



Comhairle nan Eilean Siar
Internal Audit Review
ISLANDS GROWTH DEAL- Programme Activities and
Claims processes
Final Report –2024/25 -12A

14 April 2025

COMHAIRLE NAN EILEAN SIAR
INTERNAL AUDIT DRAFT REPORT
ISLANDS GROWTH DEAL – PROGRAMME ACTIVITIES AND CLAIMS PROCESSES

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Date of Visit	March 2025
Draft Report Issued	21 March 2025
Management Response Received	1 April 2025
Final Report Issued	14 April 2025

Issued to: Chief Officer-Economic and Community Regeneration	Anne M Murray
Islands Deal Programme Director	Kathlene Morrison
Chief Internal Auditor	Sandy Gomez
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- Programme Activities and Claims Processes as part of the operational annual internal audit plan for 2024/25. The purpose of the Report is to provide an overview of the Comhairle's arrangements for the operation and management of Islands Growth Deal- Programme Activities and Claims Processes. 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 the intended purpose, with corrective action taken when relevant.

Background Information

1.2 The first year of the Islands Growth Deal has concluded and the annual report provides us with the activities and achievements of this period. Priorities have been set for the year 2024/25 with the focus being on supporting businesses cases to progress in the face of challenging financial factors.

There are sixteen projects in the Islands Growth Deal 2024/25 programme with six projects having claimed £1.494m in funding to date. The remaining participants are still actively completing business cases and securing match funding. We can confirm that none of the projects have reached completion at the time of the review.

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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Concluding Remarks

- 1.3 We would point out that there are no significant issues arising from our review which require management attention.

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SECTION 2: RECOMMENDATIONS AND AUDIT OPINION

- 2.1 We have graded our detailed findings and recommendations, based on the likelihood of the identified weakness occurring and the impact on the Comhairle if it should occur.

The following table contains the definitions applied by Internal Audit in rating audit findings/actions and the number of recommendations in each rating.

Definition of recommendation	Grade	No.
Major weaknesses that could have a significant impact on the Comhairle if not addressed and contained urgently.	High	0
Important issues relating to controls being absent, not operating as expected or could be improved.	Medium	0
The weakness is unlikely to have a material impact on the Comhairle. These are not critical but management should address.	Low	0

Where we have identified isolated exceptions in our sample testing, and we consider that they are unlikely to recur; and would have no significant impact if they should occur;

We have classified them as minor or trivial, discussed them with relevant officers and detailed them in Appendix C to the Report.

- 2.2 Based on the audit work carried out our overall opinion is that **full** 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.

Internal Audit
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21 March 2025

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 is 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:

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.

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APPENDIX C

ISOLATED EXCEPTIONS TO EXPECTED PROCEDURES AND CONTROLS

ITEM	ISOLATED EXCEPTION	RESPONSIBLE OFFICER	AGREED Y/N	DATE OF DISCUSSION