

Internal Audit: Annual Assurance Report 2015/16

Report by Graham Herbert and Elaine Greaves, Internal Audit Managers

1. Purpose of Report

The purpose of this paper is to report on the work undertaken by Internal Audit during the financial year 2015/16 and to provide an overall assessment of the adequacy and effectiveness of the Council's framework of governance, risk management and control based on that work.

2. Background

2.1 Public Sector Internal Audit Standards (PSIAS)

From 1 April 2013, all audit work has been undertaken in accordance with the new Public Sector Internal Audit Standards (PSIAS). A paper on these standards was reported to the Audit Committee on 18 June 2013. One of the requirements of these standards is that the Internal Audit Manager is required to prepare an annual internal audit opinion and report that can be used to inform the Council's overall Annual Governance Statement which is included in the published financial statements. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control and must incorporate:

- the opinion;
- a summary of the work that supports the opinion;
- a statement on conformance with the Public Sector Internal Audit Standards; and
- the results of the quality assurance and improvement programme over the level of compliance by the Internal Audit Section with the requirements of PSIAS.

The Standards require that an external assessment be conducted at least once every 5 years by a qualified, independent assessor from outside the organisation over the level of compliance against PSIAS. An external assessment was not undertaken in 2015/16 but will be undertaken in late 2016/17 as part of the reciprocal assessments by the Scottish Local Authority Chief Internal Auditors' Group (SLACIAG). However, an assessment of Internal Audit's work is undertaken each year by the Council's external auditor (Grant Thornton) as part of their annual audit. Their report in 2014/15 found this to be satisfactory.

2.2 Self Assessment of Internal Audit against the Standards

A self evaluation of compliance with the Public Sector Internal Audit Standards by Midlothian Council's Internal Audit Section was undertaken by the Internal Audit Manager. This evaluation demonstrated that the key elements of the Standards were complied

with during the year, but identified a small number of areas where performance could be improved. An action plan has been developed to address these issues and the majority have already been acted upon. A report on this assessment is to be presented to the Audit Committee on 10 May 2016.

2.3 Balanced Scorecard

Internal Audit has based its performance indicators on those developed by SLACIAG. These include the number of face to face meetings with the Chair of the Audit Committee and Chief Executive, the level of coverage of corporate risks in the audit plan, the follow up of recommendations raised by Internal Audit and training and qualifications of Internal Audit employees. Appendix 5 provides a summary against these targets. Internal Audit introduced a pilot stakeholder feedback process in 2015/16 and this is to be further developed in 2016/17.

2.4 Organisational Independence

The Standards state that the Internal Audit Manager is required to report to the Audit Committee and have free and unfettered access to the Chief Executive and the Chair of the Audit Committee. He/she must report to a level within the organisation that allows the Internal Audit activity to fulfil its responsibilities and the Internal Audit Manager must confirm to the Audit Committee, at least annually, the organisational independence of the Internal Audit activity.

The reporting line for Internal Audit functionally is to the Audit Committee and structurally to the Chief Executive.

The Internal Audit Manager met regularly throughout the year with the Chief Executive, the Director, Resources and the Section 95 Officer to discuss governance, risk management and internal control matters. The Internal Audit Manager has met the Chair of the Audit Committee on a one to one basis, on six separate occasions during the year and, in addition, before each Audit Committee meeting.

There have been no threats to the independence of the internal audit activity during the period.

2.5 Proficiency and Due Professional Care

The Standards state that internal auditors must possess the knowledge, skills and competencies needed to perform their individual responsibilities and are encouraged to demonstrate their proficiency by obtaining appropriate professional certifications and qualifications. The Internal Audit Manager must hold a relevant professional qualification (CMIIA, CCAB or equivalent) and be suitably experienced. Internal auditors must apply the care and skill expected of a reasonably prudent and competent internal auditor.

For the majority of the year (April 2015 to early March 2016) the Internal Audit Section has had a resource of 4 FTE. The role of Internal Audit Manager during this period was undertaken by a CIMA (Chartered Institute of Management Accounts) qualified accountant who has both public sector and financial services experience. The senior auditor and auditor are both members of the Association of Chartered Certified Accountants (ACCA). Also, the trainee auditor is now exam qualified with ACCA and is awaiting acceptance to full membership. The job share Internal Audit Manager returned from maternity leave in March and is CMIIA qualified (Chartered Member of the Institute of Internal Auditors) with both public sector and financial services experience.

The Internal Audit Section also took over responsibility for the two Accredited Counter Fraud Specialist officers who, from October 2015, have been used to review and identify the threats of Corporate Fraud and to provide support to the Internal Audit team and assist with the National Fraud Initiative.

2.6 Internal Audit Resource

The Internal Audit resource has been sufficient to undertake a challenging and value adding Internal Audit Plan and this in turn has provided management, external audit, the Audit Committee and other interested parties with a significant level of assurance.

During 2015/16, the Midlothian Internal Audit Manager was appointed as the Chief Auditor of the Health and Social Care Integrated Joint Board (IJB). This has necessitated the development and delivery of an IJB Audit Plan for 2015/16.

2.7 Internal Audit Plan

The Internal Audit Plan for 2015/16 was approved by the Audit Committee on 17 March 2015. The audit plan is risk based and concentrates on governance, risk and internal control matters affecting the Council.

For the financial year 2015/16, the risk assessment approach was consistent with the Internal Audit Strategy and focused Internal Audit resource towards:

- the Council's main IT and financial systems;
- high risk exposures as identified through the risk management system, particularly the corporate risk register;
- consultancy exercises requested by management;
- investigations, where required; and
- the provision of an Internal Control Help Desk service.

There have been no areas reviewed which had inappropriate scope. Progress with the Internal Audit Plan was presented to the Audit Committee in December 2015. Internal Audit is on course to achieve a very challenging Audit Plan by the end of June 2016, with only minor

adjustments, required through taking on additional work for the Integrated Joint Board (as detailed in Appendices 2 and 3).

2.8 Internal Audit Opinion

I am content that the breadth and depth of coverage is sufficient to allow me to provide a balanced opinion on the overall adequacy of the Council's framework of governance, risk management and control over the period 2015/16. No direct reliance has been placed on the work of other assurance providers in providing this opinion.

It is my view that overall the Council's framework of governance, risk management and control over the period 2015/16 are of a satisfactory standard and have been implemented and are monitored by management in line with Financial Directives, Council Policy and the other key essentials of a robust Internal Control Environment.

In arriving at this overall opinion I have considered:

- the ratings applied to each individual audit undertaken in the period and their relative importance in relation to the control environment within Midlothian Council;
- management's performance in addressing issues raised by Internal Audit;
- the strength of governance arrangements including the Code of Corporate Governance and adherence to its requirements;
- the risk management system; and
- strategies designed to manage fraud risk.

Internal Audit Reviews

In relation to the 2015/16 Audit Plan, we reviewed the internal controls, governance and management of risk within a number of Council systems, both financial and non financial. The Internal Audit activities undertaken during 2015/16 and the conclusions arising from that work are set out at Appendix 1.

Internal Audit use a set of assurance categories to provide an opinion on the level of assurance given over internal control, governance and the management of risk within audit assignments. This can be found in Appendix 4.

From the Audits undertaken in 2015/16, we have identified a number of areas that required improvement to the internal controls. While a small number of areas were rated as weak, these were confined to certain control objectives within specific audits (for example Developer Contributions). The majority of reviews have shown either average or good internal controls.

The results of our audits were reported to management and the Audit Committee and action plans for improvement over controls were agreed on the conclusion of each audit. The recommendations arising from the action plans were loaded into the Council's Covalent system

and progress with their implementation is recorded on the system by management.

Implementation of Internal Audit Recommendations

Internal Audit periodically reviews whether recommendations have been implemented and reports the outcome of this to the Corporate Management Team and the Audit Committee. A review of overdue recommendations was undertaken in December 2015 and this highlighted that 96% of the recommendations were either 'completed' or 'on target' and only 4% were overdue. In June 2015, a sample of 40 recommendations recorded as 'completed' by management on the Covalent system were reviewed to confirm the adequacy of the actions taken. 36 were found to have been implemented satisfactorily, 4 were partially complete and none were found to be unsatisfactory. This exercise will be repeated in May 2016 and the results will be reported to the June 2016 Audit Committee.

We are pleased to note from this follow up work that management have acted on Internal Audit recommendations and therefore controls have been strengthened.

Code of Corporate Governance

Each year, Internal Audit undertakes a review of the Code of Corporate Governance and tests a sample of the key elements listed as controls to determine whether they are working in practice. Our testing identified that the control elements were working effectively although we did identify the following:

- the need to update certain policies and procedures (including counter fraud and corruption and whistle blowing). Updated policies are planned to be presented to the June 2016 Audit Committee;
- updates are required to the Council's Standing Orders and associated documents (Scheme of Administration and Scheme of Delegation) caused by the recent management review and subsequent changes to the Council Directorates;
- the Adult and Social Care service have removed the risk of 'Fraud, Waste, and Error' from their risk register on the basis that they considered this risk low. Internal Audit intends to undertake work in this area in 2016/17 to test this opinion.

We are aware that CIPFA (Chartered Institute of Public Finance and Accountancy) and SOLACE (Society of Local Authority Chief Executives) have established a Joint Working Group on Good Governance in Local Government and is consulting on a revised Framework for Delivering Good Governance in Local Government. This is based on the new International Framework of Good Governance in the Public Sector developed jointly between CIPFA and the International Federation of Accountants. Work will be required in 2016/17 to ensure compliance against the new code.

Risk Management

Internal Audit reviews management's perception of risk in all audits undertaken and reviews risk more generally as part of the planning cycle for each year's audit plan. From these assessments, it is noted that Midlothian Council has a mature risk management process with key risks monitored by management on operational, corporate and project risk registers.

We noted that in 2015/16:

- the Risk Management Group met quarterly and provided quarterly reports to the Corporate Management Team and the Audit Committee;
- work has been undertaken on the Corporate Risk Register in 2015/16 through a bench marking exercise with other local authorities and public sector organisations;
- the revisions to the Corporate Risk Register have had input from the Corporate Management Team and Directors; and
- a strategic risk profile approach has been used to identify current issues, emerging risks and opportunities.

The Risk Manager is now reviewing operational risk registers with service managers, with support from Performance Officers, to assess current and emerging risks which will inform the Strategic Risk Profile. He is also assessing whether Risk Registers should be provided to Cabinet and Council in addition to the Audit and Risk Committees, given that risk management can be used to help inform decision making and shaping strategy.

The Internal Audit Section has identified instances, through testing, where revisions to risk scores and listed controls were required and have also identified a small number of risks that are not being updated on a quarterly basis. Generally however we are of the opinion that the current process is working effectively.

Fraud

Midlothian Council has a number of controls in place to limit the risk of fraud and to highlight where fraud may have occurred. These include:

- a Counter Fraud and Corruption Policy and Strategy;
- a Whistle-blowing Policy and reporting system
- an Anti-money Laundering policy;
- segregation of duties;
- operational risk registers contain a 'Fraud, Waste, and Error' risk which managers are required to review on a quarterly basis; and
- Heads of Service are required to assess fraud risk annually as part of the Annual Governance process.

A new CIPFA code of practice on 'Managing the Risk of Fraud and Corruption' was published in October 2014 and areas of improvement are noted arising out of a self assessment against this new code. The

Counter Fraud and Corruption Policy and Strategy and the Whistle-blowing Policy are currently being updated and a separate Anti-bribery and Corruption Policy is being created (this is currently embedded in the Counter Fraud and Corruption Policy).

As part of the Action Plan being progressed by the Deter Sub-Group of the Serious Organised Crime Taskforce, SOLACE has agreed that all 32 Scottish Local Authorities should undertake a high level assessment of their readiness in relation to the risks posed by Serious Organised Crime and Corruption. An improvement plan for recording, managing, and addressing areas of potential risk exposure has been developed and an Integrity Board will be convened to take this forward.

Since October 2015, the Corporate Fraud team have undertaken reviews of council tax discounts and exemptions and have worked with Housing to identify tenancy fraud. In addition, a National Fraud Initiative flexible data match of the Electoral Register against Single Person Discount was undertaken and reviews of matches identified were carried out.

The levels of reported fraud / theft within the Council continue to remain relatively low although there have been a number of reported incidents in 2015/16. These include an alleged theft of fundraising monies, alleged thefts of a mobile telephone (£350), a laptop (£500) and a TV (£1000), and suspected thefts of fuel. Investigations have been undertaken or are underway and controls implemented to help reduce future such incidents.

2.9 Annual Governance Statement

The following issues from this report have been used within the annual Governance Statement. The need to:

- strengthen internal controls in a number of areas (including Developer Contributions and Business Gateway);
- update the existing Code of Corporate Governance following issue of the new International Framework of Good Governance in the Public Sector;
- review the current Counter Fraud Policy and Strategy, Whistle-blowing Policy and create a separate Anti-bribery and Corruption Policy to allow full compliance against the new CIPFA code of practice on “Managing the Risk of Fraud and Corruption”; and
- undertake a high level assessment of the Council’s readiness in relation to the risks posed by Serious Organised Crime and Corruption. An improvement plan for recording, managing, and addressing areas of potential risk exposure has been developed and an Integrity Board will be convened to take this forward.

2.10 Audit Committee Chair’s Report

Each year the Internal Audit Section assists the Chair of the Audit Committee in completing the Chair’s annual report to the Audit

Committee and assists with the assessment of the Audit Committee against the CIPFA Practical Guidance for Local Authorities.

3. Report Implications

3.1 Resource

There are no direct resource implications arising from this report.

3.2 Risk

In overall terms, our Internal Audit assignments, the risk management system, investigations, consultancy and help-desk advice provides a sufficient level of assurance over the governance, risk management and internal control compliance with the Financial Directives and key Council policies. However, the areas highlighted for improvement present residual risk which management are progressing.

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 Key Priorities within the Single Midlothian Plan

This report does not relate directly to the key priorities within the Single Midlothian Plan.

3.5 Impact on Performance and Outcomes

None.

3.6 Adopting a Preventative Approach

This report addresses the Council's policy to have a robust internal control environment, management of risk and effective governance.

3.7 Involving Communities and Other Stakeholders

This statement on the Council's Internal Control Environment is as a result of consultation with management during audit assignments, the Corporate Management Team and the Chief Executive.

3.8 Ensuring Equalities

We found no equalities issues to report on during the financial year. Internal Audit considers equalities issues as part of every audit assignment.

3.9 Supporting Sustainable Development

Internal Audit provides an independent assurance function which assists the sustainability of the Council's internal control environment, governance and management of risk. During the year, we have found no sustainability issues.

3.10 IT Issues

There are no IT issues with regard to this report.

4. Recommendations

The Audit Committee is invited to:

- (1) note the Annual Assurance Report; and
- (2) note that the weaknesses identified with internal controls in 2015/16 will be followed up in 2016/17 and updates will be provided to the Corporate Management Team and the Audit Committee.

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Appendices:

- Appendix 1 - Summary of work undertaken in 2015/16 and progress against the 2015/16 Internal Audit Plan
- Appendix 2 – Impact of Integrated Joint Board
- Appendix 3 – Changes to Audit Plan
- Appendix 4 - Definition of Internal Audit Assurance Categories
- Appendix 5 – Balanced Scorecard Measures

**SUMMARY OF WORK UNDERTAKEN IN 2015/16 AND PERFORMANCE
AGAINST THE INTERNAL AUDIT PLAN**

No	Audit Activity	Date reported to Audit Committee	Comment
1	A review of the Code of Corporate Governance	May 2016	An audit of a sample of controls listed in the Code of Corporate Governance was reviewed for operational effectiveness. Testing identified that the key elements were in place and operating effectively. Issues raised are recorded within the Internal Audit Manager's statement.
2	Annual Assurance Report	May 2016	A high level summary of the control environment of the Council by the Internal Audit Manager. The statement is also used to inform the Annual Governance Statement.
3	Review of the Internal Audit Charter	May 2016	The Charter is required to allow the Internal Audit Section to be compliant with the Public Sector Internal Audit Standards.
4	Internal Audit Recommendations follow up	June 2015	A follow up review was undertaken of a sample of previously raised recommendations made by Internal Audit. A sample of 40 recommendations recorded as 'completed' by management on the Covalent system were reviewed to confirm the adequacy of the actions taken. 36 were found to have been implemented satisfactorily, 4 were partially complete and none were found to be unsatisfactory.
5	Construction Industry Scheme	September 2015	The objective of the audit was to review the controls operating over the Construction Industry Scheme following an inspection by HM Revenue and Customs. Controls were generally found to be satisfactory with 3 minor issues raised.
6	Payroll	September 2015	The objective of the audit was to assess the adequacy of the control environment of the Council's payroll arrangements. The audit was rated as average and identified issues around segregation of duties, exception reporting and audit trails.
7	House Rents	December 2015	This audit reviewed the billing and charging of house rents. The audit was given a good rating with minor issues raised in relation to credit balances and rental performance of garage sites.
8	Commercial Rents	December 2015	This audit reviewed controls surrounding the renting of council owned commercial property. The audit was rated as average and identified improvements in the use of the application system, arrears control and tenant vetting.
9	National Fraud Initiative	December 2015	The purpose of this report was to update the Audit Committee on the completion of the National Fraud Initiative data matching exercises for 2014/15, and the outcomes of this exercise. The report identified £16,153 in overpaid benefits and discounts and 24 blue badges that were cancelled.

No	Audit Activity	Date reported to Audit Committee	Comment
10	Internal Audit Recommendation Performance Report	December 2015	A review of overdue recommendations was undertaken and this highlighted that 96% of recommendations raised were either 'complete' or 'on target to be completed' and 4% had gone passed their expected due date.
11	Developer Contributions	March 2016	This audit reviewed the controls operating over receipt and use of Developer Contributions. A number of weaknesses were identified in relation to monitoring the collection of contributions and matching these contributions to agreed infrastructures. The monitoring element of the review was given a weak rating while other control objectives were rated as either good or average.
12	Pre –school provision partnerships providers	March 2016	The objective of the audit was to review the adequacy of the processes and controls for the Council's arrangements with Pre-School Partnership Providers for three and four year olds. The audit was rated as average, with recommendations raised in relation to procedures, appropriate checks on commissioning, monitoring, and ensuring signed copies are available of all contracts.
13	Tendering of contracts	March 2016	The objective of the audit was to review the adequacy of Midlothian Council's process and controls over the tendering of supplier contracts and, for a sample of contracts, to review the level of compliance against the established processes. The Audit was rated as good, although some issues were raised in relation to segregations, retention of full audit trails, and improvements to the contract register database.
14	Business Transformation Follow up Review (see note 1)	Estimated for June 2016 Audit Committee Field work underway	To follow up on the recommendations made in the 2014/15 Business Transformation Internal Audit Review.
15	Welfare Reform	Estimated for June 2016 Audit Committee Planning underway	To review the processes and controls in place to deliver the new Universal Credit payments.
16	Internal Quality Assurance process over Care At Come Providers.	Estimated for June 2016 Audit Committee At reporting stage	To review the Council's quality control routines for the monitoring of care provision by third party providers.
17	A review of Self-Directed Support	Estimated for June 2016 Audit Committee At reporting stage	To provide assurance to senior management and the Audit Committee that the Council has adequate controls in place regarding the implementation of Self-Directed Support
18	Devolved School Budgets	Estimated for May 2016 Audit Committee At reporting stage	To review the control of budgets delegated to schools and the level of compliance against Scottish Government guides.
19	Petty Cash Follow up	Estimated for June 2016 Audit Committee At end of fieldwork stage	To follow up on the recommendations raised as part of the Petty Cash Audit review.
20	4 Consultancy	Estimated for May 2016	Where consultancy reviews highlight control

No	Audit Activity	Date reported to Audit Committee	Comment
	engagements have been undertaken in the year (Business Gateway, Expense Procedure Review, support for the Integrated Joint Board on Governance and support for a Freedom Of Information Request).	Audit Committee	issues these are reported to the Audit Committee.
21	Progress Report Against the Internal Audit Plan	December 2015	Noted progress and possible implications of Integrated Health and Social Care work on the plan.
22	Private Public Partnerships	Estimated for June 2016 Audit Committee Field work underway	A review of the current utilisation of buildings to ensure best value is being achieved.
23	Corporate Fraud	Estimated for May 2016 Audit Committee with inclusions in the Internal Audit Manager's report	Up until October 2015 the Corporate Fraud team were undertaking work on behalf of the Department of Work and Pensions in relation to benefit investigations. Since then they have reviewed and updated fraud related policies and procedures, undertaken reviews of council tax discounts and exemptions and have worked with Housing Services to identify tenancy fraud. They have also supported the Audit team with compliance based audit reviews.
24	Help Desk Facility	N/A	54 individual enquires were raised with Internal Audit over the year. The nature of the enquires vary considerably but have included: concerns raised by members of the public which were either managed by the Internal Audit team or were referred for resolution to the appropriate Council area; and the provision of advice on internal controls.
25	Self assessment against the public sector internal audit standards	Estimated for May 2016 Audit Committee	No material exceptions to the standards were noted through undertaking the assessment.
26	Co-ordinating the submission of Audit Scotland Reports to the Audit Committee.	Various dates	A total of 4 Audit Scotland Reports have been submitted to the Audit Committee over the period.

IMPACT OF THE INTEGRATED JOINT BOARD (IJB)

On 20 August 2015, the Internal Audit Manager of Midlothian Council was appointed as the Chief Auditor of the Integrated Joint Board. This necessitated the development of an Audit Plan, Service Level Agreement and the delivery of that plan for the Integrated Joint Board. No resource had been allocated for this responsibility in the 2015/16 plan other than delivery of the two Adult and Social Care Audits (and a 10 day support budget). The following were therefore additions to our agreed plan:

No	Audit Activity	Date reported to Audit Committee	Comment
1	Governance including Financial Assurance Process	Presented to March IJB Audit and Risk Committee	A further report will be required on financial assurance when the process is complete for 2016/17.
2	Financial Assurance over amounts delegated to the Integrated Joint Board by Midlothian Council.	Estimated for May 2016 Midlothian Council Audit Committee	Testing identified a high level of compliance against the Scottish Government Guidance.
3	Strategic plan	To be presented to June / July IJB Audit and Risk Committee	Terms of Reference issued and some high level work undertaken in relation to the financing of the strategic plan.
4	Manager's Annual Report	To be timed to support the Annual Governance Statement	Assessment of Code of Corporate Governance already undertaken.
5	Assessment against PSIAS / Assessment of Audit and Risk Committee	To be timed to support the Annual Governance Statement	

Internal Audit has also provided support in relation to the development of the IJB Financial Directives, Standing Orders and the Code of Corporate Governance.

PROPOSED CHANGES TO THE MIDLOTHIAN COUNCIL AUDIT PLAN FOR 2015/16

Because of the additional work (detailed above) and operational changes, the following amendments have been made to the Audit Plan approved by the Audit Committee in March 2015:

No	Audit	Change
1	Business Contingency and Civil Contingencies	<p>The 2015/16 Internal Audit plan contained a review of Business Continuity and Civil Contingencies. The Risk Manager (who manages the section) has advised that (as from 1 April 2016) this section merged with East Lothian Council. As part of this process, the practices of East and Midlothian will be reviewed and the best practices from each will be used going forward. It is considered therefore that this is not the best time to undertake a review of this area.</p> <p>We have however identified from the Heads of Service Questionnaires, sent out as part of the preparation for the 2015/16 Annual Governance Statement, that a number of concerns have been raised in this area (for example, failure of IT systems as all information is now held electronically). We have therefore noted this as an action in the Annual Governance Statement and will monitor progress in the resolution of these issues.</p>
2	Stores	There was an initial request from Management to delay this Audit and it is now to be included within the 2016/17 Internal Audit Plan.
3	Financial Strategy / Business Transformation follow up	This has been restricted to a follow-up review only. However an audit of the Delivering Excellence model is included in the 2016/17 Audit Plan.
4	Purchasing Cards / Petty Cash	This review was restricted to following up the recommendations raised in the 2014/15 Audit as the purchasing cards were not sufficiently rolled out at the time of the review.

DEFINITION OF INTERNAL AUDIT ASSURANCE CATEGORIES

Level of Control	Reason for the level of Assurance given
Excellent	The control framework is of a high standard with no unacceptable risks identified.
Good	The control framework is of a good standard with only minor elements of risk identified which are either accepted or being dealt with by management.
Average	The overall control framework is of an average standard. Some weaknesses have been identified in the controls and improvements are possible.
Weak	The control framework is weak and requires improvement as significant issues exist with the adequacy and effectiveness of the Internal Control arrangements. These control deficiencies could result in delivery of poor service or disruption to service to the residents of Midlothian, financial loss or reputational damage to the Council.
Poor	The control framework is inadequate or ineffective and the issues identified require immediate attention to prevent the delivery of poor service or disruption to service to the residents of Midlothian, financial loss or reputational damage to the Council.

Summary of Balanced Scorecard Measures

Target / Measure	Performance
To hold at least quarterly one to one meetings with the Chair of the Audit Committee	6 meetings held. Met.
To hold at least quarterly one to one meetings with the Chief Executive	15 meetings held. Met.
To Audit all Corporate Risks on a three year cycle	<p>The following corporate risks have been subject to review in 2015/16:</p> <ul style="list-style-type: none"> • People risk (included in Transformation follow up review). • Governance and Standards in Public Life (included in review of Code of Corporate Governance) • Internal control environment (covered in all internal audit reviews). • Balancing budgets (audit on Transformation). • Corporate change and transition (Included in Transformation follow up review). • Legal and regulatory (Early Years and compliance with Scottish Guide on Devolved School Budgets). • Corporate policies and strategies (included in all audits). • Emergency Planning and Business Continuity (included in all audit reviews). • Welfare Reform (audit on 2015/16 plan). <p>Asset condition has been included on the 2016/17 plan.</p> <p>The inability to meet demand for alternative accommodation was not audited, but this was removed as a corporate risk in 2015/16.</p> <p>Met.</p>
The follow up of recommendations. Two reports per year and specific follow up reviews.	Met.
Adoption of PSIAS	<p>Self assessments show a good level of overall compliance. This will be subject to external scrutiny in 2016/17.</p> <p>Met.</p>
Percentage of qualified staff	<p>All internal auditors hold a relevant professional qualification with one member of the team awaiting final confirmation of acceptance as a member of ACCA.</p> <p>The two fraud officers hold accredited fraud qualifications.</p> <p>Met</p>
Training provided to Internal Audit Staff	Budget available / training needs identified as part of development plans / training logs

Target / Measure	Performance
	maintained. Met.
Satisfaction rates from client surveys	This has been subject to a pilot in 2015/16. For the surveys returned to date the audits have been rated as good or excellent. This is an area that will however be further developed in 2016/17.
Involvement of Internal Auditors in major change initiatives	Transformation reviews and new legislation reviewed as part of current audit plan. Met.
Compliance with Internal Audit strategy	Audit strategy is to review corporate risks, key processes and systems, and to have time set aside for investigations and consultancy. This approach has been followed in 2015/16. Met.