

Internal Audit Work to January 2021

Report by Chief Internal Auditor

Report for Decision

1 Recommendations

The Audit Committee is asked to:

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

2 Purpose of Report/Executive Summary

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

The Internal Audit Annual Plan 2020/21 was approved by the Audit Committee on 10 March 2020 and revised Internal Audit Annual Plan 2020/21 was approved by the Audit Committee on 8 December 2020. Internal Audit has carried out work associated with the delivery of the Plan to meet its objective of providing an opinion on the efficacy of the Council's risk management, internal control and governance.

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

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

Date 2 March 2021

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3 Progress Report

- 3.1** The Internal Audit Annual Plan 2020/21 was approved by the Audit Committee on 10 March 2020 and revised Internal Audit Annual Plan 2020/21 was approved by the Audit Committee on 8 December 2020. Internal Audit has carried out the following work in the period from 1 November to 12 February 2021 associated with the delivery of the Plan to meet its objective of providing an opinion on the efficacy of the Council's risk management, internal control and governance.
- 3.2** The MLC Internal Audit function conforms to the professional standards as set out in Public Sector Internal Audit Standards (PSIAS) (2017) including the production of this report to communicate the results of the reviews.
- 3.3** Internal Audit issued final assurance reports on the following subjects:
- Property Maintenance
 - Social Housing Rents
 - Fleet Management
 - Passenger Transport
 - Council Tax
 - Trading Standards
- 3.4** An Executive Summary of the final Internal Audit assurance report issued, including audit objective, findings, good practice and recommendations (where appropriate), and the Chief Internal Auditor's independent and objective opinion on the adequacy of the control environment and governance arrangements within each audit area, is shown in Appendix 1.

The definitions for Internal Audit assurance categories are as follows:

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

Current Internal Audit Assurance Work in Progress

- 3.5** Internal Audit assurance work in progress to deliver the Internal Audit Annual Plan 2020/21 consists of the following:

| Audit Area | Audit Stage |
|---|------------------|
| Schools | Testing underway |
| DSM Budgets | Testing underway |
| Procurement and Management of Contracts | Testing underway |
| Information Governance | Testing underway |

Internal Audit Consultancy and Other Work

- 3.6** Internal Audit staff have been involved in the following for the Council to meet its aims and objectives, and its roles and responsibilities in accordance with the approved Internal Audit Charter and Strategy:
- In its critical friend role provided an independent view and challenge at various forums including Business Transformation Board, Capital Plan and Asset Management Board, Learning Estate Strategy Board, and Information Management Group.
 - Learning and development during the research stage of new audit areas for all Internal Audit team members and through joining virtual audit forums and meetings. This period included a quarterly meeting of the SLACIAG Computer Audit Sub Group (Internal Auditor) and IIA forums for Local Authorities on the topics of HIA Annual Opinion and of Independence and Objectivity (Chief Internal Auditor).
 - Monitored publication of Audit Scotland reports and co-ordinated submission by Management of Audit Scotland Reports to the Audit Committee or other Committee as relevant.
 - Attended and provided support for the Risk Management Group (Principal Internal Auditor).
 - Development of Internal Audit Plans 2021/22 for Midlothian Council and for Midlothian Health and Social Care Integration Joint Board.

Recommendations

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

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

- 3.8** The table below summarises the number of Internal Audit recommendations made during 2020/21:

| | 2020/21 Number of Recs |
|---|------------------------|
| High | 3 |
| Medium | 10 |
| Low | 8 |
| Sub-total reported this period | 21 |
| Previously reported | 2 |
| Total | 23 |
| Recommendations agreed with action plan | 22 |
| Not agreed; risk accepted | 1 |
| Total | 23 |

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

4.1 Resource

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

4.2 Digital

There are no digital implications arising from this report.

4.3 Risk

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

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

4.4 Ensuring Equalities

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

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

4.5 Additional Report Implications (See Appendix A)

APPENDIX A – Additional Report Implications

A.1 Key Priorities within the Single Midlothian Plan

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

A.2 Key Drivers for Change

Key drivers addressed in this report:

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

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

A.3 Key Delivery Streams

Key delivery streams addressed in this report:

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

A.4 Delivering Best Value

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

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

A.5 Involving Communities and Other Stakeholders

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

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

A.6 Impact on Performance and Outcomes

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

A.7 Adopting a Preventative Approach

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

A.8 Supporting Sustainable Development

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

| Report | Summary of key findings and recommendations | Recommendations | | | Status |
|---|--|-----------------|---|---|---|
| | | H | M | L | |
| <p>Subject: Property Maintenance</p> <p>Category: Assurance – Cyclical</p> <p>Date issued: 03 December 2020 Draft; 02 March 2021 Final</p> <p>Level of Assurance: Limited</p> | <p>The purpose of this assurance audit was to review the in-house building maintenance team (BMS) undertaking repairs to the Council's housing and non-housing buildings. This included a review of jobs from creation through to billing, and of business planning, budget setting and monitoring.</p> <p>The Building Maintenance Service budget was £9.5m for 2019/20 and £9.6m for 2020/21 - the budget for BMS is set on the assumption that the service will make a small surplus through recharges to client services. This largely encompasses trade employee costs, vehicle and material costs and is funded by internal income received. There were 73 full time tradesmen and 21 vacancies (period 7, 2020) and the service is currently using 5 agency staff. The Head of Service and Works Manager who had responsibility for BMS left the Council in 2019 with no transition opportunity to the current Management. All works orders (jobs) are recorded and managed in the Total system, a management information system that has been used by the Council for many years. Reactive repairs are managed via Mobile Working and planned repairs are managed via paper based job tickets that are updated on the Total system once completed.</p> <p>A service plan has been developed for 2020/21 and budget monitoring reports are produced on a monthly basis with meetings taking place regularly between service management and the finance team. Adequate separation of duties are in place to ensure that only valid jobs are undertaken, authorised and recorded in the Total system.</p> <p>Internal Audit considers that the level of assurance is Limited. BMS has had a history of overspends over the past 4 years with a recent overspend of £263k for 2019/20. This overspend was not reported until quarter 4 due to the unreliability of monitoring information at any given point in the year. Forecasting of activity and a lack of commitment accounting has made it difficult to fix the financial position of BMS with accuracy at any point in time other than for the outturn. The overspend occurred due to: the base budget not being aligned with business requirements; a shortfall in income (largely on capital projects); poor management of outstanding jobs; and the impact of Covid-19 in the last month of 2019/20. Operative productivity and quality of work are not being adequately monitored. Full advantage is not being taken of the Total system reporting capabilities. Benchmarking is not undertaken to ensure that the service provides value for money.</p> | 3 | 4 | 0 | <p>Management have agreed to the findings and improvement actions.</p> <p>Progress has been made on the first recommendation as part of the financial planning process 2021/22. The remaining recommendations from this Internal Audit review will be incorporated into the wider review of the service delivery model for this area. It is recognised that the necessary change in this area will take various other intervention actions and significant time to achieve the intended outcomes.</p> |

| Report | Summary of key findings and recommendations | Recommendations | | | Status |
|---|--|-----------------|---|---|--------|
| | | H | M | L | |
| Subject: Property Maintenance (cont'd) | <p>Internal Audit made the following recommendations:</p> <ul style="list-style-type: none"> • The BMS base budget needs to be realigned with the requirements of the business. Improved collaboration should be undertaken between BMS and Finance to set budgets, forecast future activity and calculate the recharge rate based on up to date work-plans. (High) • Team Leaders should be encouraged to authorise completed jobs within shorter timescales. The time taken to authorise completed jobs should be monitored by the Reactive and Planned Repairs Managers and reasons sought for undue delays. (Medium) • Completed jobs should not be invoiced until authorised by a Team Leader. (Medium) • Better management of outstanding jobs is required - moving all jobs onto the Total Mobile Working system will improve efficiency and effectiveness of processes and use of resources and enable the monitoring of jobs and performance of operatives to be more easily managed. (Medium) • Modification should be made to access to and understanding of the reports available in the Total system to improve the monitoring of day to day activity by Management. Improvements are required as a minimum in the following areas: Income generated / productivity; Late completions; Outstanding jobs; Variances against expected values; Cancelled jobs with costs. Some training and support of Service Management would be beneficial in order to improve monitoring of the business and make better use of the Total system. (High) • Monitoring of key aspects of performance such as the productivity of operatives and the quality of work undertaken should be immediately reinstated. (High) • BMS should undertake benchmarking with appropriate comparators in order to identify areas of good performance, areas where improvement is required, and ultimately demonstrate whether the service is efficient and delivers value for money. (Medium) | | | | |

| Report | Summary of key findings and recommendations | Recommendations | | | Status |
|--|---|-----------------|---|---|---|
| | | H | M | L | |
| <p>Subject: Social Housing Rents</p> <p>Category: Assurance – Cyclical</p> <p>Date issued: 11 December 2020 Draft; 18 February 2021 Final</p> <p>Level of Assurance: Substantial</p> | <p>The purpose of this assurance audit was to review the management arrangements and adequacy of controls over the billing and collection of Council Housing and Garage rents.</p> <p>As at 31 March 2020, the Council owned 6,919 houses and 858 garages. The rental income received through the Council's Housing Revenue Account was £28.631m for dwelling rents for the year ended 2019/20 (£29.865m including non-dwelling rents and service charges).</p> <p>The Council has continued to invest in building new social housing. Phase 1 of the Council's Housing Programme provided 864 additional houses within Midlothian over a 7 year period. The total of Phase 2, 3 and 4 homes is currently estimated at 1233, comprising 488 from Phase 2 budget and 745 from the Phase 3 and 4 budgets. There continues to be high demand for the Council's social housing.</p> <p>Current tenant rent arrears were approximately £1.62m as at 6 April 2020 and have increased to £2.07m as at 7 December 2020. The Coronavirus pandemic has been the principal factor for the moderate increase in current tenant arrears this year. The suspension of court and evictions action has also substantially contributed to the non-payment of rent during this period. Formal recovery action and escalation by arrears officers was paused over the lockdown period but recommenced from July 2020 for secure tenancies. However, soft reminder letters were issued to secure tenants during lockdown along with provision of advice and support to tenants in arrears. Former tenant arrears were £0.83m as at 7 December 2020 and have remained stable over the last year.</p> <p>Capita Housing is the primary system used to manage the Council's social housing billing and arrears processes. Management are planning to upgrade to a newer version of Capita Housing - Capita One. The upgraded Capita system may provide more options for the issue of rent statements, including the potential for tenants to access their rent statements online. The Comino document management system is used to store relevant records and Civica Pay is the cash receipting system used to collect rent.</p> | 0 | 1 | 4 | <p>Management have accepted the factual accuracy of the report and its findings, and have agreed to implement the recommendations within acceptable timescales.</p> |

| Report | Summary of key findings and recommendations | Recommendations | | | Status |
|---|---|-----------------|---|---|--------|
| | | H | M | L | |
| Subject: Social Housing Rents (cont'd) | <p>Internal Audit considers that the level of assurance is Substantial over the management arrangements and adequacy of controls over the billing and collection of Council Housing and Garage rents. Largely satisfactory risk, control, and governance systems are in place. There is, however, some scope for improvement.</p> <p>Internal Audit made the following recommendations:</p> <ul style="list-style-type: none"> • The service charge applied to temporary accommodation should be reviewed and updated to ensure that the Council has an appropriate basis for the charge. (Low) • As part of the system upgrade to Capita One, Management should review if Garage Sites could be added to the new system. (Low) • Management should formally review alternative strategies for the Council's stock of unused garages and garage sites. (Low) • The arrears arrangements report should be reviewed and consideration given to include additional fields such as original arrangement balance, current arrangement balance, number of cycle arrangement failures, and number of cycles in debt. Management should develop an improved procedure to periodically report on credits and test whether the tenant should be due a refund. This could be run annually or bi-annually to minimise the administrative burden of this. (Low) • Management should ensure that temporary accommodation tenants are regularly informed of their arrears, correct rent statements are issued, and clarity established on the escalation processes for temporary accommodation tenants (warning letters to notice to quit). Appropriate resource should be in place to pursue temporary accommodation arrears. (Medium) | | | | |

| Report | Summary of key findings and recommendations | Recommendations | | | Status |
|---|--|-----------------|---|---|--|
| | | H | M | L | |
| <p>Subject: Fleet Management</p> <p>Category: Assurance – Cyclical</p> <p>Date issued: 18 December 2020</p> <p>Draft; 17 February 2021 Final</p> <p>Level of Assurance: Substantial</p> | <p>The purpose of this assurance audit was to review the asset management planning and maintenance of the Council's fleet ensuring that fleet repairs and replacement decisions represent value for money. In addition review the controls over fuel management.</p> <p>There is no formal Fleet asset management plan in place although a vehicle and plant replacements spreadsheet is maintained and updated at least annually. This enables the production of a costed replacement plan over a period of 8 to 10 years for vehicles and plant respectively. Fleet vehicles are subject to a clearly defined and monitored inspection and service regime based upon both statutory and manufacturer service requirements. Fleet operations are not managed using commercially available software which draws together all aspects of inspection, maintenance and associated costs. Fuel management control procedures are in place with proportionate security controls in order to minimise theft and good administrative procedures relating to the delivery and drawing of fuel. Vehicles and plant are insured on separate fleet policies. All incidents are logged and details passed onto the insurance officer to deal with the Council's insurers as appropriate. A new Statutory Transport Officer (STO) has been appointed following the retirement of the previous STO.</p> <p>Internal Audit considers that the level of assurance is Substantial. Largely satisfactory risk, control, and governance systems are in place. There is, however, some scope for improvement.</p> <p>Internal Audit made the following recommendations:</p> <ul style="list-style-type: none"> • The time to replace an asset or, if more efficient, classes of assets, should be determined through whole of life cost calculations and informed judgement, rather than through judgement alone, in order to demonstrate value for money in fleet replacement decisions. (Medium) • Fleet operations should be managed using commercially available software which draws together all aspects of inspection, maintenance and associated costs. (Medium) • The benefits of performing average mpg for each vehicle in order to identify excessive fuel usage should be considered. Assessment should weigh the likely benefits of performing the calculations against the resource cost of doing so. (Medium) | 0 | 3 | 0 | Management have accepted the factual accuracy of the report and its findings, and have agreed to implement the recommendations within acceptable timescales. |

| Report | Summary of key findings and recommendations | Recommendations | | | Status |
|---|--|-----------------|---|---|---|
| | | H | M | L | |
| <p>Subject: Passenger Transport</p> <p>Category: Assurance – Risk</p> <p>Date issued: 18 December 2020 Draft; 17 February 2021 Final</p> <p>Level of Assurance: Substantial</p> | <p>The purpose of this assurance audit was to review the governance, controls, costs and management of passenger transport services across the Council including end to end processes for client and provider.</p> <p>There are no performance indicators in place and benchmarking arrangements are not in place in Scotland. Monitoring of the performance of external passenger transport suppliers is informal but appears to work well in practice. It is difficult to confirm that the internal fleet presents value for money although we have not identified any factors that suggest this is not the case. Specialised transport undertaken by the internal fleet is considered to be cost effective.</p> <p>Our sample testing indicated that payments made to contracted operators were in accordance with contracts and are charged to the correct cost centres. Transport contracts for disrupted home to school travel and adult care services were honoured as the Council was committed to ensuring that transport contractors, and their sub-contractors, were left in a “no worse position” due to the pandemic although our sample testing indicates that all contracted operators within the sample were paid in full.</p> <p>Charges to Education and Adult Social Care for transport are agreed in emails with the service area in advance of the service commencing but are not subject to an internal contract or service level agreement.</p> <p>Discrete budget monitoring arrangements are not in place for Passenger Transport. Costs and income are recognised and monitored within Education, Adult Social Care and Fleet Management budget monitoring. However, projecting costs for home to school transport is difficult and time consuming in the absence of sound arrangements for commitment accounting.</p> <p>Following the retirement of the service manager and ongoing service review, an interim manager is in place for the service.</p> <p>Internal Audit considers that the level of assurance is Substantial. Largely satisfactory risk, control, and governance systems are in place. There is, however, some scope for improvement some of which are notified within this report.</p> <p>Internal Audit made no recommendations.</p> | 0 | 0 | 0 | Management have accepted the factual accuracy of the report and its findings. |

| Report | Summary of key findings and recommendations | Recommendations | | | Status |
|--|--|-----------------|---|---|--|
| | | H | M | L | |
| <p>Subject: Council Tax</p> <p>Category: Assurance – Cyclical</p> <p>Date issued: 07 January 2021 Draft; 18 February 2021 Final</p> <p>Level of Assurance: Substantial</p> | <p>The purpose of this assurance audit was to review the adequacy of controls over the Council Tax System with coverage limited to liability, billing and collection of Council Tax.</p> <p>Council Tax is a property based tax which contributes towards Council services. Every property is banded (A-H) and each band is calculated as a proportion of band D. The charge is based on two adult residents. Discounts and exemptions can be applied for single person households, disabled persons and students as well as some other groups. The Council collects water and waste charges on behalf of Scottish Water and these charges are incorporated into the bills that are issued to customers.</p> <p>Council Tax is administered through the Open Revenues system. As at 1 January 2021 there were 41,903 properties in Midlothian. The annual charge for Council Tax for 2020/21 was £66.703m (£50.493m Council Tax and £16.210m Water and Sewerage) and £46.257m had been collected as at December 2020.</p> <p>Internal Audit considers that the level of assurance is substantial for the adequacy of controls over the Council Tax system. The Council maintains an accurate database of taxable properties and liable persons. Bills and demand notices are calculated and issued correctly, in a timely manner and apply legitimate discounts, exemptions and reductions. Council Tax income is correctly allocated to individual accounts. Arrears are promptly and effectively pursued. Refunds and write-offs are legitimate, correctly processed and authorised. There is some scope for improvements.</p> <p>Internal Audit made the following recommendations:</p> <ul style="list-style-type: none"> • It should be formally documented who has the delegated authority to modify different classes of dwellings exempt from the additional Long Term Unoccupied Premium charge. (Low) • All Council Tax write offs should be reported to CMT and Elected Members for transparency. (Medium) • Procedures should be in place for processing Council Tax refunds and for processing Council Tax discounts and exemptions. (Low) | 0 | 1 | 2 | <p>Management have accepted the factual accuracy of the report and its findings.</p> <p>Management have agreed to implement two (both Low risk) of the three recommendations within acceptable timescales.</p> <p>Management have indicated “No action proposed” in respect of the Medium risk recommendation, indicating that “existing performance reporting and reporting of CTIA is considered appropriate”.</p> |

| Report | Summary of key findings and recommendations | Recommendations | | | Status |
|---|---|-----------------|---|---|---|
| | | H | M | L | |
| <p>Subject: Trading Standards</p> <p>Category: Assurance – Cyclical</p> <p>Date issued: 04 February 2021 Draft; 18 February 2021 Final</p> <p>Level of Assurance: Substantial</p> | <p>The purpose of this assurance audit was to review the business practices and ways of working within Trading Standards to ensure that regulatory obligations are met and risks are appropriately managed.</p> <p>Trading Standards is a regulatory service within Midlothian Council and is responsible for enforcing a wide range of Scottish and UK legislation involving the price, quality, quantity, description, and safety of goods. Trading standards can take enforcement action as part of their work including issuing warning letters, fixed penalties where legislation permits, and the reporting of cases to the Procurator Fiscal.</p> <p>The service has 3.2 full time equivalent (FTE) employees and a shared manager with Scottish Borders Council (represented by the 0.2 FTE until 31 March 2021). The management structure is currently subject to a service review. The service budget was £212k in 2020/21.</p> <p>The Covid-19 pandemic has impacted the service delivery: a delay to the start of inspections in 2020/21 due to the first lockdown, an increased number of inspections carried out remotely instead of in-person; and an increased number of farm visits.</p> <p>Internal Audit considers that the level of assurance is Substantial over the business practices within Trading Standards to ensure that regulatory obligations are met and risks are appropriately managed. Largely satisfactory risk, control, and governance systems are in place.</p> <p>Internal Audit made the following recommendations:</p> <ul style="list-style-type: none"> • Policies (i.e. Enforcement Policy), procedures, risk management, progress reporting, and internal reporting using the Uniform system should be further developed. This should include a review of how inspections and service requests are recorded to improve record consistency, completeness (e.g. legislation), and audit trail. (Low) • Records retention practices for the Idox Uniform system should be reviewed against the Council's approved retention schedule. (Low) • Senior Management should review the workforce planning and succession planning for the Trading Standards service particularly the Council's responsibility relating to the Weights and Measures Act 1985. (Medium) | 0 | 1 | 2 | Awaiting Management responses on factual accuracy and acceptance of findings and improvement actions. |