted that training on The Council's Financial Regulations and PEF guidance was delivered before PEF commenced. Copies of training materials were reviewed and no issues were noted.	Good	-

Risk	Expected Control	Results	Effectiveness of Actual Control	Rec. Ref No
4.1 Inadequate administration of Pupil Equity Funding leading to schools not achieving best value or not delivering educational improvement outcomes (Cont'd)	Adequate budgetary and financial controls over the Pupil Equity Fund (Cont'd)	<p>Procurement Compliance</p> <p>The contract for the Newbattle Empowering Families Project, a project encompassing Newbattle High School and the surrounding cluster of primary schools, was reviewed (contract value £140k in 2017/18 and £235k in 2018/19). The contract was not developed with the assistance of the Council's Procurement team, and the non-competitive action form (NCA) has not been prepared for this purchase (necessary as the contract was not competitively tendered). At the time of the audit, the contract did not appear to be signed by all parties, but had been subject to verbal agreement by all parties. The contract was built upon the already established Lawfield Community Project which was supported by the Empowering Families Project's suppliers. The contract has since been signed by all parties.</p> <p>The annual performance report provided details on the services provided to pupils at the schools and some of the overall impact.</p> <p>It was noted during the review that schools had separately purchased Play Therapy services from the same supplier for 2017/18 and 2018/19 (as at February 2019, £94k and £60k respectively). An NCA was submitted to the Council's Procurement team, but not until August 2018 at the request of the Lead Procurement and Contracts Officer. At the time of the audit, the NCA had not been signed, did not cover the full value of payments made to the provider (£110k NCA compared to £154k payments), and had an end date of 30 June 2019. Once this was identified a revised NCA was provided to the Council's Procurement Team and this has now been processed.</p>	Unsatisfactory for two service contracts – standard Council procurement processes had not been followed but when Management were made aware of the issues steps were taken to address these thus making the practices Satisfactory.	Rec 5.1 and Rec 5.2
4.2 - Slow progress in administering the funds, resulting in current pupils missing opportunities / funds are diverted elsewhere	Adequate governance and planning processes in place for utilisation of the allocated funds	All schools have established plans to make use of their PEF allocation. However, from a review of the school PEF cost centres, and details of the planned commitments and projected costs for each school it was identified that some schools are projecting an underspend on their PEF budget. The most significant of these was a secondary school with approximately £62k unallocated, and 4 primary schools with between £20k and £35k unallocated. An exercise was undertaken by management to establish the reasoning behind this variance. As noted earlier in the report, there was a lead time to recruiting staff, and some vacancies have been difficult to fill. This will require plans to be revisited for potential different uses of the funding.	Satisfactory – Management are aware of the issue, and a review is underway.	Rec 5.3

Risk	Expected Control	Results	Effectiveness of Actual Control	Rec. Ref No
4.3 - Key stakeholders are not involved in the planning process for the utilisation of funding	Adequate governance and planning processes in place for utilisation of the allocated funds	Stakeholder Consultation The school annual improvement plans reviewed had a separate section outlining the stakeholder consultation undertaken by the school. The plans generally did not distinguish between consultation undertaken for the plan as a whole or for the PEF allocation, and how the PEF activity is separately reported to stakeholders.	Satisfactory – subject to consultation undertaken for PEF being separately reported	Rec 5.4
4.4 The use of funding is ineffective at contributing to raising attainment for children affected by poverty	Adequate management performance reporting including monitoring of outcomes and evaluation measures	<p>Annual Reporting and PEF Performance Indicators The PEF guidance outlines that Head Teachers can use their professional judgement to bring additional children in to the targeted interventions and approaches, and it is recognised that Midlothian along with many other Scottish Local Authorities have used SIMD as a basis for demonstrating improvement in closing the poverty related attainment gap. As PEF is allocated on the basis of free school meals, and not SIMD, performance reporting for PEF could be enhanced to report specifically for this target group along with SIMD. However, it is noted that P1 to P3 pupils are given free school meals and some parents choose not to register their children, so the data may not be reliable for P1. Data reviewed during the audit noted that between 2016/17 and 2017/18 there has been an improvement in performance in free school meal learners, but the overall performance of this group is mostly lower than for SIMD 1 and 2 learners.</p> <p>Annual Schools Quality Improvement Programmes and PEF Plans One of the key requirements from the operational guidance is that schools must have plans in place to evaluate the impact of their funding. A sample of 10 annual reports and the associated PEF plans were reviewed and it was noted that 4 schools had separately identified the PEF aspects of their planned work and identified evaluation measures for PEF within their annual plans. However, for 6 schools, although PEF activities were being reported on as part of their annual planning, it was unclear what related specifically to PEF i.e. what the PEF activities were and how they were achieved during the year. This finding was discussed with the School Group Manager with responsibility for coordinating PEF, and it was noted the manager had already agreed that the more clearly defined format of reporting will be used for all schools in the 2019/20 school year. Adopting this format for all schools will make it easier to report on PEF annually as part of the PEF annual reporting to the Scottish Government.</p>	<p>Satisfactory – performance reporting for PEF could be enhanced to demonstrate closing the poverty-related attainment gap</p> <p>Satisfactory – action plan is underway to enhance reporting of PEF plans</p>	<p>Rec 5.5</p> <p>-</p>

5 Recommendations

Rec. Ref No	Recommendation	Rating	Management Response	Responsibility and Timescale
5.1	The Council's Procurement process should be followed when engaging suppliers for Pupil Equity Funding. This should include adequate contract documentation and contract management arrangements.	High	<p>A new contract will be prepared for the Newbattle Empowering Families Project for the final year of the project.</p> <p>An NCA for the Play Therapy services has been resubmitted to Procurement for approval and now covers the full value of the Service Provision.</p> <p>Lessons learned have been applied to future service contracts.</p>	<p>Schools Group Manager with assistance from Procurement Team</p> <p>30/06/2019</p>
5.2	Appropriate arrangements need to be established to ensure adequate monitoring information is received for any service contracts used, and that this is reviewed by Management to ensure that the contract is operating effectively.	Medium	Agreed.	<p>Schools Group Manager</p> <p>30/09/2019</p>
5.3	For 2019/20 there needs to be more frequent discussion between Financial Services and the Schools Group Manager with responsibility for PEF to ensure that all schools make effective use of their PEF, and that all relevant costs have been appropriately allocated during the financial year.	Medium	Agreed.	<p>Schools Group Manager with regular support from Financial Services</p> <p>31/12/2019</p>
5.4	In the schools' and Midlothian Council's Standards and Quality Reporting, specific stakeholder consultation undertaken for PEF should be reported.	Low	Agreed.	<p>Schools Group Manager and Head Teachers</p> <p>31/12/2019</p>
5.5	Annual reporting could be enhanced to include performance indicators for free school meal learners, as well as SIMD 1 and 2, as the funding is allocated on the basis of free school meals.	Medium	Agreed. However, it is noted that P1 to P3 pupils are given free school meals and some parents choose not to register their children, so the data may not be reliable for P1.	<p>Schools Group Manager</p> <p>31/12/2019</p>

Overall Audit Opinion level and 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 might 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.

Recommendation Ratings

Recommendations in Internal Audit Reports are suggested changes to existing procedures or processes, to improve the controls or to introduce controls where none exist. The rating of each recommendation reflects our risk assessment of non-implementation, being the product of the likelihood of the risk materialising and its impact. The ratings are:

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. The risk should be added by Management to the relevant Risk Register for control and monitoring purposes and included in the relevant Head of Service Annual 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 the attention of Senior Management.
Other	Minor administrative weaknesses posing little risk of error, fraud, financial loss or reputational damage.

The Action Plans in Internal Audit Reports address only Recommendations rated High, Medium or Low. Outwith the Internal Audit Report, we inform Service Management about Other Minor matters to improve internal control and governance.

The recommendations have been input to Pentana performance system to assist with Management tracking of implementation. If responsible owners are unable to achieve the standard timescales for actions please notify the Chief Internal Auditor with the reason for the delay in implementation and the revised timescales to assist with the implementation and follow-up of these recommendations to improve internal control and governance.

Jill Stacey
Chief Internal Auditor



Chief Internal Auditor
Jill Stacey

Audit Committee
Tuesday 28 May 2019
Item No: 5.5

Auditor: James Polanski, Ext 5646

Internal Audit Report

to

Director, Resources
Head of Finance and Integrated Service Support
Digital Services Manager
Technical Service Delivery Manager
Information Governance / Security Services Lead
Waste, Risk and Civil Contingencies Manager

on

ICT Security Controls

26 April 2019

1 Introduction

- 1.1 The purpose of this audit was to review the framework in place to assess the adequacy of the physical access and environmental controls to ICT (Information Communication Technology) equipment, software and data to prevent unauthorised access / damage, including third party access and Public Services Network (PSN) compliance.

2 Audit Scope

- 2.1 The scope of the audit was to examine and evaluate the following areas:

- the structure and efficacy of arrangements and processes deployed in managing:
 - physical access and environmental monitoring;
 - disaster recovery procedures;
 - control of access by third parties; and
 - changes to the network.
- the efficacy of processes for identifying and managing non-compliance with policies and procedures in relation to the security of IT infrastructure.
- the processes for ensuring efficient compliance with the requirements of the Public Services Network (PSN) certification and with the Cyber Essentials certification regime.

3 Management Summary

- 3.1 ICT security controls are important to help mitigate the impact and reduce the likelihood of loss of information, disruption to services, damage to reputation, legal action, and potential costs of recovery. Implementing adequate business continuity and disaster recovery controls and procedures reduces business risk and the cost of recovery should an incident occur.
- 3.2 In order to participate in the PSN, organisations must undergo an annual external ICT security health check to test the adequacy of ICT security policies, systems, and controls. The Code of Connection requirements for accessing the PSN are stringent, and Midlothian Council is assessed against these requirements annually. The Cyber Essentials Plus certification is a voluntary programme the Council participates in, that demonstrates the Council's willingness to further improve its resilience against cyber-attacks. Midlothian's Digital Services team is dedicated to meeting the stringent security requirements from these external reviewers, and have advised audit that resources will continue to be directed towards this.
- 3.3 Midlothian Council has a wide range of comprehensive ICT security controls in place, including controls for physical access and monitoring, access by third parties, changes to the network, control of account permissions and active directory, patch management, anti-virus, firewall, internet filtering, and network monitoring. The Council once again achieved PSN compliance in 2018, and is on track to achieve this again in 2019.

- 3.4 Our audit did identify that 19 ICT business continuity plans had not been recently updated (*Recommendation 5.1*), and there was insufficient recent evidence of business continuity and disaster recovery testing (*Recommendation 5.2*). Management have advised audit that this in part reflects the direction of resources to maintaining the effectiveness of the security controls together with PSN accreditation. The Council's previous external auditors highlighted that only Midlothian House's server room has a backup generator but that there is no generator for Fairfield House, and the circumstances have not changed since their review (*Recommendation 5.3*).
- 3.5 A review of server room access identified 5 leavers who had not had their access disabled, and 12 current employees who did not require access to the server rooms (*Recommendation 5.5*). It was noted that although applications are in place for active directory security logs to be monitored and a robust audit trail of this is in place, there is currently limited proactive monitoring (*Recommendation 5.6*).
- 3.6 Some minor improvements could be made to ensure written procedures are in place for back office processes that were not fully documented (*Recommendation 5.4*), and consistent referencing for tracking PSN actions would make review of progress easier (*Recommendation 5.7*).
- 3.7 Internal Audit considers that the level of assurance we are able to give is **Substantial Assurance** in terms of the ICT Controls aspect of this review, and **Limited Assurance** for the disaster recovery and business continuity aspect.
- 3.8 The Internal Audit function conforms with the professional standards as set out in the Public Sector Internal Audit Standards (2017), including the production of this report to communicate the results of the review.
- 3.9 We would like to thank those officers who assisted us during our review.

4 Findings

Risk	Expected Control	Results	Effectiveness of Actual Control	Rec. Ref No
4.1 - ICT system failure, damage, or data loss, and resultant business continuity risks, reputational risks, and potential financial loss	Efficient and appropriately structured arrangements and processes in place for business continuity and disaster recovery	Business Continuity Planning Digital Services have created an overarching ICT Business Continuity Plan, and plans have been created for all key Council systems and for certain scenarios, such as a ransomware attack or the temporary loss of access to Midlothian House. The plans reviewed during the audit were well prepared and sufficiently detailed. Individual business continuity plans for each system have not been subject to regular review, relevant managers have not been informed of the plan, and of the results of any business continuity testing. Out of 40 plans sighted in the file directory, 19 had review dates before January 2014. There is a risk of errors occurring if there is an incident and the business continuity plans are not up to date, particularly if there are changes in staffing. There did not appear to be a plan in place covering total loss of a server room, e.g. through fire.	Partly Satisfactory	Rec 5.1
		Business Continuity Testing The Council's previous external auditors, Grant Thornton, recommended in 2012 that the Council should produce a test strategy for the IT business continuity plans. The document would detail the plans in scope, the disaster scenarios to be tested, and the frequency of the testing. This ICT Business Continuity Plans Testing Strategy was prepared by the Council's Digital Services team and presented to Audit Committee in 2013. Although for the first year the testing strategy was followed, in recent years the testing strategy has not been applied as originally intended. It has been advised that time spent testing business continuity procedures has been reduced due to resource constraints and other business as usual pressures with available resources focussed on maintaining the ICT security control arrangements and the increasingly stringent requirements to maintain PSN accreditation. This risk has been highlighted within the Digital Services risk register.	Unsatisfactory	Rec 5.2
		Server Room Locations and Backup Arrangements The Council has its primary server room located in Midlothian House and a secondary one in Fairfield House. Arrangements are in place to ensure that 6 weeks of data is backed up at these sites. A weekly backup of all the Council's data is held in a server room in the Lasswade Centre, and currently this holds 15 months of data. This offsite storage addresses	Satisfactory – system restores testing should be formalised	Rec 5.2

Risk	Expected Control	Results	Effectiveness of Actual Control	Rec. Ref No
		<p>previous audit recommendations which raised issues on the basis of the close geographical location between Midlothian House and Fairfield House and all backups at the time being held there.</p> <p>Education servers are held at the Lasswade Centre, and on a weekly basis, and in addition to backup arrangements on site, the data is also backed up to tapes and these are held in Midlothian and Fairfield House. Digital Services have indicated that the tape drives used for Education backups is due for replacement in 2020, and may be replaced with a server hard disc solution. Whilst it is noted that system restores are carried out as required by Digital Services and evidence was demonstrated of this during the review, there is not a formal program for testing restores.</p> <p>Backup Power for Server Rooms The Midlothian House server room has a diesel powered backup electric generator. Fairfield House and the Lasswade Centre do not have a backup generator, they rely instead on batteries that may last up to an hour in the event of a power failure. Although it is understood that there is a cost to procuring and maintaining additional backup generators, having this in place would greatly assist the Council in recovering IT operations in the event of a power outage.</p>	Unsatisfactory – ideally both server rooms should have adequate backup power	Rec 5.3
4.2 - Damage or loss of IT equipment, loss of data, reputational risks, and potential financial loss	Efficient and appropriately structured arrangements and processes in place for physical access and environmental monitoring; control of access by third parties; and changes to the network	<p>Policies and Procedures Policies and procedures for ICT users are available on the Council's intranet. These were reviewed, along with some internal Digital Services procedures, such as the starters and leavers procedures and patch management policy and no issues were noted. Some Digital Services processes should be formally documented, such as the processes for identifying inactive accounts and mismatches, the approach taken for allocation of admin level active directory groupings, and some internal applications (e.g. internet filtering, firewall, anti-virus, and active directory auditing).</p> <p>Control of Access by Third Parties Controls have been established over the provision of access to third parties, such as suppliers. Suppliers may require some administrative privileges in order to fix issues. Suppliers have to formally request access</p>	<p>Satisfactory – gaps identified should be addressed.</p> <p>Good</p>	<p>Rec 5.4</p> <p>-</p>

Risk	Expected Control	Results	Effectiveness of Actual Control	Rec. Ref No
		<p>by submitting a form to Digital Services, and authorisation for this must be sought. Access is limited to only what is necessary, for example, If a supplier only needs to do work on the server, not the desktop PCs, they are only given administrative access to necessary servers and not given desktop admin access. Suppliers are given an account that only lasts for 1 day, and a new form needs to be submitted for any additional access. A sample of access requests were reviewed and no issues were noted.</p> <p>Changes to the Network Significant changes to the network (eg installation of new equipment) or configuration changes to firewall settings require a documented Request for Change Approval form to be prepared and approved by management in Digital Services. This process helps ensure that there is an audit trail of any significant changes, and segregation of duties in terms of the request, the approval of the request, monitoring, and the implementation of the request.</p> <p>Physical Access and Environmental Monitoring Physical access to the Fairfield and Midlothian House server rooms is controlled through the Midlothian card entry system, and this is managed by Business Support. Access to the Lasswade server room is via a locked door with the keys held by Digital Services and at the centre. Leavers' reports are received for access to be revoked as required. A review of physical access reports for the server rooms identified 5 leavers that still had access, and 12 employees who do not require access to these rooms (but this may be increased now that management have reviewed the audit findings). CCTV is in place for all server rooms, and a room monitoring system is in place to monitor temperature and humidity. Alerts are in place if the temperature or humidity increases beyond set levels in the system, and an out of hours service is in place with East Lothian Council to ensure the condition of the room is continually monitored.</p>	<p>Good</p> <p>Partly Satisfactory – Digital Services need to periodically review the list of employees with access to the Council's server rooms.</p>	<p>-</p> <p>Rec 5.5</p>
4.3 - Council's ICT information and assets are put at risk due to undetected non-compliance with	The efficacy of processes for identifying and managing non-compliance with policies and procedures	<p>Access Controls and Active Directory Audit A system is in place to allow all individual accounts within the Active Directory (AD) to be audited. This includes details of changes to all AD users and groups, all files opened, deleted, modified, and moved by users. This log is maintained for 180 days. A review of AD Groupings noted that they appear to be appropriate. However, best practice would be to outline</p>	Satisfactory – robust audit trail and appropriate access	Rec 5.4 and Rec 5.6

Risk	Expected Control	Results	Effectiveness of Actual Control	Rec. Ref No
established policies and procedures	in relation to the security of IT infrastructure	<p>in an approved procedure the decisions taken in the allocation of users to AD groupings with administrative privileges.</p> <p>Processes have been established for file access permissions to be segregated by directorate and team in the Council structure, and for changes to be approved by a relevant manager with oversight from Digital Services. However, there is no proactive monitoring of security logs generated by Active Directory, or sample testing of permissions granted to users. It has been advised that monitoring and testing as described above is resource intensive, and business as usual activities have taken priority over this. Insufficient review of logs is an issue that has previously been raised by the Council's External Auditors (2014 External Audit Report).</p> <p>Patch Management A patch management policy is in place for Digital Services, as was evidence of application of the policy. PSN have reported positively on Digital Service's patch management.</p> <p>Anti-Virus Appropriate anti-virus software is installed on Council ICT devices and processes are in place to ensure virus definitions are regularly updated and scans undertaken. It was noted that alerts have been established using the Council's anti-virus software for all data leaving the Council, e.g. on USB devices.</p> <p>Firewall Perimeter firewalls are in place, along with a backups in case a firewall fails and procedures are in place to check the firewalls are operational. PSN review the rule base annually, and have reported positively on this. The existing firewalls are reaching the end of their useful life and do not have the advanced functionality available in some modern firewalls, such as Intrusion Prevention Systems (IPS) or Intrusion Detection Systems. Such systems allow more effective, targeted, monitoring of logs, and allow additional scanning of data for malware and viruses before the data reaches the Council's trusted network. A new firewall with an IPS is currently being trialled by Digital Services.</p>	<p>groupings, but no proactive monitoring.</p> <p>Good</p> <p>Good</p> <p>Satisfactory</p>	<p>-</p> <p>-</p> <p>-</p>

Risk	Expected Control	Results	Effectiveness of Actual Control	Rec. Ref No
		<p>Internet Filtering Appropriate internet filtering systems are in place for both the Corporate and Education networks, adequate rules have been established for these systems, and processes established to take backups of the device configuration. Additional monitoring and alerts are in place for the Education network as part of the Council's safeguarding role. For the Corporate network, suitable reports can be made available to managers on request.</p> <p>Monitoring Processes - Network Network monitoring software is in place for the Corporate Network. As well as providing basic monitoring of the efficiency of devices and that devices are connected, it can back-up the configuration of key network devices. The Council has Security Information and Event Management software installed for the Corporate network; the licence for this was renewed in December 2018 and further training on this was provided by the supplier. This monitoring software allows comprehensive monitoring of servers, exchange (email system), Domain Name Services, Dynamic Host Configuration Protocols, and Security Logs. Further monitoring of changes to applications is planned to be rolled out for 2019 using this application, and monitoring procedures established.</p>	<p>Good</p> <p>Satisfactory – further rollout of monitoring planned for 2019</p>	-
4.4 - Loss of privileges to interact appropriately with PSN due to failure to maintain the certification (eg to allow the Council to access benefits data from DWP) and resultant reputational and security risks	Processes for ensuring efficient compliance with the requirements of the Public Services Network (PSN) certification and with the Government's Cyber Essentials (CSE) certification regime are in place	<p>PSN and CSE Compliance The Council has achieved PSN accreditation each year, and is on track to receive accreditation for 2019. The PSN findings for the 2019 review were discussed with relevant Digital Services employees, and it was noted that the majority of findings raised this year are low risk, with the majority of the remaining medium risk findings being outstanding for a justifiable reason (e.g. to address would cause issues with a business critical system, or is an issue that will be addressed by the Council's transition to Windows 10). It was noted that the PSN remediation plan for 2018 did not use the same recommendation reference code as the PSN report. In future it would be helpful to use the same referencing so it is easier to track progress on each PSN finding.</p>	Good – tracking of specific actions could be improved	Rec 5.7

5 Recommendations

Rec. Ref No	Recommendation	Rating	Management Response	Responsibility and Timescale
5.1	All Business Continuity Plans should be subject to periodic review, and business owners to be periodically informed of the plans and results of any testing. Plans should include response to significant damage to Digital Services, e.g. from vandalism or fire.	Medium	<p>The Council's Risk and Resilience group are aware of the current position and Digital Services' resources are having to be prioritised in line with the core strategic projects identified across the Council.</p> <p>To mitigate part of this action, Digital Services have made a case to secure a Cyber Security Engineer and have approval to start the recruitment process. Recruitment to this new role will help to put in place improved governance and testing of Business continuity plans along with the Cybersecurity controls expected to be in place as part of the Scottish Government Cyber security actions plan.</p> <p>Action – recruitment to Cyber Security post</p>	Digital Services Manager by 30/09/2019
5.2	Digital Services should update and review their testing strategy for the IT business continuity plans. This document should detail the plans in scope, the disaster scenarios to be tested, testing of system restores, and the frequency for this test. The testing strategy should be periodically reported on to relevant Management.	Medium	<p>See supporting statement above 5.2 in relation to resource and new position.</p> <p>Digital Services, subject to the caveats highlighted above, would intend to implement an incremental testing strategy focusing on high priority systems given the amount of resource required to be committed for specific business testing scenarios.</p> <p>Digital Services are also considering undertaking Desktop Exercises on priority systems which will help to review existing documentation, processes, procedures and then evidence the findings from the exercises.</p> <p>Action – recruitment to Cyber Security post</p>	Digital Services Manager by 30/09/2019
5.3	Management should again review the feasibility and business case for having both Midlothian and Fairfield server rooms serviced by backup generators, taking into account the wider Council Strategic Property Programme.	Medium	<p>The Council's Risk and Resilience group are aware of the current arrangements in relation to back-up generators between Midlothian and Fairfield house and the degree of risk associated with this. To again review the feasibility and business case in isolation is impractical and will add no value. Opportunities to review server room provision will be considered as part of the wider Council strategic</p>	No specific actions proposed

Rec. Ref No	Recommendation	Rating	Management Response	Responsibility and Timescale
			property programme and the implications as Council shifts to systems being increasingly hosted.	
5.4	Internal processes and monitoring controls as noted in the report should be documented in written procedures approved by Management.	Low	Digital Services shall look to update its internal processes and monitoring controls with updated and refreshed procedures based on the areas identified in the audit Action – A workplan will be in put in place by the timescale indicated to deliver this	Digital Services Manager by 30/09/2019
5.5	Digital Services should regularly review who has access to all of the Council's server rooms.	Medium	Digital Services will now request a routine User Door access report from Business Services team and will compare this to the leavers report. Action – recommendation to be implemented	Digital Services Manager by 30/06/2019
5.6	Management should review the resource allocated for proactive monitoring of active directory security logs, and testing of file and system permissions on a sample basis (e.g. 2%).	Medium	Digital Services have procured a Security Information and Event Management (SIEM) application to assist in the monitoring of security logs and testing file and system. This is a fairly resource intensive activity and needs to be balanced against all other Council priorities and available resources. The appointment of the new Cybersecurity post and their associated duties will be to sample these logs and report any concerns to DS management team. Digital Services will target key systems with the nominated System administrator on an annual basis to review active directory, applications and database permissions and then evidence the findings from this exercise. Action – new working arrangements will be agreed and put in place by the date indicated	Digital Services Manager by 30/09/2019
5.7	The same referencing for recommendations from the PSN report should be used in the PSN remediation plan to make it easier to track progress on PSN findings.	Low	Digital Services on the basis of this recommendation shall use the same referencing so it is easier to track progress on each PSN finding \ action in the future. Action – this will be reflected in the 2019 PSN action plan	Digital Services Manager by 30/06/2019

Overall Audit Opinion level and 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 might 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.

Recommendation Ratings

Recommendations in Internal Audit Reports are suggested changes to existing procedures or processes, to improve the controls or to introduce controls where none exist. The rating of each recommendation reflects our risk assessment of non-implementation, being the product of the likelihood of the risk materialising and its impact. The ratings are:

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. The risk should be added by Management to the relevant Risk Register for control and monitoring purposes and included in the relevant Head of Service Annual 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 the attention of Senior Management.
Other	Minor administrative weaknesses posing little risk of error, fraud, financial loss or reputational damage.

The Action Plans in Internal Audit Reports address only Recommendations rated High, Medium or Low. Outwith the Internal Audit Report, we inform Service Management about Other Minor matters to improve internal control and governance.

The recommendations will be input to Pentana performance system to assist with Management tracking of implementation. If responsible owners are unable to achieve the standard timescales for actions please notify the Chief Internal Auditor with the reason for the delay in implementation and the revised timescales to assist with the implementation and follow-up of these recommendations to improve internal control and governance.

Jill Stacey
Chief Internal Auditor

Audit Scotland Report: Local government in Scotland: Challenges and Performance 2019**Report by: Dr Grace Vickers, Chief Executive****1 Purpose of the Report**

The purpose of this report is to provide Audit Committee with a summary of the Audit Scotland report, 'Local government in Scotland: Challenges and performance 2019' and the Council's position in relation to the report's findings. The following is a link to the full report:

<http://www.audit-scotland.gov.uk/report/local-government-in-scotland-challenges-and-performance-2019>

2 Background

2.1 Each year the Accounts Commission produces an overview of issues that have arisen from their local authority audits. In line with previous publications this encompasses two reports; Local government in Scotland: Financial Overview and Local government in Scotland: Challenges and performance. This report complements the Commission's Local government in Scotland: Financial Overview 2017/18 which was published in November 2018 and presented to Audit Committee in January 2019.

2.2 Local government in Scotland: Challenges and performance 2019 was published by the Accounts Commission in March 2019. The report provides a high-level, independent view of the challenges facing councils in Scotland, how councils are responding to tightening budgets and how this has affected services. The report aims to inform the public and its representatives and, in particular, local government councillors and senior council officers as a source of information and to support them in their complex and demanding roles.

2.3 The report covers the following three areas:

- Part 1 - The current and future challenges facing councils.
- Part 2 – How Council are responding to these challenges.
- Part 3 – The impact on performance in key service areas and public satisfaction.

To help councillors the report includes additional supplements as follows:

- A scrutiny tool– this has example questions that councillors could ask to help them understand their council's position, scrutinise performance and assist in making difficult decisions. Councillors

should feel they fully understand, and are satisfied with, the answers to the questions that are most relevant to them in their role within the council. (See Appendix 1)

http://www.audit-scotland.gov.uk/uploads/docs/report/2019/nr_190321_local_government_performance_supp1.pdf

- An interactive online tool that shows how councils are performing. It is designed to allow councillors, officers and members of the public to better understand how their council is performing compared to others and can be accessed via the following link:

<http://www.audit-scotland.gov.uk/local-government-in-scotland-challenges-and-performance-2019>

- 2.4** The report draws on findings from local government audit work in 2018 (including annual audit reports, Best Value assurance reports and national performance audits) and published performance data. All audit reports are available on Audit Scotland's website which can be accessed via the following link (<http://www.audit-scotland.gov.uk/about-us/audit-scotland>).

3 Challenges and performance 2019 – Report findings

- 3.1** This section details the key messages from the report, the recommendations included and Midlothian's position in relation to the recommendations.

- 3.2** The key messages identified in the report include:

- Councils face an increasingly complex, changing and uncertain environment which places different demands and expectations on them. Councils are also central to delivering many high-level public sector objectives, such as the integration of health and care services and involving citizens more in decisions about public services.
- These reforms require councils to collaborate with partners, with the third sector and with communities, to think differently about how they deliver and fund services. Thinking differently about services is important to meet the growing and changing needs of their communities in the coming years. New ways of working can lead to increasingly complicated lines of accountability.
- Scottish Government revenue funding to councils has reduced in real terms between 2013/14 and 2019/20, while national policy initiatives continue to make up an increasing proportion of council budgets. This reduces the flexibility councils have for deciding how they plan to use funding. At the same time, demands for council services are increasing from a changing population profile. All councils expect an increase in the proportion of people aged over 65 and almost a third of councils expect an increase in the proportion of children under 15.

- Councils have made good progress in developing medium-term financial planning and continue to manage their funding gaps through savings and use of reserves. All councils increased council tax to the maximum three per cent in 2018/19 and many increased their fees and charges to raise income. Some councils are looking at other options to raise income.
- Councils need to ensure they have the staff, skills and leaders to deliver change. This requires effective workforce planning, but the quality of planning is inconsistent across councils. An increasing proportion of the workforce is nearing retirement. If there is insufficient succession planning, skills and knowledge will be lost as these people retire. Recruitment into some service areas is becoming increasingly difficult, but national workforce data is insufficient to clearly understand how individual services areas are affected.
- Despite reducing funding and increasing demands, across local government most performance indicators are improving or being maintained, although some service areas show more strain. There remains performance variation among councils that cannot be readily explained by differences in context or spend. Better use of data and benchmarking could lead to further improvement and efficiencies.

3.3 The report notes that while councils have continued to find ways to manage funding gaps and have made good progress with medium-term financial planning, they face an increasingly complex, changing and uncertain time ahead. To continue to improve the outcomes for their communities within this context, councils need to be open to transformational change and implement new ways of working.

3.4 The recommendations identified within the report state that in order to make effective progress Councils should:

- assure themselves that they have adequate leadership and management capacity in place. This should include development arrangements that prepare and support councillors and senior managers to respond to the challenging and changing local and national demands
- undertake long-term financial planning to set out how they will deliver national policy commitments, while continuing to sustain local services with reducing budgets and increasing demands
- continue to seek and implement innovative ways of working and collaborate with communities, partners and the third sector to drive transformational change
- improve data to:
 - help inform the difficult decisions councils have to make
 - support benchmarking, learning and sharing of experience and effective practice with others that will contribute to improving service quality, efficiency and outcomes for communities

- ensure they have workforce planning that is clear about the workforce needed now and in the future, where the gaps are and what training or other action is needed to fill them. This should be supported by better workforce data
- be able to demonstrate how spending decisions and priorities have impacted on service delivery and the outcomes of residents, as well as how they are delivering against the national performance framework.

3.5 Midlothian's position in relation to the recommendations noted is as follows:

- assure themselves that they have adequate leadership and management capacity in place. This should include development arrangements that prepare and support councillors and senior managers to respond to the challenging and changing local and national demands
 - *Whilst the initial Elected Member induction programme, followed by a series of councillor briefings and seminars to better inform key areas such as Education Seminars, Destination Hillend, and the Learning Estates and Capital Investment Strategies have been delivered, further consideration of ongoing Elected Member development is required.*
 - *Officer development is informed by a range of options including the Leadership Forum programme, Leadership Pathways with further development sessions focusing on areas such People Policies and Mindfulness, Resilience and Wellbeing.*
- undertake long-term financial planning to set out how they will deliver national policy commitments, while continuing to sustain local services with reducing budgets and increasing demands
 - *The Chief Executive, with approval from members has initiated the development of a Medium Term Financial Strategy (MTFS) to better inform the Council's approach to the long-term financial and demand challenges for Midlothian. Development of the MTFS and supporting governance framework also responds to concerns previously raised by the External Auditor regarding financial management and financial sustainability.*
- continue to seek and implement innovative ways of working and collaborate with communities, partners and the third sector to drive transformational change
 - *The MTFS is being developed with our communities, partners and the third sector to ensure a collaborative approach as well as officers being tasked with identifying creative and new ways of delivering services in future.*

- improve data to:
 - help inform the difficult decisions councils have to make
 - support benchmarking, learning and sharing of experience and effective practice with others that will contribute to improving service quality, efficiency and outcomes for communities
 - *A move towards a more timely and accessible approach towards data analytics and presentation has been initiated with data specific dashboards such as the Investing In Our Workforce Dashboard being developed. Further development in terms of providing supporting data analytics is ongoing, including the roll out of the 'browser' version of Pentana, the Council's performance management system.*
 - *Midlothian participates fully in Local Government Benchmarking and family groups and ensures an active internal focus on the agreed LGBF indicators by incorporating them within the ongoing planning and performance management reporting.*
- ensure they have workforce planning that is clear about the workforce needed now and in the future, where the gaps are and what training or other action is needed to fill them. This should be supported by better workforce data
 - *The Workforce Strategy previously presented to Council is underpinned by Service specific Workforce Plans and Action Plans; the Workforce Strategy is under review and will incorporate improvements recommended in a recent Internal Audit review to consider both the current and future needs of the service in alignment with the Medium Term Financial Strategy.*
- be able to demonstrate how spending decisions and priorities have impacted on service delivery and the outcomes of residents, as well as how they are delivering against the national performance framework.
 - *A clear set of priorities for the Council and its partners have been developed through the Single Midlothian Plan process, which is informed by an annual refresh of the Midlothian Profile which details county wide demographic data. The Midlothian Profile and the annual Citizens Panel survey is used to inform discussion and development of the SMP at the annual Community Planning Partnership development day which focuses on refreshing the plan to ensure that it remains focused on the needs of the county. Council service plans which flow from the SMP include performance indicators which focus on the key priority areas.*

The activity undertaken to produce the developing Medium Term Financial Strategy ensures a clear link between priorities

and budgets with the governance for the agreed delivery programme being provided via the Business Transformation Board and Business Transformation Steering Group.

Midlothian's public performance reporting activities respond well to national standards and over the last few years has received a largely positive report when externally assessed.

4 Report Implications

4.1 Resource

There are no direct resource implications as a result of this report.

4.2 Risk

Whilst there are no additional direct risks associated with this report, the Audit Scotland Report – Local government in Scotland: Challenges and performance 2019 does ask members to consider the wider scrutiny and performance management and risk elements associated with their role.

4.3 Single Midlothian Plan

Themes addressed in this report:

- ☐ Community safety
- ☐ Adult health, care and housing
- ☐ Getting it right for every Midlothian child
- ☐ Improving opportunities in Midlothian
- ☐ Sustainable growth
- ☒ Business transformation and Best Value
- ☐ None of the above

4.4 Key Priorities within Single Midlothian Plan

Midlothian Council and its Community Planning Partners have made a commitment to treat the following areas as key priorities under the Single Midlothian Plan:-

- Reducing the gap in learning outcomes
- Reducing the gap in health outcomes
- Reducing the gap in economic circumstances

This report does not directly impact Midlothian Council's key priorities but a key message within the Audit Scotland Report does make reference to the need for clear priorities.

4.5 Impact on Performance and Outcomes

The report does not directly impact Midlothian Council's and wider partners performance and outcomes but it does stress the need to ensure consideration is given to the wider strategic planning and objectives as part of the council's response to Audit Scotland's findings noted in their report.

4.6 Adopting a Preventative Approach

This report supports current actions and plans in place to adopt preventative approaches.

4.7 Involving Communities and Other Stakeholders

This report supports involving communities and the Audit Scotland Report references the need to ensure that communities see the impact of community empowerment.

4.8 Ensuring Equalities

This report does not recommend any change to policy or practice and therefore does not require an Equalities Impact Assessment.

4.9 Supporting Sustainable Development

The recommendations in this report support Midlothian Council's position in relation to Audit Scotland's findings for Local government in Scotland: Challenges and performance 2019 and supports ongoing sustainable development.

4.10 IT Issues

There are no direct IT issues arising from this report at this time.

5 Recommendations

The Committee is asked to note the Audit Scotland report and the position of Midlothian Council in relation to the report's recommendations.

Appendix 1: Local government in Scotland: Challenges and performance 2019 – Supplement 1: Scrutiny tool checklist for councillors

Date: 1 May 2019

Report Contact: Myra Forsyth
myra.forsyth@midlothian.gov.uk

Tel No: 0131 271 3445

Background Papers:

- Accounts Commission - Local government in Scotland: Challenges and performance 2019 (March 2019)
- Accounts Commission – Local government in Scotland: Financial overview 2017/18 (November 2018)

Appendix 1 - Supplement Local Government in Scotland: Challenges and performance 2019 - Scrutiny tool checklist for Councillors

Scrutiny tool checklist for councillors

This scrutiny tool captures a number of potential questions for councillors and relates to the report Local government in Scotland: Challenges and performance 2019. It is designed to provide councillors with examples of questions they may wish to consider to help them better understand their council's position and to scrutinise performance.

	How well informed am I?	
Questions for councillors to consider	What do I know?	Do I need to ask any further questions?
Factors affecting demand for services and council funding		
Have you considered how policy and legislative change will affect how your council operates?		
What scenario planning has your council put in place for events such as EU withdrawal and increasing budget uncertainty?		
Do you have a clear understanding of the demographic circumstances within your council area?		
Do you know how effectively your council uses this information to decide how to provide services in the future?		
Governance and accountability		
Do you know if your council's governance and accountability structures are fit for purpose, given increasingly complex ways of working?		
If you sit on a board, do you fully understand your responsibilities to that board and the council?		

		How well informed am I?	
Questions for councillors to consider		What do I know?	Do I need to ask any further questions?
Transformational change			
Do you understand how your council's approach to transformational change will improve services, benefit users and save money?			
How will you monitor and scrutinise progress of transformational projects?			
What is your council's risk appetite for transformational change? Are risks properly monitored?			
Do you know what the financial repercussions will be if your council's transformation activity fails to meet its savings targets?			
Is your council's transformation activity supported by good governance arrangements and robust management?			
Do you know if the governance arrangements factor in time needed to ensure projects are properly scoped?			

	How well informed am I?	
Questions for councillors to consider	What do I know?	Do I need to ask any further questions?
Financial planning		
Does your council have medium and long-term financial planning in place?		
Does your council link budgets to plans and outcomes and report on these?		
Generating income		
Do you know what options your council is considering to maximise income?		
How is your council considering the impact that these changes might have on equalities?		
If your council is considering generating commercial income, do you know how it plans to mitigate the risks?		
Partnership working		
Does your councils consider sharing services in options appraisals and change programmes?		
Do you know if there are processes in place in your council to facilitate collaborative working on a local, regional or national basis?		

	How well informed am I?	
Questions for councillors to consider	What do I know?	Do I need to ask any further questions?
Integrated joint boards		
Do you know how your council is ensuring the good governance and financial sustainability of its Integration Authority?		
Do you know what your council is doing to ensure that it works with partners to be more open and realistic about changes needed?		
Community empowerment		
Does your council engage with communities in decisions about services, budget proposals and priorities?		
Are you clear what community empowerment involves and what it means for your council?		
What is your council doing to implement community empowerment arrangements at a local level?		
Does the Local Outcome Improvement Plan focus on areas where the Community Planning Partnership can make the biggest impact?		
Do you know what your council is doing to reach out to 'seldom heard' and disadvantaged groups?		
What is your council doing to ensure that one per cent of revenue budgets is allocated through participatory budgeting by 2020/21?		

	How well informed am I?	
Questions for councillors to consider	What do I know?	Do I need to ask any further questions?
Workforce		
What is your council doing to ensure that it has the right capacity, skills and leadership in its workforce?		
What training does your council make available to officers and councillors to ensure that they have the skills to deliver services in the future?		
Does the training you are offered meet your needs? If not, do you know who to speak to?		
Does your council have an organisation-wide workforce plan? Does it contain information about the numbers, costs and skills of the actual and desired workforce?		
Do you know how your council is ensuring that changes to staff numbers and working practices do not have a negative impact on morale and wellbeing?		
Strategic priorities and performance reporting		
Does your council clearly link its budget setting to its strategic priorities and plans?		
Are you assured that performance reporting by your council is accurate and accessible?		
Can your council demonstrate progress in delivering its key outcome priorities?		

	How well informed am I?	
Questions for councillors to consider	What do I know?	Do I need to ask any further questions?
Service performance		
Does your council make use of the Local Government Benchmarking Framework data to consider where and how it might make improvements to service delivery?		
Have you considered what lessons you can learn from other councils who are delivering services well?		
Do you know the impact of spending reductions on the services your council provides?		
How is your council adjusting to meet changing demands for care services? How is this reflected in the performance data?		
Do you know what your council is doing to ensure that it understands how satisfaction with different services is changing?		
Is your council meeting its statutory duty to provide temporary and settled accommodation to households assessed as homeless?		



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Risk Management, Update for 1 January 2019 – 31 March 2019**Report by Chris Lawson, Risk Manager****1 Purpose of Report**

Audit Committee has requested regular reporting on the Council's Strategic Risks. The Strategic Risk Profile seeks to provide a strategic look at the current issues, future risk and opportunities facing the Council.

The purpose of this report is to provide Audit Committee with the 2018/19 quarter 4 strategic risk management update, covering the period 1 January 2019 to 31 March 2019.

2 Background

A new Accounts Commission report has highlighted that Council's face an increasingly complex, changing and uncertain environment. The watchdog said local authorities must "think differently about how they deliver and fund services.

Midlothian Council has done much to reduce spend in recent years while continuing to deliver key services to our local communities. During Quarter 4 the Council set a balanced budget for 2019/20 and made a commitment to develop a medium term financial plan.

Transformational change has, and continues to be vitally important to the Council as it seeks to improve local outcomes with less money.

The continued financial outlook is challenging, with uncertainty associated with future years grant settlements, the economic impact of Brexit which has had the potential of a no deal outcome delayed until 31 October 2019.

The UK decision to leave the European Union had seen a number of public and private sector organisations step up preparations for a potential no deal exit from the European Union (EU) on 29 March 2019. This was averted when the UK Government sought an extension until 31 October 2019 to reach agreement on a withdrawal agreement.

Council Services had given consideration to business critical functions/services reliant on goods or services from within the EU as the prospect of no deal hung over the Council. The Council worked with strategic partners including the Scottish Government in preparation for a no deal scenario. CMT established a BREXIT Working Group with the purpose of overseeing final Service and Council preparations for a no deal exit from the European Union.



While these preparations have not been needed, the refocus on Business Continuity Planning within Services will stand the Council in good stead in the event that a no deal scenario plays out in the future and for other forms of business disruption.

2.1 Strategic Risk Profile update





















The on-going risk associated with financial stability and balancing the budget in future years remains, with the medium term financial plan seen as the route to put the Council on a more stable financial footing.



2.3 Strategic Risk Profile Summary

The Top Strategic Issues are summarised in table 1.







Top Issues	Likelihood	Impact	Score	Evaluation	
The Change Programme	5	5	25	Critical	
Financial Stability	4	5	20	High	

The Strategic Risks for the Council are summarised in table 2 below.

Strategic Risks	Likelihood	Impact	Score	Evaluation	
Balancing budget in future years	5	5	25	Critical	
Growing Council	4	5	20	High	
Scottish Abuse Inquiry	5	4	20	High	
Abuse Claims	4	5	20	High	
Cyber Security	5	4	20	High	
Early Years Expansion (1140 Hours)	4	5	20	High	
Welfare Reform	4	4	16	High	
The Longer Term Change Programme	4	4	16	High	
Information Security	3	5	15	Medium	
Health and Safety	3	5	15	Medium	
Political uncertainty – Education Governance Review	3	4	12	Medium	
Care at home	3	4	12	Medium	
UK decision to leave the EU	3	4	12	Medium	
Governance and standards	3	4	12	Medium	
Employee performance	3	4	12	Medium	
Emergency planning and business continuity	3	4	12	Medium	
Climate change	3	3	9	Medium	
Legal and regulatory compliance	3	3	9	Medium	
Working with other to deliver outcomes	3	3	9	Medium	
Asset management	3	3	9	Medium	

Strategic Risks	Likelihood	Impact	Score	Evaluation	
Internal control environment	3	3	9	Medium	
Corporate policies and strategies	2	3	6	Low	

The Strategic Opportunities for the Council are summarised in table 3.

Strategic Opportunities	Likelihood	Impact	Score	Evaluation	
City deal	5	5	25	Critical	
Growing Council	5	5	25	Critical	
Creating a World Class Education System	4	5	20	High	
Shawfair	5	4	20	High	
Borders rail	5	4	20	High	
Easter Bush – Penicuik	5	4	20	High	

2.6 STRATEGIC ISSUES – RATED CRITICAL AND HIGH

2.6.1 Financial Stability

The updated Financial Strategy Report was reported to Council on 12 February 2019, enabling the Council to set a balanced budget for 2019/20. The paper included a proposal to develop a medium term financial plan.

2.6.2 The Change Programme

The budget approved on 12 February 2019 incorporated a range of savings which form part of the Change Programme and the delivery of the 2019/20 outturn within the approved budget.

Monitoring the oversight of the Change Programme is delivered through dashboard reporting prepared by each Head of Service and reported (6 weekly) to the Business Transformation Board. This is in addition to continued quarterly financial reporting by Financial Services.

2.7 STRATEGIC RISKS – RATED CRITICAL/HIGH

2.7.1 Balancing budget in future years

The updated Financial Strategy was presented to Council 12 February 2019 which set out a range of budget reduction proposals for 2019/20 to enable members to set a balanced budget. The paper included a proposal to develop a medium term financial plan.

2.7.2 Growing Council

Midlothian Council was identified in 2018 as the fastest growing Council in Scotland with a projected population growth of 26% between 2014 - 2039. This would see the population of Midlothian grow from 86,220 – 108,369 by 2039. The growth is expected to see the 0-15 population increase by 20%. The fastest rate increase is expected in the 75+ population with a projected 106% increase between 2014 and 2039. Failure to resource and plan for these rises will significantly impact the Council's ability to fulfil its statutory obligations in relation to these groups.

To plan for the impact this growth will have on the school estate, Education developed a Learning Estate Strategy to address the expected pressures from this and other known Government policies which will impact on capacity requirements within schools. Any delays in delivering the Learning Estate Strategy could impact on the Council's ability to respond effectively to projected growth in pupil numbers.

This growth together with reductions in the grant settlement from the Scottish Government has created acute pressure on Council Budgets.

2.7.3 Scottish abuse inquiry and Abuse Claims

The Council have an Abuse Inquiry Project Team and a Claims Project Team to support the Council to prepare for information requests to support the Inquiry and in preparation of any claims that may arise.

A communications plan and training plan are in place. A web page is available to provide information on the Limitation (Childhood Abuse) (Scotland) Act 2017 and guidance for childhood abuse survivors on claiming compensation.

2.7.4 Cyber Security

Over the past year the Council have been monitoring reports of cyber-attacks on public sector networks. In recent months attacks have been made on a number of public sector organisations, raising the potential for an attack to be directed at Midlothian Council.

2.7.5 Early Years Expansion (1140 Hours)

Following the Scottish Government's decision to increase the number of free early learning and childcare hours to 1140 from August 2020 the council has commenced preparations with its partners. The two key strands to the successful implementation are the recruitment and training of staff and the physical increase in capacity. These challenges are being considered in the wider context of the plan, in which the capacity and expansion of all funded providers (council, private and voluntary settings as well as childminders) combine to deliver the requirements.

Pilots are already underway offering expanded hour places at council settings and blended with childminders. The number of pilot places is being significantly increased and expanded to include funded provider settings.

2.7.6 Welfare Reform

The Universal Credit Programme closed gateways for legacy benefits, so existing benefits are no longer eligible for all new benefit claimants, except pension benefits. The migration of those remaining claimants on current benefit types continues until the digital rollout is complete for all of UK. The risk of income disruption to housing rent payments and Council Tax Reduction scheme is evident in the increased arrears, although this is currently within the bad debt provision anticipated.

2.7.7 The Longer Term Change Programme

The strands of work that will continue to be necessary to address the projected budget shortfalls in the medium term, encompassing:-

- Business Transformation Board;
- The Delivering Excellence programme;
- The Transformation Programme;
- The EWIM programme;
- An updated Capital Strategy and Reserves Strategy; and
- Operational savings encompassing financial discipline measures.

2.8 STRATEGIC OPPORTUNITIES

2.8.1 City Deal

South East Scotland Region City Deal - bid for funding to Scottish and UK Governments to accelerate economic growth through investment in infrastructure/ housing/ skills and innovation was agreed by Council in June 2018.

2.8.2 Fastest Growing Council

Midlothian Council has been identified in 2018 as not only the fastest growing Council in Scotland in recent years, but projections show it will remain so, possibly for a further ten years.

This brings the opportunity to support the Council vision of being 'A Great Place to Grow'. As a growing Council this brings the opportunity to redevelop parts of Midlothian, improve infrastructure with a focus on area targeting, improving economic opportunities, improving education and health outcome.

This growth creates the opportunity to meet the housing need with 25% of new homes being built in the affordable housing sector, in addition to the expansion in Council House building. This construction will directly support employment in construction and will see a steady increase in the volume of Council tax received over time.

2.8.3 Creating a world Class Education System

The Centres of Excellence model is a core part of the Council's strategy to create a world-class education system in Midlothian. The newly built Newbattle high school opened its doors to pupils on 5 June 2018, with the formal opening by the Scottish Government, Education Minister, John Swinney on 7 November 2018. This ambitious project is designed to deliver excellence and equity with a particular emphasis on interrupting the cycle of poverty. Research and development on the Centre of Excellence continues a number of work streams in pursuit of further development of the Centre of Excellence model.

2.8.4 Shawfair

The Shawfair development with its new Rail link provides a major incentive for house builders, employers' retail and commercial interests including opportunities to secure a low carbon community through district heating from Zero Waste.

2.8.5 Borders Rail

Regeneration of priority communities of Midlothian through which the railway passes.

The line provides ready access to education/training at Edinburgh College, Borders College and Queen Margaret University with improved access to the labour markets in Edinburgh and the Borders. Also an opportunity to encourage sustainable travel by residents of major new housing developments in the rail corridor. Ensuring Midlothian secures appropriate levels of Blueprint funding from the multi-agency Borders Rail 'Blueprint' funding group.

2.8.6 Easter Bush

Fast growing opportunities in Science Technology Engineering and Mathematics (STEM) with opportunities to link with education. Partnership links to schools and university sector at the 'Bush' to promote STEM.

3 Report Implications

3.1 Resource

There are no direct resource implications in this report although individual risks have associated resource implications.

3.2 Risk

The Strategic Risk Profile seeks to articulate the significant issues, risks and opportunities facing the Council at a specific point in time. The Risks reported are generally those that impact on all parts of the Council and the strategic priorities of the Council. It appears that the presence of risk is understood and action is being taken to manage and respond to risk on an ongoing basis by officers.

The risks referred to in this report are set out within the Council's Strategic Risk Profile, attached as Appendix 1.

3.3 Single Midlothian Plan and Business Transformation

Themes addressed in this report:

- ☐ Community safety
- ☒ Adult health, care and housing
- ☒ Getting it right for every Midlothian child
- ☒ Improving opportunities in Midlothian
- ☒ Sustainable growth
- ☒ Business transformation and Best Value
- ☐ None of the above

3.4 Impact on Performance and Outcomes

The purpose of the Council's risk management approach is to support a level of risk awareness, to inform decision making and support the Council to deliver on its key outcomes by highlighting and taking steps to mitigate potential disruption to delivery of services.

3.5 Adopting a Preventative Approach

The Risk Management approach being taken by the Council is founded on a preventative approach to managing risks, where appropriate and more generally to decision making with far greater risk awareness.

3.6 Involving Communities and Other Stakeholders

Consultation has taken place with Senior Managers responsible for leading responses to key Strategic Issues, Risk and Opportunities.

3.7 Ensuring Equalities

There are no direct equalities issues arising from this report.

3.8 Supporting Sustainable Development

Senior Managers must ensure the sustainability of the Council, which entails identifying, understanding and managing Strategic and Service level Issues, Risks and Opportunities.

3.9 IT Issues

No additional issues other than those relating to the Strategic Risk Profile.

4 Recommendations

Audit Committee is recommended to:

Note the quarter 4 2018/19 Strategic Risk Profile report and note the current response to the issues, risks and opportunities highlighted.

Date: 13 May 2019

Report Contact:

Chris Lawson, Risk Manager

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Background Papers: **Appendix 1** Strategic Risks Profile
Quarter 4 2018/19

Strategic Risk Profile


Issues




SRP.IR.02 The Change Programme


Risk Code	Risk Identification	Managed by	Risk Control Measures	Likelihood	Impact	Risk Evaluation
SRP.IR.02	<p>Risk cause Change programme that doesn't address the budget shortfall; The Change Programme does not achieve the projected savings</p> <p>Risk event Delayed progress in applying various strands of the Change Programme including the Delivering Excellence framework.</p> <p>Risk effect Slow or delayed proposals/savings arising from service redesign. Potentially further eroding reserves or requiring short term service reductions which impact on the Council's ability to deliver against its priorities.</p>	Head of Adult and Social Care; Head of Children's Services; Head of Commercial Operations; Head of Customer and Housing; Director of Education Communities and Economy; Head of Education; Head of Finance and Integrated Service Support;; Head of Primary Care and Older People's Services; Head of Property and Facilities Management; Director of Resources	<p>1. Change Programme including Delivering Excellence framework which addresses projected budget shortfalls.</p> <p>2. Delivering Excellence Management Tools to support the application of the framework.</p> <p>3. Action to ensure that the financial impact of change proposals is verified and that evidence is available to support delivery in the prescribed timescales.</p> <p>Section 95 Officer will rely on that evidence determining if change programme savings are deliverable</p> <ul style="list-style-type: none"> . Financial Strategy. . Leadership from all Elected members Executive Team and Senior Leadership Group. . Appropriated governance in place across the Change Programme. . Links between Change Programme and Workforce Plans . Resilience planning. . Senior Leadership Group regularly considering Change Programme and budget position. . Capacity to deliver change. <p>4. Health and Social Care transformation board monitoring the 12 transformation strands on a monthly basis.</p> <p>5. Council have set a balanced budget for 2019/20 within which services are expected to operate within. Timetable for quarterly financial reports to Council is in place.</p>	5	5	

Related Action Code	Related Action	Related action latest note	Managed By	Due Date	Status
SRP.RA - 02.03	Develop medium Term Financial Strategy with greater oversight, clearer responsibility and accountability.	Q4 18/19: The Financial Strategy report presented to Council on 12 February 2019 included a recommendation to present a Medium Term Financial Strategy.	Head of Finance and Integrated Service Support	30 Sep 2019	



		Enhanced financial control is planned through enhanced management oversight, clearer responsibility, accountability and monitoring of the delivery of Change Programme measures. This will require a focus on financial management and financial accountability as part of Making Performance Matter.			
SRP.IA.02.02	Bottom up Service Reviews - Phase 1	Q4 18/19: Bottom up Service review - remit of working group and proposed initial 3 phases of review programme set out in report to Council, Land Services review completed with measures reflected in 2019/20 budget proposals. Waste Services started and due to progress at next meeting in May. Roads Services due to have initial meeting mid-year. Sport and Leisure review is underway.	Head of Commercial Operations; Head of Property and Facilities Management	31 Jan 2020	

SRP.IR.07 Financial Sustainability

Risk Code	Risk Identification	Managed by	Risk Control Measures	Likelihood	Impact	Risk Evaluation
SRP.IR.07	<p>Risk cause Reduction in long term funding from Scottish Government Increasing ageing population of over 75's Increasing population of 0-15 age group Rising customer expectations</p> <p>Risk event Change Programme and the flexibility available to Councils as part of the grant settlement does not address future years projected budget gaps</p> <p>Risk effect A shortfall and or slow or delayed savings arising from the Change Programme. Potentially further eroding reserves or requiring short term service reductions which impact on the Council's ability to deliver against its priorities.</p>	Head of Finance and Integrated Service Support	<ol style="list-style-type: none"> There is an approved Capital Strategy and Reserve Strategy in place There is an approved budget for 2019/20 There are arrangements in place to monitor financial performance including quarterly reporting to Council and 6 weekly reporting to BTB through the change dashboards Council approved the development of a MTFS to be brought back to the Council before the summer recess Working through COSLA to influence government spending decisions to influence Scottish Government's budget allocation to Councils. Monitoring the oversight of the Change Programme through the Change Programme Dashboard prepared by each Head of Service and reported (6 weekly) to the Business Transformation Board and the Business Transformation Steering Group. Change programme dashboards to be verified by finance team supported in addition to continued quarterly financial reporting by Financial Services. Capital Plan and Asset Management Board will scrutinise and challenge slippage on capital programmes recognising that slippage can have an adverse impact on financial sustainability and also the delivery on assets required to support capital growth. 	4	5	


Related Action Code	Related Action	Related action latest note	Managed By	Due Date	Status
SRP.RA - 02.03	Develop medium Term Financial Strategy with greater oversight, clearer responsibility and accountability.	Q4 18/19: The Financial Strategy report presented to Council on 12 February 2019 included a recommendation to present a Medium Term Financial Strategy.	Head of Finance and Integrated Service Support	30 Sep 2019	


Appendix 1

		Enhanced financial control is planned through enhanced management oversight, clearer responsibility, accountability and monitoring of the delivery of Change Programme measures. This will require a focus on financial management and financial accountability as part of Making Performance Matter.			
SRP.RA - 02.05	Review of the Learning Estate Strategy (LES) and refresh of the capital strategy to reflect the updated LES	<p>Q4 18/19: Update report to council on 7 May for the LES outlining progress to date and ongoing work and identifying the significant affordability challenge associated with the LES</p> <p>Update of the capital strategy be presented to council later in the year</p>	Head of Education, Head of Finance and Integrated Service Support	31 Dec 2019	
SPR.IA.02.04	Revenue Service Review	Q4 18/19: Preparatory work being carried out ahead of initial engagement for Service Review to be carried out in 2019-20.	Head of Adult and Social Care	31 Mar 2022	


Risks


SRP.RR.01 Balancing Budgets in future years

Risk Code	Risk Identification	Managed by	Risk Control Measures	Likelihood	Impact	Risk Evaluation
SRP.RR.01	<p>Risk cause: Reduction in long term funding from Scottish Government Increasing ageing population of over 75's Increasing population of 0-15 age group Population growth and time lag to fund pressures on public services. Policy decisions by UK & Scottish Governments which are not fully funded. Non or delayed savings from planned activities. Future year pay award settlements and implications of living wage increases. Inflation, interest rates, tax, income levels, service demand Rising customer expectations</p> <p>Risk event: Reducing grant settlement. Policies decisions at Government level not fully funded to Council's. Securing the extent of change required in order to deliver financial sustainability and a change program that recognises the size of the challenge. Cost pressures exceeding budget estimates.</p> <p>Risk effect: Gap in Council budget between budget commitments / pressures and funding level and inadequate options presented to address this, resulting in a structural deficit</p>	Head of Finance and Integrated Service Support	<p>1 Development of the Medium Term Financial Strategy. 2. Maintaining a level of reserves to deal with unforeseen or one off cost pressures. 3. Capital and Reserves Strategies in place 4. Working through COSLA to influence government spending decisions to influence Scottish Government's budget allocation to Councils. 5. Implement a lobbying strategy with government to recognise the unique position Midlothian Council is in.</p>	5	5	


Related Action Code	Related Action	Related action latest note	Managed By	Due Date	Status
SRP.RA - 02.03	Develop medium Term Financial Strategy with greater oversight, clearer responsibility and accountability.	<p>Q4 18/19: The Financial Strategy report presented to Council on 12 February 2019 included a recommendation to present a Medium Term Financial Strategy.</p> <p>Enhanced financial control is planned through enhanced management oversight, clearer responsibility, accountability and monitoring of the delivery of Change Programme measures. This will require a focus on financial management and financial accountability as part of Making Performance Matter.</p>	Head of Finance and Integrated Service Support	30 Sep 2019	


SRP.RR.02 The Long Term Change Programme




Risk Code	Risk Identification	Managed by	Risk Control Measures	Likelihood	Impact	Risk Evaluation
SRP.RR.02	<p>Risk cause A change program that doesn't address the budget shortfall or contextual factors relating to the Midlothian area Reduced resources Leadership fit for the future Lack of clarity or clear compelling vision for the future Delay or shortfall in securing savings Lack of or not securing transformational change in service provision</p> <p>Risk event Delayed progress in applying various strands of the Change Programme including Delivering Excellence Framework Slow benefits realisation and budget savings Cuts in service provision rather than service transformation</p> <p>Risk effect Objectives of change not actually met Adverse impact on services Slow or delayed proposals/savings arising from service redesign. Potentially further eroding reserves or requiring short term service reductions which impact on Council's ability to deliver against its priorities. Staff morale negatively affected, Government step-in Short term savings instead of transformation</p>	Head of Finance and Integrated Service Support	<p>1. Financial Strategy and Change Programme 2. Leadership from all elected members, Executive Team and Senior Leadership Group. 2. Appropriated governance in place across the Change Programme. 3. Links between Change Programme and Workforce Plans 4. Resilience planning. 5. Senior Leadership Group regularly considering Change Programme and budget position. 6. Capacity to deliver change.</p>	4	4	

Related Action Code	Related Action	Related action latest note	Managed By	Due Date	Status
SRP.RA - 02.03	Develop medium Term Financial Strategy with greater oversight, clearer responsibility and accountability.	<p>Q4 18/19: The Financial Strategy report presented to Council on 12 February 2019 included a recommendation to present a Medium Term Financial Strategy.</p> <p>Enhanced financial control is planned through enhanced management oversight, clearer responsibility, accountability and monitoring of the delivery of Change Programme measures. This will require a focus on financial management and financial accountability as part of Making Performance Matter.</p>	Head of Finance and Integrated Service Support	30 Sep 2019	


SRP.RR.03 Legal and Regulatory Compliance

Risk Code	Risk Identification	Managed by	Risk Control Measures	Likelihood	Impact	Risk Evaluation
SRP.RR.03	<p>Risk cause Current or new legislation applying to Midlothian Council</p> <p>Risk event Council and or Services not identifying all applicable legislation impacting Council activities and Service requirements.</p> <p>Risk effect Council failing to meet its statutory obligations resulting in a potential negative impact for service users or employees. Reputational impact of not meeting statutory obligations.</p>	Head of Adult and Social Care; Head of Children's Services; Head of Commercial Operations; Head of Customer and Housing; Director of Education Communities and Economy; Head of Education; Head of Finance and Integrated Service Support;; Head of Primary Care and Older People's Services; Head of Property and Facilities Management; Director of Resources	<ol style="list-style-type: none"> 1. Directors and Heads of Service responsible for identifying applicable legislation and propose Council or Service responses to CMT and Cabinet/Council as required. 2. Reviewed and enhanced Annual Assurance Statement. 3. Internal Audit testing of internal controls as part of risk based audit plan. 4. External Audit. 5. Statutory Inspection. 6. Local Scrutiny Plan - Report to Council 8 May 2018. 7. Best Value Audit self-assessment and audit. 	3	3	



Related Action Code	Related Action	Related action latest note	Managed By	Due Date	Status
SRP.RA.03.01	Legal & Regulatory Compliance	Q4 18/19: Heads of Service ensuring compliance with statutory obligations and making CMT, Cabinet/Council aware as required.	Head of Adult and Social Care; Head of Children's Services; Head of Commercial Operations; Head of Customer and Housing; Director of Education Communities and Economy; Head of Education; Head	31 Mar 2019	

			of Finance and Integrated Service Support; Head of Property and Facilities Management; Director of Resources		
SRP.RA.03.03	Demographic Growth	<p>Q4 18/19: The Council is updating its Learning Estate Strategy (LES) with an interim report to Council planned for 7 May which will set out the affordability challenge of delivering the required infrastructure. The project which go forward from the LES will be reflected in the next iteration of the Capital Strategy</p> <p>To reflect the projected growth in demand through to 2040.Capital Strategy to set out infrastructure required to meet those demographic pressures. This updated draft report will be presented to Council in May 2019.</p>	Head of Education	31 Jul 2020	
SRP.RA - 02.05	Review of the Learning Estate Strategy (LES) and refresh of the capital strategy to reflect the updated LES	<p>Q4 18/19: Update report to council on 7 May for the LES outlining progress to date and ongoing work and identifying the significant affordability challenge associated with the LES</p> <p>Update of the capital strategy be presented to council later in the year</p>	Head of Education, Head of Finance and Integrated Service Support	31 Dec 2019	
SRP.RA.03.06	Free personal Care for people under 65	Q4 18/19: Report to Council in February setting out potential impact on Council.	Head of Adult and Social Care	1 Apr 2019	

SRP.RR.04 Employee performance

Risk Code	Risk Identification	Managed by	Risk Control Measures	Likelihood	Impact	Risk Evaluation
SRP.RR.04	<p>Risk cause</p> <p>Employees not suitably trained/developed for the roles required of them.</p> <p>limited availability of qualified practitioners in certain sectors</p> <p>Change program not informed by all key stakeholders</p> <p>Ageing work force</p> <p>Employees unclear on expected behaviours.</p> <p>Employees constrained to innovate as a result of management practice</p> <p>Employee productivity rate below the required level because of ineffective use of the People Policies particularly Maximising Attendance</p>	Head of Finance and Integrated Service Support	<p>Over-riding risk control measure = Focus on having the right people, here, healthy, performing, behaving and well led via effective utilisation of the workforce strategy and accompanying action plan.</p> <p>Attendance / Wellbeing</p> <ol style="list-style-type: none"> 1. Implementation of the Wellness@Midlothian agenda including service-level wellness plans. 2. Implementation of Mental Health Framework. 3. Maintaining the Healthy Working Lives Gold Award. 4. Proactive use of Occupational Health, Midlothian Physiotherapy, Employee Assistance Programme and the Workplace Chaplaincy Service. 5. Range of related policies and management guidance. 6. Development of progressive People Policies. 	3	4	


	<p>Risk event Employees not engaged/consulted as part of organisational transformation. Experienced employees leaving the organisation Unacceptable behaviours demonstrated by employees Stated organisational culture not consistently reinforced by managers Poor employee performance will stifle transformational change</p> <p>Risk effect Difficulties recruiting the right staff Challenges retaining quality staff Low skill levels Low morale, especially during change High absence rates, loss of experience in service areas. 'A Great Place to Grow' our values including respect ,collaboration, pride and ownership not realised, potentially resulting in missing the opportunity to capitalise on the abilities, experience and ideas of team members. Poor employee performance will Exacerbate the financial challenge</p>		<p>Performance 1. Council-side and Service-level workforce plans. 2. Structured, robust, well established 'Making Performance Matter' Framework where expected standards of behaviour and Council values are re-enforced. 3. Reviewed Code of Conduct. 4. Employee engagement sessions commencing in January following publication of the staff survey results. 5. Continued re-enforcement of all People Policies involving various communication methods. 6. Development of a suite of management information to ensure Service Managers are informed e.g. turnover, absence levels/reasons etc.</p> <p>Organisational Change 1. Revised Policy for Organisational Change including strong emphasis on early engagement of employees. 2. Redeployment Procedure to ensure maximum chance of successful redeployment. 3. Agreed protocol for accessing the Redeployment Fund.</p> <p>Conduct 1. Resolution Policy encourages early intervention in workplace issues. 2. Professional standards and values to be re-enforced in structured format.</p> <p>Communication 1. A range of initiatives to keep staff informed of change (Chief Executive's weekly email, Connect, All staff emails, tailored team briefings etc.</p>			
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Related Action Code	Related Action	Related action latest note	Managed By	Due Date	Status
SRP.RA.04.03	Workforce Strategy	<p>Q4 18/19: Continuing on with the delivery of the workforce strategy actions.</p> <p>Internal Audit have reviewed the workforce strategy and assessed that though Council substantive assurance, work will continue through 2019/20 to deliver the recommendations arising from the audit.</p>	Head of Finance and Integrated Service Support	31 Oct 2019	
SRP.RA.04.04	Workforce plans	<p>Q4 18/19: Service workforce plans will need to be updated to support delivery of the Medium Term Financial Strategy.</p>	All Heads of Service	31 Mar 2020	


SRP.RR.06 Information Security




Risk Code	Risk Identification	Managed by	Risk Control Measures	Likelihood	Impact	Risk Evaluation
SRP.RR.06	<p>Risk cause General Data Protection Regulation is a new piece of legislation currently being formulated by the European Commission. It is expected to be agreed in the first part of 2016 with a two year lead in period.</p> <p>Risk event The Regulation implemented on 25 May 2018.</p> <p>Risk effect The Regulations will bring about a number of requirements on the Council including mandatory reporting of all data breaches, appointment of a Data Protection Officer and the potential for fines ranging to 4% of turnover or 20million Euros whichever is greater.</p>	Ian Wragg	<ol style="list-style-type: none"> 1. Information Management Group 2. Public Sector Network Compliance. 3. Meta Compliance 4. Information Management, awareness raising program (Private-i) 5. General Data Protection Regulation Project plan implemented with close report. 6. Public sector cyber security compliance 7. Implementing Scottish Government Cyber Security Action Plan 	3	5	

SRP.RR.07 Care at Home

Risk Code	Risk Identification	Managed by	Risk Control Measures	Likelihood	Impact	Risk Evaluation
SRP.RR.07	<p>Risk cause Internal and External providers of Care at Home services unable to meet service and quality requirements as a result of a lack of capacity.</p> <p>Risk event Capacity of Community Support outstripped by demand</p> <p>Risk effect There is a risk that patients will have their discharge delayed because there is insufficient community supports to enable timely discharge leading to deterioration in their health, beds being blocked and elective operations potentially being cancelled.</p>	Head of Primary Care and Older People's Services	<ol style="list-style-type: none"> 1. Care at Home improvement action plan in place and near compaction 2. Appointment to Team Lead posts to support Complex care to enhance local leadership at operational level 3. New Framework agreement in place with significant improvement in quality from Providers 4. Flow management planning in development to maximise Care at Home capacity going forward 5. Weekly provider meetings in place 6. Additional locum team members recruited to for contingency cover 7. New Leadership model in place 8. Daily discharge meeting with Multidisciplinary and Multi-agency team planning to plan and coordinate discharge to ensure care at home support in place 	3	4	


SRP.RR.08 Asset Management – buildings, vehicles, roads and Digital assets/networks



Risk Code	Risk Identification	Managed by	Risk Control Measures	Likelihood	Impact	Risk Evaluation
SRP.RR.08	<p>Risk cause Many of the assets the Council own by their nature are in a position of on-going deterioration through their normal use, e.g. roads - normal wear and tear, street lights and vehicles & buildings used to deliver services.</p> <p>Risk event Many assets will deteriorate under normal conditions although buildings, roads and street lights as an example can be damaged during more extreme weather events or as a result of a lack of maintenance.</p> <p>Risk effect In the case of Roads Services there is a real risk of increased potholes and insurance claims, reduced skid resistance leading to higher accident potential and building up of higher costs in the future. In respect of vehicles, increased breakdowns, service failures, greater maintenance inevitable, higher short-term hire costs. In terms of property, health and safety issues arise, failure to meet current standards and higher running costs. There is also the risk of two-tier accommodation, some high quality, some low.</p>	Head of Commercial Operations; Head of Finance and Integrated Service Support; Head of Property and Facilities Management	<ol style="list-style-type: none"> 1. There is provision in place within the capital plan for investment in the asset base. 2. Asset register 3. Conditional Survey 4. Understanding of future asset needs 5. Asset Strategy: <ul style="list-style-type: none"> . Roads . Land . Fleet . Digital Service Network . Digital Service hardware 6. Capital program - investment in estate. 7. On going monitoring of properties by: Maintenance Surveyors, Facilities Management and Property Users. 8. Introduction of Capital Plan and Asset Management Board 9. Housing Asset Strategy and Strategic Housing Investment Plan 	3	3	

Related Action Code	Related Action	Related action latest note	Managed By	Due Date	Status
SRP.RA.08.02	Appropriate investment in capital works and remedial maintenance over the lifespan of each property asset.	<p>Q4 18/19: Prioritise needs of assets against available spend. On-going need to assess, needs of assets, informed by conditional surveys.</p> <p>Continuing to develop property asset management plans, priority spend on basis of independent surveys.</p>	Head of Property and Facilities Management	31 Dec 2019	
SRP.RA.08.04	Reviewed Roads Asset Management Strategy	Q4 18/19: Roads Asset Strategy, work progressing to migrate to version 4 through 2018/19. Information to be taken to capital board on future need for next 5 years.	Head of Commercial Operations	31 Dec 2019	
SRP.RA.03.03	Demographic Growth	Q4 18/19: The Council is updating its Learning Estate Strategy (LES) with an interim report to Council planned for 7 May which will set out the affordability challenge of delivering the required infrastructure. The project which go forward from the LES will be reflected in the next iteration of the Capital Strategy	Head of Education	31 Jul 2020	


		To reflect the projected growth in demand through to 2040.Capital Strategy to set out infrastructure required to meet those demographic pressures. This updated draft report will be presented to Council in May 2019.			
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SRP.RR.09 Emergency Planning and Business Continuity Management


Risk Code	Risk Identification	Managed by	Risk Control Measures	Likelihood	Impact	Risk Evaluation
SRP.RR.09	<p>Risk cause The Council not preparing Emergency Plans and testing arrangements to respond to Civil Contingencies Incidents</p> <p>Risk event There are a wide range of potential events the Council may be expected to respond to e.g. Severe weather incident, Pandemic, Utility disruption etc.</p> <p>Risk effect Censure through non-compliance with the Civil Contingencies Act Not adequately recovering from the loss of major accommodation (e.g. secondary school, main offices), computer systems and staff Not able to respond to a major emergency in the community Fatal Accident Inquiries</p>	Chris Lawson; Jane Young	<p><u>Potential</u> sub risks include:-</p> <p>01 – Civil Contingencies Risk Register used to highlight key risks and record response,</p> <p>- Council's plans developed and maintained in response to identified risks,</p> <p>- Contingency Planning Group support development, peer review and roll out of plans.</p> <p>02 – Establishment based incident response plans in place and maintained locally.</p> <p>03 – Emergency response plan setting out general approach to respond to a major emergency in-line with key partner organisations.</p> <p>04 – As part of the Council's Emergency response plan the importance of recording decisions made and information available at the time is highlighted as this would be scrutinised in the event of an FAI.</p>	3	4	

Related Action Code	Related Action	Related action latest note	Managed By	Due Date	Status
SRP.RA.09.02	Development of Emergency Planning Improvement Plan	Q4 18/19: Contingency Improvement Plan well developed and due to be shared with Contingency Planning Group ahead of reporting to CMT for approval. Exploratory work carried out to establish what benefits could be gained from using technology systems to support the development and interrogation of Business Continuity application during an incident.	Chris Lawson; Jane Young	31 Oct 2019	
SRP.RA.09.03	Rest Centre Provision	Q4 18/19: Rest Centre Management arrangements reported to CMT, action with all Heads of Service to provide names of perspective rest centre managers to Head of Adult and Social Care as part of the 'Care for People' work stream.	Head of Adult and Social Care	30 Sep 2019	


SRP.RR.10 Governance and Standards in Public Life

Risk Code	Risk Identification	Managed by	Risk Control Measures	Likelihood	Impact	Risk Evaluation
SRP.RR.10	<p>Risk cause Code of conduct for Members and employees actions falling short of International Standards.</p> <p>Risk event Failure in openness, accountability, clarity.</p> <p>Risk effect Service, partnerships and project outcomes not achieved Non-compliance with conduct standards and reduction in standards in public life</p>	Alan Turpie	<p><u>Potential</u> sub risks include:-</p> <p>01 Macro governance at the top – failure in openness, accountability, clarity;</p> <p>02 Micro governance in services, partnerships and projects and outcomes not achieved</p> <p>03 Non-compliance with codes of conduct and reduction in standards in public life</p> <p>04 Annual Assurance Statement.</p>	3	4	


SRP.RR.11 Corporate Policies and Strategies

Risk Code	Risk Identification	Managed by	Risk Control Measures	Likelihood	Impact	Risk Evaluation
SRP.RR.11	<p>Risk cause Policies may not match the aspirations of the Council's Strategic priorities or cultural perspective.</p> <p>Risk event Policies not monitored may become out of date Policies not reviewed to ensure alignment with strategic priorities.</p> <p>Risk effect Policies not monitored could result in non-compliance with legislation Policies not align to strategic priorities will inhibit the rather than support implementation of strategic priorities.</p>	<p>Head of Adult and Social Care; Head of Children's Services; Head of Commercial Operations; Head of Customer and Housing; Director of Education Communities and Economy; Head of Education; Head of Finance and Integrated Service Support; Head of Primary Care and Older People's Services; Head of Property and Facilities Management; Director of Resources</p>	<p>1. Single Midlothian Plan providing overarching direction</p> <p>2. Service plans aligned to Single Midlothian Plan.</p> <p>3. Leadership team to ensure correct approaches are adopted to get the right results.</p> <p>4. Strategic housing investment plan, submitted to Scottish Government in December 2018, positive feedback with allocated funding.</p> <p>5. Community Safety Strategic assessment completed.</p> <p>6. Procurement Strategy 2018</p> <p>7. Capital Strategy</p> <p>8. IJB Strategic Plan</p> <p>9. Learning Estate Strategy</p>	2	3	


SRP.RR.12 Internal Control Environment

Risk Code	Risk Identification	Managed by	Risk Control Measures	Likelihood	Impact	Risk Evaluation
SRP.RR.12	<p>Risk cause Work procedures/process inadvertently create the capacity for fraud and waste to occur. Internal Controls requiring more time, effort or cost than the risk being managed. Mangers failing to follow procedures and keep systems updated with accurate information</p> <p>Risk event Persons exploiting opportunities to commit fraud Waste and errors</p> <p>Risk effect Waste and loss Risks over managed with risk controls costing more than the potential loss being managed.</p> <p>Increased opportunity for fraud or financial loss has direct impact on management information. Has adverse effect on service performance</p>	Head of Adult and Social Care; Head of Children's Services; Head of Commercial Operations; Head of Customer and Housing; Director of Education Communities and Economy; Head of Education; Head of Finance and Integrated Service Support; Head of Property and Facilities Management; Director of Resources	<ol style="list-style-type: none"> 1. Services have been prompted to consider fraud and waste within Service Risk Registers. 2. Risk Management Guide, provides direction on the need to balance time, effort and cost against benefit of risk controls. 3. Internal Audit examine internal control arrangements based largely on the risk registers. 4. Whistleblowing Policy. 5. Internal and external assurance. 6. Statutory inspection. 	3	3	

SRP.RR.13 Climate Change


Risk Code	Risk Identification	Managed by	Risk Control Measures	Likelihood	Impact	Risk Evaluation
SRP.RR.13	<p>Risk cause Council Services not adequately engaged, resourced or directed to fulfil the requirements of the Climate Change Act</p> <p>Risk event Council Services not responding to the Climate Change Act with sufficient pace.</p> <p>Risk effect Council failing to meet its obligation under the Climate Change (Scotland) Act 2009 and incurring the associated reputational damage.</p>	Director of Education Communities and Economy;	<ol style="list-style-type: none"> 1. Statutory requirement to report on compliance with the climate change duties. 2. Council Carbon Management Plan 3. Approval of a Corporate Climate Change and sustainable development action plan 4. Implementation of provisions of Internal Audit report approved by Audit Committee 1 May 2018. 	3	3	

SRP.RR.14.1 Scottish Abuse Inquiry


Risk Code	Risk Identification	Managed by	Risk Control Measures	Likelihood	Impact	Risk Evaluation
SRP.RR.14.1	<p>Risk Cause: Midlothian Council and its legacy organisations, predating the creation of Midlothian Council in 1996, have been involved in the provision of care of children going back to living memory. During this time there is the likelihood that the care children received fell below standards of care now in place. There is the further potential the some people in the care of Midlothian Council and its legacy organisations were subject to abuse by those who were employed to care for them.</p> <p>Risk Event: The Scottish Government began an Inquiry into cases of Child Abuse occurring prior to 17 December 2014, the intention of this enquiry is to identify historic case of abuse which have to date gone unreported.</p> <p>Risk Effect: If the inquiry finds historic cases of abuse in Midlothian this could damage the reputation of the Council and could place doubt in the eyes of the public as to the safety of these currently in care. There is significant scope for a substantial financial impact arising from claims of historic abuse. Some existing employees may be affected by the inquiry and subsequent claims of abuse.</p>	Head of Children's Services	<p>The Council has a statutory requirement to provide information to the Scottish Child Abuse Team when requested. Midlothian Council has staff who are trained and competent in this area of work. Midlothian Council continues to maintain a positive working relationship with the Scottish Abuse Inquiry Team. Through our experience to date we have met with the Scottish Child Abuse Team and suggested that any requests for information be forwarded to all neighbouring local authorities (previous Lothian Region) to ensure that a thorough search of all our archives have been undertaken.</p> <p>In addition we have a Claims Project Team who have developed a workflow which maps out how we manage claims that come into the Local Authority.</p> <p>The Inquiry and Project Teams have established a Project Plan covering:</p> <ol style="list-style-type: none"> 1. Residential establishments, List D Schools and Foster Carers: identifying Children's homes, Foster Carers and any List D Schools in Midlothian over the last 100 years and researching historic records. 2. Record Audit: reviewing the Council's existing paper and electronic recordkeeping systems to identify relevant records and map them to residential establishments. This also includes, where possible, noting the Council's historic recordkeeping policies, such as retention schedules. 3. Cataloguing/Indexing: checking and updating existing recordkeeping systems for accuracy and consistency, enabling effective information retrieval when requested by the Inquiry. <p>The Project Team have established a Project Plan covering:</p> <ol style="list-style-type: none"> 4. Ascertaining the succession and insurance position in relation to potential historic child abuse claims. 5. Ascertaining and agreeing Midlothian Council's legal position/ approach in dealing with the potential historic child abuse claims. 6. Identifying the need for guidance, protocol, templates etc should/if any claims be made against the council. 	5	4	


			7. Consideration to identifying if additional staffing will be required as expected deluge of FOI's SAR's in 2018 from solicitors of potential claimants.			
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SRP.RR.14.2 S Abuse Claims


Risk Code	Risk Identification	Managed by	Risk Control Measures	Likelihood	Impact	Risk Evaluation
SRP.RR.14.2	<p>Risk Cause: Midlothian Council may receive claims as a result of the Limitation (Childhood Abuse) (Scotland) Act 2017 coming into force on 4th October 2017. The Limitation (Childhood Abuse) (Scotland) Act 2017 means survivors of child abuse no longer face the time-bar that requires person injury actions for civil damages to be made within three years of the related incident. The new limitation regime will have retrospective effect (up to including 1964). There has been an increase in the number of SAR's which is causing a significant pressure on the performance team who manage this work from 27 SAR requests in 17/18 to 64 18/19.</p> <p>Risk Event: Midlothian Council has established a Claims Working Group to prepare for the management of any claim that is received (including support for victims). The Claims Working Group has established a process ('Claims Procedure') for dealing with the claims.</p> <p>Risk Effect: There is potential risk of reputational damage to the Council should any claims be made. In addition there is a financial risk should we have to either defend or pay out for any claims</p>	Head of Children's Services	<p>1. Agreed further update to Council in June 2019 to keep them abreast of the current situation and potential implications around staffing and future financial costs.</p> <p>2. The Qualified One Way Costs Shifting (QOCS) is a change in legislation that will mean we cannot recover costs unless the pursuer has made a fraudulent claim or has been 'manifestly unreasonable' This basically takes away all risk for pursuers so if they lose they won't have to worry about paying the Council's costs. At the time of writing there remains no date for implementation of this piece of legislation.</p> <p>3. Sufficient staffing required to meet the increased demand. Report going to CMT to secure 3 year funding.</p> <p>SOLAR and COSLA have been in discussion with CELCIS who undertook consultation and engagement with victims/survivors of abuse. The outcome of which has resulted in a recommendation being made to Scottish Government to commit to establishing a financial compensation/redress schemes for victims/survivors. Scottish Government have just issued a statement (April 2019) that those who are eligible shall be able to apply for compensation if they meet the agreed criteria: aged 70 or over or have terminal illness and report they were abused in a care setting prior to September 2014.</p>	4	5	


SRP.RR.16 Growing Council

Risk Code	Risk Identification	Managed by	Risk Control Measures	Likelihood	Impact	Risk Evaluation
SRP.RR.16	<p>Risk cause Population growth in Midlothian over the next 10 - 15 years will see Midlothian become the fastest growing Council in Scotland. . 0-15 population increase, projected at 20% and 75+ population increase projected to increased by 100% between 2014 and 2039.</p> <p>Risk event Failure to resource and plan for these rises will significantly impact the Councils ability to fulfil its statutory obligations in relation to these groups.</p> <p>Risk effect Inadequate capacity within the school estate to cope with the projected increase in pupil numbers. In sufficient provision to support an aging population placing costly inefficiencies on other parts of the care sector. General population increase placing additional demand on infrastructure including GP services. Increased pressure on infrastructure, services e.g. waste collection and growth of road network as new development roads are adopted. Increased demand on Council Housing. Increase in population is likely to see a corresponding % increase in need for support services for example children's services.</p>	Director of Resources, Director of Education Communities and Economy; A.Short (Joint Director Midlothian Health and Social Care Partnership)	<ol style="list-style-type: none"> 1. Local development plan and supplementary guidance on developer contributions. 2. Services planning future service provision on the basis of anticipated service demands 3. The change programme 4. Learning Estate Strategy 5. Capital Strategy 6. Housing Strategy and SHIP 7. IJB Strategic Plan 8. Capital Plan and Asset Management Board will scrutinise and challenge slippage on capital programmes recognising that slippage can have an adverse impact on financial sustainability and also the delivery on assets required to support capital growth. 	4	5	


Related Action Code	Related Action	Related action latest note	Managed By	Due Date	Status
SRP.RA.03.03	Demographic Growth	<p>Q4 18/19: The Council is updating its Learning Estate Strategy (LES) with an interim report to Council planned for 7 May which will set out the affordability challenge of delivering the required infrastructure. The project which go forward from the LES will be reflected in the next iteration of the Capital Strategy</p> <p>To reflect the projected growth in demand through to 2040.Capital Strategy to set out infrastructure required to meet those demographic pressures. This updated draft report will be presented to Council in May 2019.</p>	Head of Education	31 Jul 2020	

SRP.RR.17 UK Decision to leave the EU


Risk Code	Risk Identification	Managed by	Risk Control Measures	Likelihood	Impact	Risk Evaluation
SRP.RR.17	<p>Risk cause UK vote to leave the European Union</p> <p>Risk event UK leaving the European Union</p> <p>Risk effect The impacts associated with the UK's decision to leave the UK have yet to be realised and will only become clear once the method of exiting the Union has been agreed. There are some direct potential impacts such as an end to EU funding of Council co-ordinated projects and indirect impacts on industries undertaken within the geographical area which have relied on EU funding, such as agriculture. There are wider potential implications arising from uncertainty regarding the resident status of EU nationals, post any exit agreement, and the availability of workers from outside the UK accessing the job market here in the future. These factors have the potential to impact on the availability of the right people with the right skills being available to help grow the economy here in Midlothian. One area this could affect the Council could be in the delivery of future building projects within Midlothian which could curtail further economic growth.</p>	Director Resources; Director of Education Communities and Economy; A.Short (Joint Director Midlothian Health and Social Care Partnership)	01 - The Council will monitor the implications of the UK's decision to leave the EU on the Council through its risk management approach and will develop approaches to respond to specific risks as further clarity on impact becomes clearer.	3	4	

Related Action Code	Related Action	Related action latest note	Managed By	Due Date	Status
SRP.RA.17.A 2	Preparations for potential no deal	Q4 18/19: Following the UK and EU decision to delay the UK's exit from the EU from 29 March 2019 until 31 October 2019 unless the UK parliament agree the withdrawal agreement before then the UK will not leave until 31 October 2019. The Council continues to monitor this developing situation and prepare accordingly.	Head of Finance and Integrated Service Support	31 Oct 2019	

SRP.RR.18 Political uncertainty - Education Governance Review


Risk Code	Risk Identification	Managed by	Risk Control Measures	Likelihood	Impact	Risk Evaluation
SRP.RR.18	<p>Risk cause Delivering Excellence and Equity in Scottish Education: A Delivery Plan for Scotland and new Education (Scotland) Bill 2017.</p> <p>Risk event Future decision by Scottish Government on the outcome of governance review, which seeks a move to regional based Education.</p> <p>Risk effect Midlothian Council recognises that closing the attainment gap is not a task which can be achieved by schools or the Education Service alone but requires a total Midlothian approach. The delivery plan has made a commitment to regional working although is limited in detail on what this would look like. In the event the approach taken impedes the total Midlothian approach this could inhibit rather than support the efforts to close the attainment gap.</p>	Head of Education	<p>1. Report in November 2017 to council on the progress of Regional collaborative. Further report to Council on the plan November 2018.</p> <p>2. Education Scotland visiting the Council for Empowerment evaluation on 8 November 2018.</p>	3	4	


SRP.RR.19 Health & Safety

Risk Code	Risk Identification	Managed by	Risk Control Measures	Likelihood	Impact	Risk Evaluation
SRP.RR.19	<p>Risk cause Failing to identify and rectify non-compliance with Health and Safety regulations.</p> <p>Risk event Employees required to undertake tasks they are not competent to. Statutorily driven health and safety protective arrangements for service users and employees not implemented correctly. Non-compliance with policy and procedure</p>	Director of Resources; Director of Education Communities and Economy; A.Short (Joint Director Midlothian Health and Social Care Partnership)	<p>01 - Suite of Health and Safety Management Arrangements developed setting out council response to statutory obligations</p> <p>02 - Comprehensive range of Health & Safety Management & Assessment based development opportunities for line managers</p> <p>03 - Use of Health & Safety Management Information System to enhance information transfer and organisational efficiency</p>	3	5	


	<p>Not undertaking audits and inspections to confirm adherence to policy and legislative requirements.</p> <p>Risk effect Serious injury of ill health impact on employees and or service users. Negative impact on outcomes for customers/service users. Service users and employees exposed to hazards where statutory requirements exist. Statutory health and safety - duty of care over services users and employees not met. Criminal prosecution of the Corporate body and or individuals through Corporate Homicide (Corporate Manslaughter) Significant financial penalties from Criminal Prosecution.</p>					
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SRP.RR.20 Early Years Expansion (1140 Hours)

Risk Code	Risk Identification	Managed by	Risk Control Measures	Likelihood	Impact	Risk Evaluation
SRP.RR.20	<p>Risk cause Population growth in Midlothian over the next 10 - 15 years will see Midlothian become the fastest growing Council in Scotland. . 0-15 population increase, projected at 20% in addition the Scottish Government has made a commitment to increase the current provision of free early years care from 600 to 1140 hours.</p> <p>Risk event Failure to resource and plan for these rises will significantly impact the Councils ability to fulfil its statutory obligations in relation to these groups.</p> <p>Risk effect Inadequate capacity within the school estate and/or Early Years to cope with the projected increase in numbers. Lack of financial support from Scottish Government to address the Capital and Revenue pressures arising from this Government policy.</p>	Head of Education	<ol style="list-style-type: none"> 1. Learning Estate Strategy 2. Early Years Expansion to 1140 hours updates 3. Capital Strategy 	4	5	

Related Action Code	Related Action	Related action latest note	Managed By	Due Date	Status
SRP.RA.03.03	Demographic Growth	<p>Q4 18/19: The Council is updating its Learning Estate Strategy (LES) with an interim report to Council planned for 7 May which will set out the affordability challenge of delivering the required infrastructure. The project which go forward from the LES will be reflected in the next iteration of the Capital Strategy</p> <p>To reflect the projected growth in demand through to 2040.Capital Strategy to set out infrastructure required to meet those demographic pressures. This updated draft report will be presented to Council in May 2019.</p>	Head of Education	31 Jul 2020	

SRP.RR.21 Cyber Security


Risk Code	Risk Identification	Managed by	Risk Control Measures	Likelihood	Impact	Risk Evaluation
SRP.RR.21	<p>Risk Cause: Malicious attempts to damage, disrupt or gain unauthorised access to Council computer systems, networks or devices</p> <p>Risk Event: The Council is at significant risk of cyber-attack from Ransomware Phishing Emails, Advanced Persistent Threats (APT) and Distributed Denial of Service Attacks (DDOS) attacks. Hacking and Social Engineering.</p> <p>Risk Effect: Access to Council systems by cyber criminals and foreign intelligence agencies for financial, commercial or information gathering reasons. This could lead to significant financial losses, data compromise and subsequent regulatory sanction if our technical and organisational measures are deemed insufficient.</p> <p>Severe business disruption including the almost total loss of critical IT systems and networks leading to significant service delivery challenges.</p>	Head of Finance and Integrated Service Support	<ol style="list-style-type: none"> 1. Implementation of the Scottish Government Cyber Resiliency Public Sector Action Plan 2. Cyber Essentials Plus Certification 3. Public Sector Network Certification 4. Appropriate technical and organisational measures deployed to reduce the likelihood and impact of an attack 5. Employing an Information Governance and Security Lead 6. Implementing Scottish Government Cyber Security Action Plan 	4	5	

Opportunities


SRP.OP.01 Shawfair


Risk Code	Risk Identification	Managed by	Risk Control Measures	Likelihood	Impact	Risk Evaluation
SRP.OP.01	The Shawfair development with its new Rail link provides a major incentive for house-builders, employers retail and commercial interests including opportunities to secure a low carbon community through district heating from Zero Waste.	Director of Education Communities and Economy;	<ol style="list-style-type: none"> 1. Shawfair Development Group. 2. Legal agreement with developers to secure developer contributions (Section 75) 3. Plan for entire community: 4. Business and industrial provision, including small business incubator space. 5. Circa 4000 new homes 6. A school campus comprising Early Years, Nursery, Primary, Secondary & Life Long Learning provision 7. New Primary schools 	5	4	

SRP.OP.02 Borders Rail

Risk Code	Risk Identification	Managed by	Risk Control Measures	Likelihood	Impact	Risk Evaluation
SRP.OP.02	Passenger numbers after three years of operation are above projections. The railway has been, and continues to be a catalyst for economic development, access to training and labour markets, tourism growth, environmental improvements must notably in town centres, and access to the countryside.	Director of Education Communities and Economy;	<ol style="list-style-type: none"> 1. Monitored by Economic development, 2. Maximising the Impact: A blueprint for the Future - published by the blueprint group involving Scottish Government (to be refined in quarter 4), Scottish Borders, Midlothian and City of Edinburgh Council, Transport Scotland, Scottish Enterprise and Visit Scotland. The document sets out the ambitions of the partners to realise the full potential of the new Railway. 3. Timely submission of bids for approval by the Blueprint Group 4. Close monitoring of approved funded projects. 5. Borders rail subgroup Chaired by Midlothian Council Chief Executive. 	5	4	

SRP.OP.03 Easter Bush - Penicuik


Risk Code	Risk Identification	Managed by	Risk Control Measures	Likelihood	Impact	Risk Evaluation
SRP.OP.03	One of Midlothian's largest and most significant employment areas. Fast Growing opportunities in Science Technology Engineering and Mathematics (STEM) with opportunities to link with education. Partnership links to schools and university sector at the 'Bush' to promote STEM. Need to secure long-term strategic road access to ensure continued growth.	Director of Education Communities and Economy;	1. Planning in place around creating Secondary Schools as centres for excellence linked to specialisms including Science Technology Engineering and Mathematics (STEM). 2. Land allocated for expansion. 3. Midlothian Science Zone. 4. City Deal funding to provide for growth and strategic road access.	5	4	

Related Action Code	Related Action	Related action latest note	Managed By	Due Date	Status
SRP.OP.03.A1	A702 Trunk Road Improvements	Q4 18/19: City Deal business case for Easter Bush expansion includes A702 road scheme to improve long term strategic access. Through liaison with Edinburgh University and Transport Scotland within the context of City Deal.	Director of Education Communities and Economy;	31 Mar 2020	

SRP.OP.04 City Deal


Risk Code	Risk Identification	Managed by	Risk Control Measures	Likelihood	Impact	Risk Evaluation
SRP.OP.04	South East Scotland Region City Deal - a bid for funding to Scottish and UK Governments to accelerate economic growth through investment in infrastructure/ housing/ skills and innovation. 200 Council Houses linked to the City Deal.	Director of Education Communities and Economy;	1. City Deal signed in August 2018. 2. Maintain strong Midlothian involvement through the City Deal governance structure. 3. Midlothian City Deal Key Officer (Internal) Group. 4. Securing best arrangements for Midlothian through close liaison with partners and conclusion of business cases.	3	5	

SRP.OP.05 Growing Council

Risk Code	Risk Identification	Managed by	Risk Control Measures	Likelihood	Impact	Risk Evaluation
SRP.OP.05	<p>Midlothian Council has been identified as the fastest growing Council's in Scotland. This brings the opportunity to support the Council vision of being 'A Great Place to Grow'. As a growing Council this brings the opportunity to redevelop parts of Midlothian, improve infrastructure with a focus on area targeting, improving economic opportunities, improving education and health outcome.</p> <p>This growth creates the opportunity to meet the housing need with 25% of new homes being built in the affordable housing bracket, in addition to the expansion in Council House building. This construction will directly support employment in construction and will see a steady increase in the volume of Council tax received over time.</p>	Chief Executive	1. Community Planning Partnership 2. The Single Midlothian Plan 3. Strategic Housing Investment Plan (SHIP)	5	5	

SRP.OP.07 Creating a world Class Education System

Risk Code	Risk Identification	Managed by	Risk Control Measures	Likelihood	Impact	Risk Evaluation
SRP.OP.07	The Centres of Excellence model is a core part of the Council's strategy to create a world-class education system in Midlothian. This is an ambitious project designed to deliver excellence and equity with a particular emphasis on interrupting the cycle of poverty. .	Head of Education	1. Digital Centre of Excellence at Newbattle Community High School 2. Partnership agreement with the University of Edinburgh	4	5	

Related Action Code	Related Action	Related action latest note	Managed By	Due Date	Status
SRP.OP.A.07	Research and development	Q4 18/19: Research and development on the Centre of Excellence continues a number of work streams in pursuit of further development of Centre of Excellence model.	Head of Education	31 Aug 2023	

Procurement and Commercial Improvement Programme (PCIP)

Report by Gary Fairley, Head of Finance and Integrated Service Support

1 Purpose of Report

The purpose of this report is to bring to the Audit Committee's attention the Procurement and Commercial Improvement Programme report which was presented to Cabinet on 9 April 2019.

2 Background

The Procurement and Commercial Improvement Programme report was considered by Cabinet on 9 April 2018 and the recommendations as detailed below were agreed.

- a) Note the Council's PCIP assessment outcome for the 2018 assessment.
- b) Refer this report to Audit Committee for its interest.

3 Report Implications

These are as outlined in the report.

4 Recommendation

The Audit Committee is invited to consider the content this report.

Date 14 May 2019

Report Contact:

Name: Janet Ritchie Tel No 0131 271 3158
janet.ritchie@midlothian.gov.uk

Procurement and Commercial Improvement Programme

Report by Gary Fairley, Head of Finance and Integrated Service Support

1 Purpose of Report

This report is to provide Cabinet with an update in relation to the Council's 2018 Procurement and Commercial Improvement Programme (PCIP).

2 Background

2.1 The PCIP replaced the Procurement Capability Assessment (PCA) model previously used by the Scottish Government to promote the sharing of best practice and continuous improvement in procurement across the Scottish Public Sector. The new regime will continue to assess public sector organisations by reviewing and auditing evidence on how the organisation has delivered its procurement.

2.2 Some key changes between the PCIP and the PCA are:

- Organisation can submit some key evidence 6 weeks in advance of their PCIP assessment date;
- The PCIP has a new question set and is scored in bands from F1-F11 (the highest score being F1);
- Individual percentage scores will be given to each organisation but these will not be shared with other organisations;
- There are three models of the PCIP; Full, Medium and Lite assessments; and
- The model that the organisation will be assessed against is dependent on spend and number of contracts delivered.

The Scottish Government have been clear that the PCIP is not comparable to the PCA and that previous scores from the PCA should not be used as a target for the 2019 assessment. The question set is more demanding and challenges organisations at the top level of procurement delivery.

2.3 The PCIP encompasses four key areas of review which are as follows;

- Procurement leadership and governance
- Procurement development and tender;
- Contracting processes; and

- Purchase processes.

2.4 Scotland Excel works with local authorities in reviewing and assessing procurement and commercial competence under this model. This is achieved through Scotland Excel reviewing and scoring each question using the documented evidence provided. A range of scores are then applied across categories shown above, with a total score awarded on the assessment day.

3 Assessment and Outcome

3.1 The 2018 Midlothian Council PCIP took place on 11 December 2018 and the Council opted for a focussed assessment using the Full assessment model question set.

3.2 The Scotland Excel PCIP review team examined evidence in advance of this date. Amongst other evidence, the Council submitted sample contracts from a range of contracts including Social Care and Construction contracts, and from these Scotland Excel select four contracts to conduct an in-depth review.

3.3 The PCIP is not a mandatory assessment and it may transpire that some Councils will not take part in the PCIP due to other competing priorities. However, Midlothian Council have taken part, and the output of the assessment will be used by the Procurement Team as a tool for continuous improvement to further develop the Procurement Improvement Plan to ensure the promotion and delivery of efficient, effective procurement.

3.4 For 2018 The Council achieved a score of **66%** which places Midlothian in the banding (F2) with regards to procurement performance according to Scottish Government banding, depicted in the table below.

Performance Band	% Score
F1	>70%
F2	66<>69%
F3	61<>65%
F4	56<>60%
F5	51<>55%
F6	46<>50%
F7	41<>45%
F8	36<>40%
F9	31<>35%
F10	26<>30%
F11	20<>25%

3.5 The next round of PCIP assessments are due to take place in 2021, a targeted area for further improvement, at the next PCIP is expected to be Contact and Supplier Management (subject to the assessing the resources required to deliver sustainable improvement in this area). An

improvement in this area should enable the Council to achieve the highest banding of F1 at the next PCIP assessment.

- 3.6 Attached for member's interest is the formal notification from Scotland Excel received on 8th February 2018 together with the more detailed PCIP focused assessment report.

4 Report Implications

4.1 Resource

There are no direct resource implications as a result of this report

4.2 Risk

No risks have been identified.

4.3 Single Midlothian Plan and Business Transformation

Themes addressed in this report:

- ☐ Community safety
- ☐ Adult health, care and housing
- ☐ Getting it right for every Midlothian child
- ☐ Improving opportunities in Midlothian
- ☐ Sustainable growth
- ☐ Business transformation and Best Value
- ☒ None of the above

4.4 Impact on Performance and Outcomes

This report does not impact Midlothian Councils and wider partners performance and outcomes

4.5 Adopting a Preventative Approach

This report does not impact actions and plans in place to adopt a preventative approach

4.6 Involving Communities and Other Stakeholders

No consultation was required in the development of this report.

4.7 Ensuring Equalities

There is no equality issues associated with this report.

4.8 Supporting Sustainable Development

There is no sustainability issues associated with this report.

4.9 IT Issues

There are no IT issues arising from this report

5 Recommendations

It is recommended that Cabinet;-

- a) Note the Council's PCIP assessment outcome for the 2018 assessment.
- b) Refer this report to Audit Committee for its interest.

04/03/2019

Report Contact:

Name: Gary Fairley Tel No: 0131 271 3110
gary.fairley@midlothian.gov.uk

Background Papers:

Appendix – Scotland Excel letter and slidepack



Email: Julie.welsh@scotland-excel.org.uk

Tel: 0141 618 7450

Date: 8th February 2019

Dr Grace Vickers
Chief Executive
Midlothian Council

Dear Grace

I am writing to give you some initial feedback from the Midlothian Council Procurement and Commercial Improvement Programme (PCIP) assessment which took place on 11th December 2018.

I'd like to start by expressing our sincere thanks to Iain and the team for their hospitality on the day. The team were extremely well prepared and thoroughly professional throughout the process.

Your Council accepted the opportunity to undertake a "Focussed Assessment" which concentrated on a narrower scope of questions to recognise specific areas of improvement identified since the 2016/17 PCIP.

I am delighted to confirm your score was 66% this year. This places Midlothian Council in the banding (F2) with regards to procurement performance according to the Scottish Government bandings, depicted in the table below. This demonstrates an improvement from 61% in 2016/17.

Performance Band	% Score
F1	>70%
F2	66<=>69%
F3	61<=>65%
F4	56<=>60%
F5	51<=>55%
F6	46<=>50%
F7	41<=>45%
F8	36<=>40%
F9	31<=>35%
F10	26<=>30%
F11	20<=>25%
F12/Non-Conformance	>19%

We were encouraged that Iain and the team were able to demonstrate a number of improvements in the organisation's performance from the previous assessment. Moving forward, it is apparent that the team has a clear understanding of what is required to allow them to continue on an upward curve of development, whilst maintaining current high performance.

The PCIP identified a number of areas where Midlothian Council is performing strongly, such as:

- Procurement Influence
- Learning and Skills: Capability and Skills
- Risk Management

We also identified a small number of areas where there may be some room for further improvement, such as:

- Lessons Learned
- Contract and Supplier Management (Assessment was not submitted in this area but it may be considered as a future opportunity for improvement)
- Procurement Process Automation (Assessment was not submitted in this area but it may be considered as a future opportunity for improvement)

As we are all aware Local Authorities continue to face significant challenges in delivering services and one of these challenges is to maintain the support and continued investment in strategic procurement. Scotland Excel are committed to providing every assistance we can to help you in this regard. Once the PCIPs have been completed across the sector we will undertake analysis and disseminate the findings in order to highlight key areas where we feel that together we can drive future improvement.

Yours sincerely

A handwritten signature in black ink that reads "Julie Welsh". The signature is written in a cursive, flowing style.

Julie Welsh Director
Scotland Excel

Midlothian Council

PCIP Focused Report February 2019

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Introduction

On 11th December 2018, Scotland Excel carried out a focused Procurement and Commercial Improvement Programme (PCIP) assessment of Midlothian Council as part of the second round of such assessments of local authorities in Scotland.

The 18/19 assessment required the Councils to submit a full score for each question but request reassessment only in areas where they had focused improvement activity.

This document sets out:

- The questions reassessed and change in score.
- The key strengths and opportunities for development that the assessors identified from the PCIP self-assessment
- Qualitative narrative that identifies positive changes in local practice.

Supporting you to improve

As the national centre of expertise local government procurement, Scotland Excel is responsible for working with Scottish councils to improve procurement performance and practice. Working across the sector, and with individual councils, we can provide a range of support.

Support can include:



Workshops and masterclasses – covering a range of issues identified as key challenges across the sector, including input from experts and practitioners.



Accredited work based learning and development – delivered in person and online through the Scotland Excel Academy (academy.scotland-excel.org.uk)



Tailored change support – bespoke change support, delivered by our Business Change Project Managers, to enable the change you need.

Overview of PCIP

The Procurement and Commercial Improvement Programme (PCIP) was introduced in 2015. The focus of PCIP is on the policies and procedures driving procurement performance and, more importantly, the results they deliver.

The focused PCIP has no maximum or minimum number of questions. Nominations for re-assessment are led by the Council and confirmed by the assessment team at Scotland Excel.

Scoring system

The PCIP consists of 24 questions divided into four sections which cover the breadth of procurement activity. Each question is worth a possible four marks. A breakdown of each section is shown below:

Section	Number of questions	Marks available
Leadership and Governance	10	40
Development and Tender	6	24
Contract	5	20
Key Purchasing Processes	3	12

Full Assessment Performance Bandings

Current Performance Band	% Score
F1	>70%
F2	66<>69%
F3	61<>65%
F4	56<>60%
F5	51<>55%
F6	46<>50%
F7	41<>45%
F8	36<>40%
F9	31<>35%
F10	26<>30%
F11	20<>25%
F12/Non-Conformance	>19%

A note on the assessment approach and judgments

Scotland Excel assessors have made the judgements and recommendations in this report based on evidence presented to them by your council, either in the form of documentation or verbal evidence.

PCIP is not an audit. Restraints on time and resources, coupled with a desire to ensure a proportionate approach to the assessments, mean it is not possible for assessors to independently verify the evidence submitted as part of the pre-assessment, dashboard, or assessment day. Instead, evidence is assessed in good faith with the onus on the council to be open and transparent.

Summary of overall performance

Summary of performance

Midlothian Council received an overall score of 66%, placing it in the Band F2. The council nominated the following questions from each section and this indicates the differentiation between the 16/17 and 18/19 assessment score.

Section 1	Question Area	16/17	18/19
1.2	Procurement Influence	3	4
1.5	Learning and Skills: Capability and Skills	3.5	4
1.6	Internal Control Systems	2.5	3
1.7	Risk Management	1.5	3

Section 3	Question Area	16/17	18/19
3.5	Lessons Learned	1.5	2.5

Areas of Positive Practice and Opportunities for Improvement

PCIP Section	Positive Practice	Opportunities for Improvement
1. Leadership and Governance	<ul style="list-style-type: none"> Service Delivery Framework demonstrates good practice in consideration of “in house” v “outsourced” decision making Evidence collaboration with neighbouring Local Authorities “Making Performance Matter” Competency Framework provides good foundations for staff development 5 year Training and Development Strategy and Annual Training Plan for staff Regular Audit and spot checks of procurement Corporate Risk Register managed through performance management software Multi-agency Serious Organised Crime action plan 	<ul style="list-style-type: none"> Commercial Acumen and Continuous Improvement (Not Assessed)
2. Development and Tender	<ul style="list-style-type: none"> No questions in this section were put forward for reassessment 	<ul style="list-style-type: none"> Spend Analysis, Strategy Development and Implementation and Exit Strategies (Not Assessed)
3. Contract	<ul style="list-style-type: none"> Central Lessons Learned Log Evidence of a consistent approach to internal Post Tender Review Quality Assurance spot checks by Procurement Manager 	<ul style="list-style-type: none"> Implementation of Independent Project Reviews out with procurement team Contract and Supplier Management (Not Assessed)
4. Key Purchasing Processes	<ul style="list-style-type: none"> No questions in this section were put forward for reassessment 	<ul style="list-style-type: none"> Procurement Process Automation (Not Assessed)

Section 1: Leadership and Governance

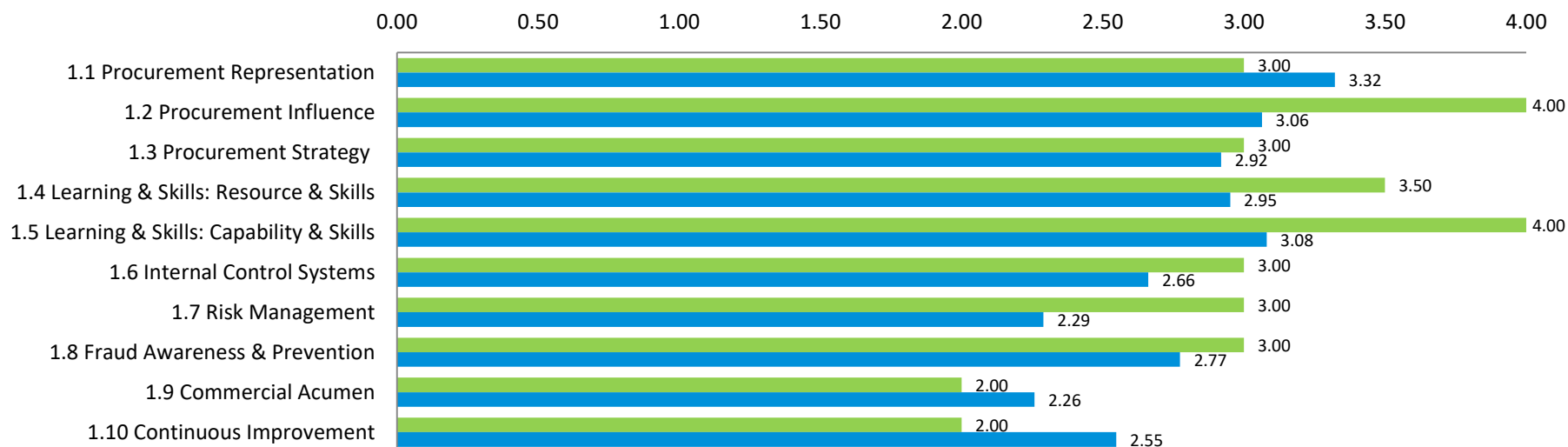
This section focuses on the leadership, management and governance of procurement within the organisation. In particular it looks at:

- The strategic importance of procurement to the organisation
- How procurement functions influence organisational strategy and support the organisation to achieve its aims
- How procurement functions influence external spend
- How procurement functions are managed, developed and continuously improved
- How the organisation manages risks and counters fraud in procurement
- The organisation's commercial competence and how this drives best value for public money

Key points to note on Section 1

- The Council highlighted questions 1.2 Procurement Influence, 1.5 Learning and Skills: Capability and Skills, 1.6 Internal Control Systems, 1.7 Risk Management and 1.8 Fraud Awareness and Prevention to be re-assessed.
- Assessment was not requested for questions 1.1, 1.3, 1.4, 1.8, 1.9 and 1.10 and they may be considered as future opportunities for improvement.

Midlothian Council 2018/19 v All Council Average 2016/17 PCIP



Section 2: Development and Tender

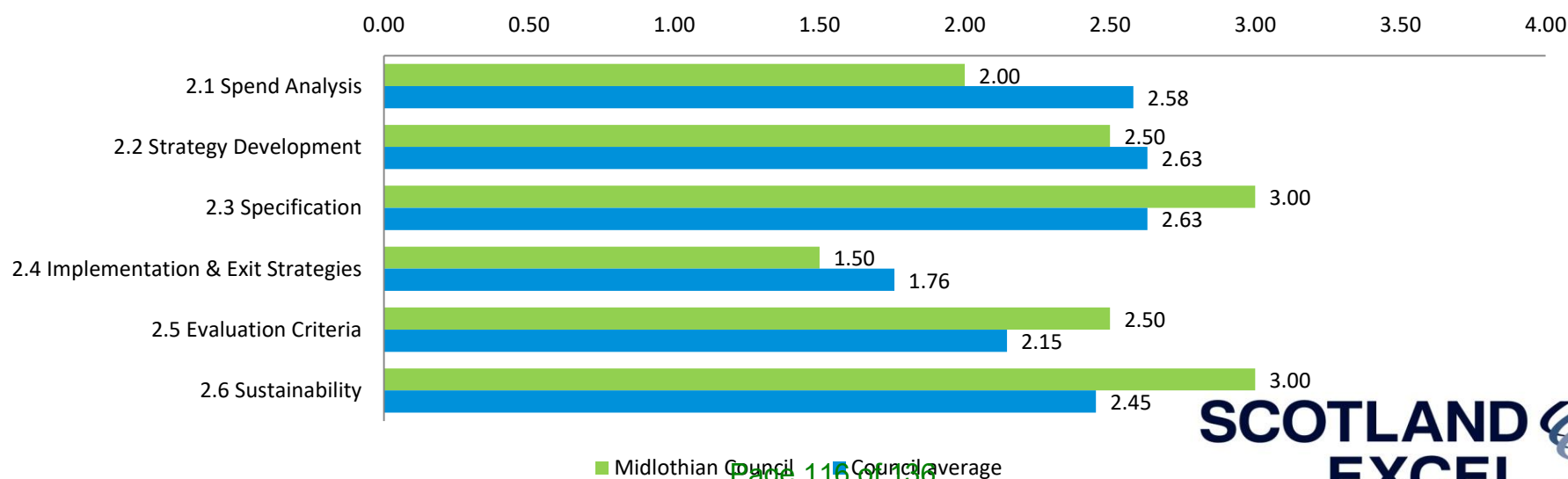
This section focuses on the organisation's approach to developing and tendering contracts to achieve value for money and other benefits. In particular it focuses on:

- How understanding and analysis of spend is used to drive best value and collaboration
- How commodity strategies and specifications are developed
- How contracts are implemented and exited
- How tenders are evaluated to ensure efficiency and effectiveness in delivery
- How environmental, social and economic sustainability are factored into the procurement process

Key points to note on Section 2

- The council did not request any questions for reassessment in this section which may be considered as a future opportunity for improvement.

Midlothian Council 2018/19 v All Council Average 2016/17 PCIP



Section 3: Contract

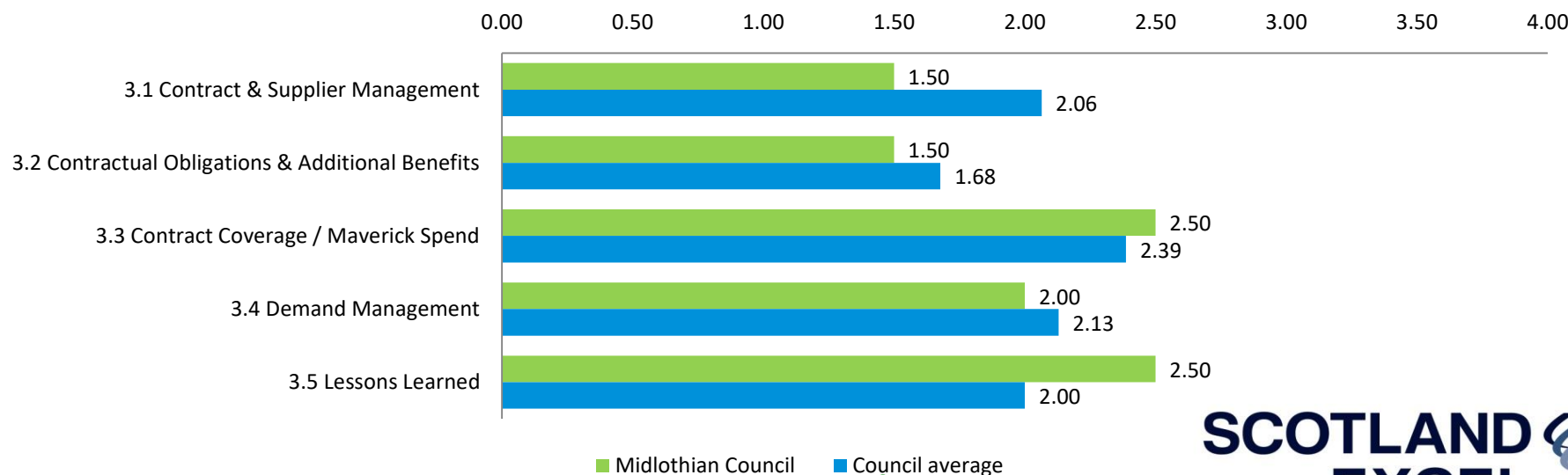
This section focuses on the effectiveness of contract and supplier management. In particular it looks at:

- The organisation's approach to contract and supplier management and the benefits they derive from it
- How effective the organisation has been at working with suppliers throughout the lifetime of the contract to derive additional benefits
- How the organisation works to reduce maverick (off contract) spend
- Demand management
- How the organisation captures and utilises lessons learned from procurement

Key points to note on Section 3

- The council highlighted 3.5 Lessons Learned Contract to be reassessed.
- Assessment was not requested for question 3.1 Contract and Supplier Management, 3.2 Contractual Obligations, 3.3 Contract Coverage/Maverick Spend and 3.4 Demand Management and these may be considered as future opportunities for improvement.

Midlothian Council 2018/19 v All Council Average 2016/17 PCIP



Section 4: Key procurement processes

This section focuses on the key purchasing and logistical processes which underpin effective procurement. In particular, it looks at:

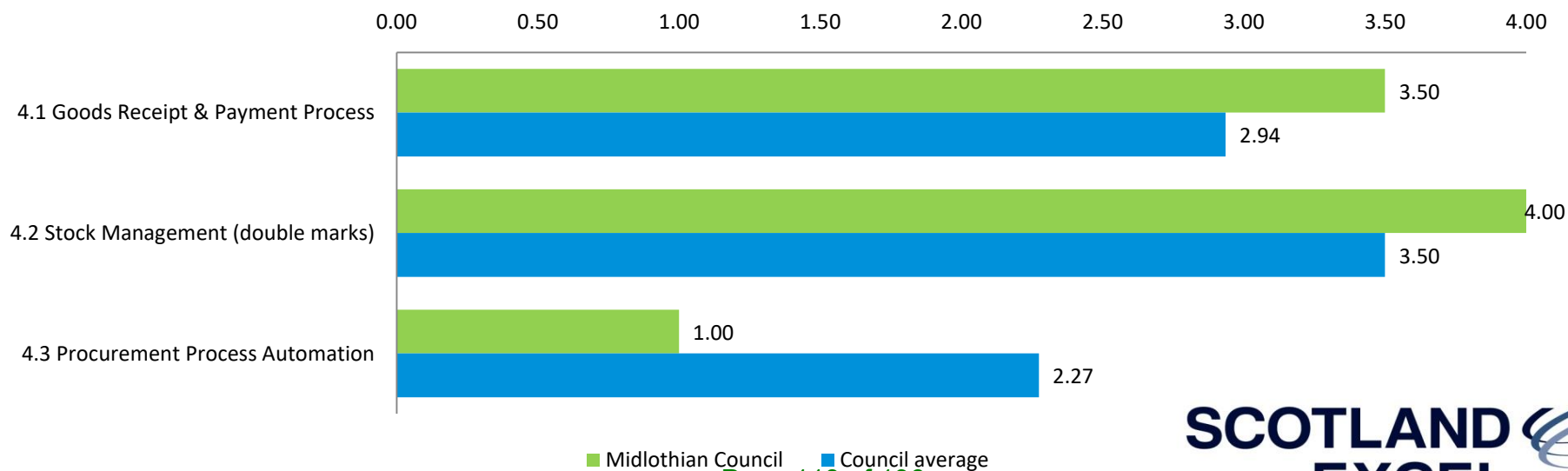
- The effectiveness of P2P processes
- How the organisation manages stocks and logistics to achieve best value
- How the organisation is implementing process automation (e.g. e-Procurement) and the effectiveness of its ICT strategy for procurement

Please note: Question 4.2 relates to sophisticated stock-holding and logistics arrangements which are not required by local authorities. To account for this in comparisons with other sectors, local authorities were awarded double marks for this question, up to a total of 4 marks.

Key points to note on Section 4

- The council did not request any questions for reassessment in this section which may be considered as a future opportunity for improvement.

Midlothian Council 2018/19 v All Council Average 2016/17 PCIP



Further information

PCIP assessment information

The assessment team were:

- Scott Gibson
- Sarah Morrison

Third round of PCIPs

It is proposed that all organisations will undertake a third assessment by June 2021. Scotland Excel will be in touch in due course.

In the meantime Council's will be expected to maintain or improve levels of performance.

Further information on PCIP

You can find out more about PCIP on the Procurement Journey website here:

<https://www.procurementjourney.scot/node/221/>

Contact details

For support and further information, please contact your account manager:

Your account manager: Sarah Morrison

T: 07535517641

E: Sarah.Morrison@scotland-excel.org.uk

Further information about Scotland Excel

To find out more about Scotland Excel, please visit our website:

www.scotland-excel.org.uk

Internal Audit Annual Assurance Report 2018/19
Report by Chief Internal Auditor**1. Purpose of the Report**

The purpose of this report is to present to the Audit Committee the Internal Audit Annual Assurance Report for the year to 31 March 2019 which includes the Chief Internal Auditor's independent assurance opinion on the adequacy of Midlothian Council's overall control environment.

2. Background

The Public Sector Internal Audit Standards (PSIAS) that became effective for local authorities in April 2013 (updated April 2017) requires that:

"The chief audit executive [MLC's Chief Internal Auditor] must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.

The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

The annual report must incorporate:

- the opinion;
- a summary of the work that supports the opinion; and
- a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme."

The Terms of Reference of the Midlothian Council Audit Committee states:

1. The Audit Committee is a key component of Midlothian Council's corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.
2. The purpose of the Audit Committee is to provide independent assurance to Elected Members of the adequacy of the risk management framework and the internal control environment. It provides independent review of Midlothian Council's governance, risk management and control frameworks, and oversees the financial reporting and annual governance processes. It oversees Internal and External Audit, helping to ensure efficient and effective assurance arrangements are in place.

3. Internal Audit Annual Assurance Report 2018/19

The Internal Audit Annual Assurance Report 2018/19, at Appendix 1, includes the Chief Internal Auditor's independent and objective opinion regarding the adequacy and effectiveness of internal control within Midlothian Council to fulfil the statutory role of Internal Audit, provides details of the Internal Audit activity that supports the opinion and of the performance during the year, and summarises the outcomes of assessments of the Internal Audit service against the Public Sector Internal Audit Standards.

The Internal Audit Annual Assurance Report 2018/19 provides assurances in relation to the Council's corporate governance framework that is a key component in underpinning delivery of the corporate priorities within the Single Midlothian Plan and has been used to inform the Annual Governance Statement 2018/19.

4. Report Implications

4.1 Resource

The Internal Audit function reports directly to the Chief Executive (operationally) and the Audit Committee (functionally). Staff resources have been adversely affected during the year, mostly notably due the continued deployment of Internal Audit and Counter Fraud resources to the ongoing activity associated with the Roads Contract Management Investigation. This has had an impact on the delivery of the Internal Audit planned work.

There is a commitment to provide resource to the Midlothian Health and Social Care Integration Joint Board (MIJB) and audit work was undertaken during the year to meet that commitment. A separate annual assurance report will be presented to MIJB Audit and Risk Committee and MIJB to fulfil that role.

4.2 Risk

The PSIAS require Internal Audit to evaluate the effectiveness of the Council's Risk Management arrangements and contribute to improvements in the process. Each Internal Audit assignment has been risk-based and, where appropriate, has tested the specific Service's management of risk.

Internal Audit provides assurance to Management and the Audit Committee on the adequacy and effectiveness of internal controls and governance within the Council, including risk management, and to highlight good practice and recommend improvements.

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 during the year or outstanding from previous years which will enable Management to demonstrate further improvement in internal controls and governance arrangements.

Delivery of the Internal Audit services in conformance with the PSIAS will enable the Council to meet the requirements of the Local Authority Accounts (Scotland) Regulations 2014 to consider the findings of assessments as part of the consideration of the system of internal control required by regulation 5.

4.3 Single Midlothian Plan

Themes addressed in this report:

- ☒ Community safety
- ☒ Adult health, care and housing
- ☒ Getting it right for every Midlothian child
- ☒ Improving opportunities in Midlothian
- ☒ Sustainable growth
- ☒ Business transformation and Best Value
- ☐ None of the above

4.4 Key Priorities within the Single Midlothian Plan

Midlothian Council and its Community Planning Partners include the following areas as key priorities under the Single Midlothian Plan:

- Reducing the gap in learning outcomes
- Reducing the gap in health outcomes
- Reducing the gap in economic circumstances

4.5 Impact on Performance and Outcomes

The Findings and Recommendations from Internal Audit work during the year assists the Council in improving its performance and outcomes.

4.6 Adopting a Preventative Approach

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

4.7 Involving Communities and Other Stakeholders

The Internal Audit Annual Assurance Report 2018/19 has been presented to the Corporate Management Team (comprising Chief Executive, Directors, and Heads of Service) to outline the key messages of assurance and areas of improvement, and have been advised to take this into account when completing their annual self-evaluation and assurance process for the Council's Annual Governance Statement 2018/19.

4.8 Ensuring Equalities

There are no equalities issues with regard to this report.

4.9 Supporting Sustainable Development

There are no sustainability issues with regard to this report.

4.10 IT Issues

There are no IT issues with regard to this report.

5. Recommendations

The Audit Committee is therefore asked to consider the Internal Audit Annual Assurance Report 2018/19, and assurances contained therein, and to provide any commentary thereon.

Date: 24 April 2019
Report Authors: Jill Stacey, Chief Internal Auditor
E-Mail: Jill.Stacey@midlothian.gov.uk

Chief Internal Auditor's Annual Assurance Report and Opinion 2018/19 for Midlothian Council

1 Introduction

- 1.1 It is Management's responsibility to design and maintain proper risk management, governance and internal control processes and systems to ensure probity in systems and operations, including the prevention, detection and resolution of fraud and irregularities. Management is also responsible for checking that the arrangements and controls are operating effectively. These are known as the first and second lines of defence which are not fixed but evolve as the Council changes.
- 1.2 Internal Audit, as the third line of defence, is an independent appraisal function established for the review of the internal control system as a service to Midlothian Council. It objectively examines, evaluates and reports on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources and the management of risk.
- 1.3 The Internal Audit activity adds value to the organisation (and its stakeholders) when it considers strategies, objectives, and risks; strives to offer ways to enhance governance, risk management and control processes; and objectively provides relevant assurance.
- 1.4 The Objectives of Internal Audit are set out in its Charter: "As part of Midlothian Council's system of corporate governance, Internal Audit's purpose is to support the Council in its activities designed to achieve its declared objectives and to do so:
- In support of the Council's vision, values and priorities.
 - As a contribution to the Council's corporate management of risk, including assisting Management to improve the risk identification and management process in particular where there is exposure to significant financial, strategic, reputational and operational risk to the achievement of the Council's objectives.
 - As an aid to ensuring that the Council and its elected members, employees and contracted third parties are operating within the law and relevant regulations, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.
 - As a contribution towards establishing and maintaining a culture of honesty, integrity, openness, accountability and transparency throughout the Council in all its activities and transactions.
 - As a contribution towards ensuring that financial statements and other published information are accurate and reliable."
- 1.5 The Public Sector Internal Audit Standards (PSIAS) (2017) requires that:
- "The chief audit executive [MLC's Chief Internal Auditor] must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.
- The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.
- The annual report must incorporate:
- the opinion;
 - a summary of the work that supports the opinion; and
 - a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme."

- 1.6 This Annual Assurance Report provides the annual internal audit opinion to fulfil the statutory role of Internal Audit and summarises the work carried out by Internal Audit during the year to 31 March 2019 that underpins the opinion in accordance with the Internal Audit Charter, Strategy and Annual Plan. The report also states the outcomes of assessments of the Internal Audit service against the PSIAS.

2 Opinion on the systems of Internal Control, Risk Management and Governance

- 2.1 My opinion is that, based on our reviews, risk assessments and knowledge, the systems of internal control and governance are generally adequate though there are indications in some areas of non-compliance and a lack of evidence of Management monitoring that they are operating satisfactorily; therefore improvements are required to the second line of defence consistently across the Council to ensure probity in systems and operations, including the prevention, detection and resolution of fraud and irregularities. The implementation of Audit recommendations as part of a culture of continuous improvement is of importance particularly relating to the strategic governance arrangements that underpin financial management, workforce development, and delivery of change and transformation.
- 2.2 The Council's Local Code of Corporate Governance (approved December 2017) has been subject to recent review and update to comply with the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government' (2016). This is to ensure this key document continues to be relevant and complete to reflect the appropriate framework for effective governance of the Council's affairs and facilitate the exercise of its functions to deliver best value. It has been used as part of the 2018/19 annual assurance process by senior management.
- 2.3 Improvements over the Council's procurement and contract management are required as there were examples of contracts not being retendered when the existing contract had expired, Non Competitive Action forms not always being completed for single source suppliers, and Services not always using existing framework suppliers sometimes due to frameworks having insufficient capacity to meet demand. There is no system in place to manage contracts from cradle to grave and no dedicated resource to undertake contract monitoring to ensure that the controls are operating effectively.
- 2.4 The Financial Regulations (approved July 2012), and associated policies, procedures and guidelines need to be reviewed, updated and developed, as appropriate, to reflect changes arising from organisation structures and systems and then be kept under regular review.
- 2.5 The Council recognises that risk management is an integral part of all activities and has Corporate and Service Risk Registers in place which are subject to regular review by those Managers who are allocated the responsibilities for managing individual risks. The Audit Committee received periodic reports from the Risk Manager on corporate risks and mitigations to fulfil its oversight role to monitor the effective development and operation of risk management in the Council.
- 2.6 Further improvements in internal control, risk management and governance have been agreed by Management as highlighted in Internal Audit reports and recommendations made during the year or outstanding from previous years.

3 Internal Audit Annual Plan 2018/19 Delivery

- 3.1 Staff resources have been adversely affected during the year, mostly notably due the continued deployment of Internal Audit and Counter Fraud resources to the ongoing activity associated with the Roads Contract Management Investigation. This has had an impact on the delivery of the Internal Audit planned work, as indicated to Management and the Audit Committee during the year.

- 3.2 The following Audit Reviews from 2018/19 Audit Plan have not been carried out for a variety of reasons with explanation provided:
- Electronic Payments Systems (Deferred to 2019/20 to reflect the phasing of the planned system control change by Management).
 - ICT Operational Processes (Deferred to spread ICT audit assurance activity across years in agreement with Management and included in the approved Audit Plan 2019/20).
 - Community Engagement (Deferred due to impact on staff resources and included in the approved Audit Plan 2019/20; Best Value Assurance Review will cover aspects of this).
 - Commercial Rents (Deferred due to impact on staff resources and included in the approved Audit Plan 2019/20).
 - Business Gateway (Deferred due to impact on staff resources and included in the approved Audit Plan 2019/20).
- 3.3 In contrast, the deferred audit from 2017/18 on Pupil Equity Funding which was not included in the approved Audit Plan 2018/19 has been carried out.
- 3.4 The range and breadth of Internal Audit work that has been performed during the year, which is listed below, is sufficient to inform the Internal Audit assurance on the systems of internal control, governance arrangements and risk management:

Strategic and Risk Based Audits

- 3.5 To provide assurance on the internal controls and governance in place to ensure efficient and effective use of assets and resources, reviews included:
- Performance Management – Local Government Benchmarking Framework (Provide independent validation of performance indicators and benchmarking information to support self-assessment and continuous improvement of the Council's services).
 - Workforce Strategy and Plans (Review of approach to workforce development in alignment with business and financial planning processes to provide skills, knowledge and competency requirements for service delivery to meet the Council's objectives).
 - Delivering Excellence Programme (Review of governance and accountability arrangements for Delivering Excellence programme including a review of processes for benefit (financial and other) identification, tracking and realisation).
 - Revenue Financial Budget Monitoring (Assess the review, scrutiny and challenge on revenue financial budget monitoring reports by elected members).
 - Procurement and Contract Management - (combination of three activities from within the Internal Audit Annual Plan 2018/19 relating to Contract Tenders, Procurement to Payment, and Contract Management in order to cover the end-to-end procurement journey; Review the Procurement Strategy and for a sample of contracts across Council's Services assess the systems and controls for compliance in the tender procedures that underpin effective contracts, the ordering of goods and services, commitment systems and processes including authorisation, and the contract monitoring systems and controls).
 - Information Governance Framework and GDPR (Review of the Information Governance framework including roles and responsibilities, policy development and implementation. Assess compliance with General Data Protection Regulations which came into force May 2018).
 - Capital Investment – Social Housing Programme Phase 2 (Review the adequacy of the capital investment control framework established by Management to allow for the successful delivery of the Social Housing Programme).
 - Learning Estate Strategy (Assess the governance in place to ensure key milestones / outcomes are being achieved).

Core Process / System Audits

- 3.6 To provide assurance on the internal controls in place and perform substantive testing of transactions to ensure completeness and accuracy of data in core systems, reviews included:
- Payroll (Testing of controls at Service level on Starters and Leavers to ensure completeness and accuracy).
 - Sales to Cash incorporating Financial Policy Framework (Review the adequacy of the control framework over the income collection on the ICON receipting system; Assess the Financial Policy Framework established, including Financial Regulations and associated policies, procedures and guidelines, and evaluate arrangements in place to review and update them).
 - ICT Security Controls (Assess the adequacy of the physical access and environmental controls to ICT equipment, software and data to prevent unauthorised access / damage, including 3rd party access and PSN compliance).
 - Following the Public Pound (Assess authorisation and monitoring processes and procedures against Following the Public Pound code of practice in support of securing Best Value).
 - Developer Contributions (Follow-up on implementation of improvement actions to enhance internal controls).
 - Pupil Equity Funding (Assess the arrangements in place to administer the Pupil Equity Fund (PEF) and ensure that it is being utilised in line with the National Operational Guidance issued by the Scottish Government as presented to Cabinet in February 2017).

Legislative and Other Compliance Audits

- 3.7 To test compliance with the terms of the funders' service level agreements or other requirements as part of the wider assurance framework, reviews included:
- Tyne Esk LEADER Grant Fund (Annual requirement to review the controls in place to deliver the Tyne Esk LEADER Grant Fund and to undertake compliance related work as defined by the Service Level Agreement).
 - Construction Industry Scheme (Annual requirement to undertake a review in this area to test that the scheme rules are being complied with as required by HMRC). It is proposed to reduce the frequency of this Compliance activity from Annual to 3-Yearly within the Internal Audit Plan which has been agreed by relevant Management.

Consultancy

- 3.8 In its 'critical friend' role provide internal challenge within the following:
- The review of the Learning Estate Strategy, taking into consideration the findings from Internal Audit assurance work.
 - The preparations from the Best Value Assurance Review including an independent and objective assessment of the evidence to support self-evaluation and improvement underpinning Best Value.

Annual Audit Work

- 3.9 During the year resources were deployed in undertaking the following work relating to the whole Council:
- Recommendation Follow-Up Reviews (Two reviews were undertaken. The first assessed performance against closing Audit Recommendations by the agreed due date; and the second included a sample check of Audit Recommendations which are flagged as closed, to check that they have been implemented and to ensure that the new controls had the desired effect on improving internal controls, risk management and governance).

- Review of Corporate Governance (Test a sample of the key elements in the Local Code of Corporate Governance to determine whether these are operating as described).
- Annual Assessment of Internal Controls (Prepare this annual assurance report for Management and the Audit Committee summarising the work undertaken by Internal Audit during the year and forming an opinion on adequacy of the Council's arrangements for risk management, governance and control).
- Assessment of Internal Audit against PSIAS (Undertake an annual self-assessment of the Internal Audit service against the Public Sector Internal Audit Standards (PSIAS) and report its findings to Management and the Audit Committee).
- Assessment of the Audit Committee against the CIPFA Code (Provide assistance to the Chair of the Audit Committee in undertaking an assessment of the Audit Committee against the CIPFA Audit Committees Practical Guidance for Local Authorities and Police 2018 Edition).
- Internal Audit Help Desk Enquiry System (Provide guidance and advice on request to Management and Staff on internal controls and governance, and manage any enquiries received through the whistle blowing facilities offered by the Council).
- Administration of Audit Scotland Reports (Coordinate submission of Audit Scotland Reports to the Audit Committee by relevant Management).
- Support for the Risk Management and Integrity Groups (Attend and provide support to the Risk Management Group and the Integrity Group; the latter has recently changed its name to Serious Organised Crime Group to better reflect its role as approved by CMT in October 2018).
- Planning for 2019/20 (Review and update of the Internal Audit Strategy and development of the Internal Audit Annual Plan for 2019/20).

Investigations

- 3.10 The most significant activity during the year related to the ongoing activity associated with the Roads Contract Management which required continued deployment of Internal Audit and Counter Fraud staff resources during the year. Further to this, a report was presented to the Audit Committee on 11 December 2018 which provided an update on Management's progress with implementation of Internal Audit Recommendations arising from the May 2018 Report.

Non MLC Work

- 3.11 MLC Internal Audit section carried out assurance work for the Midlothian Integration Joint Board (MIJB) based on a plan approved by MIJB Audit and Risk Committee. An annual assurance report, including audit opinion on the adequacy of the IJB's arrangements for risk management, governance and control of the delegated resources, will be presented to MIJB Audit and Risk Committee then to MIJB.

4 Public Sector Internal Audit Standards and Quality Assurance & Improvement Plan

- 4.1 The professional standards as set out in Public Sector Internal Audit Standards (PSIAS) effective 1 April 2013 (updated 2017) include:
- Definition of Internal Auditing;
 - Code of Ethics;
 - Attribute Standards (Purpose, Authority and Responsibility; Independence and Objectivity; Proficiency and Due Professional Care; Quality Assurance and Improvement Programme);
 - Performance Standards (Managing the Internal Audit Activity; Nature of Work; Engagement Planning; Performing the Engagement; Communicating Results; Monitoring Progress; Communicating the Acceptance of Risks).

- 4.2 A self-assessment of Internal Audit practices against the Standards was carried out in 2018/19, as required by the PSIAS, taking into account the progress with implementation of the improvement actions arising from the previous year's self-assessment and the External Quality Assessment (EQA) peer review carried out by Highland Council in March 2018, as set out within the Quality Assurance and Improvement Programme (QAIP).
- 4.3 The 2018/19 self-assessment has indicated Internal Audit 'Fully Conforms' with the requirements within the 13 Assessment Areas of the Definition of Internal Auditing, the Code of Ethics, Attribute Standards and Performance Standards. The self-assessment shows that progress has been made with the improvement actions in the QAIP arising from the EQA: (1) staff skills and capabilities (staff training and development plans completed in year; ongoing utilisation of "Make Performance Matter" to further enhance skills to fulfil revised approach in the Internal Audit Strategy); (2) client feedback (positive feedback from CMT during the year on new approach and enhanced profile of Internal Audit; learning applied from client feedback relating to individual audit engagements); (3) reduce duplication of manual and electronic audit files (default is electronic document management in year; historic manual records will be managed out over time in line with retention policy (4) review of the audit reporting process (change in content and style of Internal Audit endorsed by CMT and utilised in year, receiving positive feedback) (5) recommendations completion (enhanced Audit Actions monitoring reports for Management at each quarter and follow-up process).
- 4.4 PSIAS requires the self-assessment to be subject to an External Quality Assessment (EQA) each five years, by appropriately qualified and independent reviewers. To achieve this, an "EQA Peer Review Framework" was developed by the Scottish Local Authorities Chief Internal Auditors Group (SLACIAG), with Midlothian Council's EQA in March 2018 as stated above. SLACIAG has refined its "EQA Peer Review Framework" based on lessons learned and a programme for the second phase is being finalised, with Midlothian Council's EQA expected before or during 2023 to meet the requirements.

Jill Stacey BA (Hons) ACMA CGMA
Chief Internal Auditor
24 April 2019

Counter Fraud Annual Report 2018/19
Report by the Chief Internal Auditor**1 Purpose of Report**

The purpose of this report is to provide an update to the Audit Committee on the Council's counter fraud responsibilities and the activities of the Corporate Fraud team over the past year as part of the arrangements to tackling fraud at the Council.

2 Background

- 2.1 The Council is committed to minimising the risk of loss due to fraud, theft or corruption and to taking appropriate action against those who attempt to defraud the Council, whether from within the authority or from outside, as set out within its counter fraud and corruption policy and strategy.
- 2.2 The primary responsibility for the prevention, detection and investigation of fraud rests with Management, supported by the corporate Fraud & Audit Officers. Internal Audit provides advice and independent assurance on the effectiveness of processes put in place by Management.
- 2.3 Part of the Audit Committee's role is to review the assessment of fraud risks and potential harm to the Council from fraud and corruption, and to monitor the counter fraud strategy, actions and resources.

3 Corporate Fraud Team Activity

- 3.1 Staff resources have been adversely affected during the year, mostly notably due the deployment of Internal Audit and Counter Fraud resources to the ongoing activity associated with the Roads Contract Management Investigation. This has had an impact on the delivery of the Counter Fraud planned work with compliance testing of Licensing and of Council Tax Reduction Scheme, Discounts and Exemptions not being carried out during the year as planned. These have been included within the 2019/20 planned Corporate Fraud activity, approved by this Committee in March 2019. The planned data matching within the National Fraud Initiative will also incorporate the latter activity.
- 3.2 We have calculated, using Audit Scotland guidance (where relevant), that as a result of Corporate Fraud Activity a total value of £801,834 has been identified during 2018/19. These are detailed in Appendix 1. Areas of work undertaken by the Team and the value identified during 2018/19 are detailed below.

- 3.3 The Corporate Fraud Team responded to 18 notifications of Council Tax Discounts and Exemptions alleged fraud during the year to determine whether these discounts and exemptions are claimed legitimately. The activity highlighted 3 cases where circumstances had changed and Council Tax became payable but the Council had not been informed. This identified a total of £4,968 uncollected Council Tax and £1,411 future losses that have been prevented.
- 3.4 The Corporate Fraud Team received a whistleblowing referral, made enquiries and gathered information that resulted in a referral onwards to the Single Fraud Investigation Service (SFIS) of the Department for Work and Pensions (DWP) who have notified the Council that this action resulted in a Housing Benefit overpayment of £36,243.
- 3.5 The Corporate Fraud Team responded to 20 notifications of Council Tax Reduction Scheme (CTRS) alleged fraud during the year to determine whether these CTRS are claimed legitimately. The activity highlighted 2 cases where circumstances had changed, but the Council had not been informed, resulting CTRS entitlement being cancelled. This identified a total of £15,212 uncollected Council Tax. Although planned compliance testing of CTRS was not carried out during the year, as stated in 3.1, the above indicates that reactive CTRS counter fraud work was undertaken relating to this area of fraud risk.
- 3.6 The Team has received notifications from Housing Officers during the year to detect and investigate potential subletting or abandonment of Council owned properties. As a result of this, 78 allegations of potential tenancy fraud were investigated; eight of which resulted in the return of a property to the housing stock which were subsequently made available to those in genuine need. For each of the houses identified the calculation, according to Audit Scotland guidance, is £93,000 over 4 years.
- 3.7 The Corporate Fraud Team developed two eLearning modules on Procurement Fraud Awareness and on Bribery Act 2010 which were rolled out via the LearnPro system in September and November 2018 respectively. Monitoring of completion of these eLearning modules indicates low uptake, in particular by Authorised Signatories.
- 3.8 As part of the Internal Audit function, the Corporate Fraud Team has assisted with the Procurement and Management of Contracts audit during the year (which combined three activities from within the Internal Audit Annual Plan 2018/19 relating to Contract Tenders, Procurement to Payment, and Contract Management in order to cover the end-to-end procurement journey), providing their view on the potential fraud risk aspects of areas under review and performing compliance testing.
- 3.9 The Corporate Fraud Team continues to deal with enquiries from the Midlothian Council website page "Report a possible crime, fraud or similar concern" or the anonymous telephone reporting line which are available to staff or the public for whistleblowing purposes.
- 3.10 As specialist investigators, the Team has continued to conduct significant and comprehensive work in response to the Roads Contract Management Investigation, which in addition has involved significant input from the Principal Internal Auditor. This is ongoing.

- 3.11 The Fraud & Audit Officers are members of the Scottish Local Authority Investigators Group (SLAIG) and represent Midlothian Council at SLAIG's quarterly meetings, therefore sharing best practice across Councils and the wider public sector and ensuring knowledge of emerging fraud risks and issues is up to date.
- 3.12 The Fraud & Audit Officers are part of the Council's Integrity and Contest Groups, relating to Serious and Organised Crime and Counter Terrorism. A member of the team acts as the Single Point of Contact for Midlothian Council with Police Scotland for Serious and Organised Crime Groups.
- 3.13 The annual review of the Council's Anti-Fraud Policy and Strategy (approved December 2016) has been carried out with no significant amendments at this stage. The Anti-Fraud Policy and Strategy lists other Associated Policies across the Council as follows (latest approved date in brackets): Anti Bribery Policy (December 2016); Anti Money Laundering Policy (October 2013); Whistle Blowing – Public Interest Disclosure Policy (December 2016); Information Security Policy (October 2017); Employee Code of Conduct (November 2016); and Disciplinary Procedure (January 2017). A standalone Gifts & Hospitality Policy and a Secondary Employment and Conflict of Interest Policy are being developed as improvements to current arrangements. It is important that associated policies, procedures and guidelines across the Council are regularly reviewed and updated, as appropriate, as this will ensure that they keep pace with best practice in relation to fraud and corruption prevention and detection, to ensure their continued relevance and effectiveness. An assessment will be carried out during 2019/20 of the Council's anti-fraud policy framework against best practice; for example, the CIPFA Counter Fraud guidance.
- 3.14 Midlothian Council continues to participate in the National Fraud Initiative (NFI) which is a UK wide counter-fraud exercise led by Cabinet Office and Audit Scotland. It uses data analytic techniques to compare information about individuals held by different public bodies, and on different financial systems, to identify circumstances (matches) that might suggest the existence of fraud or error. The Principal Internal Auditor acts as the Council's Key Contact for NFI and the Corporate Fraud Team has coordinated the submission of the required data sets from various Council systems and responded to the data matches received to date; the review and investigation of matches will continue during 2019/20 and the outcomes of this will be included in the next annual report.
- 3.15 In conclusion, the Corporate Fraud Team has been successful in achieving the above outcomes during 2018/19 and making best use of resources to support Midlothian Council's objectives within its Anti-Fraud and Corruption Policy and Strategy. The latter states the Council's anti-fraud and corruption culture, sets out the strategic focus on deter and prevent fraud and corruption, and details the Council's response to any such activity. Tackling fraud is an ongoing process as the Council's internal and external operating environment changes. The 2019/20 planned Corporate Fraud activity was approved by this Audit Committee in March 2019.

4 Report Implications

4.1 Resource

Within the Internal Audit service there are operational costs of resourcing the two Fraud & Audit Officers (1 FTE Corporate Fraud Team), who are Accredited Counter Fraud Specialist officers. Any additional costs arising from enhanced fraud risk mitigation within the Council's Services will have to be considered and prioritised against other pressures in the revenue budget.

4.2 Risk

The report sets out primary responsibility for the prevention, detection and investigation of fraud that rests with Management, and directly addresses fraud risk and outcomes arising from work undertaken by the Corporate Fraud Team to reduce the risks within the Council.

4.3 Single Midlothian Plan and Business Transformation

Themes indirectly addressed in this report:

- ☒ Community safety
- ☒ Adult health, care and housing
- ☒ Getting it right for every Midlothian child
- ☒ Improving opportunities in Midlothian
- ☒ Sustainable growth
- ☒ Business transformation and Best Value
- ☐ None of the above

4.4 Key Priorities within the Single Midlothian Plan

Although this report does not relate directly to the key priorities within the Single Midlothian Plan (Reducing the gap in learning outcomes; Reducing the gap in health outcomes; and Reducing the gap in economic circumstances) by preventing and detecting fraud additional resources might be available to support the Council's objectives. Any loss of funds due to fraud and corruption might impact on the ability of Midlothian Council to achieve its priorities.

4.5 Impact on Performance and Outcomes

The Findings and Recommendations from Internal Audit and Corporate Fraud work during the year assists the Council in improving its performance and outcomes which are designed to maintain and / or enhance fraud prevention and detection controls.

4.6 Adopting a Preventative Approach

Having a robust fraud prevention and investigation service contributes to safeguarding the Council's financial resources, for delivery of services, as part of protecting the public purse. Specific compliance and data matching work within the 2019/20 planned Corporate Fraud activity, approved by this Committee in March 2019, will assess fraud, theft, and corruption prevention and detection controls.

4.7 Involving Communities and Other Stakeholders

This report outlines outcomes arising from work undertaken by the Corporate Fraud Team, some of which arose from whistleblowing received from those within communities or other stakeholders.

4.8 Ensuring Equalities

There are no equalities issues with regard to this report.

4.9 Supporting Sustainable Development

There are no sustainability issues with regard to this report.

4.10 IT Issues

There are no IT issues with regard to this report.

5 Recommendations

The Audit Committee is therefore asked to consider the counter fraud work undertaken by the Corporate Fraud Team during the year to 31 March 2019, in support of the Council's anti-fraud and corruption policy and strategy, and note the outcomes.

Date: 24 April 2019
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Appendix 1 – Total value arising from Corporate Fraud Team activity

Actual Fraud Detected in 2018/19

Activity	No. of Referrals	No. with Fraud Detected	£ value Fraud Detected	£ value Future Losses Prevented	£ value Total
Investigations carried out relating to Council Tax Discounts and Exemptions ¹	18	3	£4,968	£1,411	£6,379
Investigations carried out relating to Council Tax Reduction Scheme	20	2	£15,212		£15,212
Investigations carried out relating to Housing Benefit	1	1	£36,243		£36,243
78 referrals resulting in investigations which recovered 8 Council houses and return to available housing stock. Value per Audit Scotland guidance (£93,000 over 4 years each).					£744,000
Total value identified as a result of Corporate Fraud Activity					£801,834

It should be noted that a single referral could lead to investigations relating to a number of different types of fraud.

¹ The Cabinet Office has advised that Council Tax can be backdated to the beginning of the financial year fraud was first discovered and claimed to the end of the current financial year so in effect these monies would be classed as loss stemmed, and another year's savings at the same rate as current year as loss prevented.