



Scott-Moncrieff
business advisers and accountants

Comhairle nan Eilean Siar

Annual report on the 2014/15 audit
to the Comhairle and the Controller of Audit

September 2015

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Executive summary

Annual accounts

Our independent auditor's report for the year ended 31 March 2015 gives an unqualified opinion on the annual accounts; an unqualified opinion on other prescribed matters; and there are no matters which we are required to report by exception.

The annual accounts and supporting schedules were of a good standard. Our thanks go to staff at the Comhairle for their assistance with our work.

Financial management

The Comhairle has adequate arrangements in place for managing its financial position and its use of resources. The general fund surplus reported in 2014/15 (£1.398million) compares favorably to the budgeted surplus set at the start of the year (£41,000).

We have evaluated the Comhairle's key financial systems and internal financial controls and determined whether these are adequate to prevent material misstatements in the financial statements. We have not identified any significant deficiencies in the operation or design of the key financial systems. Arrangements for the prevention and detection of fraud and irregularity are operating effectively.

We have concluded that the Comhairle's internal audit function operates in accordance with the Public Sector Internal Audit Standards and as a result we were able to place reliance on the work of internal audit where appropriate.

The Comhairle's arrangements for the 2014/15 National Fraud Initiative exercise are satisfactory. In September, the Comhairle has concluded on 64% of the overall matches received (1,279 matches). The Comhairle had identified no instances of fraud from these investigations. Progress on the exercise will be reported to the Audit and Scrutiny Committee in November 2015.

Financial sustainability

The Comhairle has prepared a budget strategy which covers the term of the Comhairle. The most recent strategy (approved in April 2015) covers the period 2016-18. The budget strategy identifies the savings projections over the period to 2025/26.

- The Comhairle spent £158.658million on the provision of public services in 2014/15.
- Cash backed reserves held by the Comhairle were £22million as at 31 March 2015; of which £20million relates to general fund balances.
- During 2014/15 the Comhairle invested £18million in property, plant and equipment.
- The Comhairle forecasts that it will need to achieve savings of £3.8million, £4.1million and £3.1million respectively over the three year period 2015 to 2018.
- As at 31 March 2015, 77% of the Comhairle's 186 key performance indicators were on target, 5% were close to target and 18% had not met the target.

Various scenarios were applied to the budget shortfall over this period 2016-18. The Comhairle is now progressing with a number of workstreams to address the financial challenges which face it over this period.

One such workstream is in respect of workforce planning. Employee costs make up approximately 51% of the Comhairle's budget and each Head of Service will be carrying out a workforce review to identify potential savings that can be made in this area. 2014/15 saw a significant increase in the absence levels for both teachers and other staff. Action is being taken to identify the underlying reasons for sickness absence.

The Comhairle's capital programme covers the five years 2013-18 and totals £94.380million. Major capital developments include the construction of the North Uist primary school and the development of the Lews Castle project. Although, slippage has been reported against the capital programme over the last two years, the Comhairle remain confident that it will be able to deliver its programme through to 2018.

The Comhairle is working in partnership with NHS Western Isles to develop joint working arrangements for the integration of health and social care. Work has commenced on the development of the Strategic Plan, which will be facilitated through a strategic planning

group. A number of workstreams have been established to help ensure the success of the Western Isles model by 1 April 2016.

Governance and transparency

In our opinion, the Comhairle's corporate governance arrangements as they relate to the standards of conduct and the prevention and detection of bribery and corruption are adequate and appropriate. We have noted a couple of recommendations to further strengthen the Comhairle's risk management and business continuity arrangements.

Value for money

The findings from the Accounts Commission best value follow up audit were reported to the Policy and Resources Committee in June 2014. The recommendations from the best value follow up audit have been incorporated into Service Business Plans. Progress against these actions is reported to Service Committees.

From 2014/15 onwards, the Comhairle has chosen to adopt the Public Services Improvement Framework (PSIF) self-evaluation framework. A continuous improvement sub-committee has been established (comprising officers and elected members) with responsibility for embedding PSIF across the Comhairle.

Based on our audit work, we concluded that the Comhairle has adequate arrangements in place for the collection and publication of statutory performance indicators.

Conclusion

This report concludes our audit of Comhairle nan Eilean Siar for 2014/15. 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 for their co-operation and assistance during our audit.

**Scott-Moncrieff
September 2015**

1

Introduction

Introduction

1. This report summarises the findings from our 2014/15 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 2014/15 have been:
 - Participating in, and providing evidence and intelligence for, the shared risk assessment (SRA) process;
 - An audit of the annual accounts, 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.
3. As part of our audit, we have also made use of the work of other inspection bodies including the Comhairle’s internal audit service and Audit Scotland.
4. In 2014, the Local Area Network (LAN) of scrutiny partners for the Comhairle conducted a shared risk assessment and produced an Assurance and Improvement Plan (AIP) covering the period 2014 to 2017. This report indicated that no additional scrutiny was required in respect of either the corporate assessment or service improvement in 2014/15.
5. A Local Scrutiny Plan (LSP) has been prepared for 2015/16. The LSP replaces the three year Assurance and Improvement Plan that was produced in previous years. The LSP was published on Audit Scotland’s website in March 2015. The LSP was presented to the Comhairle in June 2015 for noting. The 2015/16 LSP notes that no additional scrutiny activity is required beyond statutory or ongoing work in the areas of: leadership and governance; performance management and improvement; education; and housing and homeless services.
6. The Comhairle is responsible for preparing annual accounts that show a true and fair view and for implementing appropriate internal control systems. The weaknesses or risks identified are only those that have come to our attention during our normal audit work, and may not be all that exist. Communication in this report of matters arising from the audit of the annual accounts or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.
7. This report contains an action plan with specific recommendations, responsible officers and dates for implementation. Senior management should assess these recommendations and consider their wider implications before deciding on appropriate actions. Each recommendation has been given a grading to help the Council assess their significance and prioritise the actions required.
8. 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.
9. We would like to thank all members of the Comhairle’s management and staff who have been involved in our work for their co-operation and assistance during our audit work.

2

Annual accounts

Annual accounts

10. The Comhairle's annual accounts are the principal means of accounting for the stewardship of its resources and its performance in the use of those resources. The respective responsibilities of the Comhairle and the auditor in relation to the annual accounts are outlined in Appendix 1.
11. In this section we summarise the issues arising from our audit of the 2014/15 annual accounts.

Overall conclusion

An unqualified audit opinion on the annual accounts

12. The annual accounts for the year ended 31 March 2015 were approved by the Audit and Scrutiny Committee on 23 September 2015. Our independent auditor's report gives:
- An unqualified opinion on the annual accounts; and
 - An unqualified opinion on other prescribed matters.

Good administrative processes were in place

13. We received draft annual accounts and supporting papers of a good standard, in line with our agreed audit timetable. We are pleased to report that the audit process ran smoothly, and our thanks go to staff at the Comhairle for their assistance with our work.

Our assessment of risks of material misstatement

14. The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the audit team. Our audit procedures relating to these matters were designed in the context of our audit of the annual accounts as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the annual accounts is not modified with respect to any of the risks described in Exhibit 1 below.

Exhibit 1: Our assessment of risks of material misstatement and how the scope of our audit responded to those risks

1.1 Financial position

The Comhairle agreed its Budget Strategy in 2012, covering the three year period to 31 March 2015. In developing the budget the Comhairle undertook a comprehensive review, including extensive consultation, in order to identify the savings of £5.48million needed across 2013/14 and 2014/15. In 2014/15 savings are expected to be achieved from budget choices (£2.608million), HR proposals (£0.250million) and renewable energy (£0.08million).

In February 2014, the Comhairle approved its 2014/15 budget with a budgeted surplus of £41,000. At end of September 2014 the Comhairle forecast a net overspend of £906,000. In particular Social and Community Services are forecasting an overspend of £830,000. This forecasted position is largely due to an increase in service demand. The Service is also expecting to realise £184,000 of the £389,000 budget reductions in the year. This is due to delays in the St Brendan's project and community meals services.

We have in previous years reviewed the Comhairle's arrangements for financial management and use of resources and concluded that adequate arrangements exist. There does however remain a risk that the financial position in 2014/15 and subsequent years is not soundly based and/or the Comhairle's long term financial health is jeopardised.

Noted in 2014/15 External Audit Plan

Exhibit 1: Our assessment of risks of material misstatement and how the scope of our audit responded to those risks



15. During our audit we considered the Comhairle's financial position, savings, related budgets and projections to ensure that they are soundly based. We have concluded that the Comhairle has adequate arrangements in place for managing its financial position and its use of resources. Our findings are reported more fully in the 'financial management' and 'financial sustainability' sections of this report.

1.2 Statutory consultation on schools closure

In March 2014 the Comhairle received confirmation from Scottish Ministers that they would not issue a call-in notice in respect of the proposal to close the Eriskay, Carinish, Lochmaddy and Paible Schools. The future of Eriskay, Carinish and Lochmaddy Primary Schools has yet to be determined. The new North Uist Primary School is expected to be constructed on the site of the Paible Primary School, with the existing school to be demolished. A report presented to the Contracts Management Sub-committee in August 2014 indicated that the handover of the new school is scheduled for December 2015.

In the 2013/14 annual accounts it was reported that the impact on the valuation of the three schools (Carinish, Lochmaddy and Paible) as a consequence of valuing them on a market value basis instead of a depreciated replacement cost basis will result in an impairment of £2million at 2014 prices.

There is a risk, subject to the timing and the outcome of the consultation, that the schools are not correctly valued and disclosed in the 2014/15 financial statements.

Noted in 2014/15 External Audit Plan



16. During our audit we considered the accounting treatment and disclosure of those schools expected to close. Overall we concluded that these schools have been correctly valued and disclosed in the 2014/15 annual accounts.
17. Eriskay Primary School was closed in June 2014, with the building and associated land now in the process of being sold. In accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (the 2014/15 Code), Eriskay Primary School has been recognised in the balance sheet as an 'asset held for sale'.
18. Carinish, Lochmaddy and Paible Primary Schools remain operational as at the balance sheet date. The project to construct the new North Uist Primary School will commence in due course on the site of Paible Primary School. As a consequence, these schools remain valued at a depreciated replacement cost with a combined net book value of £1.8million. Paible Primary School was impaired during the year (£0.4million) to reflect the condition of the building. Further impairment is expected in 2015/16 subsequent to the school closures.

Exhibit 1: Our assessment of risks of material misstatement and how the scope of our audit responded to those risks

1.3 Revenue recognition

Under international auditing standards, there is a presumed risk of fraud in relation to revenue recognition. The presumption is that the Comhairle could adopt accounting policies or recognise income and expenditure transactions in such a way as to lead to a material misstatement in the reported financial position.

Noted in 2014/15 External Audit Plan



- 19. While we did not suspect incidences of material fraud and error, we evaluated each type of revenue transaction and documented our conclusions. We have reviewed the controls in place over revenue accounting and found them to be sufficient. We have evaluated key revenue transactions and streams, and carried out testing to confirm that the Comhairle's revenue recognition policy is appropriate and has been applied reasonably.

1.4 Management override

In any organisation, there exists a risk that management have the ability to process transactions or make adjustments to the financial records outside the normal financial control processes. Such issues could lead to a material misstatement in the annual accounts. This is treated as a presumed risk area in accordance with International Standard on Auditing (UK & Ireland) 240, "The auditor's responsibilities relating to fraud in an audit of annual accounts".

Noted in 2014/15 External Audit Plan



- 20. While we did not suspect any incidences of management override leading to financial reporting issues, we reviewed the accounting records for significant transactions outside the normal course of business and obtained evidence to ensure that these were valid and accounted for correctly. Based on our audit work to detect potential material misstatement via a range of controls, we have not identified any indications of such management override during the year.

Our application of materiality

- 21. The assessment of what is material is a matter of professional judgement and involves considering both the amount and the nature of the misstatement. This means that different materiality levels will be applied to different elements of the annual accounts.
- 22. Our initial assessment of materiality for the group annual accounts was £900,000. This was revised to £1.6million following receipt of the unaudited annual accounts. Our assessment of materiality is set with reference to a range of benchmarks (including gross

service expenditure, surplus/deficit on provision of services and useable reserves). We consider these to be the principal considerations for the users of the accounts when assessing the performance of the Comhairle and its group.

- 23. We set a performance (testing) materiality for each area of work which was based on a risk assessment for the area. We then perform audit procedures on all transactions and balances that exceed our performance materiality. This means that we are performing a greater level of testing on the areas deemed to be of significant risk of material

misstatement. Performance testing thresholds used are set out in the table below (these were revised following our initial assessment following a review of our Firm's procedures):

Area risk assessment	Weighting	Performance materiality
High	40%	£640,000
Medium	55%	£880,000
Low	75%	£1.2million

24. We agreed with the Audit and Scrutiny Committee that we would report to the Committee all audit differences in excess of 1% of the overall materiality figure, as well as differences below that threshold which, in our view, warranted reporting on qualitative grounds. We also report to the Audit and Scrutiny Committee on disclosure matters that we identified when assessing the overall presentation of the annual accounts.

Audit differences

25. We are pleased to report that there were no material adjustments to the draft annual accounts. We identified some disclosure and presentational adjustments during our audit, which have been reflected in the final set of accounts.
26. We also identified potential adjustments which are not considered material to the annual accounts, 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. The letter covers a number of issues and we have requested that it be presented to us at the date of signing the annual accounts.

An overview of the scope of our audit

27. The scope of our audit was detailed in our External Audit Plan, which was presented to the Audit and Scrutiny Committee in February 2015. The plan explained that we follow a risk-based approach to audit planning that reflects

our overall assessment of the relevant risks that apply to the Comhairle. This ensures that our audit focuses on the areas of highest risk. Planning is a continuous process and our audit plan is subject to review during the course of the audit to take account of developments that arise.

28. At the planning stage we identified the significant risks that had the greatest effect on our audit. Audit procedures were then designed to mitigate these risks.
29. Our standard audit approach is based on performing control tests on the significant accounting systems, substantive tests and detailed analytical review. Tailored audit procedures, including those designed to address significant risks, were completed by the audit fieldwork team and the results were reviewed by the audit manager and audit partner. In performing our work we have applied the concept of materiality, which is explained above.

Legality

30. We have planned and performed our audit recognising that non-compliance with statute or regulations may materially impact on the annual accounts. 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.
31. We are pleased to report that we did not identify any instances of concern with regard to the legality of transactions or events.

Other matters identified during our audit

32. During the course of our audit we noted the following:

The Local Authority Accounts (Scotland) Regulations 2014

33. The Local Authority Accounts (Scotland) Regulations 2014 came into force on 10 October 2014. These Regulations replace the Local Authority Accounts (Scotland) Regulations 1985. The new Regulations include the requirement for local authorities to:

- Review, at least annually, their system of internal financial control and prepare an annual governance statement; and

- Follow a more detailed process for consideration of the annual accounts, both prior to and after auditing.

34. As part of our audit we reviewed the Comhairle's compliance with the Regulations, in particular with respect to regulations 8 to 10 as they relate to the annual accounts (as shown in the table below).

Aspect of the Regulations	Compliance
The Director of Finance and Corporate Resources, as s95 officer, must ensure that the annual accounts give a true and fair view of the authority (and its group's) financial position and transactions.	Yes
The Director of Finance and Corporate Resources must certify and submit the annual accounts to the appointed external auditor no later than 30 June.	Yes
The Comhairle must publish the unaudited annual accounts on the website of the authority until the date on which the audited annual accounts are published.	Yes
The Comhairle (or a committee whose remit includes audit or governance) must consider the unaudited annual accounts at a meeting by 31 August.	Yes
The Comhairle must give public notice of the right of interested persons to inspect and object to its accounts.	Yes
The Comhairle (or a committee whose remit includes audit or governance) must aim to approve the audited annual accounts for signature no later 30 September.	Yes

Management commentary

35. The Local Authority Accounts (Scotland) Regulations 2014 also introduced a new narrative reporting requirement on local authority annual accounts. The requirement to include a management commentary is intended to assist readers in understanding the accounts and the organisation that has prepared them. As auditors we are required to read the management commentary and express an opinion as to whether it is consistent with the annual accounts. We have concluded that the management commentary is consistent with the annual accounts.

36. As part of our audit we also reviewed the Comhairle's management commentary against the non-statutory guidance issued by the Scottish Government (Local Government Finance Circular 5/2015). The Comhairle substantively addressed the key requirements contained within the Circular but we did identify a couple of areas where we consider the Comhairle could further develop its commentary in future years. These include:

- **Information on future plans** – The Comhairle's management commentary focuses on the financial outlook and future uncertainty over funding and financial plans. We would encourage the Comhairle

to include commentary in the context of the corporate strategy and community plan objectives and how they aim to achieve these.

- **Principle risks and uncertainties facing the authority** – The Comhairle’s management commentary outlines the risk and uncertainties facing it in respect of the future financial outlook. This section could be further expanded to cover more than just the financial aspects of the risks facing the Comhairle. The Comhairle should draw upon those risks identified in its corporate risk register.

Action plan point 1

Annual governance statement

37. The Chief Executive and the Leader have confirmed that in their opinion, reasonable assurance can be placed upon the adequacy and effectiveness of Comhairle nan Eilean Siar and its group systems of governance. The Annual Governance Statement identifies a range of actions that have been, or will be, taken by the Comhairle to continue to progress improvements in the Comhairle’s governance arrangements.
38. We have reviewed the Comhairle’s Annual Governance Statement and have found that it complies with the relevant guidance: *Delivering Good Governance in Local Government*. We have also found that the processes used to prepare the Statement are reasonable and appropriate.

Remuneration report

39. Our independent auditor’s report confirms that the part of the Remuneration Report to be audited has been properly prepared. We have found that the Remuneration Report includes all relevant disclosures and is in agreement with the accounting records.

Decommissioning assets

40. In September 2014 the Local Authority Scotland Accounts Advisory Committee (LASAAC) released final guidance on asset decommissioning obligations. The guidance is framed with reference to landfill sites, but is equally applicable to other related obligations, such as quarries, wind turbines and waste

treatment facilities. Local authorities that operate such sites have an obligation for restoration and aftercare costs.

41. As at 31 March 2015 the Comhairle recognised a provision of £1.066million in respect of restoration costs for the landfill site at Bennadrove. The Rueval site, for which a provision had previously been recognised, was closed in 2008 and restoration works on this site were completed in 2014/15. In 2014/15 the decommission provision was reduced by £0.740million to reflect the costs incurred by the Comhairle in the year on restoration of these two landfill sites. We have reviewed the accounting treatment adopted and concluded that it is consistent with the LASAAC guidance.
42. In 2014/15 the Creed Enterprise Park wind turbine became operational. The Comhairle estimates its obligation with respect to the restoration costs will amount to approximately £40,000 in 2034/35 (the useful life of the turbine is 20 years). The Comhairle has not recognised, in its 2014/15 annual accounts, a provision for decommissioning costs in respect of the wind turbine site. Management concluded that this was not material to the annual accounts.

Contingent liabilities

Equal pay

43. The Comhairle has disclosed in its 2014/15 annual accounts an unquantified contingent liability in respect of equal pay compensation claims. At 31 March 2015 the Comhairle had approximately ten live equal pay claims outstanding. During 2014/15 a total of 18 claims were settled at a cost of £42,000 and a further nine were either withdrawn or not progressed. The liability for equal pay claims is reviewed annually based on the likelihood and proximity of the settlement of these claims. We are satisfied that the Comhairle has accounted for equal pay compensation claims in accordance with International Accounting Standard 37: *Provisions, Contingent Liabilities and Contingent Assets*.

Z.J.R.Lock v British Gas Trading Limited

44. On 22 May 2014, the Court of Justice of the European Union in their judgement on Z.J.R.Lock v British Gas Trading Limited, ruled that where an employee's pay element consists of two elements, a fixed basic salary as well as a regular additional element based on work performed, their holiday pay calculation should take both elements into consideration.
45. Management are aware of potential liabilities in respect of additional holiday pay based on this European Court ruling. They consider however that these will not be material to the Comhairle. As such, no disclosure has been made in the 2014/15 annual accounts.

Lews Castle private sector operator

46. On 2 June 2015 Kenman Holdings Limited (operator of three hotels in the Western Isles) raised a petition for a judicial review of the Comhairle's decision to award the above contract to another body. The petition alleges that the procurement process was defective and is seeking a reduction of the award of decision and substantial damages. The Comhairle is defending the petition and has instructed a QC to represent it.
47. Kenman Holdings Limited appointed legal advisors have written to the Controller of Audit and Auditor General for Scotland on this matter.
48. A contingent liability has been disclosed in the Comhairle's annual accounts. We have reviewed the accounting treatment adopted and concluded that it is consistent with the requirements of the International Accounting Standard 37: *Provisions, Contingent Liabilities and Contingent Assets*.

Trading operations

49. Under the Local Government in Scotland Act 2003, the Comhairle has to maintain statutory trading accounts for any 'significant trading operations' (STOs). The Comhairle has not classified any of its trading operations as significant since 2010/11. The last review carried out by the Comhairle was in December 2011.

50. In June 2013, LASAAC issued new guidance on STOs. This guidance provided details of the conclusions of the Trading Operations Review Group which was established to undertake a post-legislative review of the 2003 Act particularly in respect of the requirements in relation to STOs. The guidance recommends that the identification of an STO should focus only on those services or activities which are external to the 'single entity' local authority and which are not statutory in nature.
51. During our 2013/14 audit we recommended that the Comhairle should consider this guidance and assess if it is necessary to reclassify any of its trading operations as significant. This recommendation is yet to be implemented. The Comhairle intended to carry out a review of its trading operations against the LAASAC guidance in December 2014, however this did not take place. We have been informed that the review will be re-scheduled to take place prior to December 2015.

Action plan point 2

Group accounts

52. The 2014/15 Code adopted 'new' accounting standards in respect of group accounts. During our audit we confirmed that the Comhairle had complied with these new requirements. Overall, there was no change to the basis of incorporation for the Comhairle's group bodies.

Looking forward

Transport Infrastructure Assets

53. It is expected that the 2016/17 edition of the Code will adopt the measurement requirements of the Code of Practice on Transport Infrastructure Assets (the transport code). This will require measurement on a depreciated replacement cost basis (currently a historic cost basis). This will have a significant impact on the value of infrastructure assets on local authority balance sheets.
54. This represents a change in accounting policy from 1 April 2016 and will require full retrospective restatement including a restated balance sheet at 1 April 2015.

55. As part of our 2014/15 audit we considered the Comhairle's progress in preparing for the implementing these new requirements.
56. In line with the recommendations in the LAAP Bulletin 100 *Project Plan for Implementation of the Measurement Requirements for Transport Infrastructure Assets by 2016/17*, the Comhairle devised a project plan built on the information identified through an impact assessment undertaken to identify gaps in existing information, systems and processes. At the time of our audit the Comhairle was progressing with implementing its plan. At present we have not identified any major concerns in relation to the Comhairle's arrangements on the implementation of the expected requirements of the transport code. We intend to continue to monitor and report on the Comhairle's progress during the course of our audit appointment

Follow up of prior year audit recommendations

57. As part of our audit we have followed up on the recommendations raised in our 2013/14 Annual Report to the Comhairle and the Controller of

Audit. One recommendation has yet to be implemented. This relates to significant trading operations (paragraph 49) and has been included within the Action plan at Appendix 2 to this report.

Total number of recommendations raised in 2013/14	Complete	Not yet complete
10	9	1

Qualitative aspects of accounting practices and financial reporting

58. During the course of our audit, we consider the qualitative aspects 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 annual accounts. 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 annual accounts, 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.	We are satisfied with the appropriateness of the accounting estimates and judgements used in the preparation of the annual accounts. Significant estimates have been made in relation to property plant and equipment, provisions, pension liabilities and arrears. We consider the estimates made, and the related disclosures, to be appropriate to the Comhairle.
The potential effect on the annual accounts of any uncertainties, including significant risks and disclosures such as pending litigation that are required to be disclosed in the annual accounts.	We did not identify any uncertainties, including any significant risk or required disclosures that should be included in the annual accounts (beyond the existing disclosures made).

Qualitative aspect considered	Audit conclusion
The extent to which the annual accounts have been affected by unusual transactions during the period and the extent that these transactions are separately disclosed in the annual accounts.	From our testing performed, we identified no unusual transactions in the period.
Apparent misstatements in the Management Commentary or material inconsistencies with the annual accounts.	There are no misstatement or material inconsistencies with the annual accounts in the Management Commentary.
Any significant financial statement disclosures to bring to your attention.	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.
Disagreement over any accounting treatment or financial statement disclosure.	There was no disagreement during the course of the audit over any accounting treatment or disclosure.
Difficulties encountered in the audit.	There were no difficulties encountered in the audit.

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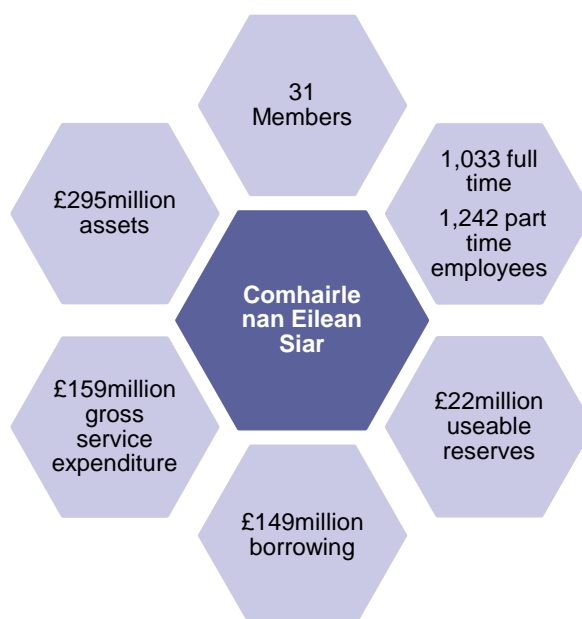
Financial management

Financial management

59. Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.

The Comhairle's financial performance in 2014/15

60. The Comprehensive Income and Expenditure Statement for 2014/15 shows that the Comhairle spent £158.658million on the provision of public services, resulting in an accounting surplus of £2.656million. However, the accounting surplus includes certain elements of income and expenditure that need to be accounted for to comply with the Code of Practice on Local Authority Accounting (the 2014/15 Code), and which are subsequently adjusted to show their impact on statutory Comhairle reserves.
61. A key measure of performance in the year is the movement in the Comhairle's general fund balance. Following the required adjustments the net impact on the general fund is an increase of £1.398million to £20.198million. In total the cash backed (useable) reserves held by the Comhairle increased by £2.683million in the year to £21.968million. This movement was



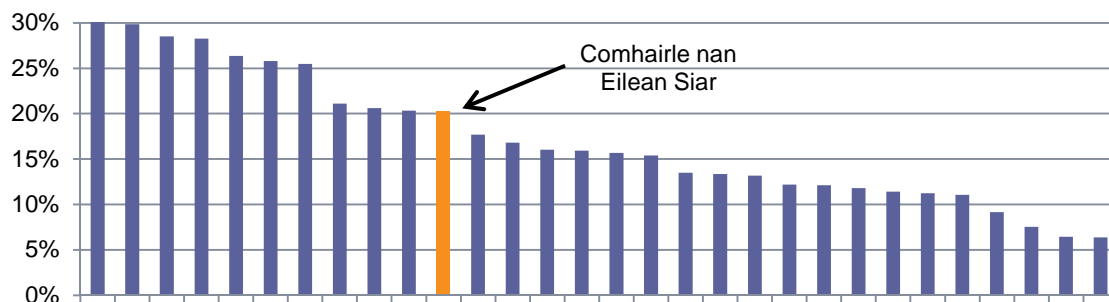
largely attributed to the increase in the general fund and an increase of just over £1million in the balance of the capital grant unapplied account.

Movement in the Comhairle's useable reserves per the Annual Accounts 2014/15	2013/14 £million	2014/15 £million	Movement £million
General Fund	18.800	20.198	1.398
Capital Fund	0.156	0.106	(0.050)
Capital grants unapplied account	0.285	1.313	1.026
Capital receipts	0.044	0.351	0.307
Total useable reserves	19.285	21.968	2.683

62. The Comhairle's useable reserves (which includes the general fund balance and other reserves), as a percentage of the net cost of services, against 30 other local authorities is shown in Exhibit 2. Comhairle nan Eilean Siar's

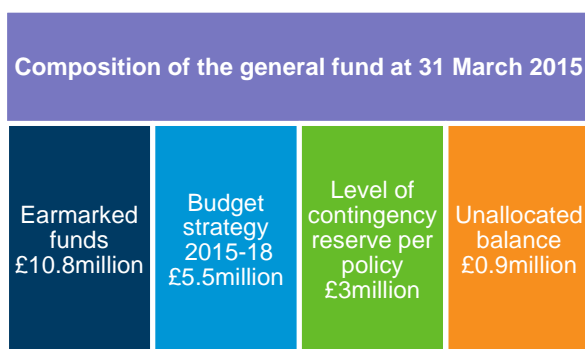
ratio of 20% remains close to the both the mean (17%) and the median (16%) for the sector in 2014/15 and does not indicate any concern about financial management or sustainability.

Exhibit 2 – Useable reserves as a % of net cost of services (30 local authorities)



The chart has been compiled from data made available by Audit Scotland and Shetland and Orkney Islands Councils have been omitted from the comparison as their level of reserves may distort the assessment.

63. The Comhairle's general fund balance at 31 March 2015 comprises £10.8million (54%) committed for specific purposes and £5.5million (27%) earmarked to support the budget over the term of the Comhairle (to 2018). This leaves an uncommitted balance of £3.9million (19%). This is £0.9million (4.5%) in excess of the Comhairle's approved reserve level of £3million. The Comhairle reviews the level of general fund held annually as part of the budget setting process.



64. The general fund surplus reported in 2014/15 (£1.398million) compares favourably to the budgeted surplus set at the start of the year of £41,000. This outturn position however was net of an overspend reported within Social and Community Services (£778,000).

65. Throughout the year, the Comhairle forecast an overspend against service budgets (i.e. excluding centrally held budgets). This was principally due to the overspend within Social and Community Services. The overspend within this service is mainly attributed to

increasing demand, staffing costs and a delay in realising savings. The Comhairle has taken into account this position in setting the 2015/16 budget. As a result, additional budget was allocated to this service. At the time of this report, no quarterly budget monitoring reports had been prepared (these are presented to committee in September/October). We were therefore unable to gauge the forecast position for this service.

66. In February 2014, the Comhairle approved its 2014/15 budget. In setting its budget, the Comhairle reported a budget shortfall (the difference between the budgeted annual income and revenue expenditure) of £2.497million. This shortfall was to be addressed by budget choices (£2.608million), HR proposals (£0.250million), renewable energy (£80,000) and use of general fund balances (£0.4million).

67. While the Comhairle has, in 2014/15, been able to exceed expectations in meeting this shortfall, we note that it does not carry out dedicated reporting to members on the achievement of efficiency and other savings that were identified when the budget was set. As a result it is not clearly reported whether the savings achieved in the year were aligned to the initial plan or as a result of different savings. The Comhairle reports that related information is already collated as part of the efficiency statement submitted to the Scottish Government, via COSLA, each year. This information, and the consideration thereof, could be used to inform future savings plans. The Comhairle should

consider specific reporting on efficiency savings on a project/programme level to demonstrate that savings achieved in the planned areas.

Action plan point 3

Capital position

£18.006million: Capital investment in 2014/15

- £8.589million: Sustainable development
- £4.020million: Roads and transport
- £2.276million: Schools
- £1.105million: Environment and protective services
- £0.630million: Health and social care
- £1.385million: Other services

68. The Comhairle's capital programme covering the five years 2013-18 was agreed at its meeting on 28 March 2013. The revised capital programme is estimated at £94.380 million (including carry forward from the 2008-13 programme of £36.952 million). As at 31 March 2015, £28.669 million (78%) of the 2008-13 programme which had been brought forward has been delivered.

69. In 2014/15 the capital outturn was £18.006million, £9.825million of which related to projects carried forward from the 2008-13 capital programme. In total the capital spend in the year represents approximately 82% (91% in 2013/14) of the annual approved capital programme. Slippage on the development of North Uist primary school (£0.58 million) was one of the main reasons for the underspend on the capital budget in the year. The Comhairle remains confident however that it will be able to deliver its capital programme through to 2018.

Budgetary control

70. The Comhairle has established budget setting and monitoring arrangements in place. The Financial Regulations, Scheme of Delegation and annual budget timetable provide a framework for officers to follow. A

comprehensive budget timetable is produced on an annual basis setting out key activities target dates and responsible individuals involved in the budget setting process. Generally there is a high level of public consultation and elected member participation in preparing and approving the annual budget.

71. The Comhairle's overall financial performance is monitored by the Corporate Management Team and the Policy and Resources Committee. Individual service financial performance is monitored by the service management teams and the relevant service committee. Accountability for any significant variances lies with each head of service.

72. Revenue and capital monitoring reports are prepared by each service every quarter. These reports compare actual figures (both period and year to date) against budget and provide explanations for all significant variances. Significant adjustments to the budget are recorded and reported to the relevant committee. We concluded that the Comhairle has effective controls in place to ensure that spend against its budget is appropriately monitored and controlled throughout the year.

Financial capacity in public bodies

73. The Accounts Commission and Auditor General for Scotland are interested in the impact that reductions in staff numbers are having on back-office functions and specifically finance. As part of the 2014/15 audit we have collected baseline information on the finance function at the Comhairle. This information will be submitted to Audit Scotland who will be assessing the findings across a number of public sector organisations, to identify any common or emerging issues.

74. A summary of our findings are highlighted in the following table:

Theme	Audit findings
Financial capacity	<p>The finance function at the Comhairle is overseen by the Director of Finance and Corporate Resources (the section 95 officer). Through his position within the organisation and his attendance at corporate management team meetings (CMT) and committee meetings, the Director of Finance and Corporate Resources has sufficient status to ensure the Comhairle's strategic objectives are delivered efficiently and effectively and in the public interest.</p> <p>The Director of Finance and Corporate Resources has responsibility for finance, information technology, revenues and exchequer services, procurement and customer services.</p> <p>He is supported in this role by 18 financial management staff represented by 16.5 FTE. In addition, there are 6.5 FTE financial management staff employed across services. The Comhairle has 10 professionally qualified finance staff (8.5 FTE), including Director of Finance and Corporate Resources. In addition, there are two professionally qualified staff (1 FTE) employed across other services.</p> <p>Staffing levels in the finance function have been reduced by 2.5 FTE (support staff) since 2011/12 as part of the savings plan and are at present considered appropriate. The Comhairle addressed the reduction in the support staff through the more efficient use of resources and application of its financial management systems.</p> <p>There are currently no formal plans in place to maintain/increase financial professionalism within the organisation. Historically when the Comhairle identified a gap in financial experience, this was addressed through opportunities for staff to be put through a professional qualification training scheme. At present there is one trainee going through such a scheme.</p> <p>The Comhairle is currently undergoing a workforce planning exercise which is expected to highlight risk areas in respect of succession planning as well as further opportunities to increase the number of finance professionals at the Comhairle. It is anticipated that this exercise will be presented to committee in November 2015.</p>
Financial strategy and sustainability	<p>The Comhairle sets an annual budget and has a budget strategy which covers the term of the Comhairle. As a result, the most recent budget strategy (approved in April 2015) covers the period 2016-18. The budget strategy identifies the savings projections over the period to 2025/26. Various scenarios were applied to the budget shortfall over the period 2016-18.</p>
Budget monitoring and control	<p>The Comhairle has effective controls in place to ensure that spend against its budget is appropriately monitored and controlled throughout the year. Budget monitoring updates are provided to a variety of audiences at the Comhairle including individual service committees and the Policy and Resources Committee. These reports provide a detailed summary of the actual spend against budget to the end of each quarter and the forecast outturn. Narrative explanations are provided for the significant variances between the actual and budgeted expenditure. These arrangements provide a sufficient level of challenge over financial performance.</p>

Systems of internal control

- 75.** We have evaluated the Comhairle's key financial systems and internal financial controls to determine whether they are adequate to prevent material misstatements in the annual accounts. Our approach has included audit testing on the key internal financial controls to confirm that they are operating as intended. We undertake detailed controls testing every three years, or more frequently where the key controls have changed.
- 76.** We consider that the Comhairle has adequate systems in place to record, process, summarise and report financial and other relevant data. We did not identify any material weaknesses in the Comhairle's accounting and internal financial control systems. Our conclusions have been reached following consideration of the following key financial systems, as set out in our External Audit Plan:

Exhibit 3 – Key financial systems evaluated in 2014/15

Council tax	Non domestic rates	Cash receipts and banking	Housing benefit	Sundry income
Payroll	Ordering and creditor payments	Treasury management	Financial ledger	Members remuneration / expenses
Budgetary control	Capital contracts	Tendering procedures	Asset register	Following the public pound

Internal audit

- 77.** The Comhairle's internal audit service is an independent assurance function that provides an opinion on the Comhairle's control environment. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.
- 78.** Effective co-ordination between internal audit and external audit is essential in order to minimise duplication of effort and maximise the benefits of audit. To ensure an efficient use of the Comhairle's total audit resource we have established appropriate working arrangements with internal audit. Each year we aim to place reliance on the work of internal audit where appropriate. Prior to placing such reliance we review the internal audit function to ensure that it operates in accordance with the Public Sector Internal Audit Standards (PSIAS). We also consider whether the work carried out by

internal audit is sufficient in terms of quality and volume.

- 79.** We have concluded that internal audit operates in accordance with the PSIAS and as a result we have been able place reliance on the work of internal audit where appropriate. Our review was informed by the self-assessment carried out by the Comhairle during 2014/15 which identified that, whilst there were areas with scope for improvement, there were no significant deviations from the PSIAS.

Fraud and irregularity

- 80.** In accordance with the Code of Audit Practice, we have reviewed the Comhairle's arrangements for the prevention and detection of fraud and irregularities. Overall we found the Comhairle's arrangements for fraud and irregularity to be operating effectively.

National Fraud Initiative

81. The National Fraud Initiative (NFI) is a counter-fraud exercise co-ordinated by Audit Scotland working together with a range of Scottish public bodies and external auditors to identify fraud and error. The NFI produces 'matches' by using data matching to compare a range of information held on bodies' systems to identify potential fraud or error. Bodies investigate these matches and record appropriate outcomes based on their investigations.
82. A report outlining the Comhairle's planned approach to the 2014/15 NFI exercise was presented to the Audit and Scrutiny Committee in August 2014. The Committee also reviewed the Comhairle's self-appraisal checklist as recommended in the Audit Scotland report *The National Fraud Initiative in Scotland 2012/13* (June 2014).
83. We have concluded that the Comhairle's arrangements for the 2014/15 NFI exercise have been satisfactory. The required data sets were submitted on time. The Comhairle received a total of 1,279 data matches, of which 263 were recommended for investigation. The Comhairle started investigating the matches shortly after they were released. As at 8 September 2015 investigation of a total of 815 (64%) matches were concluded and investigation of further eight matches was in progress. The Comhairle identified no instances of fraud from these investigations however there have been four errors (total value of £6,599). Progress on the outcomes from these investigations are expected to be reported to the Audit and Scrutiny Committee in November 2015.
84. During 2013/14 the Comhairle took part in the Council Tax to Electoral Register NFI exercise whereby council tax records are matched to the electoral register in a bid to identify cases where single person discount (SPD) was awarded when the electoral register identifies another adult living at the same address. The Comhairle received their matches for investigation in March 2014. In December 2014 we reported to Audit Scotland how the Comhairle was progressing with investigation of these matches. As at 23 December 2014, the Comhairle processed:

- Six matches from the 'Council Tax to Electoral Register' report (total of 274 matches) with no issues. Investigation on 16 matches was ongoing.
 - One match from the 'Council Tax Rising 18s' report (total of 23 matches) with no issues identified. Investigation on a further two matches was ongoing.
85. In June 2015 we provided a further update on the Comhairle's progress to Audit Scotland. As at June 2015 investigation of further five matches from the 'Council Tax to Electoral Register' report had been concluded with no errors identified. Investigation on a further 21 matches was ongoing at the time of the reporting. There has been no further progress with the 'Council Tax Rising 18s' report. The Comhairle attributed the lack of progress to staff absences and vacancies within the Revenues team.

Single Fraud Investigation Service

86. Since March 2012 the Comhairle's fraud officer has been involved in joint working with DWP to investigate the cases of potential benefit fraud. From June 2015 the Comhairle's responsibilities for the benefit fraud investigation were transferred to the Department of Work and Pensions (DWP), as part of the Single Fraud Investigation Service (SFIS) arrangements. The Comhairle's fraud officer however remains as a member of the Comhairle's Exchequer services team. After the implementation of SFIS, the Comhairle is still responsible for maintaining appropriate arrangements for the council tax fraud as well as data matching procedures.
87. The Comhairle and DWP have a Service Level Agreement for SFIS outlining each party's responsibilities in light of the new arrangements. The Comhairle however is yet to update its existing counter fraud policy to reflect up-to-date responsibilities and provide training on the updated policy to the relevant staff.

Action plan point 4



Financial sustainability

Financial sustainability

88. Financial sustainability looks forward to the medium and longer term to consider whether the Comhairle is planning effectively to continue to deliver its services or the way in which they should be delivered.

Revenue budget 2015/16

89. In February 2015 the Comhairle approved a balanced budget for 2015/16. The budget identified available resources of £109.793million, comprising revenue support through the Local Government Finance Settlement of £100.801million (inclusive of non-domestic rate income) and Comhairle tax income of £8.992million (based on band D Comhairle tax level of £1,024 which has been frozen since 2007/08).
90. Expenditure requirements for 2015/16 have been estimated at £113.554million which is £3.761million higher than the resources available. The Comhairle expects to meet the identified shortfall through planned application of general fund balances (£1.487million), savings in loan charges (£1.436million) and through 1% efficiency savings (£0.838million).

Budget Strategy 2016-18

91. In April 2015, the Comhairle agreed its overall budget strategy for the period 2016-18. The Comhairle estimates that savings of £4.1million and £3.1million will be required in 2016/17 and 2017/18 respectively. For 2016/17 the shortfall is expected to be bridged, in part, through

savings in loan charges (£2.4million) and the approved use of balances (£0.5million). The remaining £1.2million is due to be met by savings. The Comhairle, in preparing its budget strategy, carried out a sensitivity analysis on the projections. The analysis illustrates how inflation, pay awards and the settlement could add £3.4million to the shortfall for 2016-18. These projections are being monitored until notification of the settlement is received.

92. The Comhairle has recognised that the projections may also need to be reviewed to reflect the growing demand pressure from Health and Social Care. The projections are due to be reviewed in 2015/16 to take account of costs associated with demographic change.
93. As part of the 2015/16 budget setting process, long term projections were considered covering the period to 2025/26.
94. In developing its budget strategy over 2016-18 the Comhairle agreed seven workstreams (Exhibit 4).
95. Since April 2015, the Comhairle has progressed with these workstreams. In particular, initial meetings have been held with elected members to discuss choices about which services the Comhairle wishes to prioritise (budget choices). Community engagement will be taken in 2016 around the options under consideration.

Exhibit 4: Comhairle’s budget workstreams for the development of the 2016-18 budgets

Budget Review	<ul style="list-style-type: none"> Review of the budget assumptions
Workforce Planning	<ul style="list-style-type: none"> Workforce review to consider service demand, employee profile and skills requirements
Savings Proposals	<ul style="list-style-type: none"> Review of the savings proposals identified during 2014
Spend to Save and Income Generation	<ul style="list-style-type: none"> Workshop for Heads of Service identifying opportunities
Category Review	<ul style="list-style-type: none"> Review of procurement arrangements
Budget Choices	<ul style="list-style-type: none"> Identification of savings options to deliver a balanced budget for 2016/17 and 2017/18
Budget Consultation	<ul style="list-style-type: none"> Community engagement around the savings options under consideration

Workforce

Workforce review

96. As part of the workforce planning exercise (exhibit 4), the Heads of Service are required to consider whether savings could be delivered through efficiencies, service redesign and potentially service reduction. These proposals will be considered in the first instance by the Vacancy Panel, comprising the Chief Executive, Director of Finance & Corporate Resources and Head of Human Resources. A report on this exercise will be submitted for the consideration by elected members in November 2015.

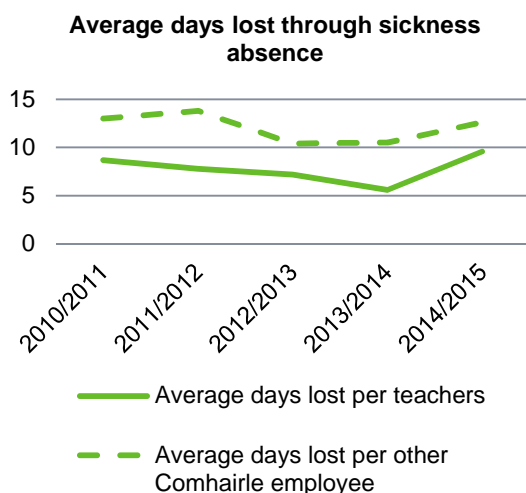
Succession planning

97. Internal audit, within its annual report, has noted that the recently appointed Director of Education and Children’s Services was the former and only Head of Service within the department. Internal audit highlights that this increases the risk of over reliance on one member of staff together with business continuity issues in the event of sickness or absence of the remaining member of staff. Internal audit has emphasised the need to recruit to the two vacant head of service posts. The longer these remain unfilled, the greater risk there is to the Comhairle in terms of strategic management and business continuity.

Sickness absence

98. In 2011/12, the first year of our audit appointment, we reported that since 2008/09 sickness absence levels at the Comhairle had increased significantly. At that time, absence levels for Comhairle staff, excluding teachers, had risen from 10.5 lost days in 2008/09 to 13.8 lost days in 2011/12. Absence levels for teaching staff however had decreased from 10 days lost in 2008/09 to 7.8 days in 2011/12. At the time the Comhairle was not aware of any underlying cause for the changes in sickness levels.
99. In September 2013 internal audit reviewed the Comhairle’s arrangements for the management of sickness absence. The review resulted in sixteen recommendations for improvements. A follow-up review was conducted in January 2014 which concluded that all of the recommendations had been fully or partially implemented.
100. Audit Scotland, in its follow-up report on the *Audit of Best Value and Community Planning* noted that the Comhairle has made significant improvements in the management of its workforce and has reduced the levels of sickness absence. However, this year’s data suggests a significant increase in the absence levels for both teachers and other Comhairle staff.

Exhibit 5: Sickness absence



- 101.** The Budget Strategy 2016-18 recognises that employee costs make up 51% of the Comhairle's overall budget. As a result, each Head of Service will be carrying out a workforce review to identify potential savings that can be made in employee costs. Work is underway within the Comhairle to identify the key underlying reasons for sickness absence and trends. Additionally, reports on sickness absence levels are made quarterly at the service level and in August 2015 management reviewed the procedures on returns to work.
- 102.** High sickness absence levels can place significant pressure on service delivery and financial performance. We endorse the action that the Comhairle is taking to identify the underlying reasons for sickness absence.

Exit packages

- 103.** The Comhairle entered into 43 exit packages with staff during the year (30 in 2013/14), of which one was a compulsory redundancy (none in 2013/14). The total cost of exit packages to the Comhairle in 2014/15 was £1.441million (£1.010million in 2013/14). In total the Comhairle has entered into 162 exit packages over the four years 2011-2015. This is significantly below the national average of 330 exit packages over the same period.
- 104.** The average cost per exit package for the Comhairle is £32,000 over the four year period 2011-2015. This is £6,000 below the national average cost per exit package over the same

period.

Health and social care integration

- 105.** The Comhairle are working in partnership with the Western Isles Health Board to develop joint working arrangements for the integration of health and social care. The draft Integration Scheme was approved by Scottish Ministers on 16 June 2015 following the need to resubmit the initial Scheme. The Comhairle and Western Isles Health Board are now under pressure to meet the deadline of 1 April 2016 for full implementation.
- 106.** A Chief Operating Officer (COO) has been appointed and commenced work in July 2015. NHS Western Isles nominated the Chief Financial Officer (CFO) to the voting members on 15 September 2015. The appointments of the COO and CFO to the Integrated Joint Board (IJB) will be confirmed following its formal establishment on 21 September 2015. Work has now commenced on the development of the Strategic Plan which will be facilitated through the formation of a Strategic Planning group. The Standing orders for the IJB have also been drafted in accordance with the Public Bodies (Joint Working) (Integration Joint Board) (Scotland) Order 2014. Periodic progress reports on the formation of the IJB are being presented to the Audit and Scrutiny Committee.
- 107.** A number of workstreams have been established to help ensure the success of the Western Isles model within the required timeframe. A Joint Planning and Liaison Group (JPLG) group has been established to provide a mechanism to support engagement between Comhairle and NHS Western Isles management in relation to health and social care planning and development matters. The remit of the JPLG is to ensure continuing progress on all health and social care service areas, against agreed national and local plans and policies towards integrated joint arrangements.
- 108.** Once established the JPLG will report on progress within each workstream to the IJB and be responsible for ensuring that all necessary progress reports to the Scottish Government are submitted in accordance with set deadlines. The Comhairle should ensure that workstream

activity covers key areas such as risk management, governance, and financial management. Workstreams should be planned and completed in line with the 1 April 2016 deadline.

Action plan point 5

Welfare reform

- 109.** In 2012/13 a Welfare and Poverty Officers group was established to raise awareness of the reforms to agencies and those affected. The group comprises representatives from the Comhairle, Department for Work and Pensions, Hebridean Housing Partnership, NHS Western Isles and the third sector. The group, along with the Poverty Action Group (a sub group of the Outer Hebrides Community Planning Partnership) has been working on a variety of initiatives to address concerns regarding the changes to welfare.
- 110.** From 2013 the Department of Work and Pension (DWP) is introducing Universal Credit to replace six means-tested benefits and tax credits for working age claimants. DWP is rolling out the implementation of Universal Credit in stages with the full migration to the new benefit expected to be completed by 2019. The rollout of Universal Credit in the Western Isles commenced in May 2015. Service delivery obligations and expectations from both, DWP and the Comhairle are set out in the Delivery Partnership Agreement (the Agreement). To support the delivery of the Agreement, the Comhairle anticipates receiving additional funding of £18,400 from DWP. The Welfare Reform and Poverty Support group are expected to continue to play key role in monitoring and addressing the impact of the welfare changes on claimants in the Western Isles. We will review the Comhairle's arrangements for the progress in implementation of Universal Credit during 2015/16.

spend is estimated at £27.770million. Major capital developments for 2015/16 include the construction of the North Uist primary school and the development of the Lews Castle project, with the two projects accounting for approximately 25% of the 2015/16 capital budget. The Comhairle does not expect to incur new borrowing to fund its current capital programme. The 2013-18 programme is largely expected to be funded through Scottish Government grant funding, grant funding from other sources, application of capital receipts and through underspends on 2008-13 capital projects. The capital programme is continuously updated to incorporate additional sources of funding secured by the Comhairle.

Western Isles School Project (WISP)

- 112.** During the construction phase, the WISP was managed by Sgoiltean Ùra LLP (SULLP), a subsidiary wholly owned by the Comhairle. Lifecycle maintenance and facilities management for the WISP schools has been contracted to FES FM Ltd. Initially the responsibility for the supervision and management of the WISP contracts was expected to transfer from SULLP to the Contracts Management Committee, a sub-committee of the Comhairle's Policy and Resources Committee during 2013/14.
- 113.** The transfer of the responsibility for the supervision and management of the WISP contracts has yet to happen. With building works on the WISP substantially complete in 2012/13, SULLP effectively ceased trading on 31 March 2013. SULLP did not undertake any financial activities during 2014/15.

Capital budget – affordability

Future capital plans

- 111.** The Comhairle's capital programme has been prepared for the five year period 2013-18. The updated programme totals £94.380million and includes £36.952million brought forward from the 2008-13 programme. The 2015/16 capital

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Governance and transparency

Governance and transparency

114. Governance and transparency is concerned with the adequacy of governance arrangements, leadership and decision making, and transparent reporting of financial and performance information. Through the chief executive, monitoring officer 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. Audit bodies usually involve these charged with governance in monitoring these arrangements.

Governance arrangements

115. During our audit we have reviewed the Comhairle's overall governance arrangements. This has included consideration of the Comhairle's arrangements as they relate to standards of conduct including the prevention and detection of bribery and corruption and irregularity and risk management. Based on our review, overall governance arrangements are adequate and appropriate.

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

116. In our opinion the Comhairle's arrangements in relation to standards of conduct and the prevention and detection of bribery and corruption are in line with our expectations. Our conclusion has been informed by a review of the arrangements for adopting and reviewing standing orders, financial instructions and schemes of delegation and complying with national and local Codes of Conduct.

Risk management

117. Public sector bodies in Scotland currently face increasing demand for quality services, but also have to face the challenge of tighter financial budgets. Effective risk management encourages effective decision making and better use of resources.

118. The Comhairle's Strategic Risk Management Group (SRMG) oversees risk management activity. This group comprises representatives from all departments across the Comhairle. The group meets every two months and has created an action plan to take forward 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 on progress against identified risk mitigation actions.

119. The Comhairle has continued to develop its risk management arrangements. In particular we noted the following developments:

- A framework for incorporating risk assessments into performance reports has been developed by the SRMG. This framework aims to promote the management of risk across the Comhairle.
- The Comhairle and NHS Western Isles, as part of the health and social care integration scheme, intend to develop a shared risk management strategy for the IJB. A risk workshop, facilitated by Zurich Insurance, will be held in October 2015 to help identify risks associated with the integration of health and social care.
- A feasibility study is currently underway to establish a risk register for the Outer Hebrides Community Planning Partnership (OHCPP). This risk register will complement the existing register and look at risks to achieving the Single Outcome Agreement.

120. Although progress has, and continues to be made, we have noted that two recommendations we raised in 2013/14 in relation to risk management and business continuity have yet to be fully implemented. We understand that the Comhairle will implement these once they have completed those activities noted in the bullets above. These have been included within the action plan at Appendix 2 to this report.

Action plan points 6-7

Following the public pound

121. 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.
122. 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.
123. Each year we consider the arrangements at the Comhairle has in place in relation to the management of its ALEOs. In line with previous years we have confirmed with the Director of Finance and Corporate Resources 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 Comhairle. As such the Director of Finance and Corporate Resources has concluded that there are, at present, no arrangements which would meet the definition of an ALEO.

subject of community consultation in Autumn 2015.

125. The three councils are currently liaising with both the UK and Scottish Governments in relation to this campaign. The Comhairle is currently responsible for project managing the campaign with the management team comprising the Comhairle's Chief Executive; Head of Executive Office; Corporate Policy Manager and Communications Officer.

Our Islands, Our Future

124. Following the Independence Referendum in September 2014 and the subsequent publication of the Scotland Bill, the Comhairle, together with Orkney and Shetland Councils, have formed the '*Our Islands: Our Future*' campaign. The overarching aim of the campaign is to ensure that the unique position and needs of the island areas are recognised and consultation is held on how these can be addressed. The Scottish Government has committed to an Islands Bill to include matters such as Islands proofing which will be the

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Value for money

Value for money

126. Local authorities have a statutory duty to make arrangements to secure best value; defined as continuous improvement in the performance of functions. In securing best value, local authorities must maintain a balance of quality and cost considerations and have regard, among other things, to economy, efficiency and effectiveness (or 'value for money') and the need to meet equal opportunity requirements and contribute to the achievement of sustainable development.
127. Local authorities also have a duty for community planning, which is to initiate, maintain and facilitate consultation among and with public bodies, community bodies and others about the provision of services in the area of the local authority and the planning of that provision.
128. In this section we report on our audit work as it relates to the Comhairle's own assessment in delivering value for money and reporting performance.

Best value/Continuous improvement

129. In May 2014 the Accounts Commission published *Comhairle nan Eilean Siar: the Audit of Best Value and Community Planning – follow-up report*. The Commission welcomed the progress made by the Comhairle against its previous findings and that the pace of and prospects for improvement had both increased.
130. In September 2014 the Audit and Scrutiny Committee received a report on the improvement actions to be taken forward; grouped under the five main recommendations within the Commission's follow up report:

Recommendations made with the Accounts Commission follow up report (May 2014)

The Comhairle should build upon progress made in relation to self-evaluation and fully embed an improvement focused culture.

The Comhairle should effectively develop the workforce through completion of annual performance appraisals, standardising the annual appraisal cycle linked to departmental business plans and corporate workforce planning and ensuring departmental business training plans are developed across all departments.

The Comhairle should manage its workforce more effectively by making the best use of information systems and monitoring sickness absence more consistently across the organisation. This should generate a better understanding of the underlying causes of sickness absence to enable appropriate action to be taken to further improve absence levels.

The Comhairle should extend use of the Customer Satisfaction Measurement Tool (CSMT) across all regular user surveys. A co-ordinated corporate strategy of customer service activity should also be developed to ensure customer feedback is gathered efficiently.

The Comhairle should report its performance to the public in a more balanced and transparent way by giving more attention to those areas where performance is less successful and what actions it will take to address this.

Source: http://www.audit-scotland.gov.uk/docs/best_value/2014/bv2_1405_27_eilean_siar.pdf

131. In the same month, the Comhairle's corporate improvement member and officer working group (MOWG) agreed to incorporate into its corporate improvement plan new high level actions which draw upon the outcomes of the best value follow up audit. Plans to address these recommendations however have now

been incorporated into Service Business Plans and performance management presentations to service committees and the Policy and Resources committee. To date, progress against these recommendations has been reported to the Human Resources Sub Committee and Service Committees.

- 132.** Although the Comhairle no longer produces a corporate improvement plan, we consider that clear documentation and ongoing monitoring of the new arrangements (and the wider Continuous Improvement sub-committee work plan) should provide the Comhairle with reasonable evidence to demonstrate continuous improvement in the performance of its functions.

Action plan point 8

Self-assessment activity by the Comhairle

- 133.** In previous years the Comhairle carried out self-assessment of its activities using the *'How Good is our Council'* framework. The framework is used by only five other Scottish local authorities. From 2014/15 onwards, the Comhairle has chosen to adopt the Public Services Improvement Framework (PSIF) self-evaluation framework. The PSIF has been developed by the Improvement Service and is used by the majority of local authorities in Scotland. The introduction of the PSIF should help to ensure that meaningful benchmarking becomes established practice across the Comhairle.

- 134.** Following the adoption of the PSIF, the Comhairle has decided to implement a project management approach to cross-departmental projects to help ensure optimal use of resources and effective implementation of Business Plan actions.

- 135.** In order to facilitate this project-led approach, the Policy and Resources Committee agreed, in February 2015, that a Continuous Improvement Sub-Committee be established. Membership of this committee is drawn from the original MOWG in addition to the three elected officers previously appointed to support self-evaluation. The committee does not have delegated authority. It is responsible for the following:

- Ensuring that all members have received training in relation to the PSIF and project management;
- Proposing a programme of self-assessment using the PSIF methodology and monitoring implementation of identified improvements;
- Analysing project proposals and prioritising cross-departmental projects based on available resources and anticipated savings and benefits to be realised;
- Overseeing the progress of projects acting as an Executive or Sounding Board to ensure timescales are observed and financial and other targets achieved without slippage;
- Reporting on any concerns to the Comhairle; and
- Acting as a sounding board in relation to workforce planning proposals and identify the cross departmental impact of such proposals.

- 136.** The group has met to agree its remit and an outline timetable of the work to be performed. As this group develops we would expect a more detailed work plan to be created for embedding the new PSIF and project management arrangements and measurable targets to be established to monitor progress.

Statutory performance indicators

- 137.** The Accounts Commission has a statutory power to define the performance information that local authorities have to publish. The 2013 Direction, which applied to 2014/15, reinforced the Accounts Commission's focus on public performance reporting (PPR) and local authorities' requirement to take responsibility for the performance information they report. As in 2013/14, performance information must, when considered cumulatively, fulfil the requirements of SPI 1 (Corporate Management), SPI 2 (Service Performance) and SPI 3 (Local Government Benchmarking Framework (LGBF)).

- 138.** The LGBF was developed by the Improvement

Service at the request of the Society of Local Authority Chief Executives (SOLACE). The LGBF comprises of a suite of performance indicators which are comparable across all Scottish local authorities. These have been principally taken from existing sources. A small number of the LGBF indicators were previously collected as specified statutory performance indicators.

- 139.** Our role as external auditors, as defined in the 2013 Direction is to assess whether adequate arrangements are in place for collection and publication of accurate and complete information in relation to Public Performance Reporting (SPI 1 and 2) and the Local Government Benchmarking Framework (SPI 3). In order to fulfil this role we performed sample testing of service performance indicators. From the sample testing we performed we concluded that the Comhairle has adequate arrangements in place. In total we carried out a high level review of fourteen indicators, all of which were found to be reliable. Indicators were selected using a risk-based methodology and taking into account the work performed by internal audit so as to avoid duplication of effort.
- 140.** Internal audit's review considered the Comhairle's arrangements for collating and recording both statutory and local performance indicators and those indicators required under the LGBF. Through this work internal audit identified that delays in the submission of the returns from Education and Children's services had a detrimental effect on the audit process. In addition IT issues with the leisure management system at the Comhairle sports facilities, along with inconsistent methods of recording data may have affected the accuracy/confidence in reported figures. Although we did not identify any errors through the course of our work we will continue to monitor the points raised by internal audit and the actions to taken by management to address these issues.
- 141.** We can confirm that the Comhairle continues to liaise with the Improvement Service as part of the LGBF and made their 2014/15 submission in line with required deadline of 28 August 2015.
- 142.** Ongoing engagement with the LGBF is undertaken through the Scottish government

Benchmarking Project's KHub group. The Comhairle has 18 members participating in the KHub. Membership covers each of the six services allowing information to be cascaded down throughout each service.

- 143.** The LGBF has identified a total of 15 benchmarking themes to be undertaken across four phases, with the last phase being due to commence in October 2015. The Comhairle has allocated lead officers to each theme and has participated in benchmarking sessions on each theme progressed to date. A lead council is appointed for each theme within each benchmarking family group. The Comhairle has been allocated the role of 'lead council' for the Council Tax theme.

Summary of performance

- 144.** The Comhairle considers performance against business plans and budgets at each service committee meeting during the year. As part of this a total of 186 Key Performance Indicators (KPIs) are reported; these include those reported under SPIs. As at 31 March 2015 77% of these were on target, 5% were close to the target and 18% were off track. Further performance information is reported within the management commentary in the Annual Accounts.

Public Performance Reporting

- 145.** In July 2015, following consultation with external auditors and the Comhairle, Audit Scotland reported its evaluation of how well councils fulfilled their duties on public performance reporting during 2013/14. This evaluation sought to:
- Provide the Commission with an evaluation of how well councils have responded to:
 - SPI 1 and 2 (by reporting a range of corporate management and service performance information, sufficient to demonstrate Best value).
 - SPI 3 (by reporting service performance in accordance with the requirements of the Local Government Benchmarking Framework.).

- Identify where public performance reporting (PPR) has improved and where further improvement is still required in relation to councils demonstrating a broad and balanced approach to PPR that reflects the requirements of the 2004 statutory guidance.

146. In contrast to previous years' reviews, Audit Scotland applied an assessment rating to each theme under SPI 1 and 2 of either Yes (fully meets requirements) or AFI (area for improvement). Previously the assessment

rating had been "Fully", "Partially" or "Not" meeting the criteria.

147. In addition the previous year's single assessment criteria applied to each theme under SPI 1 and 2 has been expanded into a larger number of assessment characteristics within each theme. Also the previous year's assessment covering three "general PPR characteristics" has also been expanded into seven broad themes, each with their own range of assessment characteristics.

Exhibit 6 - Audit Scotland's assessment of Comhairle nan Eilean Siar's PPR arrangements in 2013/14

<p>2012/13 Themes "Not" meeting criteria</p>	<ul style="list-style-type: none"> • Responsiveness to its communities (SPI 1) • Revenues and service costs (SPI 1) • Employees (SPI 1) • Assets (SPI 1) • Procurement (SPI 1) • Sustainable development (SPI 1) • Equalities and diversity (SPI 1) • Benefits administration (SPI 2) • Community care (SPI 2) • Criminal justice social work (SPI 2) • Cultural and community services (SPI 2) • Planning (SPI 2) • Child protection and Children's social work (SPI 2) • Housing and homeless (SPI 2) • Protective services (SPI 2) • Roads and lighting (SPI 2) • Waste management services (SPI 2)
<p>2013/14 Themes listed as "AFI"</p>	<ul style="list-style-type: none"> • Employees (SPI 1) • Benefits administration (SPI 2) • Community care (SPI 2) • Criminal justice social work (SPI 2) • Cultural and community services (SPI 2) • Child protection and Children's social work (SPI 2) • Protective services (SPI 2) • Roads and lighting (SPI 2) • Waste management services (SPI 2)

148. The outcome of the 2013/14 evaluation shows that the Comhairle continues to improve its PPR in terms of SPI 1 and 2 and fully meets the requirements of SPI 3. Of the 19 themes not meeting the criteria in 2012/13, eight have improved in 2013/14.

149. A number of the new assessment criteria, looking at overall aspects of PPR reporting have also been assessed as AFI. These are;

- Structured approach
- Customer Satisfaction
- Comparators
- Accessibility

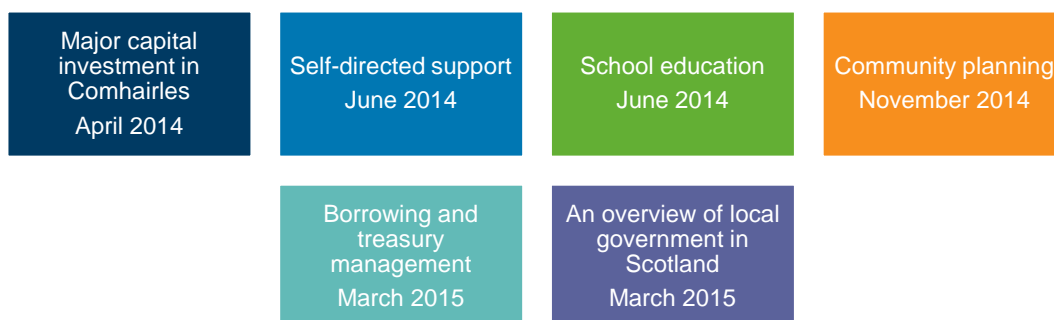
150. There has been significant improvement demonstrated in 2013/14. This was reported on

both within the Accounts Commission assessment and in Audit Scotland's Best Value report. As noted by the Accounts Commission however, there remains further scope for improvement in terms of PPR across all local authorities in Scotland. The 2013/14 assessment provides a good basis for the Comhairle to be able to identify gaps and learn from good practice highlighted in other councils.

Audit Scotland's national performance reports

151. Each year Audit Scotland produces a number of national performance audit reports. In 2014/15 the following relevant reports were published:

Exhibit 7 - Audit Scotland national performance reports issued in 2014/15



152. Local authorities are encouraged to review the national reports and consider whether any improvement actions are required in their own arrangements. All relevant national performance reports are presented to the relevant Comhairle committee.

6

Appendices

Appendix 1: Respective responsibilities of the Comhairle and the Auditor

Responsibility for the preparation of the annual accounts

The Comhairle is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. The Director of Finance and Corporate Resources has been designated as that officer within Comhairle nan Eilean Siar.

The Director of Finance and Corporate Resources is responsible for the preparation of the Comhairle's annual accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing the annual accounts, the Director of Finance and Corporate Resources is responsible for:

- selecting suitable accounting policies and applying them consistently;
- making judgements and estimates that are reasonable and prudent; and
- complying with the Code.

The Director of Finance and Corporate Resources is also responsible for:

- keeping proper accounting records which are up to date; and
- taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditor responsibilities

We audit the annual accounts and give an opinion on whether:

- they give a true and fair view in accordance with applicable law and the 2014/15 Code of the state of the affairs of the group and of the body as at 31 March 2015 and of the income and expenditure of the group and the body for the year then ended;
- they have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2014/15 Code;
- they have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973 and the Local Government in Scotland Act 2003;
- the part of the Remuneration Report to be audited has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014; and
- the information given in the Management Commentary is consistent with the annual accounts.

We are also required to report, if in our opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with accounting records; or
- we have not received all the information and explanations we require for our audit; or
- 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

We are required by International Standards on Auditing 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.

Appendix 2: Action plan

Our 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. The weaknesses or risks identified are only those which have come to our attention during our normal audit work, and may not be all that exist. Communication of the matters arising from the audit of the annual accounts or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.

Action plan grading structure

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	<p>“Critical” – High likelihood, High impact (HH)</p> <p>“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”</p>
Grade 2	<p>“Contingent/Insurable Risk” - Low likelihood, High impact (LH)</p> <p>“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”</p>
Grade 3	<p>“Housekeeping” – High likelihood, Low impact (HL)</p> <p>“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”</p>
Grade 4	<p>“Value for Money” – High likelihood, Value for money impact (HV)</p> <p>“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”</p>

Action plan point	Issue & Recommendation	Management Comments
1	<p>Management Commentary</p> <p>As part of our audit we reviewed the Council's management commentary against the non-statutory guidance issued by the Scottish Government (Local Government Finance Circular 5/2015). From this review we believe that there are areas in which the Council could further develop its commentary in future years</p>	<p>The content of the management commentary will be reviewed as part of the preparation of the 2015/16 Annual Accounts</p> <p>Responsible Officer: Director of Finance and Corporate Resources</p> <p>Completion Date: June 2016</p>
Rating		
Grade 3		
Paragraph ref		
36		

Action plan point	Issue & Recommendation	Management Comments
2	<p>Significant trading operations (STOs)</p> <p>During our 2013/14 audit we recommended that the Comhairle should consider LASAAC's guidance on STOs and assess if it is necessary to reclassify any of its trading operations as significant.</p> <p>The Comhairle intended to carry out a review of its trading operations against the LAASAC guidance in December 2014, however this did not take place.</p>	<p>The classification of Trading Operations will be reviewed during 2015/16</p> <p>Responsible Officer: Head of Accountancy and Customer Services</p> <p>Completion Date: March 2016</p>
Rating		
Grade 3		
Paragraph ref		
51		

Action plan point	Issue & Recommendation	Management Comments
3	<p>Reporting achievement of savings</p> <p>While the Comhairle has been able to exceed expectations in meeting its budget shortfall, we note that it does not carry out dedicated reporting to members on the achievement of efficiency and other savings that were identified when the budget was set. As a result it is not clear whether the savings achieved in the year were aligned to the initial plan or as a result of different savings. This information, and the consideration thereof, could be used to inform future savings plans.</p> <p>The Comhairle should consider specific reporting on efficiency savings on a project/programme level to demonstrate that savings achieved in the planned areas.</p>	<p>The Comhairle's Efficiency Statement and supporting information will be reported to the Policy and Resources Committee each year</p> <p>Responsible Officer: Director of Finance and Corporate Resources</p> <p>Completion Date: September 2016</p>
Rating		
Grade 4		
Paragraph ref		
67		

Action plan point	Issue & Recommendation	Management Comments
4	Single fraud investigation service (SFIS)	The Counter Fraud Policy will be updated
Rating	The Comhairle and DWP have a Service Level Agreement for SFIS outlining each party's responsibilities in light of the new arrangements. The Comhairle however is yet to update its existing counter fraud policy to reflect up-to-date responsibilities and provide training on the updated policy to the relevant staff.	Responsible Officer: Director of Finance and Corporate Resources
Grade 3		Completion Date: March 2016
Paragraph ref		
87		

Action plan point	Issue & Recommendation	Management Comments
5	Health and social care integration	The Chief Officer of the Integration Joint Board will ensure that workstream activity is reported and monitored, as appropriate, through the IJB and Policy and Resources Committee
Rating	A number of workstreams have been established to help ensure the success of the Western Isles model within the required timeframe.	Responsible Officer: Chief Officer (IJB)
Grade 3	The Comhairle should ensure that workstream activity covers key areas such as risk management, governance, and financial management. Workstreams should be planned and completed in line with the 1 April 2016 deadline.	Completion date: November 2015
Paragraph ref		
108		

Action plan point	Issue & Recommendation	Management Comments
6	Risk management	The Corporate Improvement Sub-Committee approved a framework for Project Management including Risk Management at its meeting in August 2015
Rating	In 2013/14 we found that there was no guidance relating to managing risk on significant projects in the Comhairle. To ensure all key risks relating to a capital or change project are identified, monitored and managed effectively, we recommended that the Comhairle ensure there is sufficient guidance and training for all members of staff who are involved.	Responsible Officer: N/A
Grade 2		Completion Date: N/A
Paragraph ref		
120		
	2013/14 management response	
	Whilst there are references to project risk in both the Risk Management Strategy and Financial Regulations specific guidance will be developed on project risk. This will be implemented by March 2014.	

Action plan point	Issue & Recommendation	Management Comments
7	<p>Business continuity plans</p> <p>In 2012/13 we noted that Comhairle did not have Business Continuity Plan in place. As a result there was a risk that the Comhairle would be unable to continue to provide services in the event of an unforeseen disaster.</p> <p>At that time, recommended that a detailed organisational Business Continuity Plan was developed and approved by the Comhairle. It should detail: scenarios and action plans for each type of incident, roles and responsibilities for key individuals, alternative office requirements and a test strategy to ensure plans outlined are effective.</p> <p>2012/13 management response</p> <p>Business Continuity Plans are currently being prepared and all departments are working to have draft plans completed by 12 September 2013. These will be reviewed by the Strategic Risk Management Group before being submitted to the Comhairle in November 2013.</p> <p>2013/14 management response</p> <p>There is currently no Disaster Recovery Plan in place for the Comhairle as a whole, instead continuity plans are put in place for individual critical services. Most of these plans are due to be completed and tested by September 2014.</p> <p>Business Continuity Plans are still not in place for Education and Children's Services and Social and Community Services.</p>	<p>The recently appointed Chief Officer of the IJB and the Director of Education and Children's Services will complete Business Continuity Plans for their services</p> <p>Subsequently a revised Disaster Recovery Plan for the whole organisation will be compiled</p> <p>Responsible Officer: Chief Officer (IJB), Director of Education and Children's Services, Director of Finance and Corporate Resources</p> <p>Completion Date: December 2015 (Business Continuity Plans) and March 2016 (Corporate Disaster Recovery Plan)</p>
Rating		
Grade 1		
Paragraph ref		
120		

Action plan point	Issue & Recommendation	Management Comments
8	<p>Continuous improvement Sub-Committee</p> <p>Although the Comhairle no longer produces a corporate improvement plan, we consider that clear documentation and ongoing monitoring of the new arrangements (and the wider Continuous Improvement sub-committee work plan) should provide the Comhairle with reasonable evidence to demonstrate continuous improvement in the performance of its functions.</p>	<p>A more detailed work plan will be submitted to the Sub-Committee following conclusion of the pilot project management and PSIF work as agreed by the Sub- Committee on 18 August 2015.</p> <p>The Sub Committee will report to each meeting of Audit and Scrutiny and Policy and Resources Committees.</p> <p>Responsible Officer: Head of Executive Office</p> <p>Completion Date: March 2016</p>
Rating		
Grade 3		
Paragraph ref		
132		



Scott-Moncrieff
business advisers and accountants

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