



Comhairle nan Eilean Siar
Internal Audit Report and Assurance Statement
For the Year Ended
31 March 2025

20 May 2025

INTRODUCTION

- 1.1 This report aims to provide the Audit & Scrutiny Committee with an evaluation of elements of Comhairle nan Eilean Siar's internal control, risk management and corporate governance systems based on our work during 2024/25 and to summarise the Internal Audit coverage in the year.
- 1.2 The Council's Chief Executive has overall responsibility for Internal Audit in Comhairle nan Eilean Siar, which sits within the Law and Governance section of the organisational structure. The Chief Internal Auditor has the right of access to the Chief Executive, the Chief Financial Officer and the Chair of the Audit and Scrutiny Committee on any audit matter. These rights of access help ensure the organisational independence of Internal Audit.
- 1.3 During 2024/25, the section operated in conformance with the 'Public Internal Audit Standards (PSIAS)'. The standards define the way in which the Internal Audit section should be established and undertake its functions. The section complied with the PSIAS requirement for an external assessment every five-years; this was last undertaken by Orkney Islands Council in 2020 through the peer-to-peer review network of the Scottish Local Authorities Chief Internal Auditors Group (SLACIAG). During the year, new standards have been introduced, the Global Internal Audit Standards (GIAS) and these will be used going forward.
- 1.4 The Internal Audit section also operated under an 'Internal Audit Charter' which was most recently approved by the Audit and Scrutiny Committee in May 2025.
- 1.5 One of the requirements of the GIAS is the publication of an annual report. The aim of this annual report is to give an overview of the work carried out during 2024/25.
- 1.6 The work of Internal Audit is based on an annual operational audit plan which is prepared after a risk assessment of all potential audit issues identified by Internal Audit and Service Directors and takes account of the work of the Council's external auditor, Audit Scotland.
- 1.7 The GIAS include key principles that public sector Internal Audit functions must follow and cover a range of areas including governance, performance standards and reporting requirements. As part of the standards, Internal Audit is required to undertake annual self-assessments. The GIAS also introduced a requirement for an external assessment of an organisation's Internal Audit function, which must be conducted at least once every five years by a qualified, independent reviewer from outside of the organisation. The 2024/25 self-assessment and the latest external assessment, undertaken by Orkney Islands Council in 2020/21, have confirmed that Internal Audit conforms with the requirements of the PSIAS. All future assessments will confirm with the new GIAS.
- 1.8 Finally, the report provides an opinion on the overall adequacy and effectiveness of the Council's governance, risk management and internal control frameworks.

ROLE OF HEAD OF THE INTERNAL AUDIT

- 2.1 The CIPFA guidance in relation to “The Role of the Head of Internal Audit in Public Service Organisations” is intended to provide best practice for Chief Audit Executives (CAEs) to achieve, and for audit committees to measure Internal Audit against. The statement sets out an overarching principles-based framework which applies across the UK public sector. It states that the CAE plays a critical role in delivering an organisation’s strategic objectives by:
- championing best practice in governance and management, objectively assessing the adequacy of the management of existing risks, and commenting on responses to emerging risks and proposed developments; and
 - giving an objective and evidence-based opinion on all aspects of governance, risk management and internal control.
- 2.2 To perform this role, the CAE must:
- be a senior manager with regular and open engagement across the organisation, particularly with the leadership team and with the audit committee;
 - lead and direct an internal audit service that is resourced to be fit for purpose; and
 - be professionally qualified and suitably experienced.
- 2.3 For each principle, the statement sets out the governance arrangements required within an organisation to ensure that CAEs are able to operate effectively and perform their core duties. The statement also sets out the core responsibilities of the HIA.
- 2.4 The role of the Chief Internal Auditor continues to meet the principles set out in CIPFA’s statement.

AUDIT PLAN MANAGEMENT

- 3.1 Internal Audit prepared an Annual Plan for 2024/25. Due to the impacts of the cyber-attack there was some carry forward of reviews from the prior year which were included within the 24/25 year wherever possible. In addition to this, some considerable time was utilised by the CIA to undertake the review of the response and lessons learnt from the cyber-attack, and this was reported to the Audit & Scrutiny Committee in December 2024. The plan was therefore amended in December 2024 to take cognisance of the changes of available audit days, with three audits deferred to 2025/26, and one removed altogether, with a view to include this as a priority in the next Strategic Plan for 2026-29. All but two reviews were able to be undertaken with the remainder of the plan being completed as amended. The operational plan was based on year two of the 2023-26 Strategic Plan.
- 3.2 As previously reported, the November 2023 cyber-attack impacted many services, including Internal Audit, where work was paused or halted until the effects of the attack were fully known and some form of normality could be resumed. As a result, the plan was focussed on Medium/High and High risk areas once restarted, as well as advisory services to departments for the duration of the cyber-attack after-effects. Audits were primarily focussed on those which would provide the most assurance for the Annual Assurance Statement in 2023/24 and this continued to have an impact during 2024/25.

- 3.2 The Audit Committee receives the full reports for all audits completed during the year.
- 3.3 All recommendations were accepted during the year, and although a number of these remain outstanding, these will be completed in agreed timescales and followed up as part of either normal Internal Audit follow-up procedures or as part of the CIAP.
- 3.4 The assurance levels from each of the audits were as follows:

June 2024 Committee

Audit Title	Assurance Level	Recs
OH CLLD	Substantial	3
Care at Home (23/24 plan)	Reasonable	5
Marine Fuel	Substantial	5

September 2024 Committee

Audit Title	Assurance Level	Recs
Adult Social Work – Commissioned Services	Substantial	3
Climate Change & Net Zero	Substantial	3
Waste Disposal & Refuse Collection	Reasonable	8
Education Provision - ASN	Substantial	1

November 2024 Committee

Audit Title	Assurance Level	Recs
Cyber Attack & Lessons Learnt	N/A	10
ECLIPSE – Social Care Management System	Full	2
Medication Management	Reasonable	4
Street Lighting	Full	3

February 2025 Committee

Audit Title	Assurance Level	Recs
Community Planning & Engagement	Limited	7
Financial Assessments	Reasonable	2
Museums & Archives	Limited	11

April 2025 Committee

Audit Title	Assurance Level	Recs
NDR	Reasonable	3
Strategic Procurement	Reasonable	4
Treasury Management	Full	0

To be reported at the June 2025 Committee

Audit Title	Assurance Level	Recs
Payroll & Expenses	Reasonable	11
Islands Growth Deal – Governance	Full	0
Islands Growth Deal – Claims Processes	Full	0
SW Transport Policy and Implementation	Substantial	3

3.5 The definitions of the assurance levels used by Internal Audit are as follows:

Level of Assurance	Definition
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.

3.6 Internal Audit issued 83 recommendations during the year, and as mentioned above, all were accepted by services. Whilst these were predominantly housekeeping issues, there were also a number of those that were highlighted as red or amber findings. These included the following categories:

- Commencing debt recovery procedures following the rebuilding of the financial system. This recommendation was completed shortly after it was agreed.
- Ensuring all tiers of management adhere to rules around FINS for payroll and HR purposes.
- Review of external lease arrangements with private sector partner.
- Review and tracking of training relating to Medication Management.

- 3.7 The Council has undergone a period of change on both current service delivery and existing governance arrangements and will continue to do so over coming years following a review of the organisational structure. The Council has proven itself able to respond to unprecedented circumstances and the pressures arising therefrom. This has impacted on all Council services and the Audit Plan will remain adaptable to reflect best use of resources depending on pressures across the Council.
- 3.8 Significant pressures remain as public services continue to see a decline in funding and Internal Audit will need to build on the lessons learned and retain the benefits that have accrued through new working practices developed in response to ongoing financial challenges.

STAFF RESOURCES AND AUDIT PERFORMANCE

- 4.1 The Internal Audit section is directly managed by the Chief Internal Auditor (CIA) and is supported by the positions of Trainee Internal Auditor and a newly recruited Auditor.
- 4.2 The CIA holds a dual qualification of CA and CPFA, both of which are part of the CCAB (Consultative Committee of Accountancy Bodies). The role of Trainee Internal Auditor is expected to hold a qualification recognised by either CCAB or the IIA (Institute of Internal Auditors). The current Trainee is working towards an IIA qualification.
- 4.3 Internal Audit have two main performance indicators which are reported annually. The below table shows the current year and two prior years for comparison:

	2022/23	2023/24	2024/25
Percentage of Audit Plan Completed	92.3%	75.0%	90.9%
Cost of Internal Audit per £1m of net expenditure	£1,043	£1,184	£1,418

- 4.4 The second performance indicator above has shown a large drop over the preceding years, this is mainly due to the reduced resources in the section. Once the team is back to a full complement the costs will increase to be in line with previously reported levels.
- 4.5 CIPFA and the Institute of Internal Auditors (IIA) have reviewed the guidance and made amendments in order to have a common set of standards across the whole public sector. These changes are primarily based on the International Professional Practices Framework (IPPF). The new standards termed Global Internal Audit Standards (GIAS) became effective in April 2025.
- 4.6 A key requirement of the GIAS is that Internal Audit sections are required to state whether or not they conform with these standards as part of their annual reporting. In addition, they should outline the results of the quality assurance and improvement programme together with progress against any improvements identified during this assessment.

- 4.8 In 2024/25 financial year, Internal Audit undertook a self-evaluation against the PSIAS (later replaced by the GIAS), Local Government Application note and Quality Assurance Improvement Programme. The IIA has given examples of classifications of conformity against these standards and those are outlined in the appendix.
- 4.9 Summary of Conformance with the Public Sector Internal Audit Standards and the newly implemented Global Internal Audit Standards is shown in Appendix 1.

CYBER ATTACK

- 5.1 In November 2023 the Comhairle was the subject of a large-scale cyber-attack, rendering data and systems inoperable. Data was encrypted as a result and became inaccessible to staff. Systems were taken offline and network connectivity in and out of the Comhairle was halted in order to prevent further damage.
- 5.2 A full review of the management response was undertaken in 2024/25 with a view to gaining knowledge of processes in order to form an opinion on the response arrangements and to offer recommendations, where applicable, for improved resilience should a similar incident occur in the future.
- 5.4 This review concluded with various recommendations and lessons learnt, with the recommendations being followed up as part of normal Internal Audit Follow-Up procedures. Due to the importance of the need to monitor the results of this, the Audit & Scrutiny Committee requested that a report be brought to each meeting of the Committee until such time as the Committee was satisfied that the recommendations are nearing full implementation. At the time of writing three of the ten original recommendations had been fully implemented, with considerable work underway on the remainder. It should be noted that some of the recommendations made may only ever be implemented upon a similar incident happening in the future, or for where the service deems it necessary to implement some changes, changes which would require significant investment and therefore would be considered by other relevant committees as and when the opportunity arises.

OPINION

- 6.1 This statement on the adequacy and effectiveness of the framework of governance, risk management and internal control is based on the audit work performed during 2024/25 as reported above. It also draws on the experience of audit work carried out in earlier years as well as assurances received from management and external audit findings.
- 6.2 Internal Audit staff have carried out work, both on a corporate basis and within each of the Service groups and, subject to the comments in section 3 above, the conclusion drawn from that work was that most of the anticipated governance, risk management and internal control frameworks were in place and operating effectively.
- 6.3 Where Internal Audit identified opportunities for improvement, the responses received from managers continued to be positive and there was commitment to implementing Internal Audit's recommendations.
- 6.4 No individual audit assignments were specifically limited in scope at the outset but scopes have been amended to reflect the output from the initial risk and control analysis undertaken at the start of each assignment and the resources available.
- 6.5 On this basis, it is my opinion that reasonable assurance can be placed on the adequacy and effectiveness of the Comhairle's systems of governance, risk management and internal control for the year ended 31 March 2025.

ACKNOWLEDGEMENTS

- 7.1 In conclusion, I would like to thank internal audit staff for their hard work and commitment throughout the past year, and I would also like to highlight our appreciation to the many Officers who assisted us as well as the Comhairle's Audit & Scrutiny Committee for their support, together with the general co-operation of the Comhairle's Management Team and with the appointed External Auditors, Audit Scotland.

Sandy Gomez
Chief Internal Audit

22 May 2025

APPENDIX 1

PSIAS Reference	GIAS Reference	Assessment Area	Level of Conformance 2023/24	Level of Conformance 2024/25
Section A	Domain 1	Definition of Internal Auditing	FC	FC
Section B	Domain 2	Code of Ethics	FC	FC
Section C		Attribute Standards		
1000	Domain 1	Purpose, Authority and Responsibility	FC	FC
1100	Std's 1 & 2	Independence and Objectivity	FC	FC
1200	Std's 3 & 4	Proficiency and Due Professional Care	FC	FC
1300	Std's 8 & 12	Quality Assurance and Improvement Programme	FC	FC
Section D		Performance Standards		
2000	Std's 9 to 12	Managing the Internal Audit Activity	FC	FC
2100	Std 13	Nature of Work	FC	FC
2200	Std's 13 & 14	Engagement Planning	FC	FC
2300	Std 14	Performing the Engagement	FC	FC
2400	Std 15	Communicating Results	FC	FC
2500	Std's 8 & 15	Monitoring progress	FC	FC
2600	Std 11	Communicating the acceptance of risks	FC	FC

Conformance with the Public Sector Internal Audit Standards Definitions

- **FC** Fully Conforms means the evaluator has concluded that the relevant structures, policies, and procedures of the activity, as well as the processes by which they are applied, comply with the requirements of the individual Standard or element of the Code of Ethics in every respect.
- **GC** Generally Conforms means the evaluator has concluded that the relevant structures, policies, and procedures of the activity, as well as the processes by which they are applied, comply with the requirements of the individual Standard or element of the Code of Ethics in all material respects.
- **PC** Partially Conforms means the evaluator has concluded that the activity is making good-faith efforts to comply with the requirements of the individual Standard or element of the Code of Ethics, section, or major category, but falls short of achieving some major objectives.
- **DNC** Does Not Conform means the evaluator has concluded that the activity is not aware of, is not making good-faith efforts to comply with, or is failing to achieve many/all of the objectives of the individual Standard or element of the Code of Ethics, section, or major category.