



**Comhairle nan Eilean Siar**  
**Internal Audit Review**  
**Islands Growth Deal – Grant Claim Processes**  
**Final Report – 2023/24**

**20 March 2024**

COMHAIRLE NAN EILEAN SIAR  
INTERNAL AUDIT FINAL REPORT  
ISLANDS GROWTH DEAL -GRANT CLAIM PROCESSES

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Date of Visit	March 2024
Draft Report Issued	
Management Response Received	
Final Report Issued	20 March 2024

Issued to:	
Chief Executive	Malcolm Burr
Depute Chief Executive	Calum Iain Maciver
Islands Deal Programme Director	Anne Murray
External Audit	Martin Devenny

## **SECTION 1: EXECUTIVE SUMMARY**

### **Introduction**

1.1 The Report has been prepared following an internal audit review of Islands Growth Deal – Claims Processes as part of the operational annual internal audit plan for 2023/24. The purpose of the Report is to provide an overview of the Comhairle’s own governance arrangements for the operation and management of the Islands Growth Deal. The scope of the audit included a review of the following objectives:

- Management information is reliable and adequate with staff working in adherence to management policies, statutory requirements;
- Controls to detect fraud and non-compliance are in place and operating effectively;
- Confirm that the monthly financial plan and monitoring processes are sufficient, with accurate projections and monitoring processes, including where changes have been made to business cases;
- Terms and conditions of grants are compliant prior to disbursement, and drawdowns from UK/SG Governments are in line with terms of the programme as per the IGD Grant Claim processes;
- Confirm that monthly/quarterly/annual reports to Joint Committee and UK/SG Governments are submitted timeously and accurately; and
- Post completion project reviews are undertaken to confirm that grant funding has been used for its intended purpose, with corrective action taken where relevant.

### **Background Information**

1.2 The Islands Growth Deal is a 10-year, £100m, UK and Scottish Government investment into Orkney, Shetland and the Outer Hebrides. The Full Deal Agreement with UK and Scottish Government was signed by the three island Councils on 21st January 2023. There is a joint governance structure to manage the Deal, supported by a Programme Management Officer.

The Comhairle acts as the Lead Authority and the Accountable Body for the Islands Growth Deal in terms of the relationship with Scottish and UK Government.

Payment of the grant is governed by conditions imposed by Scottish Government that must be adhered to in order to receive the Islands Growth Deal funding.

There are sixteen projects in the Islands Growth Deal programme with three projects having received £953k in funding to date. The remaining participants are still actively completing business cases and securing match funding.

For our review we have received detailed and well documented information on the claims processes and Internal Audit are confident that the information provided and checked satisfies the requirements of the terms and conditions set by Scottish Government.

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The Comhairle has been subject to a criminal cyber incident which has affected substantial amounts of data. However, we were able to access most of the information required to undertake a review and place full reliance on the findings.

**Concluding Remarks**

- 1.3 Our review concluded that there were no issues concerning the Claims Processing Arrangements in relation to the Islands Growth Deal, and therefore have no recommendations to make concerning the review.

## SECTION 2: RECOMMENDATIONS AND AUDIT OPINION

- 2.1 Based on the audit work carried out our overall opinion is that a Full level of assurance can be placed upon the control environment of the service/area under review.

Internal control, governance and risk management are of a high standard. A sound system of control to achieve the system objectives exists and the controls are being consistently applied.

**It should be noted that our findings and conclusions are based on the information made available to us at the time of our review.**

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20 March 2024

## **RESPECTIVE RESPONSIBILITIES OF MANAGEMENT AND INTERNAL AUDIT**

### **Responsibility in Relation to Internal Controls**

It is the responsibility of the Comhairle's management to maintain adequate and effective financial systems and to arrange for a system of internal controls. Our responsibility as internal auditors are to evaluate the financial systems and associated internal controls. In practice, we cannot examine every financial implication and accounting procedure within an activity, and we cannot substitute for management's responsibility to maintain adequate systems of internal controls over financial systems. We therefore may not identify all weaknesses that exist in this regard.

It is the responsibility of the Comhairle's management to consider the detailed findings of this Report, where such findings have a specific impact on risk registers. This may include a risk that has not yet been identified, or current risk controls which may be required to be updated to reflect any changes as a result of the findings contained in this report.

### **Responsibilities in Relation to Fraud and Corruption**

The prime responsibility for the prevention and detection of fraud and irregularities rests with management. They also have a duty to take reasonable steps to limit the opportunity for corrupt practices. It is our responsibility to review the adequacy of these arrangements, but our work does not remove the possibility that fraud, corruption or irregularity may have occurred and remained undetected.

We nevertheless endeavour to plan our internal audit work so that we have reasonable expectation of detecting material fraud, but our examination should not be relied upon to disclose all such material frauds that may exist.

**DEFINITION OF AUDIT OPINIONS AND RATINGS**

The standard definitions for internal audit assurance over an engagement are as follows:

<b>Level of Assurance</b>	<b>Definition</b>
Full Assurance	Internal control, governance and risk management are of a high standard. A sound system of control to achieve the system objectives exists and the controls are being consistently applied.
Substantial Assurance	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable Assurance	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited Assurance	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.