

Comhairle nan Eilean Siar

2023/24 Draft Annual Audit Report



Prepared for Comhairle nan Eilean Siar and the Controller of Audit
September 2025

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Key messages

Audit of the annual accounts

- 1 A disclaimer of opinion was issued over the annual accounts. This was a consequence of the November 2023 cyber-attack, which left key elements Comhairle's accounting records inaccessible and meant that we could not obtain sufficient appropriate evidence on which to conclude our work.
- 2 This disclaimer specifically impacts:
 - The statements across the group and council-only Movement in Reserves Statements, Comprehensive Income and Expenditure Statements, Balance Sheets, Cash Flow Statements, Council Tax Income Account, and Non Domestic Rate Income Accounts
 - The Remuneration Report, Management Commentary and Annual Governance Statement
- 3 We also report that, directly due to the cyber-attack:
 - Adequate accounting records have not been kept.
 - All information and explanations required for the audit were not received.

Wider scope audit

- 4 The November 2023 cyber-attack had a significant impact on the Comhairle's financial management arrangements. While manage put in place manual processes to ensure continued financial operation, these we inevitably less efficient and effective.
- 5 The Comhairle reported a net deficit position of £3.7 million in 2023/24, representing a £0.5 million overspend against budget. Financial balance was achieved through the planned application of financial reserves.
- 6 The cyber-attack disrupted financial reporting meaning that revenue and capital budgets could not be monitored for the remainder of the financial year.

- 7** The audit work performed on the arrangements the body has in place for securing financial sustainability found that these were effective and appropriate. Like many public sector bodies, the Comhairle forecasts significant budget gaps in the upcoming years and needs to put in place a savings plan to deliver financial balance.
- 8** The Comhairle should develop a medium-term savings plan to respond to the forecast budget gaps identified in its Medium Term Financial Plan.
- 9** The audit work performed on the arrangements the body has in place for securing Vision, Leadership and Governance and found that these were effective and appropriate.
- 10** The Comhairle responded quickly to the cyber-attack however, business continuity planning should be improved, and completion of audit recommendations should be prioritised.
- 11** The Comhairle published its Corporate Strategy for 2024-2027 in December 2023
- 12** Performance reporting was impacted by the cyber-attack.

Best Value audit

- 13** The council has effective and appropriate arrangements in place for securing Best Value.
- 14** The Management Report on themes prescribed by the Accounts Commission reported the council has been innovative and demonstrated its commitment to transforming services, but should improve how it reports progress to the executive team and elected members.

Introduction

Purpose of the Annual Audit Report

1. The purpose of this Annual Audit Report is to report the significant matters identified from the 2023/24 audit of Comhairle nan Eilean Siar's annual accounts and the wider scope areas specified in the [Code of Audit Practice \(2021\)](#).
2. The Annual Audit Report is addressed to Comhairle nan Eilean Siar, hereafter referred to as 'the Comhairle' and the Controller of Audit, and will be published on [Audit Scotland's website](#) in due course.

Appointed auditor and independence

3. Claire Gardiner, of Audit Scotland, has been appointed as external auditor of the council for the period from 2023/24 until 2026/27. As reported in the Annual Audit Plan, Claire Gardiner as engagement lead and the audit team are independent of the council in accordance with relevant ethical requirements, including the Financial Reporting Council's Ethical Standard. There have been no developments since the issue of the Annual Audit Plan that impact on the continued independence of the engagement lead or the rest of the audit team from the council, including no provision of non-audit services.

Acknowledgements

4. We would like to thank the Comhairle and its staff, particularly those involved in preparation of the annual accounts, for their cooperation and assistance during the audit. We look forward to working together constructively over the remainder of the five-year audit appointment.

Audit scope and responsibilities

Scope of the audit

5. The audit is performed in accordance with the Code of Audit Practice, including supplementary guidance, International Standards on Auditing (ISA) (UK), and relevant legislation. These set out the requirements for the scope of the audit which includes:

- An audit of the financial statements and an opinion on whether they give a true and fair view and are free from material misstatement.
- An opinion on statutory other information published with the financial statements in the annual accounts, namely the Management Commentary and Annual Governance Statement.
- An opinion on the audited part of the Remuneration Report.
- Conclusions on the Comhairle's arrangements in relation to the wider scope areas: Financial Management; Financial Sustainability; Vision, Leadership and Governance; and Use of Resources to Improve Outcomes.
- Reporting on the Comhairle's arrangements for securing Best Value.
- Providing assurance on the Housing Benefit Subsidy Claim, Non-Domestic Rates Return, Whole of Government Accounts return, and summary financial statements.
- A review of the Comhairle's arrangements for preparing and publishing statutory performance information.
- Provision of this Annual Audit Report.

Responsibilities and reporting

6. The Code of Audit Practice sets out the respective responsibilities of the Comhairle and the auditor. A summary of the key responsibilities is outlined below.

Auditor's responsibilities

7. The responsibilities of auditors in the public sector are established in the Local Government (Scotland) Act 1973. These include providing an independent opinion on the financial statements and other information

reported within the annual accounts, and concluding on the Comhairle's arrangements in place for the wider scope areas and Best Value.

8. The matters reported in the Annual Audit Report are only those that have been identified by the audit team during normal audit work and may not be all that exist. Communicating these does not absolve the Comhairle from its responsibilities outlined below.

9. The Annual Audit Report includes an agreed action plan at [Appendix 1](#) setting out specific recommendations to address matters identified and includes details of the responsible officer and dates for implementation.

The Comhairle's responsibilities

10. The Comhairle has primary responsibility for ensuring proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety, and regularity that enables it to successfully deliver its objectives. The features of proper financial stewardship include:

- Establishing arrangements to ensure the proper conduct of its affairs.
- Preparation of annual accounts, comprising financial statements for the Comhairle and its group that gives a true and fair view and other specified information.
- Establishing arrangements for the prevention and detection of fraud, error and irregularities, and bribery and corruption.
- Implementing arrangements to ensure its financial position is soundly based.
- Making arrangements to secure Best Value.
- Establishing an internal audit function.

National performance audit reporting

11. The Auditor General for Scotland and the Accounts Commission regularly publish performance audit reports. These cover a range of matters, many of which may be of interest to the Comhairle and the Audit and Scrutiny committee. Details of national and performance audit reports published over the last year can be seen in [Appendix 2](#).

Audit of the annual accounts

Main judgements

A disclaimer of opinion was issued over the annual accounts. This was a consequence of the November 2023 cyber-attack, which left key elements Comhairle's accounting records inaccessible and meant that we could not obtain sufficient appropriate evidence on which to conclude our work.

This disclaimer specifically impacts:

- The statements across the group and council-only Movement in Reserves Statements, Comprehensive Income and Expenditure Statements, Balance Sheets, Cash Flow Statements, Council Tax Income Account, and Non Domestic Rate Income Accounts
- The Remuneration Report, Management Commentary and Annual Governance Statement

We also report that, directly due to the cyber-attack:

- Adequate accounting records have not been kept.
- All information and explanations required for the audit were not received.

Due to the 2023 cyber-attack, we have been unable to complete our planned audit work on the 2023/24 annual accounts and have issued a disclaimer of opinion

12. The Comhairle suffered a cyber-attack in November 2023 which encrypted many council systems and backups, rendering them inaccessible. This included critical financial systems such as the general ledger, payroll, council tax, NDR and housing benefits. Systems needed to be rebuilt entirely due to the unavailability of backups.

13. The loss of detailed accounting records for the period prior to the cyber-attack meant that we were unable to obtain sufficient and appropriate audit evidence to support several key financial statements.

This limitation affected our ability to verify the completeness and accuracy of transactions and balances in the following areas:

- Non-Pay Expenditure
- Staff costs
- Fees, Charges and Other Service Income
- Cash & Cash Equivalents
- Trade and Other Payables
- Trade and Other Receivables
- Non-Current Assets (Infrastructure Asset additions)
- Council Tax and Non-Domestic Rate Income accounts

14. Due to the extent of transactions and balances affected, we concluded that the possible effects of any unidentified misstatements could be both material and pervasive on the annual accounts as a whole. As a result, we issued a disclaimer of opinion within our Independent Auditor's Report.

15. This disclaimer specifically impacts the statements across the group and council-only Movement in Reserves Statements, Comprehensive Income and Expenditure Statements, Balance Sheets, Cash Flow Statements, Council Tax Income Account, and Non Domestic Rate Income Accounts

16. In addition to this, opinion on the narrative sections, the Remuneration Report, Management Commentary and Annual Governance Statement are also disclaimed.

17. The independent auditor is also required to report certain matters by exception. For the 2023/24 audit of Comhairle nan Eilean Siar the following matters were reported:

- Adequate accounting records were not kept.
- The independent auditor did not receive all the information and explanations required for their audit.

18. The annual accounts, accompanied by our disclaimer of opinion, were authorised for issue by the Comhairle on 25 September 2025.

The audit timetable was delayed by the cyber-attack

19. Due to the cyber-attack, Comhairle nan Eilean Siar unaudited accounts were published on 9 January 2025, later than the 30 June 2024 statutory deadline.

20. Given the catastrophic impact of the attack, we commend management on their ability to prepare a set of draft financial statements.

21. We received assistance from management throughout the audit process, and extended timelines in an attempt to obtain the audit evidence required to issue an audit opinion. The issues highlighted in this report which impact our audit opinion are reflective of the underlying loss of financial information rather than the response by management in preparing the financial statements or providing evidence.

22. The accounts were authorised for issue, alongside the disclaimer of opinion on 25 September 2025, later than the 30 September 2024 statutory deadline.

Audit Fee

23. The audit fee for the 2023/24 audit was reported in the Annual Audit Plan and was set at £276,580. There have been no developments that impact on planned audit work required, therefore the audit fee reported in the Annual Audit Plan remains unchanged.

Materiality

24. Materiality is applied by auditors in planning and performing an audit, and in evaluating the effect of any uncorrected misstatements on the financial statements or other information reported in the annual accounts.

25. The concept of materiality is to determine whether misstatements identified during the audit could reasonably be expected to influence the decisions of users of the annual accounts. Auditors set a monetary threshold when determining materiality, although some issues may be considered material by their nature. Therefore, materiality is ultimately a matter of the auditor’s professional judgement.

26. Materiality levels for the audit of the Comhairle and its group were determined at the risk assessment phase of the audit and were reported in the Annual Audit Plan, which also reported the judgements made in determining materiality levels. These were reassessed on receipt of the unaudited annual accounts. No changes were required to the materiality levels, which are outlined in [Exhibit 1](#).

Exhibit 1
2023/24 Materiality levels for Comhairle nan Eilean Siar and its group

Materiality	Amount
Materiality – set at 2% of gross expenditure	£4.2 million

Materiality	Amount
Performance materiality – set at 50% of materiality. As outlined in the Annual Audit Plan, this acts as a trigger point. If the aggregate of misstatements identified during the audit exceeds performance materiality, this could indicate further audit procedures are required.	£2.1 million
Reporting threshold – set at 2% of materiality.	£0.1 million

Source: Audit Scotland

Significant findings and key audit matters

27. ISA (UK) 260 requires auditors to communicate significant findings from the audit to those charged as governance, which for the council is Audit and Scrutiny committee.

28. The Code of Audit Practice also requires public sector auditors to communicate key audit matters. These are the matters that, in the auditor's professional judgement, are of most significance to the audit of the financial statements and require most attention when performing the audit.

29. In determining key audit matters, auditors consider:

- Areas of higher or significant risk of material misstatement.
- Areas where significant judgement is required, including accounting estimates that are subject to a high degree of estimation uncertainty.
- Significant events or transactions that occurred during the year.

30. The significant findings and key audit matters to report are outlined in [Exhibit 2](#).

Exhibit 2
Significant findings and key audit matters

Significant findings and key audit matters	Outcome
<ul style="list-style-type: none">The accounts are based on recreated accounting records The finance team recreated accounting records for 2023/24 using financial reports that detailed transactions and balances up to October 2023. However, this approach had two significant limitations:Use of a trial balance without supporting documentation: For the period prior to November 2023, there was insufficient evidence on individual transactions. This lack of documentation meant the team could not substantiate the completeness, accuracy, or authenticity of the financial data.Manual recording of transactions in Excel: From November 2023 onwards, transactions were initially recorded manually using Excel spreadsheets before being bulk uploaded to the financial ledger once this became available. This method is inherently prone to error and lacks the controls and audit trails typically found in standard accounting systems, further limiting the reliability of the financial records.	<p>This was identified as a significant risk at planning and the work undertaken to address this risk is outlined in Exhibit 4.</p> <p>We were unable to obtain sufficient appropriate audit evidence for large sections of the annual accounts as outlined at paragraph 13. We judged the impact the possible effects of any unidentified misstatements could be both material and pervasive on the annual accounts as a whole.</p> <p>A disclaimer of opinions was issued for the 2023/34 annual accounts as outlined in paragraphs 15-17.</p>

Source: Audit Scotland

A disclaimer of opinion has been issued for the Comhairle nan Eilean Siar group annual accounts

31. The Comhairle is part of a wider group and prepares group financial statements. The group is made up of components, including the Comhairle as the parent entity and Western Isles Integration Joint Board which is accounted for as a joint venture. As outlined in the Annual Audit Plan, audit work was planned on both of these components for the purposes of the group audit.
32. However, due to the significant issues identified during the audit of Comhairle nan Eilean Siar, it was not possible to obtain sufficient

appropriate audit evidence to support the group financial statements. As a result, a disclaimer of opinion has also been issued on the group accounts.

Other matters to report

33. Auditing standards require auditors to report a number of other matters if they are identified or encountered during an audit. As a consequence of the disclaimer of opinion on the annual accounts, we are unable to conclude on many of these areas. The matters identified or encountered on the audit of the council are outlined in [Exhibit](#).

Exhibit 3
Other matters to report

Auditing standard requirement	Matter to report	Outcome
<p>Other ISA (UK) 260 matters</p> <p>In addition to the matters already reported under ISA (UK) 260 in the Annual Audit Report, this standard also requires auditors to report:</p> <ul style="list-style-type: none">Any significant difficulties encountered during the audit.Circumstances that affect the form and content of the auditor’s report.Any other matters that are relevant to those charged with governance.	<p>As previously noted in this report, the 2023/24 audit of the Comhairle. The independent auditor is also required to report certain matters by exception. We identified the following matters:</p> <ul style="list-style-type: none">Adequate accounting records were not kept.The independent auditor did not receive all the information and explanations required for the audit. <p>These issues arose as a direct result of the cyber-attack, which significantly disrupted access to financial systems and records. It is important to highlight that these matters do not reflect the efforts or diligence of the finance team, who worked within extremely challenging circumstances to reconstruct financial information.</p>	<p>These issues were a key factor in the decision to issue a disclaimer of opinion over the annual accounts.</p>

Auditing standard requirement	Matter to report	Outcome
Significant deficiencies in internal control ISA (UK) 265 requires auditors to report any significant deficiencies in internal control identified during the audit.	Following the cyber-attack a number of systems were inoperable and many council operations. Many internal controls which management rely on, such as authorisation levels, are inbuilt into financial systems. Without these systems in place the control environment was weakened. Temporary financial arrangements were put in place to ensure there were appropriate controls and authorisation of expenditure, such as paying staff and suppliers.	We could not evidence that key financial controls were in operation for part of the 2023/24 financial year. Issues regarding the availability of financial records prevented us completing audit work and resulted in disclaimer of opinion being issued. The control deficiencies did not directly impact our opinion, however they did further significantly increase the risk of misstatement due to fraud or error within the Comhairle's financial information.

Source: Audit Scotland

Significant risks of material misstatement identified in the Annual Audit Plan

34. Audit work has been performed in response to the significant risks of material misstatement identified in the Annual Audit Plan. The outcome of audit work performed is summarised in [Exhibit 4](#).

Exhibit 4

Significant risks of material misstatement to the financial statements

Risk of material misstatement	Audit response	Outcome of audit work
Significant risks of material misstatement		
Impact of cyber-attack on accounting records on the Comhairle and IJB (the group). In November 2023 there was a significant cyber-attack on Comhairle nan Eilean Siar resulting in a loss of access	We will undertake procedures as follows: <ul style="list-style-type: none"> Assess the reliability of transactions and disclosures in the financial statements. Where estimates have been used to inform figures 	The impact of the cyber-attack on Comhairle systems was significant. We were unable to obtain sufficient appropriate audit evidence on which to support an audit opinion. We have

Risk of material misstatement	Audit response	Outcome of audit work
<p>to data, including the financial ledger system which form part of the Comhairle's accounting records.</p> <p>The Comhairle have worked since the incident to re-establish high priority systems and processes. For the 2023/24 financial year, the finance team has sought to re-build the ledger to replicate the underlying financial records.</p> <p>The 2023/24 accounts are based on ledger information formed of manual journals:</p> <ul style="list-style-type: none"> • recreating accounting records in place prior to November 2023 • based on records maintained since the cyber-attack. 	<p>reported in the financial statements, we will evaluate the appropriateness of assumptions and calculations which underpin key figures.</p> <p>There is a strong possibility that we will need to issue a modified opinion due to limitations in the completeness and accuracy of accounting records. In particular as highlighted at 2 and 3 below there is a risk we will be unable to gain sufficient assurance over journals and income and expenditure transactions.</p>	<p>outlined key issues across this exhibit.</p> <p>This resulted a disclaimer of opinion being issued on the 2023/34 annual accounts</p>
<p>Risk of material misstatement due to fraud caused by management override of controls</p> <p>As stated in ISA (UK) 240, management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.</p> <p>In 2023/24 effectively all transactions will be posted as journals, including income and expenditure. Due to the cyber attack the controls over journals have not been fully operational since November 2023 and therefore there is a risk we will have limited assurance over the journals control environment in 2023/24.</p>	<p>We anticipate there may be limited supporting documentation to support journals and therefore we may only be able to provide limited assurance over these transactions. Notwithstanding this we will:</p> <ul style="list-style-type: none"> • Assess the design and implementation of controls over journal entry processing. • Make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments. • Consider the need to test journal entries and other 	<p>While we undertook audit procedures in response to this risk, issues arising from the cyber-attack meant we were unable to obtain sufficient and appropriate audit evidence.</p> <p>Specifically, we were unable to test journal entries processed between April and November 2023, as no journal records were retained and no supporting documentation was available for entries made during this period.</p> <p>Although we carried out testing on journals processed in periods 8 to 12 (December 2023 to March 2024), this was insufficient to provide assurance over the completeness and accuracy</p>

Risk of material misstatement	Audit response	Outcome of audit work
	<p>adjustments throughout the year.</p> <ul style="list-style-type: none"> Evaluate significant transactions outside the normal course of business. Assess the adequacy of controls in place for identifying and disclosing related party relationship and transactions in the financial statements. 	<p>of journal entries for the full financial year.</p> <p>The results of this work support our decision to issue a disclaimer of opinion.</p>
<p>Presumed risks of fraud over income recognition and expenditure recognition under ISA 240 and PN 10</p> <p>Fees, Charges and Other Service Income</p> <p>ISA 240 sets out that there is a presumed risk of fraud over the recognition of revenue. There is a risk that revenue may be misstated resulting in a material misstatement in the financial statements.</p> <p>We have considered the nature of the income streams and consider that due to the cyber-attack Fees, Charges and Other Service Income (2023/24: £61 million) has an increased risk of fraud and error in the completeness, accuracy, occurrence and cut off of other income.</p> <p>Other service expenses</p> <p>In line with Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom, as most public-sector bodies are net spending bodies, the risk of material misstatement due to</p>	<ul style="list-style-type: none"> Substantive testing of income and expenditure transactions during the year, and around the year-end to confirm they are accounted for in the correct financial year. Assess the reliability of transactions and disclosures in the financial statements. Where estimates have been used to inform figures reported in the financial statements, we will evaluate the appropriateness of assumptions and calculations which underpin key figures. Review the disclosures included in the annual accounts. Focussed testing of accounting accruals and prepayments. 	<p>While we undertook audit procedures in response to this risk, issues arising from the cyber-attack meant we were unable to obtain sufficient and appropriate audit evidence.</p> <p>Specifically, we were unable to test income transactions processed between April and November 2023, as income records were retained and no supporting documentation was available for entries made during this period.</p> <p>While we carried out testing on transactions processed in periods 8 to 12, including year-end cut-off and debtors and creditors this was insufficient to provide assurance over the completeness and accuracy of transactions and balances for the full financial year.</p> <p>The results of this work support our decision to issue a disclaimer of opinion.</p>

Risk of material misstatement	Audit response	Outcome of audit work
<p>fraud related to expenditure recognition may in some cases be greater than the risk relating to revenue recognition.</p> <p>There is a risk that operating expenditure is understated or not treated in the correct period.</p> <p>As a result of the cyber-attack there is an increased risk around the occurrence, completeness, and accuracy of service expenditure totalling £105 million in 2023/24 (not including payroll, depreciation impairment and finance costs where there is a lower inherent risk).</p>		
<p>Estimation in the valuation of land and buildings</p> <p>There is a significant degree of subjectivity in the valuation of land and buildings. Valuations are based on specialist and management assumptions, and changes in these can result in material changes to valuations.</p> <p>All non-current assets are revalued on a five-year rolling basis. Values may also change year on year, and it is important that the Comhairle ensures the financial statements accurately reflect the value of the land and buildings.</p> <p>In addition, the Comhairle requires to satisfy itself that the carrying amounts of those assets not revalued at 31 March 2024 are not materially</p>	<ul style="list-style-type: none"> • Review the information provided to the external valuer to assess for completeness. • Evaluate the competence, capabilities, and objectivity of the professional valuer. • Obtain an understanding of the management's involvement in the valuation process to assess if appropriate oversight has occurred. • Consider whether the valuation frequency is appropriate. • Critically assess the approach the Comhairle has adopted to assess the risk that assets not subject to valuation are materially misstated and consider the robustness of that approach. • Challenge management's assessment of why it 	<p>We undertook audit testing of non-current assets, including verification of opening balances and review of in-year transactions.</p> <p>However, due to the impact of the cyber-attack, we encountered significant limitations in relation to additions made during the year. The absence of detailed capital expenditure records and supporting documentation for transactions processed between April and November 2023 meant we were unable to verify the completeness and accuracy of asset additions during that period.</p> <p>The results of this work support our decision to issue a disclaimer of opinion.</p>

Risk of material misstatement	Audit response	Outcome of audit work
<p>different to their current value.</p> <p>Due to the inherent complexity and subjectivity risks regarding land, buildings and dwellings' valuations, a significant risk of material misstatement in the 2023/24 valuations has been identified.</p>	<p>considers that the land and buildings not revalued in 2023/24 are not materially misstated. We will critically assess the appropriateness of any assumptions.</p> <ul style="list-style-type: none"> • Critically assess the adequacy of the Comhairle's disclosures regarding the assumptions relation to the valuation of land and buildings. 	
Other areas of audit focus		
<p>Pension Valuation</p> <p>The pension valuation requires the use of an actuarial methodology based on a range of assumptions including financial and demographic assumptions. Small movements in these can result in material changes to valuations as was the case in 2022/23.</p>	<ul style="list-style-type: none"> • We will assess the scope, independence and competence of the professionals engaged in providing estimates for pensions • review appropriateness of actuarial assumptions and results including comparison with other councils. • We will establish officer's arrangements for ensuring the reasonableness of professional estimations and the accuracy of information provided to the actuary 	<p>As audit evidence in this area is largely obtained from external sources, we were able to undertake much of the work regarding the pension valuation.</p> <p>However, we have been unable to conclude on this due to the disclaimer of opinion.</p>

Source: Audit Scotland

Prior year recommendations

35. The council has made limited progress in implementing the agreed prior year audit recommendations. For actions not yet implemented, revised responses and timescales have been agreed with the Comhairle and are outlined in [Appendix 1](#).

Impact on future annual accounts

36. We anticipate that the effects of the cyber-attack and resultant disclaimer of opinion will have an impact on the audit of the 2024/25 annual accounts and beyond. These audits are likely to be more

challenging and there is an increased likelihood of modified audit opinions being issued.

Cyber-attack

The Comhairle suffered a cyber-attack in November 2023 which had a significant impact on Comhairle operations and on our audit work in 2023/24

37. We reported in our Annual Audit Report in 2022/23 that the Comhairle experienced a sophisticated ransomware attack on 7 November 2023. As a result, employees and customers were unable to access the Comhairle's systems and data. The impact of this attack on the Comhairle was immediate and severe. All servers were encrypted making major Comhairle systems inaccessible and resulting in the near-total loss of use of the data held on the Comhairle's file servers.

Benefits, revenue and planning services were significantly impacted by the cyber-attack

38. The impact of the cyber-attack varied across Comhairle services. Those operating primarily on cloud-based platforms experienced minimal disruption to core systems, though they were affected by the loss of data stored on file servers and temporary breakdowns in communication channels. In contrast, services reliant on Comhairle servers were significantly affected, with finance being the most severely impacted due to the encryption and loss of access to the general ledger and other critical accounting records.

39. The initial impact of the cyber-attack on the Comhairle's services was the loss of access to its IT systems and communications. Many of the Comhairle's frontline services were still operational, with some precautionary steps undertaken to ensure security of access to and from externally hosted IT systems. The council reported that its Education, Health & Social Care services, and Municipal services remained largely operational.

40. The services most significantly impacted were:

- Finance – budget/spend could not be monitored, payments had to be manually processed, recruitment was temporarily halted as HR data was lost.
- Benefits – Payment of benefits was prioritised; however, the Comhairle has had to rebuild databases
- Council Tax and Business Rates – The Comhairle could receive payments, but had difficulty identifying the related customer.

Databases have had to be rebuilt, with slower manual processes in the interim.

- Planning – Planning applications could not be processed and a move to manual applications was made.
- Telephony – phone systems were inactive causing issues in staff contacting service users.

41. Following the attack the council continued to process financial transactions and has worked to rebuild the affected systems. However, significant further work is required to ensure that the Comhairle holds robust data to support these operations. Work is still ongoing to rebuild data in respect of benefits payments, and the collection of council tax and business rates, almost 2 years after cyber-attack.

The Comhairle escalated the issue appropriately

42. Initial responses included an emergency Corporate Management Team meeting to assess the impact of the attack and escalation to Scottish Government and other relevant bodies. Subsequently, business continuity plans were activated and an Incident Management Team being set up.

43. The CMT met up to twice daily to assess the situation and prioritise recovery actions until an Incident Management Team (IMT) was set up. The CMT continued to include relevant officers from IT, Resilience, and Communications and focused on service challenges, updates on the scale of the attack and progress with recovery.

44. The IMT was formally setup on the 20th of November, with its inaugural meeting taking place on the 21st of November, this was two weeks following the attack. The constitution and priorities of IMT were set out by CMT, and it would act as the main group to lead the recovery process, with approvals as required taking place by CMT.

45. The Comhairle prioritised front line service continuity and communicating with staff, service users, suppliers and the local community. In the immediate period following the attack temporary, often manual, solutions were put in place to ensure that suppliers and staff were paid and that some form of financial monitoring could be undertaken.

The cost of the cyber-attack was significant

46. The Comhairle estimates that it incurred additional costs of £0.942 million as a result of the cyber-attack, which were focussed on consultancy fees and system set up charges. This does not include the indirect cost of staff time spent on recovery and from carrying out more time-consuming manual processes that were temporarily introduced to replace automated systems.

47. The recovery from the cyber-attack has taken substantial resource to implement and placed considerable pressure on staff over a sustained period. There are still systems which are not fully rebuilt almost 2 years on from the attack, for example the housing benefits system.

48. The implications of the cyber-attack on our wider scope responsibilities have been assessed and are addressed in the corresponding section of this report.

Wider scope audit

Audit approach to wider scope

Wider scope

49. As reported in the Annual Audit Plan, the wider scope audit areas are:

- Financial Management.
- Financial Sustainability.
- Vision, Leadership and Governance.
- Use of Resources to Improve Outcomes.

50. Audit work is performed on these four areas and a conclusion on the effectiveness and appropriateness of arrangements the Comhairle has in place for each of these is reported in this chapter.

Financial Management

Conclusion

The November 2023 cyber-attack had a significant impact on the Comhairle's financial management arrangements. While management put in place manual processes to ensure continued financial operation, these were inevitably less efficient and effective.

The Comhairle reported a net deficit position of £3.7 million in 2023/24, representing a £0.5 million overspend against budget. Financial balance was achieved through the planned application of financial reserves.

The cyber-attack disrupted financial reporting meaning that revenue and capital budgets could not be monitored for the remainder of the financial year.

51. Our Annual Audit Plan identified a risk over financial management. The cyber-attack has had a significant impact on the Comhairle's financial management arrangements including financial processes, systems and controls. The Comhairle is working towards re-establishing the financial control environment.

52. The Comhairle established emergency management arrangements in response to the cyber-attack. While the Council and its committees have

continued to operate, the loss of data and access to information systems has resulted in the limitations in the data available to members and the public including budget and performance monitoring information.

53. The outcome of audit work performed is summarised in paragraphs below.

Following the cyber-attack the Comhairle implemented manual processes to ensure continuity of services meaning that many key controls did not operate as intended

54. Following the disruption to its financial systems, management appropriately prioritised recovery efforts to ensure continuity of day-to-day operations. The initial focus was on maintaining critical functions, particularly the payment of staff and suppliers. In the absence of automated systems, manual processes were swiftly implemented to facilitate these payments.

55. During this period, the Comhairle was unable to record income or expenditure in its financial systems, nor could it reconcile transactions against pre-existing data such as sales and purchase orders. This significantly weakened the control environment, as many of the internal controls relied upon by management, such as authorisation levels, are embedded within the financial systems themselves.

56. To mitigate these risks, temporary financial arrangements were introduced to ensure appropriate oversight and authorisation of expenditure. While these measures were reasonable and necessary under the circumstances, the reliance on manual processes inherently increases the risk of fraud or error.

57. Throughout 2024/25, the Comhairle has worked to rebuild and reinstate its financial systems. However, the impact of the disruption continues to be felt. As part of our 2024/25 audit, we will assess the effectiveness of the newly implemented arrangements and the extent to which the control environment has been restored.

Financial reporting was disrupted by the cyber-attack, meaning the Comhairle did not have up to date information on which to base financial decisions

58. Prior to the cyber-attack the Comhairle had appropriate budget setting and monitoring arrangements in place. We observed that senior management and members received regular and accurate financial information on the body's performance against budgets up to October 2023.

59. The cyber-attack in November 2023 had a significant impact on the Comhairle's financial management arrangements including financial processes, systems and controls, and reporting.

60. Due to the absence of the financial ledger, it was not possible to monitor revenue and capital budgets following the cyber-attack. Manual processes and financial data reconstructed from emailed documents were used to rebuild the necessary information, but this work was not completed until close to the end of the financial year.

61. Following the cyber-attack the Comhairle prepared revenue and capital spend monitoring update reports for the period to January 2024, which were presented to the Policy and Resource Committee on 24 April 2024.

62. The full year capital outturn was presented to the Policy & Resource Committee on 25 September 2024, three months later than normal. The full year revenue outturn to 31 March 2024 was presented to the Comhairle meeting on 4 December 2024, six months later than normal.

The Comhairle reported a net deficit position of £3.7 million in 2023/24, representing a £0.5 million overspend against budget

63. The Comhairle approved its 2023/24 revenue budget in February 2023. The revenue budget was set at £117 million and revised during the year to £121 million mainly due to £3.3 million of additional general revenue allocation from Scottish Government.

64. The council's initial revenue budget for 2023/24 set out a forecast deficit of £5.2 million which would require significant savings and the use of reserves to balance the budget. During 2023/24 the Comhairle managed its revenue budget and reported a net deficit of £3.7 million for the year.

65. [Exhibit 5](#) shows that over the past three years the Comhairle has worked to manage the gaps in the budgets through savings, flexibilities and use of reserves.

Exhibit 5

Key financial information

	2021/22	2022/23	2023/24
Budget setting	(£m)	(£m)	(£m)
Budget gap	2.4	1.9	5.2
Planned to be met via:			
• Savings and flexibilities	2.3	1.4	1.7
• Use of reserves	0.1	0.5	3.5
Actual			

Savings delivered	1.4	1.2	1.7
Reserves			
Use of / (contribution to) reserves	(3.9)	1.7	3.7
Total usable reserves carried forward	38.7	42.5	40.9
General Fund:	31.7	30.0	26.2
• Earmarked	28.2	26.0	22.7
• Uncommitted	3.5	3.5	3.5

Source: The Comhairle's 2023/24 unaudited annual accounts and Policy and Resources committee papers

The Comhairle delivered against their savings target, however, general fund reserves were used to balance the budget

66. During the year, the Comhairle achieved in-year savings of £1.7 million. Specific savings proposals were revised throughout the year in response to emerging financial pressures. To achieve a balanced budget, £3.7 million was drawn from general fund reserves, reducing the available balance carried forward to £26.2 million.

67. The reliance on non-recurring savings and use of reserves to achieve break-even means that council started 2024/25 with a significant shortfall before considering any new pressures. The Comhairle started the year with brought forward pressures of £3.2 million.

68. Significant savings have now been required for several years which means that in order to deliver a higher level of recurring savings, the Comhairle must look to more significant savings programmes. These are likely to involve redesigning services and will take time to be fully implemented.

69. Our third Best Value thematic report as part of our 2024/25 work will focus on transformation within Comhairle nan Eilean Siar and will look further into this area. We will report our findings to the Audit and Scrutiny Committee.

The Comhairle approved a medium-term capital plan while progressing delivery on previously delayed projects

70. The Comhairle approved its 2023-28 Capital expenditure programme of £25m in February 2023. In June 2023 the Comhairle approved the carry forward of £28.2m of Capital projects in progress or committed from its 2018-23 programme. Since the initial budget was set a further £16.7m was awarded by the Scottish Government and other funders. A total revised

capital budget of £69.9m (2018-23 Programme: £34.3m; 2023-28 Programme: £35.6m).

71. The capital outturn for 2023-24 reported expenditure of £16.2m, of which £11.4m related to the carried forward projects from the 2018-23 capital programme. The Comhairle is budgeting to spend the remaining carried forward balance of £22.9m from its 2018-23 Capital Programme by 2025/26. Significant areas of budgeted spend include Barra & Vatersay Learning and Community facilities (£7.2m), Cnoc Soillier (£2.75m), and South Ford Flood Protection (£2.0m).

72. The outturn reported a spend of £4.8m during 2023-24 for the 2023-28 programme. The remaining balance of £30.8m is forecast to be spent over the planned programme to 2027-28.

The Comhairle's arrangements to prevent and detect fraud, error and other irregularities, bribery and corruption were impacted by the cyber-attack

73. In the public sector there are specific fraud risks, including those relating to tax receipts, welfare benefits, grants, and other claims made by individuals and organisations. Public sector bodies are responsible for implementing effective systems of internal control, including internal audit, which safeguard public assets and prevent and detect fraud, error and irregularities, bribery, and corruption.

74. Prior to the cyber-attack, we concluded that the Comhairle had adequate arrangements in place to prevent and detect fraud or other irregularities. This includes organisational policies, procedures and internal controls, internal audit reports, codes of conduct, communication with staff to raise awareness of fraud risks, and participation in the National Fraud Initiative (NFI). However, our work identified a lack of progress in investigating NFI matches, as detailed below.

75. Due to the use of compensating manual controls following the cyber-attack, elevated risks of fraud and error persisted. The manual nature of these controls meant we were unable to determine whether systems of internal control were effective during the year.

The Comhairle should progress with the National Fraud Initiative exercise

76. The National Fraud Initiative (NFI) is a counter-fraud exercise across the UK public sector which aims to prevent and detect fraud. The Comhairle participates in this biennial exercise. The 2022/23 exercise concluded during the 2023/24 financial year and the final report, The National Fraud Initiative in Scotland 2024 was published in August 2024.

77. Our 2022/23 Annual Audit Report noted that the Comhairle had not fully completed the 2022/23 NFI exercise as resource was limited while the Comhairle responded to the cyber-attack and recommended that ensure appropriate level of resource is assigned in the future.

78. The impact of the cyber-attack also limited the data available to be provided for the next NFI exercise. The Comhairle's submission included payroll data only, however limited progress has been made to follow up NFI matches (**brought forward recommendation 3**).

Financial Sustainability

Conclusion

The audit work performed on the arrangements the body has in place for securing financial sustainability found that these were effective and appropriate.

Like many public sector bodies, the Comhairle forecasts significant budget gaps in the upcoming years and needs to put in place a savings plan to deliver financial balance.

The Comhairle should develop a medium-term savings plan to respond to the forecast budget gaps identified in its Medium Term Financial Plan.

79. Our Annual Audit Plan identified a risk over financial sustainability. The Comhairle continues to operate in an increasingly complex and challenging environment, where core national funding is reducing, relative to rising demand for services. The Comhairle's budget strategy financial projections detail the budget gap over the next ten years. The report showed a budget gap of £3.5 million in 2023/24, rising to £6.5 million by 2024/25.

80. Financial sustainability remains a risk with ongoing financial pressures in the short to medium term. The Comhairle's Budget Strategy has depended on a phased use of reserves, together with service savings, to achieve a balance budget. The situation in the Comhairle is exacerbated by the increasing costs to deliver key services.

81. The outcome of audit work performed is summarised in paragraphs below.

Council budgets for 2024/25 and 2025/26 continue to address funding gaps through a mixture of reserves and savings

82. The Comhairle approved its 2024/25 general revenue budget in February 2024. The budget was set at £124.9 million and includes a contribution from general fund reserves of £1.9 million. The budget also required the achievement of £1.7 million of efficiency savings.

83. The outturn position for 2024/25 indicates a surplus of £1.9m, which is largely due to additional income received. This is based on unaudited figures and we will conclude on the action taken by the Comhairle to balance the budget as part of our 2024/25 audit work.

84. The Comhairle updated its indicative funding gap for 2025/26 to 2027/28 as part of the 2024/25 budget setting process. The budget information presented a forecasted a funding gap of £6 million in 2025/26, £9 million in 2026/27, and £11 million in 2027/28, respectively. The Comhairle plans to bridge these gaps mostly by efficiency savings and, in the absence of any additional funding, the transfer of reserves from the general fund.

85. The Comhairle approved its 2025/26 general revenue budget in February 2025. The budget was set at £136.4 million and includes a contribution from general reserves of £2.0m. The budget also required the achievement of £1.4m of efficiency savings.

The Comhairle projects a £13.7 million to £42.2 million budget gap over five years from 2025/26

86. Our 2022/23 Annual Audit Report noted that the Comhairle was working to produce its medium-term financial strategy and had engaged with an external consultant to develop work in this area including a review of its services and how additional savings can be delivered.

87. Following approval of the 2025/26 budget, the Medium-Term Financial Plan (MTFP), covering the 5-year period 2025/26 to 2029/30, was further developed and presented to the Policy & Resource Committee in June 2025.

88. The MTFP sets out a range of different scenarios (best case, mid case, and worst case) using various assumptions, with a cumulative budget gap ranging from £13.7m to £42.4m over the five-year period. The plan notes that the assumed mid case position shows that without intervention, the annual budget gap will be £8.2m in year by the year 2029/30, with a cumulative gap of £26.5m for the five-year period.

89. The MTFP included a commitment to continue to explore budget savings options during 2025/26.

90. The Comhairle is progressing a new Transformation Programme which will look at ways to identify workstreams which would benefit from review and improvement, to enhance performance and ensure data is available to measure against, and to review and improve service delivery methods.

91. In February 2025 the Audit and Scrutiny committee approved plans to progress with transformational projects across the Comhairle, with business cases to be prepared for three specific project areas: Digital Innovation; Driving Performance; and Future Proofing.

Recommendation 1

Development of medium-term savings plan.

Following the approval of the medium-term financial plan the Comhairle should develop medium savings plans which are linked to the Transformation Programme to address the budget gap that has been identified.

92. Our third Best Value thematic report as part our 2024/25 work will focus on transformation within Comhairle nan Eilean Siar and will look further into this area. We will report our findings to the Audit and Scrutiny Committee.

Vision, Leadership and Governance

Conclusion

The audit work performed on the arrangements the body has in place for securing Vision, Leadership and Governance and found that these were effective and appropriate.

The Comhairle responded quickly to the cyber-attack however, business continuity planning should be improved, and completion of audit recommendations should be prioritised.

The Comhairle published its Corporate Strategy for 2024-2027 in December 2023, however reporting of performance was disrupted by the cyber-attack.

The Comhairle responded quickly to the cyber-attack, however business continuity planning should be improved

93. The Comhairle's initial response to the cyber-attack was swift and led by the leadership team. A review by Internal Audit found no significant weaknesses in the response, however potential improvements to the Corporate Business Continuity Plan (BCP) were noted.

94. The Comhairle's Resilience Strategy 2023-2028 had been approved by its Policy and Resources Committee in April 2023 and a Corporate BCP was approved in June 2023, both in response to an Audit Scotland recommendation in 2021/22.

95. The Corporate BCP set out the Comhairle's processes and procedures for maintaining critical services during disruptive incidents or emergencies. The plan noted that Service Level Business Continuity Plans

and recovery plans were also in place, providing further detail on the specific actions which services will take when required.

96. The Councils Internal Audit report on cyber-attack response and lessons learned reported that BCPs were not used in all departments, as the scale of the attack was so severe that it had not been planned for. Whilst the BCPs provided a good template for some departments, a more pragmatic approach to maintaining services was required.

Audit recommendations relating to cyber security and disaster recovery are still being implemented

97. Audit Scotland has made audit recommendations in this area for a number of years. Progress has been made against these; however, they are still not yet complete. Details of the recommendations and the current status is set out in Appendix 1.

98. Following the cyber-attack, internal audit has been heavily involved in advising on recovery and reviewing progress. This cumulated in a lessons learned report with a number of recommendations, of which 50% were outstanding in September 2025.

99. Audit recommendations are made to improve governance arrangements and help public bodies safeguard public assets. From review of the audit reports we have noted that there was no agreed timeline for the implementation of the recommendations.

100. It is essential that realistic and achievable timelines are agreed when recommendations are accepted following audit work. This ensures that there is clear accountability for delivery and enables effective monitoring of progress. Overly ambitious deadlines can undermine confidence in the process and result in delays or incomplete implementation. By setting practical timeframes, services are better positioned to plan resources, prioritise actions, and embed improvements sustainably. This also supports transparent reporting to senior management and governance bodies, reinforcing the Comhairle's commitment to continuous improvement and risk mitigation.

The Comhairle published its Corporate Strategy for 2024-2027 in December 2023

101. The Comhairle approved its Corporate Strategy 2024-2027 in December 2023. The Corporate Strategy sets out the vision and four strategic priorities.

102. Strategic priorities and outcomes are monitored through its service business plans, with key performance indicators used (KPIs) to measure performance.

103. The Comhairle and its partners are currently reviewing the Local Outcomes Improvement Plan (LOIP) and a new LOIP is scheduled to be developed during 2026.

104. In July 2024 Audit Scotland Published the short, high level report, Delivery for the Future, Why Leadership Matters. It summarises and highlights the common points identified by auditors from the 2022/23 Best Value leadership thematic reviews. The report aims to assist councils as they review and develop their priorities further and includes a summary of the Commission's expectations for Best Value in this area, along with improvement areas frequently identified by auditors. The key findings of the report are:

- The leadership in all councils have established a clear vision supported by revised priorities informed by the views of citizens and communities.
- Most councils have set out what they want to achieve in their priority areas, but improvements are needed in performance monitoring and reporting.
- Councils need to do more to ensure budget decisions and financial strategies are aligned to priorities. Councils have a variety of strategic plans focused on workforce, digital, assets and service plans but the extent to which these have been updated to reflect new priorities is varied.
- Members and officers are working collaboratively, but maintaining and strengthening these relationships, and ensuring strong governance and scrutiny is key to ensuring tough decisions are made effectively.

Regular performance reporting was interrupted by the cyber-attack

105. Prior to the cyber-attack we concluded the Comhairle had appropriate and effective systems to ensure reporting of financial and operational performance. Quarterly performance reports to service committees would normally include performance information, and revenue outturn reports, providing an overview of the Comhairle's performance against budget, are presented to the Policy & Resources Committee for members information.

106. The cyber-attack and lack of financial ledger had a significant impact on the Comhairle's financial management arrangements, including financial and performance information. Following the cyber-attack, management had limited financial information in which to monitor performance and make decisions as it prioritised re-establishing business critical systems.

The Comhairle launched a temporary website to ensure the public could continue to access key information on Comhairle decision making following the cyber-attack, however pre-2024 information is no longer publicly available

107. The initial impact of the cyber-attack blocked public access to the Comhairle nan Eilean Siar website. The Comhairle launched a temporary website on 14th November 2023 to allow public access to key information on services and council decision making, including committee agenda papers and minutes. The Comhairle's website includes documents from committee meetings held since the period of rebuild in 2024 onwards. However, papers and minutes for meetings which occurred prior to November 2023 continue to be publicly unavailable.

Recommendation 2

Reinstating historic meeting papers

The Comhairle should reinstate meeting papers prior to 2024 to ensure transparency on decision making and outcomes.

Use of Resources to Improve Outcomes

Conclusion

Performance reporting was impacted by the cyber-attack.

Performance reporting was impacted by the cyber-attack

108. Services set milestone targets to enable their respective committees to scrutinise progress towards meeting their targets. Quarterly service performance reports providing service business plan action progress and key performance indicators which are published on the Comhairle's website. Following the cyber-attack, quarterly reporting was not available. The Comhairle published annual service performance reports covering the year 2023/24.

109. The Comhairle presented its Public Performance Report for 2023/24 to the Audit & Scrutiny Committee on 1 May 2025. The report highlighted that the Comhairle was subjected to a cyber-attack on 7 November 2023, which resulted in a loss of systems and data across the Comhairle. Also, that the nature of these processes meant that the collation of the data required to complete the 2023/24 Annual Accounts and some of the KPIs was not possible.

110. The Comhairle reported that 41% of Local Government Benchmarking Framework indicators were "off track", 39% were "on track",

with 18% having “monitor” status meaning they were slightly below target. 2% of indicators were unavailable due to the cyber-attack.

111. We will consider the Comhairle’s progress in rebuilding data to support the performance management framework as part of our 2025/26 audit.

112. We have considered the use of statutory performance indicators and benchmarking as part of our work on Best Value.

Best Value audit

Conclusion

The Comhairle has effective and appropriate arrangements in place for securing Best Value.

The Management Report on themes prescribed by the Accounts Commission reported the Comhairle has been innovative and demonstrated its commitment to transforming services but should improve how it reports progress to the executive team and elected members.

Audit approach to Best Value

113. Under the Code of Audit Practice, the audit of Best Value in councils is fully integrated within the annual audit. As part of the annual audit, auditors are required to take a risk-based approach to assessing and reporting on whether the Comhairle has made proper arrangements for securing Best Value, including follow up of findings previously reported in relation to Best Value.

114. The Accounts Commission also reports nationally on thematic aspects of councils' approaches to, and performance in, meeting their Best Value duties. As part of the annual audit, thematic reviews, as directed by the Accounts Commission, are conducted on the Comhairle. The thematic review for 2023/24 is on the subject of workforce innovation and involves considering how the Comhairle is responding to workforce challenges. Conclusions and judgements on the thematic review are reported in a separate Management Report and summarised in this chapter.

Conclusions on Best Value

The Comhairle's arrangements and performance in meeting Best Value and community planning duties

115. The audit work performed on the arrangements the council has in place for securing Best Value and its community planning arrangements found these were effective and appropriate. This judgement is evidenced by:

- the Comhairle having well established and effective governance arrangements in place, with the Best Value being a key aspect of the governance arrangements

- the arrangements the Comhairle has in place around the four wider scope audit areas, which are effective and appropriate, contribute to it being able to secure Best Value
- progress the Comhairle is making to embed sustainability into corporate and operational plans and enhance reporting arrangements around sustainability.

Workforce Innovation: how councils are responding to workforce challenges

116. As previously outlined, the Accounts Commission reports nationally on thematic aspects of council's approaches to, and performance in, meeting their Best Value duties, with the thematic review for 2023/24 on the subject of workforce innovation. Conclusions and judgements on the Comhairle's approach to workforce innovation are outlined in a separate Management Report which is available on the Audit Scotland website. A summary of the conclusions and judgments made in the report is outlined below.

- The Comhairle has just over 2,000 employees, more than half of whom are over 45 years old. Given the projected decline in working age population in the Western Isles, workforce planning will be a huge challenge.
- The Comhairle's Corporate Workforce Plan 2023-27 draws upon an extensive range of workforce and demographic data. However, it does not clearly set out the Comhairle's overarching outcomes for its workforce or explicitly link with other key strategies and plans. The Comhairle did not engage with employees or Trades Unions when developing the plan, partly due to local representatives not being in place.
- The Comhairle is at the early stages of digital adoption compared to other councils. The cyber-attack is providing an opportunity to update its systems and processes. The Comhairle needs to demonstrate workforce benefits and productivity gains made through the use of digital technology.
- Around 50 per cent of the Comhairle's office-based staff work in a hybrid manner. The Comhairle is exploring the impact of hybrid working on employee wellbeing through its employee survey. There is scope for its relationships with Trades Unions to develop.
- The Comhairle has adopted a wide range of approaches to address its workforce challenges, including a well-established apprenticeship programme that demonstrates positive outcomes.
- The Comhairle has some formal arrangements in place for sharing services with partners to create workforce benefits. It is limited in

sharing services with other councils by its commitment to employing people living in the Western Isles to ensure a sustainable population.

- The Comhairle has developed both corporate and service-level action plans for workforce planning. Annual monitoring is in place at corporate level but the monitoring and reporting of progress against service-level action plans could improve. It has not set out how it intends to assess its overall performance in workforce planning and what metrics it will use.

Statutory performance information (SPI) and service performance

117. The Accounts Commission issued a [Statutory Performance Information Direction](#) which requires the Comhairle to report its:

- performance in improving services and progress against agreed desired outcomes, and
- a self-assessment and audit, scrutiny, and inspection body assessment of how it has responded to these assessments.

118. Auditors have a statutory duty to satisfy themselves that the Comhairle has made proper arrangements for preparing and publishing statutory performance information in accordance with the Direction and report a conclusion in the Annual Audit Report.

119. Audit work assessed the arrangements the Comhairle has in place for preparing and publishing SPI, including how it has responded to assessments, and concluded the arrangements in place were effective and appropriate.

120. Overall, we have evaluated the council's arrangements for fulfilling the above requirements and concluded that the council has satisfactory arrangements in place, however as noted elsewhere, reporting was disrupted by the cyber-attack.

121. The Accounts Commission also requires auditors to report a summary of the information on service performance reported by the Comhairle. The Comhairle reports information on the 'Performance Reporting' section of its website and through:

- an annual Performance Report
- the [Local Government Benchmarking Framework](#) (LGBF)

122. The information reported is a combination of the LGBF indicators and other relevant indicators the Comhairle has developed to monitor progress against key strategic priorities. From review of the service performance information reported by the Comhairle, this was found to be sufficiently

detailed to provide an assessment of progress the Comhairle is making against its strategic priorities and allow effective scrutiny of performance.

123. Overall, the service performance information reported by the Comhairle demonstrates that performance compared to prior years and against other councils has remained relatively stable. The most recently published information on service performance reported on the council's website and annual Performance Report highlights that of the 94 LGBF indicators reported by the Comhairle, 40 (63 percent) have improved since the base year (2010/11), 6 (9 percent) have remained the same, and 18 (28 percent) have worsened.

Progress against previous Best Value findings and recommendations

124. Best Value findings and recommendations have been made in previous years' Annual Audit Reports, Management Reports on themes prescribed by the Accounts Commission, and Controller of Audit Reports on the council's performance in meeting its Best Value duties.

125. Details of previous recommendations and progress the Comhairle is making against these can be seen in [Appendix 1](#). Overall, the Comhairle is making some progress in implementing the previous recommendations made, with 7 of the 14 recommendations made being implemented to date, and progress being made with 7 further recommendations.

Appendix 1

Action plan 2023/24

2023/24 recommendations

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
<p>1. Medium-term savings plan</p> <p>The Comhairle recently approved its Medium-Term Financial Plan (MTFP), which identifies a significant budget gap even in the best case scenario. A further plan is need to respond to the challenging financial situation.</p>	<p>The Comhairle should develop medium savings plans to address the budget gap that has been identified.</p>	<p>Accepted</p> <p>Work is underway through the Budget & Strategy board with a view to develop a plan of savings for the short and eventually the medium term to address the gaps identified in the MTFP.</p> <p>Responsible officer: Chief Financial Officer</p> <p>Agreed date: March 2026</p>
<p>2. Availability of historic meeting papers</p> <p>Meeting papers prior to the cyber-attack are not currently available on the Comhairle website.</p>	<p>The Comhairle should reinstate meeting papers prior to 2024 to ensure transparency on decision making and outcomes</p>	<p>Accepted</p> <p>Work is ongoing to reinstate the record of committee meetings for availability on the Council website by working with IT resources.</p> <p>Responsible officer: Democratic Services Manager</p> <p>Agreed date: Ongoing</p>

Follow-up of prior year recommendations

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
<p>1. IT arrangements</p> <p>The Comhairle has not implemented previously agreed IT and cyber resilience improvement actions.</p> <p>IT staffing vacancies have continued for a long period, its PSN accreditation expired, and staff training on cyber security and information security is not up to date.</p> <p>Risk – resources are insufficient to address IT risks and the Comhairle remains vulnerable to further cyber-attacks</p>	<p>Recommendation:</p> <p>The Comhairle should develop an action plan to implement previous audit actions, incorporating those weaknesses identified as part of our 2022/23 work and lessons learned from the cyber-attack. As a priority the Comhairle should ensure:</p> <ul style="list-style-type: none"> • IT resources are reviewed to ensure that sufficient capacity exists (internally or externally sourced) to deliver agreed improvements. • regular cyber security training for staff is rolled out, with completion rates monitored and non-compliance addressed. • the Asset and Infrastructure risk register includes sufficient information detailing actions, timescales, responsible officers, and committee responsible for oversight of IT risks. <p>Agreed action:</p> <p>The recruitment process for 4 of the 5 vacant posts has been completed and the successful applicants are now in post. The remaining post is in progress.</p> <p>An action plan will be developed, some elements of which are already in progress.</p> <p>Responsible officer: IT Manager</p> <p>Agreed date: March 2025</p>	<p>Partly implemented</p> <p>Risk registers to be updated to include sufficient information detailing actions, timescales, responsible officers, and committee responsible for oversight of IT risks.</p> <p>Cyber security training completion rates to be monitored and non-compliance addressed.</p> <p>Revised action:</p> <p>IT resources will be reviewed further during the upcoming restructuring. Yearly Cyber Security training has been rolled out and participation is being monitored closely. Detailed risks have been added to the departmental risk register.</p> <p>Responsible officer: IT Manager</p> <p>Agreed date: Ongoing</p>

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
<p>2. Cyber security improvements</p> <p>The Comhairle is in the process of reviewing its response to the cyber-attack and identifying lessons to be learned, but significant resource challenges remain, in terms of staffing and financial cost.</p> <p>Risk – resources are insufficient to address IT risks and the Comhairle remains vulnerable to further cyber-attacks.</p>	<p>Recommendation:</p> <p>The Comhairle should develop a Cyber Incident Response Plan in addition to updating its business continuity plans and disaster recovery plans to reflect lessons learned from the cyber-attack.</p> <p>Agreed action:</p> <p>Agreed. Initially will consider the feasibility of third party expertise to assist with the development of the plan, which will take into account the changes already being implemented e.g. in the rebuilding of systems. The Disaster Recovery and business continuity plans will be addressed as part of the overall plan.</p> <p>Responsible officer: IT Manager</p> <p>Agreed date: March 2025</p>	<p>Partly implemented</p> <p>Cyber incident response plan, Disaster recovery plan and Business continuity plans are currently in development. Testing of plans to be carried out.</p> <p>Revised action:</p> <p>DR and CIRP have been completed and will be presented at Committee in September 2025.</p> <p>Responsible officer: IT Manager</p> <p>Agreed date: September 2025</p>

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
<p>3. National Fraud Initiative (NFI) arrangements</p> <p>The Comhairle did not fully progress investigation of data matches from the 2022/23-2023/24 NFI exercise, due to lack of resource and a focus on other priorities.</p> <p>Data has not been submitted for the new NFI exercise.</p> <p>Risk – Fraud may not be detected. The risk of fraud increases following a cyber-attack as there is awareness of weakened or absent controls.</p>	<p>Recommendation</p> <p>The Comhairle should ensure that an appropriate level of resource is available to deliver National Fraud Initiative follow-up activities in an efficient and effective manner, in line with local priorities. Data for the new NFI exercise should be submitted, where it is available following the cyber-attack.</p> <p>Agreed action:</p> <p>As a result of the cyber-attack, it will not be possible to submit data for the majority of the upcoming NFI exercise as data is incomplete or held on manual records. There are processing backlogs in revenues and benefits, which need to be addressed as a priority and all available resources will be required to address this. Payroll data should be available and this will be submitted.</p> <p>Responsible officer: Chief Financial Officer</p> <p>Agreed date: Ongoing</p>	<p>Partially implemented</p> <p>The Comhairle submitted Payroll data for the recent NFI exercise. Work to investigate NFI matches has not progressed due to availability of resources following the cyber-attack.</p> <p>Revised action:</p> <p>Processes have since returned to normal. All NFI exercises are to be progressed as expected.</p> <p>Responsible officer: Chief Financial Officer</p> <p>Agreed date: Ongoing</p>

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
<p>4. Medium term financial strategy</p> <p>The Comhairle has not yet finalised its medium-term financial strategy.</p> <p>Risk – Financial planning does not support financially sustainable services to deliver the Comhairle’s strategic priorities.</p>	<p>Recommendation:</p> <p>The Comhairle should develop its medium-term financial strategy and planning arrangements to address the financial pressures it faces.</p> <p>Agreed Action:</p> <p>Developing a Medium Term Strategy is complicated in a period of one-year Scottish Government Settlements and a continuing reduction in funding. However, the MTFS will be completed as part of the upcoming budget setting exercise.</p> <p>Responsible officer: Chief Financial Officer</p> <p>Agreed date: February 2024</p>	<p>Implemented</p>

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
<p>5. Procurement training</p> <p>Procurement training should be rolled out to services to ensure that policies and procedures are followed.</p>	<p>Agreed action:</p> <p>An updated Procurement Guide for use by staff has been completed, and a training module has been developed, to be deployed via the LearnPro platform. The roll-out of the training was delayed by the cyber-attack. There will also be face-to-face training of the staff who frequently conduct larger procurements.</p> <p>Responsible officer: Chief Officer Law and Governance</p> <p>Revised date: December 2024</p>	<p>Partially implemented</p> <p>Changes to procurement processes planned during 2025. Comhairle to ensure that those with delegated authority have required knowledge and training to undertake procurement exercises.</p> <p>Management response:</p> <p>The Procurement Guide and Tender Evaluation Guide have been reviewed, updated, and finalised. While the rollout of training was delayed due to the criminal cyber incident experienced by the Comhairle on Tuesday, 7 November 2023, the Senior Procurement Officer has been engaging directly with individuals who hold procurement responsibilities. This one-to-one approach has proven effective in providing tailored explanations and outlining procurement rules, thresholds, and options relevant to each officer's area of work.</p> <p>Responsible officer: Senior Procurement Officer</p> <p>Agreed date: Ongoing</p>

Progress against previous Best Value findings and recommendations

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update on progress
<p>1. Leadership of strategic improvement</p>	<p>Recommendation</p> <p>The Comhairle should ensure that clear and specific priorities are agreed for members' leadership and scrutiny. It should develop a prioritised improvement plan including potential efficiency opportunities arising from its asset, digital and workforce plans.</p> <p>Agreed action</p> <p>The corporate strategy is being developed in consultation with members. Revised asset, digital and workforce plans have been developed and subject to approval by committee later in 2023. Member training is ongoing including seminars on strategic themes including scrutiny. Financial consultant in place to develop financial plans and efficiency opportunities.</p> <p>Responsible officer: Chief Executive</p> <p>Agreed date: June 2024</p>	<p>Work in progress</p> <p>Management update:</p> <p>Updated Corporate Strategy 2024-27, Corporate Workforce Plan 2024-27, Digital Strategy 2022-27 and Asset Management Strategy 2023-28 in place. Member training is ongoing. Training on strategic leadership completed.</p>

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update on progress
<p>2. Reflecting local issues in Strategic plans</p>	<p>Recommendation</p> <p>The Comhairle needs to seek public views on its revised corporate priorities. It should develop its public engagement activities building on previous good practice. It should assess available locality/ demographic data including customer feedback.</p> <p>Agreed action</p> <p>A new Community Engagement Team (CET) is in place. Consultation over corporate priorities anticipated from September 2023.</p> <p>Lead officer: Head of HR and Performance</p> <p>Agreed date: June 2024</p>	<p>Implemented</p>
<p>3. Realising community empowerment opportunities</p>	<p>Recommendation</p> <p>The Comhairle, in partnership with communities should set out its plans for Area Forums, local budgeting and Participatory Budgeting.</p> <p>Agreed action</p> <p>This is ongoing and largely dependent on local groups. The CET has a facilitation and communication role.</p> <p>Lead officer: Chief Executive</p> <p>Agreed date: June 2024</p>	<p>Management update:</p> <p>Every area in the Western Isles has an area forum in place. Some are constituted and some are informal representatives of the community. All supported by Community Learning and Development Officers.</p> <p>The Leader and ward members have held community consultation meetings in every ward area.</p>

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update on progress
<p>4. Alignment of strategic plans with Comhairle priorities</p>	<p>Recommendation</p> <p>The Comhairle should review its strategic plans for consistency and alignment with priorities. It needs to further develop service plans, operational asset plans, and service-level workforce plans within its strategic framework. It should work with OHCPP partners to review its LOIP and set agreed priorities.</p> <p>Agreed action</p> <p>The Comhairle anticipates having new corporate plans in place by the year end, in time for the development of service plans in early 2024. It has also appointed a financial consultant. Progress with the LOIP is dependent on the OHCPP capacity.</p> <p>Lead officer: Head of HR and Performance</p> <p>Agreed date: March 2024</p>	<p>Management update:</p> <p>Updated Corporate Strategy approved by the Comhairle in December 2023.</p> <p>Updated service workforce plans approved by CMT and in place for 2025/26.</p>

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update on progress
5. Addressing fairness and inequalities within the islands and the Comhairle	<p>Recommendation</p> <p>The Comhairle should continue to engage with communities and staff. This includes ongoing staff surveys and addressing sickness absence. Integrated Impact Assessments should be made available online.</p> <p>Agreed action</p> <p>CET is in place to engage communities. The Comhairle plans to undertake internal stress surveys. Equal pay audit is underway. IIA issue is being addressed.</p> <p>Lead officer: Head of HR and Performance</p> <p>Agreed date: June 2024</p>	Implemented
6. Best Value Assurance Report 2022	The Comhairle should identify clear and specific overall priorities and actions for taking forward its vision.	Implemented
7. Best Value Assurance Report 2022	Elected members should ensure they provide strategic oversight and challenge to progress the Comhairle's vision and priorities.	Implemented
8. Best Value Assurance Report 2022	The Comhairle should develop medium to long-term financial planning and strategic workforce and asset management planning.	<p>Management update:</p> <p>New MTFP in place June 25.</p> <p>Corporate Workforce Plan 2023-27 and Asset Management Strategy in place.</p>

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update on progress
9. Best Value Assurance Report 2022	In developing capital projects, including its community hub proposals, the Comhairle should ensure projects are supported by robust business cases and that lessons are learned from the Goathill project in areas such as funding and resourcing.	Management update: Process in place for large scale projects where the funder does not have specific requirements in place. Lessons learned in place for large scale projects with questionnaires circulated to all major stakeholders to inform the process. A project request form has been set out for smaller capital projects for the Asset Investment Team to access.
10. Best Value Assurance Report 2022	The Comhairle should improve its process for identifying and realising savings opportunities, including opportunities from cross-council and partnership working. It should ensure that opportunities for digital efficiencies are fully explored.	Work in progress Management update: Transformation projects underway including a project on digital efficiencies.
11. Best Value Assurance Report 2022	The Comhairle and partners should develop the LOIP alongside a clear performance management framework to deliver achievable shared outcomes.	Work in progress Management update: Review of LOIP underway with Annual Report for 25/26 due to go the OHCPP Board in Sept 25
12. Best Value Assurance Report 2022	The Comhairle should develop ongoing training opportunities for members and officers, including making equalities training mandatory for all staff and increasing members' uptake of training.	Implemented
13. Best Value Assurance Report 2022	The Comhairle should develop and communicate its area working arrangements more clearly, building on the good practice already in place.	Implemented

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update on progress
14.	The Comhairle should improve communications throughout the council, including communicating the Comhairle's priorities.	Implemented

Appendix 2

Supporting national and performance audit reports

Report name	Date published
Local government budgets 2023/24	15 May 2024
Scotland's colleges 2024	19 September 2024
Integration Joint Boards: Finance and performance 2024	25 July 2024
The National Fraud Initiative in Scotland 2024	15 August 2024
Transformation in councils	1 October 2024
Alcohol and drug services	31 October 2024
Fiscal sustainability and reform in Scotland	21 November 2024
Public service reform in Scotland: how do we turn rhetoric into reality?	26 November 2024
NHS in Scotland 2024: Finance and performance	3 December 2024
Auditing climate change	7 January 2025
Local government in Scotland: Financial bulletin 2023/24	28 January 2025
Transparency, transformation and the sustainability of council services	28 January 2025
Sustainable transport	30 January 2025
A review of Housing Benefit overpayments 2018/19 to 2021/22: A thematic study	20 February 2025
Additional support for learning	27 February 2025
Integration Joint Boards: Finance bulletin 2023/24	6 March 2025
Integration Joint Boards finances continue to be precarious	6 March 2025
General practise: Progress since the 2018 General Medical Services contract	27 March 2025
Council Tax rises in Scotland	28 March 2025

Comhairle nan Eilean Siar

2023/24 Draft Annual Audit Report



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