

Comhairle nan Eilean Siar

2020/21 Annual Audit Report



 AUDIT SCOTLAND

Prepared for the Members of Comhairle nan Eilean Siar and the Controller of Audit

26 October 2021

Contents

Key messages	3
Introduction	4
1. Audit of 2020/21 annual accounts	6
2. Financial management	11
3. Financial sustainability	17
4. Governance and transparency	19
5. Best Value	23
Appendix 1	26
Appendix 2	32
Appendix 3	36

Key messages

2020/21 annual accounts

- 1 Our audit opinions on the annual accounts are unmodified
- 2 The audited accounts reflect the PPE and testing kits supplied to the Comhairle during covid-19

Financial management and sustainability

- 3 The Comhairle achieved a year-end surplus of £7.7 million due to unspent Covid-19 funding (£4.5 million) and departments underspending by £1.9m
- 4 The cost of Covid-19 in 2020/21 was £4.2 million. The Comhairle also paid out £14 million in grants to individuals and businesses impacted by Covid-19
- 5 The 2021/22 budget relies less on reserves than previous budgets, but this includes savings plans of £2.3 million and the continuing financial impact of Covid-19 (£0.8 million). Both assumptions already look optimistic.

Governance and transparency

- 6 The Comhairle is undergoing an organisational review
- 7 EU rules were probably breached in the tender process for the Lews Castle Museum and Archive project

Best Value

- 8 The Comhairle has an appropriate best value framework, and a Best Value Audit Report will be completed in 2022
- 9 The benefits service performed well compared to other Scottish Councils during Covid-19.

Introduction

1. This report summarises the findings arising from the 2020/21 audit of Comhairle nan Eilean Siar (the Comhairle) and its group.
2. The scope of the audit was set out in our 2020/21 Annual Audit Plan presented to the 30 March 2021 meeting of the Audit and Scrutiny Committee. This report comprises the findings from:
 - an audit of the annual accounts
 - consideration of the audit dimensions that frame the wider scope of public audit set out in the [Code of Audit Practice 2016](#): financial management, financial sustainability, governance/ transparency, and value for money.
3. The main elements of our audit work in 2020/21 have been:
 - an audit of the annual accounts of the Comhairle and its group and the issue of independent auditor's reports setting out our opinions
 - a review of the Comhairle's key financial systems
 - audit work covering the Comhairle's response to the Covid 19 pandemic. Findings were reported in our 2020/21 Management Report presented to the of Audit and Scrutiny Committee on 23 June 2021.
 - consideration of the four audit dimensions and a follow up of recommendations made in our 2019/20 Annual Audit Report.

Adding value through the audit

4. We add value to the Comhairle through the audit by:
 - identifying and providing insight on significant risks, and making clear and relevant recommendations
 - sharing intelligence and good practice through our national reports ([Appendix 3](#)) and good practice guides
 - providing clear and focused conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability

Responsibilities and reporting

5. The Comhairle has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual accounts that are in accordance with proper accounting practices. The Comhairle is also responsible for compliance with legislation, and putting arrangements in place for governance, propriety, and regularity to enable it to deliver its objectives.

6. Our responsibilities as independent auditor appointed by the Accounts Commission are established by the Local Government in Scotland Act 1973, the [Code of Audit Practice 2016](#) and supplementary guidance, and International Standards on Auditing in the UK.

7. As public sector auditors we give independent opinions on the annual accounts. Additionally, we conclude on:

- the effectiveness of the Comhairle's performance management arrangements,
- the suitability and effectiveness of corporate governance arrangements, and financial position
- the arrangements for securing financial sustainability and,
- Best Value arrangements.

8. Details of the respective responsibilities of management and the auditor can be found in the [Code of Audit Practice 2016](#). and supplementary guidance.

9. 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. Communicating these does not absolve management from its responsibility to address the issues we raise and to maintain adequate systems of control.

10. Our annual audit report contains an agreed action plan at [Appendix 1](#).

Auditor Independence

11. Auditors appointed by the Accounts Commission or Auditor General must comply with the Code of Audit Practice and relevant supporting guidance. When auditing the financial statements auditors must comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies. We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services and therefore the 2020/21 audit fee of £208,330 as set out in our Annual Audit Plan remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

12. This report is addressed to both the Comhairle and the Controller of Audit and will be published on Audit Scotland's website www.audit-scotland.gov.uk in due course. We would like to thank the management and staff who have been involved in our work for their cooperation and assistance during the audit.

1. Audit of 2020/21 annual accounts

The principal means of accounting for the stewardship of resources and performance

Main judgements

Our audit opinions on the annual accounts are unmodified.

Accounting records and the operation of financial controls were not affected by the Covid-19 pandemic

The audited accounts reflect the PPE and testing kits supplied to the Comhairle during covid-19

The accounting treatment of Crown estate and other grant income has been changed

Our audit opinions on the annual accounts are unmodified

13. The accounts for the Comhairle and its group for the year ended 31 March 2021 were approved by the Audit and Scrutiny Committee on 26 October 2021. As reported in the independent auditor's report:

- the financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework
- the audited part of the remuneration report, management commentary and the annual governance statement were all consistent with the financial statements and properly prepared in accordance with the relevant regulations and guidance

Accounting records and the operation of financial controls were not affected by the Covid-19 pandemic

14. The completeness and accuracy of accounting records and the operation of financial controls were not affected by the Covid-19 pandemic, and we obtained all the information and explanations that we required. There were some delays in receiving evidence as a result of officers working from home, but these were not significant.

15. The working papers provided with the unaudited accounts were of a good standard and finance staff provided good support to the audit team during the audit. This helped ensure that the audit of the annual accounts process ran smoothly.

The annual accounts were signed off in line with planned timescales

16. The unaudited annual report and accounts were received in line with our agreed audit timetable on 24 June 2021. The audit resource available, and physical limitations on accessing records and systems impacted on the time taken to perform the audit work necessary to obtain the required assurances over the accounts. However, the annual accounts were signed off in line with the timescales set out in our Annual Audit Plan.

17. There were no objections to the 2020/21 accounts.

Overall materiality is £1.8 million

18. We apply the concept of materiality in both planning and performing the audit and in evaluating the effect of identified misstatement on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report. We identify a benchmark on which to base overall materiality, such as gross expenditure, and apply what we judge to be the most appropriate percentage level for calculating materiality values.

19. The determination of materiality is based on professional judgement and is informed by our understanding of the entity and what users are likely to be most concerned about in the annual accounts. In assessing performance materiality, we have considered factors such as our findings from previous audits, any changes in business processes and the entity's control environment including fraud risks.

20. Our initial assessment of materiality for the annual accounts was carried out during the planning phase of the audit. This was reviewed on receipt of the unaudited annual accounts [Exhibit 1](#).

Exhibit 1 Materiality values

Materiality level	Amount
Overall materiality	£1.8 million
Performance materiality	£1.0 million
Reporting threshold	£75,000

Source: Audit Scotland Annual Audit Plan 2020/21

Our audit work addressed the risks of material misstatement

21. [Appendix 2](#) provides our assessment of the risks of material misstatement in the annual accounts and any wider audit dimension risks. These risks influence our overall audit strategy, the allocation of staff resources to the audit and indicate how the efforts of the team were directed. The appendix identifies the work we undertook to address these risks and our conclusions from this work.

Accounts were revised to reflect our significant findings

22. International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance, including our view about the qualitative aspects of the body's accounting practices. We have reported a number of issues from the work done on the identified risks of material misstatement. The significant findings are summarised in [Exhibit 2](#).

Exhibit 2

Significant findings from the audit of the financial statements

Issue	Resolution
<p>1. Accounting for Covid personal protective equipment (PPE) and testing kits</p> <p>Due to the late publication of guidance and availability of information, unaudited annual accounts did not account for Covid-19 PPE equipment and testing kits. These were supplied, free of charge, to local authorities in 2020/21 by National Services Scotland (NSS).</p> <p>NHS NSS data on PPE issued to community hubs were not agreed until the end of June. The Comhairle received £1.01 million of stock based on NSS records.</p> <p>LASAAC guidance to practitioners in July 2021 advised on the accounting treatment of PPE and testing kits.</p>	<p>Audited accounts were updated to recognise the receipt and use of this equipment in 2020/21.</p> <p>In accordance with guidance, an additional £1.01 million of income and expenditure is disclosed in audited accounts. There was no net impact on Comhairle reserves and balances.</p> <p>Officers determined that all equipment had been used by Comhairle.</p>
<p>2. Crown estate and other grant income</p> <p>The Comhairle received £2.3 million in Crown estate funding in 2020/21. £1.6 million of this funding was spent in 2020/21 and the related income was credited to services that incurred the expenditure.</p>	<p>Audited accounts were updated to recognise the full £2.3 million crown estate funding received in 2020/21 as income and transfer the unspent £0.63 million from creditors to reserves.</p> <p>The impact of this adjustment was to increase income credited to services and to increase</p>

Issue	Resolution
<p>There are no specific funding conditions which would indicate that the income should be deferred.</p> <p>We assessed that the entire £2.3 million received in 2021/21 should be credited to services and the unspent £0.63 million added to existing earmarked reserves.</p>	<p>the Crown Estate earmarked reserve by £0.63 million.</p> <p>A subsequent review of central government creditors identified a further £1.23 million of grant income that should be recognised in 2020/21.</p> <p>The impact of this combined adjustment was to increase income and earmarked reserves by £1.86 million.</p>

All identified misstatements were adjusted in the accounts

23. Two monetary errors were identified from our review of the draft annual accounts, as set out at Exhibit 2 above. The cumulative value of these errors is £2.9 million, and these were adjusted in the audited accounts.

24. We considered the value and nature of these misstatement and that the PPE recognition issues have been identified in their entirety, do not indicate further systemic error and we concluded that we did not need to undertake further audit procedures.

25. In connection with the recognition of Crown Estate Grants we revised our audit approach to include a more detailed review of central government creditors to identify any other grants accrued and held as a creditor that should be credited to services and transferred to the general fund.

26. This review identified a further £1.23 million of grant income that should be recognised in 2020/21. The overall impact of this adjustment was to increase income and reserves by £1.86 million.

27. It is our responsibility to request that all misstatements, other than those below the reporting threshold are corrected, although the final decision on making the correction lies with those charged with governance considering advice from senior officers and materiality. All misstatements above our reporting threshold have been adjusted for in the audited accounts.

Limited progress was made on prior year recommendations

28. The Comhairle has completed four of our eleven prior year recommendations, with a further six in progress. For actions not yet implemented, revised responses and timescales have been agreed with management, and are set out in [Appendix 1](#). This includes

- A review of the Capital programme
- Development of milestones for national performance indicators
- Business conduct training

- Business continuity plans
- Procurement officer training

2. Financial management

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

Main judgements

The Comhairle achieved a surplus of £7.7 million, due to unspent Covid-19 funding (£4.5 million) and departments underspending by £1.9m

The cost of Covid-19 in 2020/21 was £4.2 million. The Comhairle also paid out £14 million in grants to individuals and businesses impacted by Covid-19

The Budget Board is considering how best to use unspent Covid-19 funding

Capital expenditure was again significantly lower than planned

The 2020/21 original budget included a £4.4 million gap to be met from savings and reserves

29. The Comhairle approved its 2020/21 budget in February 2020. Budgeted net expenditure was set at £110 million with an initial funding gap of £6.4 million. This was reduced to £4.4 million once £1.3 million of service redesign savings and assumed 1% efficiencies were applied.

30. The £4.4 million gap was to be met through service redesign savings (£2.6 million), use of balances (£1.6 million) and additional Council Tax revenue (£0.2 million) by raising rates by the maximum 4.84%.

General revenue grant from the Scottish Government was increased due to Covid-19

31. In 2020/21 the Comhairle received an initial settlement of general revenue grant of £89.9 million. Additional in-year funding of £8.1 million brought the total general revenue grant to £98 million, of which £7.9 million was Covid-19 related.

32. The Comhairle's income from the Non-domestic rates reduced from £8.5 million in 2019/20 to £5.5 million as business properties were given rates relief as one measure of support during the pandemic. However, the general revenue grant was increased to offset this.

A surplus of £7.7 million was achieved, mainly due to unspent Covid-19 funding which was received late in 2020/21

33. In 2020/21, the Comhairle achieved a surplus of £7.7 million. This was principally due to the receipt of Covid-19 grant funding from the Scottish Government that has yet to be spent. The Comhairle received £7.9 million of general Covid grants, of which £3.4 million was spent in the year, with the remaining £4.5 million held as an earmarked reserve to support recovery in 2021/22 and beyond.

Departments also underspent by £1.9m

34. Departments underspent by £1.9 million in 2020/21. Education, Skills and Children's Services accounted for £1.5 million of the underspend, with £0.9 million of savings arising in Education.

35. Closures to schools for significant periods due to the Covid-19 pandemic resulted in lower costs and reduced relief staffing requirements (savings were made across areas including: Additional Support Needs/Psychology (£0.25m), Schools and Attainment (£0.375m) and Sport and Health (£0.13m) and delayed mainland placements due to the pandemic (£0.22m).

36. The more significant under and overspends are summarised in [Exhibit 3](#).

Exhibit 3

Summary of significant underspends and overspends against budget

Area	£m	Reason for variance
Underspends		
Covid-19 funding	£4.5m	Carried forward to support services in 2021/22
Government grants unspent	£1.9m	Crown estate income and other SG specific grants unspent and carried forward
Education, Skills, and Children's Services	£1.5m	Lower costs and staff vacancies due to Covid-19
Communities	£0.3m	Lower landfill costs and staff vacancies
Centrally held resources and contingency not spent	£0.2m	Ward Priorities Fund of £160k un-spent and £63k contingency not needed
Overspends		

Area	£m	Reason for variance
Additional resources transferred to Services/reserves	(£0.6m)	Centrally held resources transferred to departments to support covid recovery
Council tax income	(£0.1m)	Increase in provision for council tax income that may not be recovered

Source: Comhairle nan Eilean Siar 2020/21 Annual Accounts

The cost of Covid-19 in 2020/21 was £4.2 million

37. The impact of Covid-19 on Comhairle budgets in 2020/21 was £4.2 million. This includes additional expenditure (£1.2 million) and loss of income of £1.6m. Service redesign savings were not achieved of £1.0 million, as resources were reprioritised towards the Covid-19 response. The remaining costs related to local business support grants issued and food fund expenditure.

Covid-19 reserves have increased again to £6.4 million following 2021/22 funding settlements

38. The Comhairle has carried forward £4.5 million of Covid-19 reserves into 2021/22.

39. £2.4 million of the earmarked reserve is the balance of general revenue grant funding received from the Scottish Government for specific initiatives. £1.2 million of this is for Education including £0.6 million education recovery funding, £0.3m towards teaching and support staff, and smaller funds to provide free school meal provision, teachers, and home learning support.

40. Earmarked reserves also include £0.4 million in a discretionary fund and a further £0.25 million in the Hardship Fund. The remaining £2.1 million is Covid general funding that is available to the Comhairle to use flexibly to support services recovery and the impact of loss of income.

41. A further £1.9 million of Covid-19 funding has been given to the Comhairle by the Scottish Government as part of the 2021/22 general revenue grant settlement.

The Comhairle's Budget Board is considering how to best use general Covid-19 reserves

42. £0.3 million of the covid-19 reserve has been transferred to services in the first quarter of 2021/22. Spend in Education has been limited but will increase as schools re-opened. Spending against the Hardship and Discretionary Funds are also likely to increase in line with demand over the winter months.

43. The Budget Board met in July 2021 to consider spending options and - priorities to make best use of the Covid-19 reserves. The Budget Board will meet again in October to discuss and agree options being progressed by Comhairle officers.

44. The Comhairle projects that around £1.2 million of Covid-19 reserves will be required to cover additional expenditure and lost income in 2021/22, leaving £2.8 million to support the recovery phase.

Budget setting and monitoring processes were appropriate

45. Senior management and members received regular and accurate financial information on the body's performance against budgets. Quarterly revenue and capital monitoring reports were presented to the Policy and Resources Committee, and financial performance is also reported to service committees. The body has appropriate budget setting and monitoring arrangements.

The Comhairle did not use financial flexibilities in 2020/21

46. Financial flexibilities, agreed between the Scottish Government and CoSLA, were made available to local authorities to address the short-term funding pressures they faced due to Covid-19. The Comhairle elected not to use the financial flexibilities available in 2020/21 and has no plans to do so in 2021/22.

The Comhairle paid out £14 million in grants to individuals and businesses impacted by Covid-19

47. The Small Business Support Grant and subsequent Retail, Hospitality and Leisure Support Grant were administered by the Comhairle's Non-domestic Rates team, with a total of £8.6 million paid out to qualifying businesses.

48. A further £4.7 million was paid out by the Comhairle through the Strategic Framework Business Fund, (SFBF), discretionary business top-up and Island Equivalent Payment.

49. £0.7 million was also paid to businesses and individuals through several smaller funding schemes including those for small accommodation providers, the Taxi and Private Hire Vehicle fund and several hardship grants.

50. We reviewed the arrangements and controls implemented by the Comhairle for processing grant applications to ensure only entitled applicants received payments and concluded that these were appropriate. The results of this review were reported in our Management Report to the Audit and Scrutiny Committee in June 2021.

Covid-19 business grants have been appropriately disclosed in the 2020/21 annual accounts

51. The Comhairle generally acted as an agent in administering grants on behalf of the Scottish Government. The income and expenditure relating to these grants is therefore not included in the Comhairle's Income and Expenditure for the year.

52. Note 28 to the accounts discloses the £18.9 million received from the Scottish Government and the £14 million paid out to businesses and individuals. The remaining £4.9 million relates to the Strategic Framework Business Fund (SFBF) Transition Payment and Business Restart Grant, which was not paid to businesses until April 2021 and is included as a liability on the Balance Sheet at 31 March 2021.

General Fund has increased by £7.7 million

53. The Comhairle's General Fund increased from £20.0 million in 2019/20 to £27.7 million in 2020/21 mainly due to unspent Covid-19 funding. [Exhibit 4](#) provides an analysis of the General Fund over the last five years split between committed and uncommitted reserves.

Exhibit 4

Analysis of usable reserves

The General Fund increased by £7.7 million



Source: CnES Annual Accounts 2016/17- 2020/21

Capital expenditure was again significantly lower than plan and a recommended review has not been completed

54. In March 2020, the Comhairle's capital strategy included a planned spend in 2020/21 of £48.8 million. By March 2021, this estimate had been reduced to £26.5 million. Actual capital expenditure in 2020/21 was £19.8 million. The main expenditure was on major building projects including Lewis Residential Care (£11.1m), Barra and Vatersay Community Campus (£1.0m), Lochmaddy Pier improvements (£1.2m) and Bernera Bridge (£1.0m).

55. The £6.7 million underspend is in part attributed to Covid-19, as construction was halted over the summer of 2020. Brexit has also had an impact on material and contractor availability. These have impacted on most construction projects.

56. In our 2019/20 Annual Audit Report we noted that capital budgets had been underspent by over £7 million in each of the past two years, and in every one of the past five years. There is a risk that capital programmes and capital budgets are unrealistic, and in our 2019/20 report, we recommended that a review of the capital programme should be undertaken by the Head of Property and Infrastructure to assess the apparent optimism bias that existed in the programme. This review has not yet taken place.

Recommendation 1

A capital programme review should be undertaken to identify areas of optimism bias and inform the 2023-2028 capital programme.

Financial systems of internal control operated effectively

57. Our management report presented to the Audit and Scrutiny Committee on 23 June 2021 contained our findings from the review of systems of internal controls. We concluded that the controls tested were operating effectively. No significant internal control weaknesses were identified during the audit.

National Fraud Initiative (NFI) progress has been slower than planned due to Covid-19

58. The National Fraud Initiative (NFI) is a counter-fraud exercise across the UK public sector which aims to prevent and detect fraud. It compares information about individuals held by different public bodies, and on different financial systems, to identify 'matches' that might suggest the existence of fraud or irregularity.

59. In mid-September the Comhairle had processed 263 of 1,057 matches that had been identified from investigation. Progress has been slower than for previous NFI exercises, as officers have had to prioritise other areas of Covid-19 work.

60. We recommended in our 2019/20 Management Report that there was scope for the Comhairle to take a more proportionate and risk-based approach to investigating matches and this may limit the overall number of investigated matches. For example, 722 of the matches relate to creditors and the Comhairle only plans to process a proportion of these.

3. Financial sustainability

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

Main judgements

The 2021/22 budget relies less on reserves than previous budgets. This includes savings plans of £2.3 million and the continuing financial impact of Covid-19 (£0.8 million). Both assumptions already look optimistic.

The Comhairle's 10-year forecast has been updated to reflect the impact of the pandemic and predicts an £11 million deficit by 2031/32

The Comhairle has a slightly increased budget for 2021/22 which does not rely on reserves

61. The Comhairle approved a budget for 2021/22 in February 2021. The Comhairle received an increase in Scottish Government funding (excluding specific grants) of £1.6 million compared to 2020/21. However, the settlement included funding of £0.4 million to be passed on to the Integration Joint Board, and £0.4 million to fund a Council Tax Freeze.

62. The Comhairle has relied on planned use of reserves in each of the past five years. In 2017/18, planned use of reserves was £2.5 million, and in the following three years, the Comhairle planned to use £1.6 million, £2.4 million, and £0.9 million of reserves respectively.

63. The 2021/22 budget includes an assumed use of balances of just £0.09 million which is significantly lower than previous budgets.

The Comhairle has a multi-year budget with savings proposals which are not fully developed

64. The Comhairle has identified its budget for the next two years. In December 2020 Business Plans were agreed which aim to deliver savings of £2.3 million in 2021/22 and a further £1.1 million in 2022/23. Achieving these savings is critical to the budget for the next two years, and beyond. £1.8 million of the total savings identified for 2021/22 are described generically as 'efficiencies' with departments responsible for reporting progress on delivery.

65. The Comhairle recognises there is significant risk in delivering the 2021/22 and 2022/23 budgets.

2021/22 savings are already delayed by Covid-19

66. In July 2021, the Budget Board received an update on the expected delivery of savings as set out in the budget.

67. Only £1.5m of the £2.3 million targeted savings are expected to be achieved in the year. £0.3 million of the savings have been delayed due to the Covid-19 pandemic and will be funded from the Scottish Government funding for COVID-19. £0.1 million of the savings have been delayed but should be realised in 2022/23, and a further £0.4 million will not be achieved and may be funded from balances. The first quarterly revenue report to the Audit and Scrutiny Committee also advised that a further £0.16 million of savings were no longer considered achievable.

Recommendation 2

The planned savings for 2021/22 and 2022/23 should be re-assessed to determine whether they are detailed and achievable.

Comhairle budgets reflect the impact of Covid-19, but estimates are already optimistic

68. The financial impact of the pandemic on Comhairle nan Eilean Siar is likely to extend across several years.

69. The Comhairle's 2021/22 budget reflected the impact of Covid-19 at that time, based on expectations of services re-opening. Covid-19 restrictions endured and the Comhairle now estimates that £0.7 million in additional expenditure will be incurred in the financial year, and £0.6 million income will be lost. The Comhairle has Covid-19 funding to meet these costs.

70. The financial impact of the pandemic will be offset to some degree by reduced costs in training, travel, and subsistence, and the Comhairle will make a saving of £0.3 million on non-domestic rates, through the government's retail, hospitality, and leisure grant scheme in 2021/22.

The Comhairle's 10-year forecast has been updated to reflect the impact of the pandemic and predicts an £11 million deficit

71. As part of the budget setting process, the Comhairle prepares a 10-year financial forecast that is included in budget setting papers. Base level income, for example, was reduced by £0.6 million for 2021/22 to reflect the estimated loss of income from leisure facilities.

72. The long-term forecast makes broad assumptions about increases and decreases in costs and income. In the absence of other service delivery savings being identified, or new income streams generated, the Comhairle faces an annual £11 million deficit by 2031/32, based on current assumptions.

4. Governance and transparency

The effectiveness of scrutiny and oversight and transparent reporting of information

Main Judgements

Governance arrangements operating throughout the Covid 19 pandemic have been appropriate and operated effectively

The Comhairle is undergoing an organisational review

EU rules were probably breached in the tender process for the Lews Castle Museum and Archive project

Staff training on expected conduct has yet to be rolled-out

Governance arrangements operating throughout the Covid-19 pandemic have been appropriate and operated effectively

73. The Comhairle made changes to its governance arrangements in response to the pandemic. These have been set out in the Annual Governance Statement in the annual report and accounts.

74. The Emergency Powers Committee held a meeting in April 2020 to establish special and temporary arrangements for decision-making by the Comhairle. For the May and June series of meetings, Service Committee's did not meet, and all items were submitted to special meetings of the Comhairle, for approval. Meetings were held remotely using video-conferencing technology.

75. The Comhairle resumed meetings of Committees from September 2020, and these continued to meet remotely.

76. In June 2021 the Policy and Resources Committee considered arrangements for holding meetings in-person. Some in-person meetings and committees have resumed, with remote attendance still an option, as Covid restrictions were relaxed.

The I.T department facilitated home-working to maintain services during the pandemic

77. During the pandemic, the Comhairle's I.T department reprioritised its work to support staff transitioning to home-working. In September 2020, the

Comhairle reported that around 400 staff had been provided with laptops and necessary equipment to permit them to work from home.

The Comhairle is undergoing an organisational review

78. The former Director for Assets, Finance and Resources left his post in February 2021. In his absence, the Head of Accountancy and Exchequer Services has assumed Section 95 Officer responsibilities. The Comhairle has not found it easy to recruit to this role

79. The Comhairle undertook an organisational restructuring process in 2017 and 2018 but has deemed that further restructuring is now required to identify a sustainable organisational structure to support service delivery.

80. In August 2021 members authorised the Chief Executive to undertake a consultation on a review of organisational structures. The consultation includes 12 proposals. These include changes to senior posts under a new structure and a proposal to retain the Head of Accountancy and Exchequer as the Section 95 Officer on an interim basis and rename the role as Chief Financial Officer reporting directly to the Chief Executive.

81. The proposals also include a restructuring and upgrading of the existing Senior Accountancy Team.

EU rules were probably breached in the tender process for the Lews Castle Museum and Archive project

82. The 2019/20 Annual Accounts included a late adjustment of £0.45 million to reflect the Comhairle's decision to settle a long-standing legal case relating to aspects of the Lews Castle Museum and Archive Project. The settlement of the legal action was considered by the Comhairle at Special Meetings held on 21 August and 9 September 2020, and the Comhairle agreed to authorise the Chief Executive to settle the action.

83. Internal Audit investigated the circumstances surrounding the procurement exercise that led to the case against the Comhairle being raised. The outcome of this investigation is the subject of a report to the 26 October meeting of the Audit and Scrutiny Committee. The main findings of the report are based on specialist legal advice and identify:

- the Comhairle has most likely breached European Law in relation to how it has conducted its discussions, meetings and activities relating to the formation of the second Invitation to Tender (ITT).
- (it) failed to provide the market with equity of information, equity of access to Comhairle Officers and equity of access to site visit(s) and (equal access) to inform the draft tender documentation before it had been made available to the market through the official procurement channels.
- Officers of the Comhairle appeared to have acted in a manner which was not 'open' as contemplated by the Code of Conduct; acted in a

manner which could only be deemed to have undermined the reputation of the authority and/or public perception of conduct expected by a public body.

84. The Comhairle should discuss and agree improvement actions to address these failings in procurement process – we have made recommendations in this and our previous Annual Audit Report that would contribute to this.

The members should have been provided with more information when discussing the legal case in August 2020

85. In terms of the Comhairle coming to a decision to settle the legal case, the draft report finds:

- Detailed and comprehensive specialist legal advice by Senior and Junior Counsel was available to the Chief Executive and Monitoring Officer/Legal and Procurement Manager dated 14 August 2020. This advice could not have been clearer given the extensive and detailed irregularities in the processes....
- ...these irregularities were not communicated to the Comhairle (in August 2020, due to) a risk that information may not remain confidential and could come to the attention of the Pursuer, which could negatively affect the Comhairle’s final legal position at a time of negotiation.
- ...the decision-making body of the organisation ...should have been provided with more context in which to have come to an informed decision (in August 2020). ...
- ...the Chief Executive was acting within the Scheme of Delegation on this matter and was able to determine to an extent what information should be placed before Comhairle

86. The Chief Executive limited disclosure to members while recommending settlement in August 2020. This was to ensure there was no risk that the pursuer would become aware that Counsel had identified issues with liability at a critical stage of negotiations. These are not easy judgements, but we feel that this issue should have been more fully disclosed earlier to members, who were consulted for a decision but without the full information, in August 2020.

Staff training on expected conduct has yet to be rolled-out

87. The Comhairle planned to provide officers and members with training on expected conduct using Learn-Pro as an alternative to the Audit Scotland YR@R survey, which we previously recommended. Roll out of this training was first delayed as the online training material required revision and it is now anticipated that this will be rolled out before the end of the calendar year.

88. With most Comhairle staff currently working from home and the Comhairle prioritising recovery from the pandemic, it was not deemed an appropriate time for the training to be launched, as staff were being surveyed on revised working arrangements, and performance appraisals.

Recommendation 3

The Comhairle should again consider the value of using Audit Scotland's 'Your Reputation @ Risk' survey to assess officer's and member's awareness of business conduct and practices

5. Best Value

Using resources effectively and continually improving services.

Main judgements

The council has an appropriate best value framework, and a Best Value Audit Report will be completed in 2022

The benefits service performed well compared to other Scottish Councils during Covid-19

A Best Value Audit Report will be completed in 2022

89. Best value is assessed over the audit appointment as part of the annual audit work. A Best Value Assurance Report (BVAR) for each council will be considered by the Accounts Commission at least once in this period.

90. The BVAR report for Comhairle nan Eilean Siar was planned for 2021. However, the BVAR programme has been delayed due to Covid-19. The BVAR is now planned before the end of the current audit appointment in 2022 and we will identify a scope for the work soon.

The Comhairle has a continuous improvement action plan, but progress has slipped due to Covid-19

91. The Comhairle approved a recommendation to include the outcomes of internal and external audits and inspections in a Continuous Improvement Action Plan (CIAP) in December 2016.

92. The CIAP consists of key improvement outcomes from external audits and internal audit follow-up reviews. These are recorded in "Interplan" as Service Business Plan (SBP) actions. The CIAP ensures that audit recommendations not implemented by the time a first follow-up review is completed are still monitored and are only removed from the CIAP once achieved.

93. The Covid-19 pandemic has had an adverse impact on services' capacity to meet agreed implementation dates for CIAP actions. In June 2021 the Comhairle reported that 57% of the implementation dates, set by auditors and agreed with management, have been extended, some more than once. Management will probably need to extend the implementation dates on a further 26%

94. The number of actions on the CIAP has also increased significantly from 20 in the previous report published in September 2020 to 30 in the report in June 2021, due in some instances to services' capacity to meet agreed

implementation dates during the pandemic. These will be reviewed during the half-year service business plans review.

95. To ensure continuous improvement, the priority recommendations, and areas for future development from the themed self-assessments have been added to the CIAP from September 2021 and will be presented to the Audit and Scrutiny Committee for challenge and scrutiny bi-annually.

The Comhairle has completed a programme of self-assessments using Audit Scotland toolkits

96. The Comhairle has undertaken a programme of self-assessments using Audit Scotland Best value toolkits. The programme includes 18 themed self-assessments which were rolled out across the Comhairle.

97. 16 of the 18 self-assessments have now been completed and the outcomes and recommendations reported to members. There are 21 recommendations detailed in the completed suite of self-assessments. 5 have been completed, 15 recommendations are in progress and 1 has been delayed. The Corporate management Team (CMT) has been asked to reprioritise this work to ensure that it is completed.

98. Once these BV toolkits are completed, the Comhairle proposes to return to using the PSIF self-assessments, to support ongoing self-assessment and continuous improvement.

A BVAP working group has been set up to evidence delivery of outcomes

99. The self-assessments identified a recurring issue in the Comhairle's ability to demonstrate outcomes. An inter-departmental Best Value Action Plan (BVAP) working group has been established with the aim of identifying corporate evidence to demonstrate how outcomes are being achieved, and members of the working group are liaising with Directors and Heads of Service to collate this information.

100. The BVAP working group meets after each committee series to discuss issues and disseminate information to services.

The Comhairle has continued to monitor key performance targets throughout the year

101. The Comhairle has continued to monitor key performance targets throughout the year with performance in each service reported on a quarterly basis to the relevant committee. These reports monitor progress against the council's key priorities with Key Performance Indicators (KPI's) and actions tracked.

102. Delivery of service business plans, as reported in the year-end progress reports, is mixed. Communities, Education, Skills and Children's Services, and the Chief Executive's department all saw the number of completed actions and number of KPI's on-track rising in 2020/21.

103. Assets, Finance and Resources' actions completed reduced from 73% in 2019/20 to 51%. KPI's have, however, remained in line with prior year outcomes. Covid-19 has impacted on the delivery of the service business plan, with a large increase in work required to process business support grants, increased demand on the payroll section to process the £500 'thank you' payments to Social care staff and demands placed on the IT section to support home-working for staff.

The Comhairle complies with the Accounts Commission's 2018 Direction

104. The Accounts Commission has a statutory responsibility to define the performance information that councils must publish. In turn, councils have their own responsibility, under their Best Value duty, to report performance to the public.

105. We reviewed arrangements at the Comhairle to meet their responsibilities to report in public in our Management Report in 2019/20 and found that these were appropriate. We confirm that these remain unchanged in 2020/21. The Comhairle published its Annual Public Performance Report on its website in March 2021 in accordance with reporting guidelines.

The benefits service performed well compared to other Scottish Councils during Covid-19

106. The Accounts Commission published a report in October 2021 into the [impact of Covid-19 on Scottish Council's benefits services](#). The report found that the Comhairle performed well compared to other local authorities.

107. The Comhairle experienced no loss of benefits staff due to Covid-19 and had a 100% effective operating capacity. The Comhairle also reported reduced processing times for both new claims and amendments to existing claims, while accuracy rates were maintained at 100%.

National performance audit reports

108. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2020/21, Audit Scotland published a number of reports were issued which may be of interest to the body. These are outlined in [Appendix 3](#).

109. National reports identified by officers as of interest to members are presented to relevant committee meetings.

Appendix 1

Action plan 2020/21

2020/21 recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p>1. Capital programme</p> <p>The Comhairle has consistently underspent against its capital budget as set out in the 2018-23 capital programme. An apparent optimism bias has existed in previous plans.</p> <p>Risk – there is a risk that capital programmes and capital budgets are unrealistic</p>	<p>A capital programme review should be undertaken to identify areas of optimism bias and inform the 2023-2028 capital programme</p> <p>Paragraph 56</p>	<p>The current capital programme was dominated by a number of large projects. Delays on these projects have ultimately led to underspends but as the Comhairle is committed to progressing these, opportunities for review are limited. However, a review will be completed prior to the development of the 2023-28 programme.</p> <p>Head of Accountancy and Exchequer Services</p> <p>June to December 2022</p>
<p>2. Savings targets in 2021/22 and 2022/23</p> <p>The Comhairle budgeted for savings of £2.3m in 2021/22 and a further £1.1m in 2022/23. At the end of Q1 2021/22, the Comhairle expects to deliver only £1.5m of the original £2.3m savings.</p> <p>Risk – Savings plans may be too optimistic and the Comhairle will need to use reserves to make up the difference.</p>	<p>The planned savings for 2021/22 and those assumed to be achievable in 2022/23 should be re-assessed to determine whether they are realistic.</p> <p>Paragraph 67</p>	<p>Progress on achieving savings is assessed on an ongoing basis, as evidenced by the revision at the first quarter, and this will continue to be monitored.</p> <p>Head of Accountancy and Exchequer Services</p> <p>Ongoing</p>
<p>3. Lews Castle investigation</p> <p>Internal Audit have investigated the procurement exercise that led to a</p>	<p>The findings and recommendations from the Internal Audit report should be addressed. A way forward should be found that respects</p>	<p>Chief executive:</p> <p>(a) Review of officer's actions and conduct</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>£450,000 settlement being agreed in September 2020.</p> <p>The Report concludes that the Comhairle has most likely breached European Law, failed to provide the market with equity of information, equity of access to Comhairle Officers and to site visit(s), and Officers of the Comhairle appeared to have acted in a manner which was not 'open' as contemplated by the Code of Conduct.</p> <p>Senior legal opinions were not communicated to the Comhairle in August 2020 due to a risk that information may not remain confidential. However, the members should have been provided with more context in which to have come to an informed decision.</p> <p>Risk – Officers conduct may undermine the Comhairle's reputation.</p>	<p>both the need for members making informed decisions and the freedom for the chief executive to act within the Scheme of Delegation.</p> <p>The Comhairle should consider the value of utilising the Audit Scotland 'Your Reputation @ Risk' survey to assess officer's and member's awareness of conduct and other governance policies.</p> <p>Paragraph 84</p>	<p>(b) Implementation of procedural improvements on risk assessment, training, and project management</p> <p>s95 Officer: monitoring of outstanding financial aspects.</p> <p>Chief Executive, Section 95 Officer, and Monitoring Officer</p> <p>30 April 2022</p>
<p>4. Business Continuity Plans</p> <p>Corporate and service business continuity plans have not been updated</p> <p>Risk – service delivery may be disrupted where business continuity arrangements are not current</p>	<p>The business continuity working group should use the lessons learned from the Comhairle response to COVID-19 to co-ordinate the development of refreshed service and corporate business continuity plans</p> <p>b/f 8 below</p>	<p>Work has commenced on a Corporate Business Continuity Plan which is anticipated to be complete for the next series of meetings in December 2021.</p> <p>Service business continuity plans will be approved alongside business plans, risk registers and budgets in February 2022.</p> <p>Organisational Strategy Manager</p> <p>February 2022</p>
<p>5. IT business continuity plans</p>	<p>Cyber Resilience and Disaster Recovery Plans</p>	<p>Progress has been delayed by other demands and priorities but acknowledged</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>The Cyber Resilience Response Plan and Disaster recovery Plan have not been completed and approved.</p> <p>However, the Comhairle's I.T department reprioritised work during the pandemic and successfully assisted around 400 staff transitioning to home-working through the provision of laptops and other equipment.</p> <p>Risk – the Comhairle is not prepared to respond to further I.T disruptions to protect service delivery.</p>	<p>should be finalised and approved by members.</p> <p>b/f 11 below</p>	<p>that this needs to be progressed.</p> <p>IT Manager</p> <p>September 2022</p>
<p>6. SPI milestones</p> <p>Departments have prioritised performance indicators to support delivery of corporate strategies and targets have been set. Milestones towards these targets have not been set.</p> <p>Risk – assessment of the effectiveness of actions being taken to address prioritised indicators may be difficult without milestones set to chart progress against.</p>	<p>Departments should now set achievable milestones to <u>assess</u> progress towards meeting targets for prioritised performance indicators</p> <p>b/f 4 below</p>	<p>Services have been requested to include SPI milestones in the next performance update reports to their respective committees.</p> <p>Organisational Strategy Manager</p> <p>December 2021</p>
<p>7. Procurement training</p> <p>Procurement refresher training has not been provided for several years.</p> <p>Risk – Procurement policies and procedures are not followed.</p>	<p>Procurement training should be rolled out to services to ensure that policies and procedures are followed.</p> <p>b/f 10 below</p>	<p>This has been delayed primarily due to Covid and staff necessarily being diverted to other priorities, such as sourcing supplies, prolonged tendering activities etc. Procurement law has not substantially changed following Brexit, so Officers' knowledge is still current. However, refresher training will be delivered before the end of the financial year.</p>

Issue/risk	Recommendation	Agreed management action/timing
		<p>Legal and Procurement Manager</p> <p>March 2022</p>

Follow-up of prior year recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p>b/f 1. Non-current asset valuation uncertainty</p>	<p>The Comhairle should include surplus assets and assets held for sale in the asset revaluation programme scheduled for 2020/21.</p>	<p>Complete</p> <p>Revaluations were undertaken by the VOA and revaluations reflected in the Balance sheet.</p>
<p>b/f 2. Capital budget forecasting</p>	<p>The capital programme should be reviewed to reflect the apparent optimism bias that has existed in previous plans.</p>	<p>Outstanding</p> <p>A review of the Capital programme has not yet been undertaken.</p> <p>This should be completed or inform the 2023-28 capital programme to eliminate optimism bias</p> <p>See recommendation 1 above</p>
<p>b/f 3. Capital Monitoring</p>	<p>Quarterly capital reports should include budgeted and actual spends for each project (for the quarter) and overall movements on the total expected cost and completion dates of each project</p>	<p>Complete</p> <p>Capital outturn reports now include an appendix that discloses spend in the quarter and remaining spend planned for future years.</p> <p>Progress with large capital projects is reported to members separately.</p>
<p>b/f 4. National Indicators</p>	<p>Targets and milestones should be set against national indicators. This will permit the Comhairle to scrutinise pro</p>	<p>In Progress</p> <p>Departments have identified performance indicators to prioritise, and targets have been set.</p> <p>Departments have been requested to include their SPI</p>

Issue/risk	Recommendation	Agreed management action/timing
		<p>milestones in their next performance update to their respective service committee</p> <p>See recommendation 6 above.</p>
b/f 5. OHCPP Meetings	OHCPP papers and meeting minutes should be published on the Comhairle website until the OHCPP website is brought up to date	<p>Complete</p> <p>OHCPP papers and minutes are now published on the Comhairle website.</p>
b/f 6. NFI Self Appraisal Checklist	Management should action recommendations set out in our 2019/20 Management Report.	<p>Complete</p> <p>The Head of Accountancy and Exchequer Services reported to the Audit & Scrutiny Committee and confirmed that the self-assessment checklist had been used to inform the 2020/21 exercise.</p> <p>NFI progress reports to the Audit and Scrutiny Committee resumed in 2021.</p>
b/f 7. Conduct training/survey	If the Your Reputation @ Risk survey is not undertaken, training should be provided for all staff as soon as practicable.	<p>In progress</p> <p>Some progress has been made in refreshing the training, and it is due to be rolled out before the end of the calendar year.</p> <p>The Comhairle's prioritisation of recovery from the pandemic has meant that finalisation of this training has been delayed.</p> <p>See recommendation 3 above.</p>
b/f 8. Business Continuity Plans	The business continuity working group should use the lessons learned from the Comhairle response to COVID-19 to co-ordinate the development of refreshed	<p>In progress</p> <p>The Corporate business continuity plan is being drafted and a final version is expected to be presented to members in December 2021 for approval</p>

Issue/risk	Recommendation	Agreed management action/timing
	service and corporate business continuity plans.	Service business continuity plans will be approved alongside business plans, risk registers and departmental budgets in February 2022. See recommendation 4 above
b/f 9. Procurement Risk Register	A procurement risk register should be approved by members and reviewed periodically.	Complete The procurement risk register was refreshed in June 2021 and the revised register was due to be presented to the Procurement Steering Group for approval in September 2021. The register will now be considered by the PSG when it meets on 26 October 2021. The group will also agree how frequently the risk register will be reviewed.
b/f 10. Procurement Officer training	Training should now take place in 2021 to take account of procurement law following the conclusion of the Brexit transition period	In progress Procurement officers have yet to deliver training to departmental staff and are still assessing the most effective method of delivery. See recommendation 7 above
b/f 11. IT Risks	Continuing weaknesses in business continuity and disaster recovery procedures and documentation require to be addressed	In progress The cyber resilience response plan and disaster recovery plan are still to be completed. Refer to recommendation 5 above

Appendix 2

Significant audit risks identified during planning

The table below sets out the audit risks we identified during our planning of the audit and how we addressed each risk in arriving at our conclusion. The risks are categorised between those where there is a risk of material misstatement in the annual accounts and those relating our wider responsibility under the [Code of Audit Practice 2016](#).

Audit risk	Assurance procedure	Results and conclusions
<p>1. Risk of material misstatement due to fraud caused by the management override of controls</p> <p>International Auditing Standards require that audits are planned to consider the risk of material misstatement in the financial statements caused by fraud, which is presumed to be a significant risk in any audit. This includes the risk of fraud due to the management override of controls</p>	<ul style="list-style-type: none"> • Use of data analytics to carry out detailed testing of journal entries • Focused testing of accruals and prepayments • Evaluate significant transactions that are outside the normal course of business • Review and assessment of accounting estimates. 	<p>Results:</p> <p>We undertook extended testing of high-risk journals using data analytics to target income and expenditure transactions. Satisfactory explanations and supporting evidence were provided for all transactions reviewed.</p> <p>Testing of accruals and prepayments identified no errors.</p> <p>There were no unexplained significant transactions identified from our audit work.</p> <p>Accounting estimates were agreed to expert evaluations and assumptions applied to the actuarial pension liability valuation were challenged with the actuary to ensure they were reasonable.</p> <p>The basis of estimates used by officers were consistently applied between current and prior year accounts.</p> <p>Conclusion: No issues were identified that indicate management override of controls.</p>

Audit risk	Assurance procedure	Results and conclusions
<p>2. Estimations and Judgements</p> <p>There is a significant degree of subjectivity in the measurement and valuation of the material account areas of non-current assets and pension assets/liabilities. This subjectivity represents an increased risk of misstatement in the financial statements.</p> <p>The Comhairle has a rolling programme of valuations with specific categories revalued each year. Given categories of assets have not been subject to valuation since the impact of Covid-19, there is a risk of material uncertainty over non-current asset valuations in the 2020/21 accounts</p>	<ul style="list-style-type: none"> • Assessment of the scope, independence and competence of the professionals engaged in providing estimates for non-current assets and pensions. • Review appropriateness of actuarial assumptions and results including comparison with other councils. • Walkthrough the process of valuation to understand the basis for significant judgements • Establish officers' arrangements for ensuring the completeness and accuracy of professional estimations for non-current assets and pensions. • Establish officer's arrangements for getting assurances over the impact of Covid-19 on the accuracy of non-current assets not subject to valuation in year. • Review actual experience of significant estimates made in the prior year. 	<p>Results:</p> <p>Our review of experts engaged to provide valuations for non-current assets and pensions found them to be independent and competent.</p> <p>We evaluated actuarial assumptions and investigated movements out with tolerable range. We obtained further assurance from the actuary over the pension liability.</p> <p>Walkthrough testing of valuation procedures adopted by management experts was satisfactory and we reviewed officers challenge of non-current asset valuations.</p> <p>The Valuation Office Agency advised there was no material uncertainty over non-current asset valuations carried out in 2020/21.</p> <p>We assessed the impact of the rolling programme on overall estimates over time and found no unusual or significant variances.</p> <p>We reviewed the annual leave and flexi accruals</p> <p>Conclusion:</p> <p>No material issues have been identified in estimates in 2020/21.</p>
<p>3. Exit Packages</p> <p>The Comhairle has invited eligible employees to express an interest in applying for voluntary redundancy as part of</p>	<ul style="list-style-type: none"> • Assess the need for a provision or contingent liability disclosure • Agree approved exit packages 	<p>Results:</p> <p>We reviewed exit packages approved and confirmed that no provision was necessary.</p>

Audit risk	Assurance procedure	Results and conclusions
<p>ongoing organisational restructuring and service redesign. This may require a provision recognising the constructive obligation to incur future cash outflows</p> <p>Applications that are formally approved prior to 1 April 2021 will require disclosure in the Remuneration Report if that takes an individual over the specified limit.</p> <p>There is a risk that the Exit Package disclosure note does not accurately reflect the packages agreed by the Comhairle</p>	<p>to a supporting application, evaluation, and decision-making process</p> <ul style="list-style-type: none"> • Assess compliance with the Comhairle's Early Retirement Policy • Review calculations to agree the cost of exit packages to actuarial advice and assess whether these are disclosed correctly. 	<p>Exit packages were only awarded when the formal application and approval procedures had been followed.</p> <p>The cost of exit packages was agreed to actuarial advice from Highland Council Pension Fund.</p> <p>Conclusion: Exit packages are correctly accounted for.</p>

Risks identified from the auditor's wider responsibility under the Code of Audit Practice

Audit risk	Assurance procedure	Results and conclusions
<p>4. Financial sustainability</p> <p>The Covid-19 global pandemic has had an adverse impact on the Comhairle's ability to deliver service redesign savings in 2020/21.</p> <p>The Comhairle now expects to deliver only £1.5 million of the £2.6 million planned savings in 2020/21. Reserves to support the forward budget strategy are expected to decrease to £1.7 million. Reliance on reserves to bridge budget gaps is unsustainable.</p> <p>It is likely that there will be further cost pressures on top of the immediate response to the Covid-19 crisis. There is a risk to the long-term financial</p>	<ul style="list-style-type: none"> • Review the year-end financial position and impact on Comhairle balances • Assess the impact of Covid-19 on the Medium-Term Financial Plan and future budgets • Monitor future planned use of reserves • Review assumptions included within the Financial Plan. 	<p>Results:</p> <p>General fund reserves increased by £7.7 million in 2020/21. £4.5 million of this relates to unspent Covid funding while services also underspent by £2 million. However, £1 million of service redesign savings were not achieved.</p> <p>Conclusion: Medium term financial plans should continue to be revised to reflect the impact of COVID-19 and further service redesign.</p>

Audit risk	Assurance procedure	Results and conclusions
<p>sustainability of the Comhairle given these additional cost pressures. In addition, there is a risk that the Comhairle is unable to continue identifying service redesign savings to balance budgets and maintain a prudent level of reserves.</p>		

Appendix 3

Summary of national performance reports 2020/21

April

[Affordable housing](#)

June

[Highlands and Islands Enterprise: Management of Cairngorm mountain and funicular railway](#)

[Local government in Scotland Overview 2020](#)

July

[The National Fraud Initiative in Scotland 2018/19](#)

January

[Digital progress in local government](#)

[Local government in Scotland: Financial overview 2019/20](#)

February

[NHS in Scotland 2020](#)

March

[Improving outcomes for young people through school education](#)

Comhairle nan Eilean Siar

2020/21 Annual Audit Report

Audit Scotland's published material is available for download on the website in a number of formats. For information on our accessibility principles, please visit:

www.audit-scotland.gov.uk/accessibility

For the latest news follow us on social media or [subscribe to our email alerts.](#)



Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN
Phone: 0131 625 1500 Email: info@audit-scotland.gov.uk
www.audit-scotland.gov.uk