



Comhairle nan Eilean Siar

External Audit Annual Report
2012/13 to the Comhairle and the
Controller of Audit

September 2013



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Executive Summary

Financial statements

We are pleased to report that our independent auditor's report contains an unqualified audit opinion on the financial statements for the year ended 31 March 2013. We certified that the financial statements have been properly prepared in accordance with applicable law, accounting standards and other reporting requirements.

The financial statements and supporting schedules prepared by the Comhairle were of a good standard. Our thanks go out to all management and staff at the Comhairle for their co-operation and assistance during our audit.

Use of resources

The overall level of cash backed reserves held by the Comhairle increased by £4.405 million compared to the previous year and totalled £24.969 million. This movement was largely attributable to an increase in the general fund. The general fund balance brought forward at 1 April 2012 of £18.175 million increased to a cumulative net surplus of £22.764 million at 31 March 2013.

Actual capital expenditure for 2012/13 was £31.618 million of which £15.123 million related to the Western Isles Schools Project (WISP). This outturn represents 86% of the programme approved in December 2012. The majority of slippage related to transportation projects which have been carried forward into the 2013/14 capital programme. In March 2013 the Comhairle agreed a new capital programme for 2013-18. The programme forecasts £81.248 million capital expenditure over the next five years.

The Comhairle reports that the WISP remains on schedule and on budget. The project has delivered six new schools and is now substantially complete. The final two schools: the Nicolson Institute and Daliburgh School became operational during 2012/13. Some further works remain outstanding with the playing fields at the Nicolson Institute and Daliburgh being scheduled for completion in 2014. From 1 April 2013, the responsibility for the supervision and management of the WISP contracts transferred from Sgoiltean Ùra LLP (a subsidiary of the Comhairle) to the Contracts Management Committee, a sub-committee of the Policy and Resources Committee.

In June 2012 the Policy and Resources Committee considered a strategy for setting the Comhairle's budget for 2013/14 and 2014/15. 2012/13 was the first of a three year settlement from the Scottish Government and in 2012 the Comhairle agreed to develop a three year strategy that would run until 2015. The Comhairle forecast that £5.4 million of savings will be needed over the next two years (commencing 2013/14).

Performance

The Comhairle continues to embed a performance management culture. The Comhairle's Corporate Strategy 2012-17 sets out the strategic direction for the Comhairle and is closely aligned to the Outer Hebrides Single Outcome Agreement (SOA). Service business plans are aligned to the Corporate Strategy and progress against these are reported on a quarterly basis to Service Committees and the Policy and Resources Committee. Services are encouraged to monitor business plans on Interplan, the Comhairle's performance management system. In 2012/13, the Comhairle was on target against 71% of its indicators.

In June 2013 Audit Scotland reported on how well councils had fulfilled their duties of public performance reporting (PPRg) during 2011/12. The Comhairle only met full reporting requirements in two of the prescribed categories. It partially met requirements in ten categories and did not meet requirements in the remaining sixteen categories. Given the results of Audit Scotland's review we would encourage the Comhairle to review its PPRg arrangements.

The Comhairle has developed a corporate improvement action plan to address the issues raised in the Accounts Commission's follow-up report on best value and community planning (published December 2012). Progress against the action plan is overseen by the Comhairle's Corporate Improvement Members and Officers Working Group (MOWG) and is reported to both the Policy and Resources Committee and the Audit and Scrutiny Committee. At the most recent Audit and Scrutiny Committee it was noted that most of the work in the original action plan is now complete. The MOWG now intends to refocus its work on developing improvement actions under the five key areas for improvement (performance management, continuous improvement/self-evaluation, pace of change/change management, partnership arrangements and customer satisfaction).

Governance

Our work on corporate governance focussed on reviewing the Comhairle's arrangements to ensure effective systems are in place for internal control, prevention and detection of fraud and irregularity and standards of conduct. We are pleased to report that, in our opinion, the governance arrangements at the Comhairle are appropriate and in line with our expectation.

Conclusion

This report concludes our audit of Comhairle nan Eilean Siar for 2012/13. We have performed our audit in accordance with the Code of Audit Practice published by Audit Scotland, International Standards on Auditing (UK and Ireland) and Ethical Standards. This report has been discussed and agreed with the Director of Finance and Corporate Resources and members of the Comhairle's management team. We would like to thank all management and staff at the Comhairle for their co-operation and assistance during our audit.

Scott-Moncrieff

September 2013

Introduction

1. This report summarises the findings from our 2012/13 audit of Comhairle nan Eilean Siar (the Comhairle). The scope of the audit was set out in our External Audit Annual Plan, which was presented to the Audit and Scrutiny Committee at the outset of our audit.
2. The main elements of our work in 2012/13 have been:
 - Participating in, and providing evidence and intelligence for, the shared risk assessment (SRA) process;
 - An audit of the financial statements, including a review of the annual governance statement;
 - A review of governance arrangements, internal controls and financial systems;
 - An appraisal of the arrangements for the collection and publication of statutory performance information in accordance with the Accounts Commission direction;
 - An assessment of the Comhairle's response to Audit Scotland's national study reports; and
 - Provision of an opinion on a number of grant claims and returns.

The key issues arising from our work are summarised in this annual report.

3. This report is addressed to both Comhairle nan Eilean Siar and the Controller of Audit and will be published on Audit Scotland's website, www.audit-scotland.gov.uk.

Financial Statements

Introduction

4. The annual financial statements are the principal means of accounting for the stewardship of the resources made available to the Comhairle. In this section we summarise the issues arising from our audit of the 2012/13 financial statements.

Overall conclusion

5. Our independent auditor's report is included on pages 71 and 72 of the Annual Accounts and is addressed to members of Comhairle nan Eilean Siar and the Accounts Commission for Scotland. The report was issued on 26 September 2013 and is unqualified. We certified that the financial statements have been properly prepared in accordance with applicable law, accounting standards and other reporting requirements.
6. The information given in the Foreword is consistent with the financial statements. In addition, the part of the Remuneration Report to be audited has been properly prepared in accordance with the Local Authority Accounts (Scotland) Regulations 1985.
7. We are also satisfied that the Governance Statement complies with *Delivering Good Governance in Local Government*.
8. Comhairle nan Eilean Siar is required under Regulation 4 of the Local Authority Accounts (Scotland) Regulations 1985 to submit a copy of an abstract of their accounts to the Controller of Audit by 30 June. We can confirm that the Comhairle's unaudited financial statements were submitted to the Controller of Audit by this deadline.
9. We are pleased to report that the financial statements and supporting schedules prepared by the Comhairle were of a good standard. We would like to thank all management and staff at the Comhairle for their co-operation and assistance during our audit.

Format of the Accounts

10. The financial statements should be prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 (the Code). The Code specifies the principles and practices of accounting required to prepare a statement of accounts which give a true and fair view of the financial position and transactions of a local authority and to prepare group financial statements where there are material interests in subsidiaries, associates, or joint ventures.
11. As part of our 2012/13 audit we considered the arrangements the Comhairle had in place to ensure compliance with the requirements of the Code. Overall we concluded that the Comhairle has complied with those requirements.

Responsibility for the statement of accounts

12. It is the responsibility of the Comhairle and the Director of Finance and Corporate Resources to prepare the financial statements in accordance with the proper practices as set out in the 2012/13 Code. This means:
- Preparing financial statements which give a true and fair view of the financial position of the Comhairle and its income and expenditure for the year then ended;
 - Maintaining proper accounting records which are up to date; and
 - Taking steps for the prevention and detection of fraud and other irregularities.

Auditor responsibilities

13. We audit the financial statements and give an opinion on:
- Whether they give a true and fair view, in accordance with applicable law and the 2012/13 Code, of the state of affairs of the group and of the Comhairle and of the income and expenditure of the group and the Comhairle for the year then ended;
 - Whether they have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union, as interpreted and adapted by the 2012/13 Code;
 - Whether they have been properly prepared in accordance with the requirements of the Local Government (Scotland) Act 1973 and the Local Government in Scotland Act 2003;
 - Whether the part of the Remuneration Report to be audited has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 1985; and
 - Whether the information given in the Foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.
14. We are also required to report by exception on certain matters including, for example, if the annual governance statement does not comply with *Delivering Good Governance in Local Government* or there has been a failure to achieve a prescribed financial objective.

Independence

15. International Standards on Auditing (UK & Ireland) 260, "*communication with those charged with governance*" requires us to communicate on a timely basis all facts and matters that may have a bearing on our independence. We can confirm that we have complied with the Auditing Practices Board's (APB) Ethical Standard 1 – Integrity, Objectivity and Independence. In our professional judgement the audit process has been independent and our objectivity has not been compromised.

Legality

16. We have planned and performed our audit recognising that non-compliance with statute or regulations may materially impact on the financial statements. Our audit procedures included the following:
- Reviewing minutes of relevant meetings;
 - Enquiring of senior management and the Comhairle's solicitors the position in relation to litigation, claims and assessments; and
 - Performing detailed testing of transactions and balances.

17. We are pleased to report that we did not identify any instances of concern with regard to the legality of transactions or events.

Internal audit

18. Internal audit is a key component of the Comhairle's corporate governance arrangements. At Comhairle nan Eilean Siar, the internal audit service is provided by an in-house team.
19. In accordance with International Standards on Auditing 610 – *Considering the work of internal audit*, “the external auditor should perform an assessment of the internal audit function when internal auditing is relevant to the external auditor's risk assessment.” During the year we have carried out a review of the internal audit function. In carrying out our review we have assessed the internal audit function against the standards within the Code of Practice for Internal Audit in Local Government in the United Kingdom (the 2006 Code). This review was informed by a self-assessment carried out by the Chief Internal Auditor in the year.
20. Overall we concluded that the Comhairle's internal audit section is fully compliant with the Code's requirements and is a service which we can place reliance on. To avoid duplication of effort and to ensure an efficient audit process we have made use of internal audit work where appropriate. We are grateful to the internal audit team for their assistance during the course of our audit work.

Key areas of audit focus and significant findings

21. We are required by international standards on auditing to report to the Comhairle the main issues arising from our audit of the financial statements. The most significant issues are noted below.

Western Isles Schools Project

22. The Western Isles Schools Project (WISP) has been funded through a combination of capital grant and prudential borrowing and is the largest capital project ever undertaken by the Comhairle. The project has delivered six new schools and is now substantially complete. The final two schools: the Nicolson Institute and Daliburgh School became operational during 2012/13. Some further works remain outstanding with the playing fields at the Nicolson Institute and Daliburgh. These are scheduled for completion by April 2014.
23. During the construction phase the WISP has been managed by Sgoiltean Ùra LLP, a wholly owned subsidiary of the Comhairle. Lifecycle maintenance and facilities management for the WISP schools has been contracted to FES FM Ltd.
24. In September 2012 the Comhairle decided to move responsibility for the supervision and management of the WISP contracts from Sgoiltean Ùra LLP to the Contracts Management Committee, a sub-committee of the Policy and Resources Committee. The shift in responsibilities commenced from 1 April 2013. An earmarked balance has been created to meet lifecycle maintenance costs and the £2.039 million loan given by the Comhairle to Sgoiltean Ùra LLP has been written off.
25. The Comhairle reports that the WISP remains on schedule and on budget. Capital expenditure of £15.123 million was recognised in 2012/13 on the project with capital grants being received of £3.968 million.

26. Internal Audit has reviewed the WISP during 2012/13 to obtain assurance that the Comhairle's arrangements were appropriate and operating as expected. Their review raised 22 recommendations, of which five were deemed to be critical. These included ensuring that:

- Increased costs associated with energy and rates can be funded out of existing budgets and that the unitary charge and lifecycle costings have been finalised.
- The Comhairle is not exposed to risk of loss as a result of one of the partners within the joint venture partnership going into administration and that the relevant bonds and security documents are in place.
- All outstanding problems with regard to energy issues be brought to an early conclusion.
- The buildings will operate efficiently in line with the finalised Energy Management Action Plan.

A detailed action plan has been agreed with management to address these areas.

Property Plant & Equipment

27. The Code requires all classes of assets (with the exception of infrastructure, community assets or assets under construction) to be measured at fair value¹. Where assets are held at fair value, they should be revalued at intervals of no more than five years. Valuations may be carried out on a rolling basis or once every five years. The Comhairle has adopted a five year rolling valuation programme for its land and buildings. During our testing we identified one asset that had not been subject to valuation in the last five years. The asset is due to be revalued in 2013/14.

Action Plan Point 1

Police and Fire reform

28. The Police and Fire Reform (Scotland) Act 2012 transferred responsibility for the provision of police and fire functions from Local Authorities to the newly formed Scottish Police Authority (SPA) and Scottish Fire and Rescue Service (SFRS) from 1 April 2013. Police and fire joint boards were wound up at 31 March 2013.

29. The Scottish Government has issued a finance circular on police and fire reform. The guidance details the accounting treatment over the distribution of reserves from the police and fire joint boards back to the constituent authorities.

30. The accumulated usable reserves of the Northern Joint Police Board and the Highland and Islands Fire Board are to be returned to the Scottish Government and the constituent authorities (including the Comhairle). The allocation of these reserves is based on the percentage requisition paid by the constituent authority. Accumulated revenue reserves from the Northern Joint Police Board amounted to £3.112 million of which £1.525 million (49%) was allocated to constituent authorities. The Comhairle received £0.116 million (9.5%) from the Northern Joint Police Board. All capital reserves were allocated to capital commitments. During 2012/13, the Highland and Islands Fire Board reported a deficit which was funded by a transfer from reserves. This resulted in total usable reserves of £0.045 million at year end. The Comhairle received its share of £0.005 million (10.4%). Highland Council retained all balances due to the Scottish Government.

¹ Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arms-length transaction. Fair value is interpreted as the amount that would be paid for the asset in its existing use.

Lews Castle

31. During 2012/13 the Comhairle, following a competitive tendering process, entered into a £2 million contract with David Patton & Sons (NI) Limited ("Patton") to carry out repair work on Lews Castle. In accordance with the letter of appointment Patton provided a performance bond for 10% of the contract price.
32. In November 2012 Patton went into administration after completing approximately half of the planned works. This entitled the Comhairle to claim against the bond but also resulted in the administrator seeking to recover funds in relation to works completed. The issuer of the performance bond, Northern Bank, was also one of Patton's major creditors. Both Northern Bank and the Comhairle were in a position to claim funds from each other, the bank for the completed works and the Comhairle for the bond.
33. An agreement was subsequently reached which resulted in the novation of the contract to Neil Mackay & Co Limited (the principal sub-contractor). This was done on the basis that the administrator would not claim for payment of the works and the Comhairle would make no claim on the bond. The result is that the contract works are going ahead as initially intended but with a change of contractor. There is no outstanding legal negotiations which would require disclosure in the financial statements.

Revenue recognition

34. International Standards on Auditing 240: *the Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements* (ISA 240) specifies that material misstatements due to fraudulent financial reporting often result from the misstatement of revenues. Therefore, there is a presumed risk of fraud in revenue recognition. As auditor, we are required to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error.
35. During our audit, we considered which types of revenue, revenue transaction or assertions may give rise to the risk of material misstatement due to fraud. Our assessment was informed through testing of the design, implementation and operating effectiveness of relevant control procedures during the year, as well as focussed substantive testing over revenue sources. Satisfactory assurance has been gained in respect of the completeness and occurrence of revenue transactions in the year.

Management override

36. Management is in a unique position to perpetrate fraud because of management's ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Although the level of risk of management override of controls will vary from entity to entity, the risk is nevertheless present in all entities.
37. We have reviewed the accounting records for significant transactions outside the normal course of business and have obtained, where applicable, supporting evidence to ensure that such transactions (if any) are valid and accounted for correctly. Overall we identified no evidence of management manipulation of accounting records.

Audit adjustments and unadjusted items

38. We identified no major errors or weaknesses during our audit. Adjustments to the financial statements arising from the audit related mainly to changes in disclosure and presentation and have been agreed with the Director of Finance and Corporate Resources.
39. We have identified a number of potential adjustments which are not considered material to the financial statements, either individually or in aggregate. These have been reported to the Director of Finance and Corporate Resources and are included as an appendix to the letter of representation.

Management representations

40. We have requested that a signed representation letter, covering a number of issues, be presented to us at the date of signing the financial statements.

Qualitative aspects of accounting practices and financial reporting

41. During the course of our audit, we considered the qualitative aspect of the financial reporting process, including items that have a significant impact on the relevance, reliability, comparability, understandability and materiality of the information provided by the financial statements. The following observations have been made:

Qualitative aspect considered	Audit conclusion
The appropriateness of the accounting policies used.	We have reviewed the significant accounting policies, which are disclosed in the financial statements, and we consider these to be appropriate to the Comhairle.
The timing of the transactions and the period in which they are recorded.	We did not identify any significant transactions where we had concerns over the timing or the period in which they were recognised.
The appropriateness of the accounting estimates and judgements used.	Significant accounting estimates or judgements have been disclosed in the financial statements. We consider these to be appropriate to the Comhairle.
The potential effect on the financial statements of any uncertainties, including significant risks and disclosures such as pending litigation that are required to be disclosed in the financial statements.	There are no uncertainties, including any significant risk or required disclosures that should be included in the financial statements.
The extent to which the financial statements have been affected by unusual transactions during the period and the extent that these transactions are separately disclosed in the financial statements.	From our testing performed, we identified no unusual transactions in the period.

Qualitative aspect considered	Audit conclusion
<p>Apparent misstatements in the Foreword or material inconsistencies with the financial statements.</p>	<p>There has been no misstatement or material inconsistency with the financial statements included in the Foreword by the Director of Finance and Corporate Resources.</p>
<p>Any significant financial statement disclosures to bring to your attention.</p>	<p>There is no significant financial statement disclosures that we consider should be brought to your attention. All disclosures made are required by relevant legislation and applicable accounting standards.</p>
<p>Disagreement over any accounting treatment or financial statement disclosure.</p>	<p>There was no disagreement during the course of the audit over any accounting treatment or disclosure.</p>
<p>Difficulties encountered in the audit.</p>	<p>There were no difficulties encountered in the audit.</p>

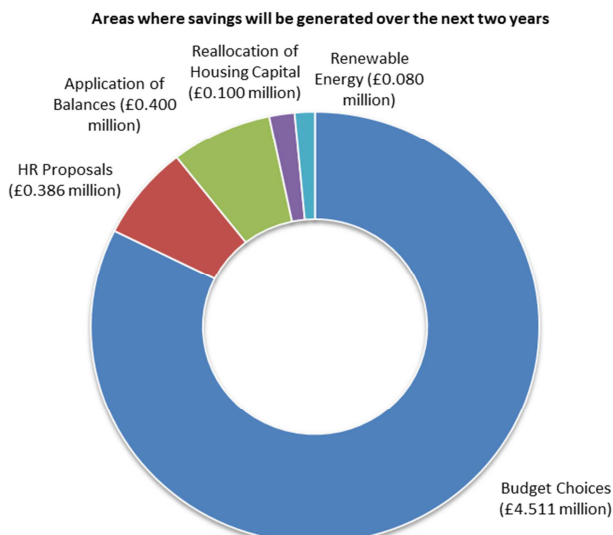
Use of Resources

The Comhairle's financial performance in 2012/13

42. The overall level of cash backed reserves held by the Comhairle increased by £4.405 million compared to the previous year and totalled £24.969 million. This movement was largely attributable to an increase in the general fund. The general fund balance brought forward at 1 April 2012 of £18.175 million increased to a cumulative net surplus of £22.764 million at 31 March 2013.

Source: Comhairle nan Eilean Siar Annual Accounts 2012/13	2012/13 £million	2011/12 £million	Movement £million
General Fund	22.764	18.175	4.589
Capital Fund	1.181	1.306	(0.125)
Capital Grants Unapplied Account	0.124	0.266	(0.142)
Capital Receipts	0.900	0.817	0.083
TOTAL	24.969	20.564	4.405

43. Of the £22.764 million general fund balance, £18.359 million has been earmarked for specific purposes. This represents 81% of the general fund balance (in 2011/12, earmarked balances represented 78% of the general fund balance). The level of earmarked reserves has increased by 30% (£4.263 million) in comparison with the previous year. Earmarked balances include £6.7 million in respect of the Western Isles Schools Project (£4.6 million in 2011/12) and £2 million in respect of budget commitments (£nil in 2011/12). In November 2012, the Comhairle agreed in principle to use £2 million of uncommitted balances, over the current term of the Comhairle, to contribute £0.4 million per year to the savings required.
44. The unallocated general fund balance of £4.405 million is above the £3 million approved reserve level. The Comhairle has yet to decide how this additional resource will be used.
45. The general fund surplus of £4.589 million compares favourably to a budgeted surplus of £3,000. The surplus was achieved due to additional income received, including £1.103 million in relation to BCCI, underspends on service budgets and one-off savings.



Future financial projections

46. In June 2012, the Policy and Resources Committee considered a strategy for setting the Comhairle's budget for 2013/14 and 2014/15. 2012/13 was the first of a three year settlement from the Scottish Government and the Comhairle agreed to develop a three year strategy that would run until 2015. The Comhairle forecast that £6.155 million in savings would need to be identified over the next two years (commencing 2013/14). The Comhairle's agreed strategy was to look at the following four areas to identify these savings;

human resources, asset management, joint working and budget choices. In practice asset management has formed the basis of a number of the budget choices.

47. Following the 2013/14 budget setting process the Comhairle has been able to reduce the required savings to £5.4 million, of which £4.5 million is to be met from budget choices. The Comhairle carried out a consultation exercise on budget choices for 2013/14 and 2014/15.

Capital performance

48. Actual capital expenditure for 2012/13 was £31.618 million, of which £15.123 million related to the Western Isles Schools Project (WISP). This outturn represents 86% of the programme approved in December 2012. The majority of slippage related to transportation projects which have been carried forward into the 2013/14 programme.
49. 2012/13 was the final year in the Comhairle's five year Capital Programme (excluding the WISP and local housing projects). Over the five years total capital expenditure amounted to £77.4 million, which was spread evenly across the five years as shown below:

Total capital expenditure over the 2008-13 capital plan

	2008/09 £m	2009/10 £m	2010/11 £m	2011/2 £m	2012/13 £m	Total £m
Total capital expenditure	15.430	14.699	15.293	16.199	15.780	77.401

(Source: Comhairle nan Eilean Siar General Fund Capital Outturn 2012/13 report, June 2013)

50. In June 2012 the Comhairle agreed that when the 2008-13 capital programme ended only the projects which had been formally committed at that date would be continued. This included the Harris Care Development, Lews Castle development, and Transportation Schemes. £38.748 million in capital expenditure is to be carried forward into the new programme.
51. In March 2013 the Comhairle agreed its capital programme for the five year period 2013-18. The Comhairle forecast capital spend of £81.248 million over the next five years (this includes the carry forward from 2012/13).

Asset management

52. The Comhairle approved its Corporate Asset Management Plan during 2012/13. The Plan aims to ensure that the Comhairle makes efficient and effective use of its assets. The Plan outlines an asset management framework to drive the development and delivery of sectorial asset management plans. The Plan also includes the Comhairle's principles for corporate performance reporting and investment prioritisation.
53. To support the delivery of the Plan the Comhairle has created an Assets and Infrastructure Section within its Technical Services Department. This section is responsible for asset management, property maintenance and roads maintenance. In addition, an Asset Management Senior Officer Group, chaired by the Chief Executive, meets quarterly to agree corporate decisions on property related matters.
54. In July 2013, internal audit carried out a review of the Comhairle's asset management arrangements. Internal audit found that the Corporate Asset Management Plan needs to be aligned with the key

strategies of the Comhairle. The Comhairle currently maintain information on their assets either on spread sheets or the CIPFA Asset Management system which supports information on condition surveys and backlog maintenance. The Comhairle must now decide how to make best use of this information and how it should direct resources accordingly.

55. Internal audit made a number of recommendations to support the development of the Comhairle's asset management arrangements. These include developing performance indicators and outcome targets, and sharing assets with other organisations and community based service users. Internal audit also recommended that elected members should undertake regular reviews of asset performance against the good practice checklist contained within the Corporate Asset Management Plan.

Workforce management

56. Departments are required to effectively plan for workforce change and ensure that employees are prepared for these changes and have been given appropriate training. The Comhairle has worked with trade union representatives to develop quality assurance measures. These measures were completed in February 2013 and will be used to monitor and assess how departments prepare for change. In addition, departments were required to develop their workforce development arrangements. These were to set out the changes required in workforce and the roles of each employee. The plans were to be completed by August 2013; however this work was overtaken by a project to revise the HR and payroll arrangements of the Comhairle. A revised date for the departmental workforce plans has not been set.
57. In December 2012 the Human Resources Sub-Committee agreed to the establishment of the post of Human Resources Advisor. The post holder will support management in implementing the agreed policies and procedures of the Comhairle.
58. Succession planning is a key risk area for the Comhairle. The Comhairle should review its succession planning arrangements to ensure that it is effectively planning for future generations of its workforce. Succession plans must enable staff to take steps up to promoted positions and ensure that the Comhairle can "grow its own" leadership and management teams of the future. Island Councils have traditionally had difficulties in recruiting staff to senior posts and effective succession planning arrangements should mitigate this risk. Effective succession planning must be linked to the Comhairle's structure, what staffing levels are needed for the future and anticipated skill sets. The Comhairle's succession planning arrangements should cover the whole organisation. Succession planning should develop middle managers for potential progression to senior manager roles and also develop staff to middle manager roles. All staff levels should be covered by a succession strategy.

Action Plan Point 2

Looking forward

Judicial review

59. The Comhairle has won a judicial review for the closure of four schools following a challenge initiated by the Scottish Government. All four schools were due to close in 2012 however due to an appeal by the Scottish Government the closure of the schools was deferred. For one school the Comhairle has changed its decision and agreed to retain it.
60. An evidential hearing was held at the end of April 2013 to determine the next stage in the process. The Opinion of the Inner House was issued on 31 May 2013 which confirmed that the processes and procedures carried out by the Comhairle in respect of the proposals for the schools closure were correct

in law. The Scottish Government has since indicated that it does not intend to issue any further appeals. The Comhairle has now proceeded with its original plan to close two schools and discontinue S1 and S2 education in the third school from June 2013.

Welfare reform

61. The UK government's Welfare Reform Act received Royal Assent on 8 March 2012. This is the biggest reform of the UK welfare system for 60 years and promises to change the lives of millions of households by creating a new Universal Credit for working age claimants. The government aims to deliver savings of £28 billion through welfare reform by 2015/16.
62. The provisions in the Act result in a number of significant changes for how local authorities deliver services. Universal Credit will end the devolved administration of housing benefit. From April 2013, council tax benefit was replaced by a Scottish council tax reduction scheme. There will be a shift in terms of the delivery of services such as the Social Fund, community care grants, and benefit fraud investigations. Going forward, the role councils will play in the delivery of welfare reforms is not yet clear although there is an expectation that they will provide some face to face support to benefit claimants.
63. In March 2013 The Scottish Local Government Forum Against Poverty published its report 'An assessment of the impact of proposed changes to the UK Benefits System on people, councils and the economy in Scotland'. The report gives an indication of the economic impact of the welfare reform and benefit cuts on the people of Scotland. The estimated loss of income 2010-2015 to the Outer Hebrides is over £8.5 million.
64. A Welfare Reform and Poverty Officers group has been established and is working to raise awareness of the reforms amongst agencies and those affected by the reforms. The group comprises representatives from the Comhairle, Department for Work and Pensions, Hebridean Housing Partnership, NHS Western Isles and the third sector.

Our Islands: Our Future

65. Scotland's three Islands Councils have laid out their vision for a stronger future following the Independence Referendum of 2014. They are calling for a commitment that whatever the outcome, the needs and status of island areas are clearly recognised in the new era for Scotland. The Islands Councils are working together to identify shared opportunities and challenges and have produced a joint mission statement setting out their intention to engage and negotiate with political leaders and decision makers on either side of the independence debate. They are seeking additional powers and resources to give them a greater ability to shape the destinies of Orkney, Shetland and the Western Isles.

Performance

Performance management framework

66. The Comhairle continues to embed a performance management culture. The Comhairle's Corporate Strategy 2012-17 sets out the strategic direction for the Comhairle and is closely aligned to the Outer Hebrides Single Outcome Agreement (SOA). Service business plans are aligned to the Corporate Strategy and progress against these are reported on a quarterly basis to Service Committees and the Policy and Resources Committee. Services are encouraged to monitor business plans on Interplan, the Comhairle's performance management system.
67. The Comhairle has developed a 'departmental performance framework' to ensure a consistent approach across all departments to performance management. This was trialled in the Development Department and was approved by the Corporate Management Team in July 2012.

Community planning partnership – performance reporting

68. The Comhairle and the Community Planning Partnership (CPP) have developed a standardised approach to reporting CPP performance. This approach was initially agreed in June 2012. The CPP and Comhairle continue to monitor the appropriateness of this reporting and have scheduled to review the process again during 2013/14. CPP performance is now reported to relevant committees and the CMT as part of the regular performance reporting cycle. Performance is linked to relevant Single Outcome Agreement (SOA) targets.

Self-assessment activity

69. The Comhairle has adopted "How Good is our Council?" as its approved model for self-evaluation. The framework is based on a number of indicators that assess performance and service delivery. The framework is intended to evaluate performance in a systematic and consistent way across the Comhairle. To support the delivery and roll out of the framework the Comhairle established an Internal Challenge Team. This team includes representatives from each department. The team is responsible for evaluating the findings of self-assessments and identifying appropriate actions and next steps to deliver continuous improvement.
70. To pilot "How Good is our Council?" the Comhairle tested the self-evaluation process against one indicator. In 2012/13 each department assessed itself against the indicator "how good is the delivery of key processes" in the context of improving services to stakeholders. Some areas of good practice were identified from this review; including improved performance reporting to elected members, departments planning with greater focus on activities, and significant improvements in performance against service delivery agreements. These areas of good practice however were not found consistently across the Comhairle and there was not always sufficient evidence to demonstrate that actual improvements had been delivered. The Internal Challenge Team has developed an action plan to address these findings.
71. Following the pilot work, the Comhairle has agreed to roll out the "How Good is our Council?" framework. The Comhairle has committed to a programme of evaluating performance each quarter against one indicator. The next indicator to be evaluated is on improving performance.

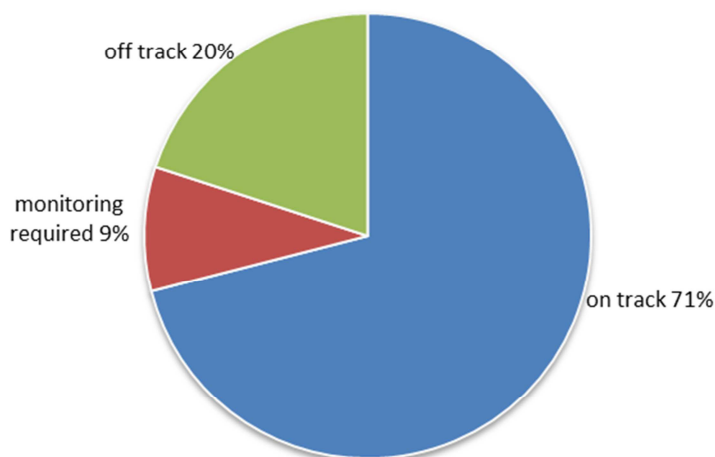
Statutory performance indicators

72. The Accounts Commission has a statutory power to define the performance information that councils have to publish. Since the 2008 Direction, issued by the Accounts Commission, councils are afforded more flexibility in the performance information they report against, giving them the opportunity for integration with their broader best value reporting. This performance information must, when considered cumulatively, fulfil the requirements of SPI 1 (Corporate Management) and SPI 2 (Service Performance). There is also a list of specified indicators that the council must report against.
73. The indicators the Comhairle has selected for public performance reporting are taken from the suite of indicators specified by the Accounts Commission supplemented by a number of indicators from within the Comhairle's service business plans. Service business plans are approved by the relevant committee before the start of each year. The plans identify a range of performance indicators against which the service's performance is to be measured.
74. As part of our annual audit programme we reviewed the arrangements for collecting, recording and publishing performance data. Along with the Comhairle's internal audit team we reviewed a sample of the indicators the Comhairle has chosen to report to meet its public performance reporting obligations. Our review sought to ensure that the information produced and published was reliable.
75. In total we tested fourteen indicators; of these two were not collected in line with agreed definitions and the remaining twelve were found to be reliable. In two cases the indicator was only found to be reliable after errors identified had been corrected. Two recommendations have been made below as a result of our review. It is critical that all indicators included in public performance reports are accurate.
- Action Plan Points 3-4*
76. Internal audit carried out a similar review covering three local indicators and five specified SPIs. They reported that three of the indicators were unreliable:
- LPI: Data Protection – Subject Access Reports responded to within 40 days.
 - LPI: Children's Services - Submission of reports to Children's Reporter.
 - SPI: Consumer and Environmental - Number and percentage of complainants.
77. In each case Internal Audit has recommended that in future the Head of Service should satisfy themselves that the data submitted is reliable and accurate and meets the requirement of the indicator specification.

Summary of performance

78. Service committees receive quarterly reports on performance against the Service Business Plans. These include reporting of all key performance indicators (KPI) against target. In 2012/13, 71% of indicators set have achieved target, 9% of indicators are within the set thresholds and are assessed as requiring monitoring whilst 20% of indicators have fallen below target.

Summary performance of Comhairle KPIs against target



(Source: Service Business Plans 2012/13 - End of Year Progress Reports by Department)

'off target' or having 'monitoring required' that have no comments or explanations given. The Comhairle should ensure that where performance falls below target sufficient explanations are given by each service along with, where appropriate, any remedial action that is required or being taken.

79. The performance reports are generated from the information entered by each service onto the Interplan system. Comments are made against each indicator where the service has deemed it relevant. We would expect that for every indicator that is reported as 'off target' or that has 'monitoring required' there would be an explanation for this performance, along with any remedial action that is required. The use of commentary in the performance reports however is inconsistent across services and there are a number of indicators reported as

Action Plan Point 5

Public performance reporting

- 80.** The Comhairle produces an annual public performance report in the style of a calendar, as well as a half yearly update. These summary reports are supplemented by quarterly performance reports for all services which are reported to committee and made available through the performance section of the Comhairle's website. During 2012/13 the Comhairle have also been developing the E-Sgìre website (www.e-sgìre.org) as a hub for community information. E-Sgìre gives a summary of the performance information available on each service and links into the detailed performance reports available on the performance section of the Comhairle's website.
- 81.** In June 2013 Audit Scotland reported to the Accounts Commission their evaluation of how well councils fulfilled their duties on public performance reporting during 2011/12. This evaluation sought to:
- Provide the Commission with an assessment of the quality of public performance reporting against the corporate management themes under SPI 1 and the service performance themes under SPI 2, as set out in the Direction.
 - Identify whether there has been improvement in how councils are reporting their performance from the baseline year of 2009/10.
 - Identify where improvement is still required in terms of public performance reporting.
- 82.** Audit Scotland assessed the general reporting arrangements and found that the Comhairle reported on all 20 specified relevant SPIs in full. However, it only partially met the general reporting requirements in five of Audit Scotland's categories and did not meet reporting requirements in the other four categories.

Summary of Audit Scotland's assessment of 2011/12 Public Performance Reporting

Area of review	Categories fully meeting reporting requirements	Categories partially meeting reporting requirements	Categories not meeting reporting requirements
SPI 1: Corporate Management	0	3	4
SPI2: Service performance	1	2	8
General reporting	1	5	4
Total	2	10	16

(**Source:** Audit Scotland assessment of the Comhairle's PPR arrangements)

83. Audit Scotland concluded that Comhairle nan Eilean Siar fully met the reporting requirements in only one area of service performance; Community Care. It partially met reporting requirements in relation to Planning and the Education of Children. It did not however meet the reporting requirements for any of the other eight services specified.
84. Audit Scotland also assessed the performance reporting arrangements in place regarding corporate management and found that the Comhairle partially met the reporting requirements in relation to 'Responsiveness to its Community', 'Revenue and Service Costs' and 'Sustainable Development'. The Comhairle did not however meet the reporting requirements in relation to 'Employees', 'Assets', 'Procurement' or 'Equalities and Diversity'.
85. Given the results of Audit Scotland's review we would encourage the Comhairle review its PPRg arrangements. We note that the Comhairle plan to get direct feedback from Audit Scotland to inform its approach to PPRg in future. This information will be supplemented by the sharing of best practice through a performance officer, cross-council working group, on which the Comhairle has representation, where both Audit Scotland and Councils with strong PPRg performance have been asked to give seminars.

Action Plan Point 6

Best value

86. The Accounts Commission published the findings of its second audit of Best Value and Community Planning in Comhairle nan Eilean Siar in November 2011. Due to the significant findings of this report a follow-up inspection was carried out in September 2012. The follow-up report, published in December 2012, identified five key areas where the Comhairle had to make improvements:
- Performance management;
 - Continuous improvement / self-evaluation;
 - Pace of change / change management;
 - Partnership arrangements; and
 - Customer satisfaction.
87. The Comhairle has developed a corporate improvement action plan to address the issues raised in the best value follow-up report. Progress against the action plan is overseen by the Comhairle's Corporate Improvement Members and Officers Working Group (MOWG). The MOWG meets on a monthly basis. These meetings are chaired by the Leader of the Comhairle and are attended by all members of the

executive management. The MOWG oversees progress and development of the corporate improvement action plan and challenges findings and developments. Progress against the action plan is reported to both the Policy and Resources Committee and the Audit and Scrutiny Committee.

Summary of Comhairle’s progress against key areas identified for improvement

Key area for improvement	Progress update
Performance management	The Comhairle has developed a ‘departmental performance framework’ to ensure a consistent approach across all departments to performance management. This framework was trialled in the Development Department and was approved by the Corporate Management Team in July 2012.
Continuous improvement / self-evaluation	The Comhairle has adopted “How Good is our Council?” as its approved model for self-evaluation. In 2012/13 each department assessed itself against the indicator “how good is delivery of key processes” in the context of improving services to stakeholders. Going forward, the Comhairle has a committed to a programme of evaluating performance against one indicator of this evaluation model each quarter.
Pace of change / change management	The Comhairle has sought to maintain an increased pace of change by revising and developing a range of strategic and operational plans. These include an asset management plan (approved in December 2012) and a waste management strategy and action plan (approved in December 2012).
Partnership arrangements	The Comhairle and the Community Planning Partnership (CPP) identified the work streams required to deliver on the Single Outcome Agreement. These work streams have been disseminated to partnership groups to provide an understanding of resource allocations and to aid delivery against agreed outcomes.
Customer satisfaction	The Comhairle has set out a programme of customer satisfaction measures which will be used to inform policy and prioritise service improvements. A revised customer services strategy was approved by the Comhairle in December 2012. The Comhairle has also identified the importance of assessing satisfaction levels amongst its partners and will progress this area as part of this work.

(Source: Scott-Moncrieff from information reported by Comhairle nan Eilean Siar)

88. At the most recent Audit and Scrutiny Committee it was noted that most of the work in the original action plan is now complete. The MOWG now intends to refocus its work on developing improvement actions under the five key areas for improvement.

Governance

89. Corporate Governance is concerned with the structures and processes for decision-making, accountability, control and behaviour at the upper levels of organisations. Through the chief executive and section 95 officer, the Comhairle is responsible for ensuring the proper conduct of its affairs including compliance with relevant guidance, the legality of activities and transactions and for monitoring the adequacy and effectiveness of these arrangements. Audited bodies usually involve those charged with governance in monitoring these arrangements.

Governance arrangements

90. We have reviewed the Comhairle's overall governance arrangements. This has included consideration of the Comhairle's arrangements as they relate to its systems of internal control, prevention and detection of fraud and irregularity and standards of conduct including the prevention and detection of bribery and corruption. Based on our review, overall governance arrangements are appropriate and in line with our expectation.
91. The work of the Comhairle is supported by its committees and sub-committees, and joint consultative committees. The governance structure is aligned to the Comhairle's management structure with the remit of the committees reflecting the roles and responsibilities of the relevant areas of the organisation. There was minimal change to the overall committee structure following the May 2012 local government elections; the Policy and Resources: ICT, Procurement and Asset Management Sub-Committee was dissolved, the responsibility for Waste Services moved from the Environment and Protective Services Committee to the Transportation and Infrastructure Committee and the Audit Panel, a sub-committee of the Audit and Scrutiny Committee was dissolved. All internal and external audit reports are now considered by the Audit and Scrutiny Committee.
92. The Comhairle has remained an independent council, with 21 independent members (previously 25), seven SNP (previously four) and three Labour (previously two). Thirteen new councillors were elected in May 2012, eleven of whom had not acted as councillors before (this represents 35% of the Comhairle). In addition, a by-election was held for the Sgir' Uige agus Ceann an Tuath nan Loch ward on 29 November 2012 which resulted in one further newly elected member. This councillor was previously an employee of the Comhairle. To meet the needs of these new members a three day formal induction programme was available, with follow-up sessions also available during the year.
93. The Comhairle has a policy of holding annual personal development plan (PDP) meetings between the Chief Executive and all elected members. This gives the opportunity of identifying any cross cutting or individual training requirements.

Standards of conduct and arrangements for the prevention and detection of bribery and corruption

94. We have considered the Comhairle's arrangements for adopting and reviewing standing orders, financial instructions, and schemes of delegation and complying with national and local Codes of Conduct. This has included the consideration of arrangements for the prevention and detection of bribery and corruption. We are pleased to report that we have not identified any concerns in relation to standards of conduct and the prevention and detection of bribery and corruption.

Systems of internal financial control

95. To comply with the requirements of International Standards on Auditing (ISAs) and to facilitate an efficient audit, we have considered the Comhairle's key accounting systems and internal financial controls. As reported in our interim audit report, we have found the internal controls over the accounting systems to be generally well designed and operating at an adequate or effective level. We did however raise a number of recommendations which should further enhance the control environment. Management has committed to implementing all recommendations made.

Risk management

96. The Strategic Risk Management Group (SRMG), which oversees risk management activity, was established in July 2008 and is chaired by the Director of Finance and Corporate Resources. The group comprises representatives from all departments across the Comhairle. The group meet every two months and has established an action plan to develop the Comhairle's risk management arrangements over the short, medium and long term. Risk registers are entered onto the Comhairle's performance management system (Interplan) and quarterly reports are issued to the corporate management team (CMT) and the Audit and Scrutiny Committee.
97. The Comhairle continues to make progress in developing its risk management arrangements. The Risk Management Strategy and Policy was updated in August 2012. The Risk Management Strategy and Policy now includes guidance on implementing early warning indicators and clearly defines roles and responsibilities for risk management at all levels of the organisation. Risk Management training has been offered to elected members and partnership training for relevant officers has been completed. Peer reviews are being completed which assist in identifying overlapping risks, sharing best practice and identifying further training requirements.
98. We did however note during the year that the Comhairle did not have a business continuity plan in place. Since our review however work has been carried out to prepare business continuity plans across all departments. These are due to be presented to the Comhairle in November 2013.
99. Internal audit also carried out a review of risk management during the year and has raised a number of recommendations that will support management in the development of its risk management arrangements.

Housing benefit risk assessment

100. In 2011, Audit Scotland carried out a risk assessment on the Comhairle's benefit service. The assessment considered the progress made by the Comhairle in implementing the 33 risks that had been identified as part of their risk assessment carried out in 2009. The risk assessment covered various aspects of the benefits service including business planning, performance reporting and delivering outcomes. At the time of the 2011 review, Audit Scotland reported that five actions had been completed, seven actions had been partially completed and 21 actions were outstanding. Audit Scotland carried out a further review in April 2012 and requested a further update in October 2012.
101. Following this update, Audit. Scotland advised that due to significant improvements in processing times no further scrutiny would be carried out in the short term. Progress against the action plan is due to be reviewed during the next round of risk assessments (within the next eighteen to twenty four months).

- 102.** Following the review in 2011, progress reports were presented to the Audit and Scrutiny Committee at each cycle. No reports however have been presented since June 2012. Furthermore the housing benefit action plan developed to address the issues raised by Audit Scotland has not been updated since May 2012.

Action Plan Point 7

Prevention and detection of fraud and irregularity

- 103.** Our audit was planned to provide a reasonable expectation of detecting material misstatements in the financial statements resulting from fraud and irregularity. As part of our governance work we reviewed the Comhairle's arrangements to prevent and detect fraud and irregularity. We concluded that the Comhairle's internal controls and financial procedures were adequate to prevent and detect material fraud and irregularity.

National fraud initiative

- 104.** The National Fraud Initiative (NFI) is a counter-fraud exercise co-ordinated by Audit Scotland working together with a range of Scottish public bodies, external auditors and the Audit Commission to identify fraud and error. These exercises are undertaken every two years as part of the statutory audit of the participating bodies. In 2012 Audit Scotland reported that the cumulative outcomes from NFI in Scotland were around £78 million.
- 105.** We are pleased to report that the Comhairle's approach to the 2012/13 exercise is an improvement on previous years. The Comhairle was previously reported as being "the only body in Scotland where the approach to the 2010/11 NFI exercise was unsatisfactory, with improvement required as matter of priority²". This was the same rating that was given to the Comhairle in the previous national report two years earlier.
- 106.** While the Comhairle has developed its approach to NFI, there is still further areas which could be improved. In particular we noted that there has been no dedicated reporting to committee on the 2012/13 NFI exercise. We understand that a committee paper reporting the update of the Housing and Council Tax Benefit Counter Fraud Policy, due in 2013/14, will include an update on the 2012/13 NFI exercise. There is a risk that members are not aware of the work being done through the NFI exercise, and are not involved or aware of the planning processes involved.

Action Plan Point 8

- 107.** The Code of Data Matching Practice (2010) outlines good practice for privacy notices (previously referred to as fair processing notices). The Code states that participants should decide the content and means of issue of privacy notices for themselves. The Information Commissioner however recommends a three layered approach. Whilst the NFI notice on the Comhairle's website adheres to best practice, we noted for a sample of the individual (level 1) privacy notices reviewed, that these do not meet the three-layered approach. The Comhairle should consider amending any privacy notices that do not explicitly link to information that is available on the Comhairle's website. The Comhairle should also consider whether privacy notices can be disclosed directly to suppliers prior to commencing the next NFI exercise.

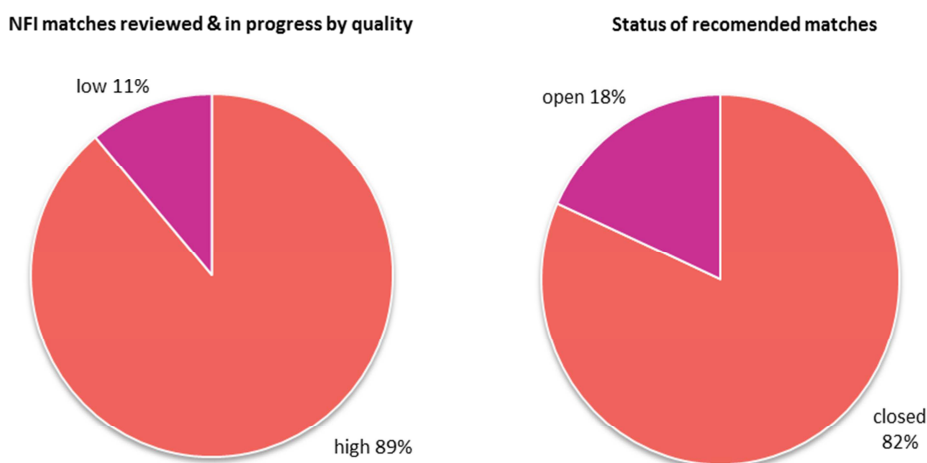
Action Plan Point 9

² Audit Scotland – 'The National Fraud Initiative' May 2012

- 108. The NFI works by using data matching to compare a range of information held on bodies' systems to identify potential inconsistencies or circumstances that could indicate fraud or error. These are referred to as 'matches'. Where matches are identified these are made available to bodies to investigate via a secure web application.
- 109. Data uploads for the 2012/13 exercise were scheduled to commence from October 2012. Of the eight data sets uploaded, only four were uploaded during October, three were uploaded during November and one was uploaded during December. There is a risk that the efficiency of the NFI process is reduced if data uploads are not made on a timely basis.

Action Plan Point 10

- 110. Comhairle nan Eilean Siar received 323 recommended matches from a total of 2,906 matches. As of 15 August 2013 the Comhairle has concluded on 2,301 of the matches with a further 20 in progress. The result of these investigations has been that six errors and one fraud have been identified, leading to a potential recovery of £1,553.
- 111. The NFI website categorises matches which allows the Comhairle to focus on recommended matches and areas of higher risk. It is appropriate for the Comhairle to investigate recommended matches and key reports first (as they are identified as being higher risk), then sample the other matches in each report. Where no outcomes are found then there is no strict requirement to investigate every single match. The Comhairle has targeted investigations at higher quality matches, with the majority of recommended matches having already been concluded upon (as illustrated below).



(Source: NFI website)

- 112. We will continue to monitor the Comhairle's approach to NFI and the progress made against outstanding matches. We are required to give a formal assessment of the Comhairle's arrangements by the end of 2013 which will inform the national report being produced by Audit Scotland.

Following the public pound

- 113. Arms-length and external organisations (ALEOs) are defined as those organisations funded by a local authority to provide services which relate to the local authority's broader objectives. Funding for ALEOs can range from relatively small grants to voluntary and community organisations to significant funding to trusts set up by the local authority. These arrangements are often more complex than standard purchase contracts for goods or services and are usually designed to deliver wider public benefits.

- 114.** It is important to be able to ‘follow the public pound’ across organisational boundaries. It should be possible to trace the funds from the point at which they leave the local authority to the point at which they are ultimately spent by the receiving organisation. This ensures that public funds are used properly, accountability is maintained and value for money can be demonstrated.
- 115.** In 1996 the Accounts Commission for Scotland and the Convention of Local Authorities Scotland (COSLA) issued the Code of Guidance on Funding External Bodies and Following the Public Pound (“the 1996 Code”). The 1996 Code aimed to re-establish some of the mechanisms of accountability in relation to these funds and ensure that the key themes of openness, integrity and accountability are applied to services delivered by ALEOs.
- 116.** Each local authority must apply the principles of the Code as it relates to its own individual circumstances. The Code seeks to ensure that the key themes of openness, integrity and accountability are applied to services delivered by ALEOs.
- 117.** As part of our annual audit we carried out a joint review with the internal audit team to obtain an overview of the following the public pound arrangements at the Comhairle. We selected a sample of organisations in receipt of funding, across each department, to ensure the funding arrangements were in compliance with the Comhairle procedures and the Code in general. While our review is still in progress and our findings will be reported later this year, we have noted the following:
- 118.** The Director of Finance and Corporate Resources has recently reviewed the funding the Comhairle provides to external organisations and concluded that all existing funding arrangements are either on a contractual basis or relate to small amounts to community groups who provide services that are not normally provided by the council. As such he has concluded that there are no arrangements which would meet the definition of an ALEO and that consequently the Comhairle does not maintain a register of funding to ALEOs. This reflects a narrower view of what defines an ALEO and compares with the support of £3.4 million to 725 organisations that was reported by Audit Scotland in their follow up report on Following the Public Pound in December 2005.

Community health and social care partnership

- 119.** In May 2012 the Scottish Government released a formal consultation document on the integration of health and social care services for older people. Its response to the consultation was issued in February 2013. Legislation³ is expected later this year that will require local authorities and health boards to integrate health and social care services for all adults with the option of including other areas such as housing or children’s services.
- 120.** A Comhairle seminar, to which health board members were invited, was held on 23 July 2013, supported by the Scottish Government and the Joint Improvement Team. The seminar not only considered the terms of the Bill but also discussed the models of integrated working proposed within the Bill and noted the need for decisions to be taken in the near future on both structures and the services to be included within the integration model in the Western Isles. It is expected that joint proposals, on options for the governance, financial and service delivery arrangement for health and social care integration, will be presented to the Comhairle later this year. We intend to maintain a watching brief in this area.

³ The Scottish Government introduced the Public Bodies (Integrated Working) (Scotland) Bill to the Scottish Parliament in May 2013 to take forward this political commitment.





Appendix 1: Action plan

Our management report action plan details the control weaknesses and opportunities for improvement that we have identified during our audit. It should be noted that the weaknesses identified in this report are only those that have come to our attention during the course of our normal audit work. The audit cannot be expected to detect all errors, weaknesses or opportunities for improvements in management arrangements that may exist.

Action plan grading structure

Our action plan details the key weaknesses and opportunities for improvement that we have identified during this review. To assist the Comhairle in assessing the significance of the issues raised and prioritising the action required to address them, the recommendations have been rated. Our rating structure has been revised to ensure consistency with the structure/terminology used by internal audit.

The rating structure is summarised as follows:

Grade 1 	“Critical” – High likelihood, High impact (HH) “The weakness is almost bound to happen or is already happening (likelihood) and could have a significant impact on the Comhairle’s services, reputation, control, financial position, statutory, regulatory or constitutional compliance if not contained”
Grade 2 	“Contingent/Insurable Risk” - Low likelihood, High impact (LH) “The weakness is unlikely to happen, but would have a significant impact on the Comhairle’s services, reputation, control, financial position, statutory, regulatory or constitutional compliance if it did occur”
Grade 3 	“Housekeeping” – High likelihood, Low impact (HL) “The weakness is almost bound to happen or is already happening but is unlikely to have a material impact on the Comhairle’s services, reputation, control, financial position, statutory, regulatory or constitutional compliance, and can be contained”
Grade 4 	“Value for Money” – High likelihood, Value for money impact (HV) “The weakness is almost bound to happen or is already happening but if contained would have a positive impact on economy, efficiency and effectiveness in the use of resources”

Action Plan Point	Para ref	Issue & Recommendation	Rating	Management Comments	Responsible officer	Agreed completion date
1.	27	The Comhairle should ensure that all applicable assets are subject to revaluation at least once every five years.	Grade 2	The Comhairle's intention is to value all assets in a 5 year cycle and although this specific asset was omitted, the value is not expected to be material.	Chief Accountant	March 2014
2.	58	The Comhairle should review its succession planning arrangements to ensure that it is effectively planning for future generations of its workforce.	Grade 2	<p>Human Resources will work with Departments through the Vacancy Panel to restrict recruitment and ensure that internal recruitment is used wherever possible.</p> <p>Following completion of the HR Resourcelink Project in April 2014, HR will work on amalgamating departmental training plans which have skills gap analysis with employee records to develop a comprehensive system for workforce planning.</p>	Head of Human resources	December 2014
3.	75	<p><i>"Number of visits to/usages of council funded or part funded museums that were in person"</i></p> <p>Whilst the indicator was found to be reliable based on the evidence available, the Social and Community Service should implement checking procedures to verify the data being sent in by museums for the indicator.</p>	Grade 3	A review of the data collection processes and validation will be carried out.	Head of Social and Partnership Services	March 2013

Action Plan Point	Para ref	Issue & Recommendation	Rating	Management Comments	Responsible officer	Agreed completion date
4.	75	<p><i>“Percentage of annual spend with suppliers that is covered by a contract (where total spend in year is > £25,000)”</i></p> <p>The information collected for this indicator reports the value and percentage of annual spend with suppliers that is covered by a contract (where total spend in year is > £1,000). The Comhairle should enquire whether a report can be generated from the ‘Spikes Cavell’ system to meet its requirements. If this is not possible it should consider changing the definition or collection method of the indicator.</p>	Grade 3	The definition of the indicator has been changed.	Head of Exchequer Services	Completed
5.	79	<p>We would expect that for every indicator that is reported as ‘off target’ or that has ‘monitoring required’ there would be an explanation for this performance, along with any remedial action that is required. The Comhairle should ensure that where performance falls below target sufficient explanations are given by each service along with, where appropriate, any remedial action that is required or being taken.</p>	Grade 2	A Report in relation to review of performance management was considered by the Corporate Management Team in July 2013 and by the Corporate Improvement MOWG in September 2013. Guidance has been issued to ensure consistency of practice.	Head of Executive Office	March 2014

Action Plan Point	Para ref	Issue & Recommendation	Rating	Management Comments	Responsible officer	Agreed completion date
6.	85	Given the results of Audit Scotland's 2011/12 review on public performance reporting we would encourage the Comhairle review its own PPRg arrangements.	Grade 2	<p>A Report was considered by Corporate Management Team on 17 September 2013 and a further Report is to be submitted on 2 October 2013. Bespoke feedback has been obtained from Audit Scotland which will be analysed by CMT on 2 October 2013. Benchmarking will take place through established groups on which the Comhairle is represented as well as with Angus and East Dunbartonshire Councils who scored 16/18 and 14/18 respectively. PIs will also be reviewed to ensure that themes are adequately covered.</p> <p>Following analysis of information obtained from Audit Scotland, reporting of 2013/14 PIs on the Comhairle's website and E-Sgìre will be tailored to meet required outputs. In so far as possible will also be addressed in the 2014 Public Performance Calendar which covers the 2012/13 year.</p>	Head of Executive Office	March 2014
7.	102	The Comhairle should ensure that all the actions identified in the housing benefit action plan, (developed to address the issues raised by 2009 risk assessment by Audit Scotland), are fully implemented. Progress should be reported to the Audit and Scrutiny Committee	Grade 2	A progress report is scheduled for the November meeting of Audit and Scrutiny Committee.	Head of Exchequer Services	November 2013

Action Plan Point	Para ref	Issue & Recommendation	Rating	Management Comments	Responsible officer	Agreed completion date
8.	106	We have not been able to identify any formal reporting to elected members during 2012/13 on the Comhairle's NFI work. Reporting on NFI to elected members should be considered. This should cover the planning process, progress and outcomes. The Comhairle should also consider reporting on NFI outcomes and any frauds identified on its website.	Grade 2	Reporting on NFI will be included in the covering report for the updated Counter Fraud Policy which is due to be submitted for approval in November 2013.	Head of Exchequer Services	November 2013
9.	107	The Comhairle should consider amending privacy notices that do not explicitly link to the information that is available on its website. This should be carried out as and when each form is being reviewed by the relevant service to minimise any resource impact. The Comhairle should also consider whether privacy notices can be disclosed directly to suppliers for the next NFI exercise.	Grade 3	Reference to NFI with reference to the Comhairle's web site have now been included on creditor remittance advice notes (suppliers).	Head of Exchequer Services	December 2013
10.	109	As part of the preparation for the next NFI exercise, and in advance of any future data uploads, the Comhairle should ensure that appropriate arrangements are in place to allow all datasets to be uploaded on a timely basis.	Grade 3	This will be addressed in planning for the next NFI exercise.	Head of Exchequer Services	March 2014

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