ACCOUNTS COMMISSION

Section 102 report: Comhairle nan Eilean Siar

Item 5

Meeting date:
6 November 2025

Controller of Audit

Purpose

1. This paper introduces the Controller of Audit report on the 'Cyber-attack affecting operations and services' at Comhairle nan Eilean Siar, produced following the 2023/24 audit of the council. The paper also provides background and procedural information to assist the Commission in its consideration of the report.

Recommendations

2. The Commission is invited to:

- Consider the Controller of Audit report
- Approve the proposed publication arrangements
- Decide how it wishes to proceed.

Background

3. The 2023/24 Annual Audit Report (AAR) for Comhairle nan Eilean Siar (the Comhairle) was considered by the Comhairle's Audit and Scrutiny Committee on 25 September 2025 and is publicly available. A disclaimer of opinion was issued over the annual accounts. This was a consequence of the November 2023 cyber-attack, which left key elements of the Comhairle's accounting records inaccessible and meant sufficient appropriate evidence could not be obtained.

4. The auditor highlighted the significant and immediate impact of the cyber-attack in the AAR, noting that finance systems were particularly affected. In some cases, systems had to be completely rebuilt due to inaccessible backups. The recovery effort required substantial resources and placed sustained pressure on staff over an extended period.

5. I have decided to use the reporting powers available to me under section 102(1) of the Local Government (Scotland) Act 1973 to bring these matters to the attention of the Accounts Commission.

6. The AAR provides a full background on the cyber-attack, the impact of the cyber-attack on the wider scope audit areas and draws on the findings of subsequent internal audit reviews.

The Controller of Audit report

7. This report is made by the Controller of Audit to the Accounts Commission under section 102(1) of the Local Government (Scotland) Act 1973 (as amended by subsequent legislation including the Local Government in Scotland Act 2003).

8. The legislation enables the Controller of Audit to make reports to the Commission with respect to:

- the accounts of local authorities audited under the Act;
- any matters arising from the accounts of any of those authorities or from the auditing of those accounts being matters that the Controller considers should be considered by the local authority or brought to the attention of the public; and
- the performance by a local authority of their statutory duties in relation to best value and community planning.

9. The Controller of Audit report was sent to Comhairle nan Eilean Siar on 29 October 2025, the same date it was issued to the Commission. The Comhairle has been advised that it is obliged to supply a copy of the report to each member of the Comhairle and to make additional copies available for public inspection. The Comhairle will also forward copies of the report to the former senior officials concerned. Once the Controller of Audit's report is sent to the Comhairle it is effectively in the public domain.

Procedure

10. The Commission will note that this report is made under the same legislation as the recent reports on best value. The process outlined below is therefore the same.

11. The legislation provides that, on receipt of a Controller of Audit report, the Commission may do (in any order) all, any or none of the following:

- direct the Controller of Audit to carry out further investigations
- hold a hearing
- state its findings.

12. Findings may include recommendations and the persons to whom those recommendations may be made include Scottish Ministers, who have powers to make an enforcement direction requiring an authority to take such action as is specified in the direction.

13. Members of the audit team will be present at the Commission meeting and will be available to answer questions on the evidence and judgements presented in the statutory report. This is done in the public part of the Commission meeting.

14. The Commission will then decide in private how it wishes to proceed. The Commission is obliged to inform the Comhairle of this decision shortly after the Commission meeting – this is done on its behalf by the Director for the Commission – before making its decision public.

15. The Comhairle is required by statute to do the following:

- consider any findings of the Commission within three months of receiving them
- publish in a newspaper circulating in the local area a notice stating the time and place of the meeting, indicating that it is to consider the findings of the Commission and describing the nature of those findings (at least seven clear days before the meeting)
- after the Comhairle has met, notify the Commission of any decisions made, and publish in a newspaper circulating in the local area a notice containing a summary, approved by the Commission, of the council's decision.

16. The Commission asks the Comhairle for a meeting, preferably in the period between the Commission publishing its report and full council considering it, to do the following:

- discuss what the Comhairle thinks of the Commission's decision and its findings (if applicable), and what the council will do in response to the Commission's report
- confirm any next steps, and review the audit process.

Publication arrangements

17. The report is due to be published on 27 November 2025, with the previous day being held for any media interviews. Publication of the report will be accompanied by the usual news release and media activity. It is anticipated that the Chair will front the media for this report.

Conclusion

18. The Commission is invited to:

- Consider the Controller of Audit report
- Approve the proposed publication arrangements
- Decide how it wishes to proceed.