

ANNUAL GOVERNANCE STATEMENT 2023-24

This statement aims to assure stakeholders of the adequacy of corporate governance arrangements within Comhairle nan Eilean Siar.

1. Scope of Responsibility

Comhairle nan Eilean Siar is responsible for and committed to ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. The Comhairle has a statutory duty of best value under the Local Government in Scotland Act 2003 to make arrangements to secure continuous improvement in performance while maintaining an appropriate balance between quality and cost; and in making those arrangements and securing that balance, to have regard to economy, efficiency, effectiveness, equal opportunities and sustainability. In discharging that overall responsibility, Members and Chief Officers are responsible for putting in place proper arrangements for the governance of the Comhairle's affairs and facilitating the effective exercise of its functions. That includes:

- setting the strategic direction, vision, culture and values of the Comhairle;
- the effective operation of corporate systems, processes and internal control;
- engaging with and leading the community;
- monitoring the achievement of strategic priorities and agreed outcomes;
- ensuring that services are delivered cost-effectively;
- maintaining appropriate arrangements for the management of risk; and
- ensuring that the Comhairle complies with the Chartered Institute of Public Finance and Accountancy's *Statement on the Role of the Chief Financial Officer in Local Government*.

The Comhairle has put in place a system of internal control designed to manage risk to a reasonable level. Such a system can never entirely eliminate risk of failure to achieve strategic priorities and outcomes but can provide reasonable assurance. The system of internal control is based on an ongoing process designed to: identify and prioritise the risks to the achievements of the Comhairle's strategic priorities and outcomes; evaluate the likelihood of those risks being realised and the impact should they be realised; and manage them efficiently, effectively and economically.

2. Governance Arrangements

The governance arrangements comprise the systems, processes, culture and values which direct and control the Comhairle's activities and through which it accounts to, engages with and leads the community. It enables the Comhairle to monitor the achievement of the strategic priorities and outcomes set out in the Outer Hebrides Community Planning Partnership's Local Outcomes Improvement Plan 2017-27 ("LOIP"), and to consider whether or not priorities and outcomes have led to the delivery of appropriate cost-effective services.

Outer Hebrides Community Planning Partnership

The vision of the OHCPP is to promote and realise the full potential of the Outer Hebrides as a prosperous, well-educated and healthy community enjoying a good quality of life and the benefits of our natural environment and cultural values. The three priorities for delivery are:

1. the Outer Hebrides retains and attracts people to ensure a sustainable population;
2. the islands have sustainable economic growth, and all of our people have access to appropriate employment opportunities; and
3. the islands offer attractive opportunities that improve the quality of life, wellbeing and health for all of our people.

Each of those has a discrete priority group within the OHCPP. The Annual Progress Review for 2019/20 focussed on support for recovery from the Covid-19 pandemic. That has progressed but in varying degrees across the priority groups. It became apparent that demands on the limited resources which were available were too great to allow all aspects of the OHCPP's work to proceed in the manner and at the pace at which the Comhairle would have liked. There is an ongoing review of the LOIP and of the organisational structure of the OHCPP so as to ensure that its aims and objectives are met, and the interests of the Outer Hebrides best served.

Corporate Strategy

The Comhairle's Corporate Strategy sets out the strategic direction for each Comhairle term, reflecting political priorities and choices, and is complementary to the LOIP. On 29 September 2021, the Comhairle approved a revised Corporate Strategy 2022-27, taking account of the post-COVID environment. A revised Corporate Strategy for 2024-27 was approved in December 2023, reflecting the priorities of the Comhairle following the Local Government Election of May 2022, and following public consultation. It deals with the priorities in the LOIP, all of which remain entirely relevant, in terms of overarching strategic priorities:

- To strengthen the local economy;
- To support children, families and young people;
- To support caring, resilient communities and quality of life; and
- To deliver community leadership.

Those priorities are cognisant of the extent of current financial and other resources, and play a pivotal role in striving to achieve continuous improvement and best value.

An online version of the Strategy and the documents which led up to it can be accessed at [Corporate Strategy – Comhairle nan Eilean Siar \(cne-siar.gov.uk\)](https://www.cne-siar.gov.uk/corporate-strategy).

The mechanism for delivering the strategic priorities is set out in departmental Service Business Plans and measured through performance reporting. The business-planning process clearly links the priorities to more specific objectives for services, teams and individuals; it is often referred to as the 'golden thread'. The 2023/24 Service Business Plans were approved in February 2023, and those for 2024/25 were submitted for approval in April 2024.

Policy and Decision-Making

Policy-making and decisions are delivered through a Committee structure which was reviewed in 2022 in terms of the Comhairle's practice to review its structures and Constitution at the end of each term of the Comhairle. All decisions are made by the Comhairle other than those matters specifically delegated to other statutory or quasi-judicial committees or relating to Human Resources matters affecting individual employees.

The Audit and Scrutiny Committee forms a key part of the Comhairle's decision-making structure and is fully compliant with Audit Committee principles. Details of its responsibilities are available at: [Audit and Scrutiny Committee Remit](#). It undertakes the core functions of an Audit Committee as identified in CIPFA's *Audit Committees: Practical Guidance for Local Authorities* by providing independent and high-level assurance on the adequacy of the risk-management framework, the internal control environment and the integrity of the financial reporting and annual governance process.

The Audit and Scrutiny Committee also considers the reports and recommendations of external audit and inspection agencies, and their implications for governance and risk. It supports effective relationships between external audit and internal audit, inspection agencies and other relevant bodies and encourages the promotion of the value of the audit process and the financial statements. The Committee monitors management action in response to the issues raised by external audit. These arrangements ensure that the Comhairle has the necessary processes and procedures in place to ensure that it is able to fulfil its overall

purpose, achieve its intended outcomes for service-users and operate in an economical, efficient and ethical manner in accordance with CIPFA's *Statement on the role of the Head of Internal Audit in public service organisations*.

Internal Control, Performance and Risk Management

The Comhairle's system of internal control is based on a framework of regular management information, Financial Regulations, accounting policy bulletins, administrative procedures, management supervision and a system of delegation and accountability. Development and maintenance of the system is undertaken by managers within the Comhairle.

Each Service Committee received quarterly performance management reports with information drawn from Interplan (the Comhairle's performance management system) which includes progress against targets in the Service Business Plans.

Risk management is viewed as a continuous and evolving process that supports all strategies and service delivery of the Comhairle. A Risk Management Policy and Strategy, which was approved by the Comhairle in September 2022, adopts proactive risk management arrangements to enable decisions to be based on comprehensively assessed risks. The Comhairle's high-level Strategic Risk Register is reported annually to Members; operational risk has been added to the Performance Management Framework, enabling updates and progress to be published on the performance webpages.

The Comhairle's Reporting Concerns at Work (Whistleblowing) policy is publicised to all employees and can be accessed on the Comhairle's intranet. The Policy was approved by the Comhairle in September 2020 and last updated in November 2022.

A Code of Conduct for Employees is also in place. High standards of behaviour are supported by employee contracts of employment and annual appraisals which identify individual training and development.

A new Councillors' Code of Conduct was introduced by the Standards Commission for Scotland in December 2021. The Comhairle maintains an annual training record for Elected Members.

There is a statutory requirement to publish a range of equality information. The Equality Outcomes & Mainstreaming Report 2021-25 was completed in 2021, and a Progress Report was prepared in 2023. An Equal Pay Audit was carried out in 2023. All have been published on the Comhairle's webpages alongside the equality monitoring statistics.

3. Local Code of Corporate Governance

The Comhairle has approved a Local Code of Corporate Governance consistent with the principles and recommendations of the *Delivering Good Governance in Local Government Framework* (2016) issued jointly by the Chartered Institute of Public Finance and Accountancy ("CIPFA") and Society of Local Authority Chief Executives ("SOLACE"). The Code evidences the Comhairle's commitment to achieving good governance and demonstrates compliance with the standards recommended by CIPFA and SOLACE.

The Code and associated Action Plan are reviewed and updated annually. The latest update will be submitted to the Comhairle for approval in June 2024.

4. Statutory Roles

The Comhairle's Constitutional Documents set out the decision-making structure; they include the Scheme of Administration, Scheme of Delegation, Scheme of Appointments, Standing Orders, Contract Regulations and Financial Regulations. Those documents were reviewed by the Comhairle in March 2022.

The Scheme of Delegation designates the Chief Executive as the Comhairle's Head of Paid Service in terms of the Local Government and Housing Act 1989. This requires the post-holder to carry out the specified duties associated with the statutory role including responsibility, where it is appropriate, for setting out proposals and reporting to Comhairle in relation to the following:

- the manner in which the discharge by the Comhairle of its different functions is co-ordinated;
- the number and grades of staff required by the Comhairle for the discharge of its functions;
- the organisation of the Comhairle's staff; and
- the appointment and proper management of the Comhairle's staff.

The Head of Law and Governance is the Monitoring Officer in terms of the Local Government and Housing Act 1989 and is required to report on breaches of the law by the Comhairle.

The Chief Financial Officer is the Proper Officer of the Comhairle with statutory responsibility for the administration of its financial affairs for the purposes of section 95 of the Local Government (Scotland) Act 1973. That Officer is a key member of the Corporate Management Team and one of the lead advisors to the Budget Board, helping it to develop and implement strategy and to resource and deliver the Comhairle's strategic objectives sustainably and in the public interest. As a key advisor to the Comhairle, the Officer supports all material business decisions to ensure that immediate and longer-term implications, opportunities and risks are fully considered and align with the Comhairle's financial strategy. The Officer leads the promotion and delivery of good financial management so that public money is safeguarded and used appropriately, economically, efficiently and effectively. Those arrangements ensure that the Comhairle has the necessary processes and procedures in place so as to enable it to fulfil its overall purpose, achieve its intended outcomes for service-users and operate in an economical, efficient and ethical manner as prescribed in CIPFA's *Statement on the role of the Chief Financial Officer in Local Government*.

The Head of Children's Services is the Chief Social Work Officer in terms of the Social Work (Scotland) Act 1968 and is required to carry out the specified duties associated with the statutory role by ensuring the provision of effective advice to Members and Officers in relation to the provision of social work services.

The Director for Education, Skills and Children's Services is the Chief Education Officer in terms of the Education (Scotland) Act 2016 and is required to advise the Comhairle on the carrying out of its functions in this area.

The Comhairle will shortly appoint a Chief Planning Officer in terms of the newly-implemented provisions of the Planning (Scotland) Act 2018.

5. Scrutiny

There is no requirement for Local Scrutiny Plans to be prepared unless they are specifically requested by Audit Scotland. However, the Comhairle ensures that it undertakes its own scrutiny by reviewing the Local Code of Corporate Governance and associated Action Plan annually.

The Comhairle publishes benchmarking information on its performance webpages and provides a local perspective to explain the data in more detail and to inform the public about the service being provided, including trend data, costs and satisfaction with the service.

The Comhairle provides follow-up to both internal and external audit actions with a Continuous Improvement Action Plan presented to Audit and Scrutiny Committee detailing outstanding actions and progress updates. This ensures scrutiny and attention to continuous improvement activity.

6. Managing the Risk of Fraud and Corruption

The Comhairle's Anti-fraud, Corruption, Bribery and Irregularity Strategy takes cognisance of the CIPFA code of practice on managing the risk of fraud and corruption. It was last updated and approved by the Comhairle in April 2023, and can be accessed at [Internal Audit Policy \(cne-siar.gov.uk\)](https://www.cne-siar.gov.uk/internal-audit-policy).

7. Issues and Concerns Arising Within 2023/24

The principal governance issue that arose during the year was the cyber-attack on 7 November 2023. The attack severely affected the Comhairle's IT systems. The matter was reported to the appropriate authorities. Corporate Management Team applied its Business Continuity Plan and set up an Incident Management Team to co-ordinate and prioritise the response and recovery, and that process continues. The details have been reported elsewhere, but for the purposes of this Statement it is sufficient to note that many systems have been restored, and that it is to the credit of all employees that, as far as the Comhairle is aware, no service-user has suffered significant detriment as a result of the attack. No unauthorised personal data, or indeed any data, has so far appeared on the internet. The Comhairle's Data Protection Officer liaised with the Information Commissioner's Office in respect of their investigation. That investigation concluded in May 2024 with the ICO deciding not to take any formal regulatory action.

Nothing was brought to the Monitoring Officer's attention which required him to report to the Comhairle in terms of s5 of the Local Government and Housing Act 1989.

No concerns were reported to the Monitoring Officer under the Comhairle's Reporting Concerns at Work Policy.

There have been no incidents to which the duty of candour (Part 2 of the Health (Tobacco, Nicotine etc. and Care) (Scotland) Act 2016) has so far applied, although it seems likely that the duty will be activated in relation to an incident which occurred in the period.

No formal complaint was made against any Councillor.

During the year, the Comhairle was required to submit further documentary evidence to the Scottish Child Abuse Inquiry. No findings adverse to the Comhairle have been made. The Inquiry's work continues.

The Comhairle continues to monitor the financial risk posed by the Western Isles Integration Joint Board's lack of long-term financial sustainability, as the financing of future deficits could fall on the partner organisations.

8. Review of Effectiveness

The Comhairle continued to have in place appropriate management and reporting arrangements to enable it to be satisfied that its approach to Corporate Governance was both appropriate and effective.

Reporting through the Budget and Strategy Board and Policy and Resources Committee, alongside close working with the Corporate Management Team, has ensured that the Comhairle's financial management has remained robust. Evaluation of the Comhairle's financial management, through internal control, the Local Code of Corporate Governance and audit assessment demonstrates that there are good controls in place and that there is compliance with CIPFA's Financial Management Code.

Specifically, the Comhairle's governance arrangements have been reviewed and tested against the requirements of the CIPFA/SOLACE framework. Whilst this process of review is coordinated corporately,

Directors and Heads of Service have a responsibility to ensure that their own governance arrangements are adequate and operating effectively. In line with framework, the Chief Executive and each Director are required to make an annual statement confirming that this is the case. Service Committees, Policy and Resources Committee and Audit and Scrutiny Committee will continue to review Audit Scotland's findings and strategic and operational plans within their remit in 2023/24.

The Internal Audit function within the Comhairle is located within the Chief Executive's Department. The Chief Internal Auditor has a direct line of accountability to the Chief Executive for the independent appraisal of the Comhairle's system of internal control. Internal Audit produce quarterly and annual reports to the Audit and Scrutiny Committee, allowing progress to be monitored. That is supplemented by participation in the CIPFA's Directors of Finance Performance Indicators benchmarking group for all Scottish Local Authorities and by departmental targets as recorded on Interplan.

Internal Audit's annual report for 2023/24 will be reported to the Comhairle's Audit and Scrutiny Committee in June 2024 and can be accessed at: [Audit and Scrutiny – Comhairle nan Eilean Siar \(cne-siar.gov.uk\)](https://cne-siar.gov.uk).

The Chief Internal Auditor has reported in his Annual Report and Assurance Statement 2023/24 that reasonable assurance can be placed on the adequacy and effectiveness of the Comhairle's systems of governance, risk management and internal control for the year ended 31 March 2024. The section continues to work with service departments and the Corporate Management Team around the arrangements following the cyberattack.

9. Improvements Proposed

A position statement in relation to progress with the Local Code of Corporate Governance Action Plan is provided above.

10. Conclusion

We consider that the governance and internal control environment operating during 2022/23 provided reasonable and objective assurance that any significant risks to the achievement of the Comhairle's principal strategic priorities and outcomes were identified and action was taken to avoid or mitigate their impact. The improvements to strengthen the governance arrangements further, as set out in the Local Code of Corporate Governance Action Plan, have served the Comhairle well. The Comhairle has now moved beyond the Covid-19 pandemic to recovery and renewal and continues to provide a robust service to the community.

Systems are in place for regular review and improvement of the governance and internal control environment. The Comhairle will continue to review its corporate governance arrangements and take any additional steps as are required to enhance those arrangements further.

Councillor Paul F Steele
Leader

Malcolm Burr
Chief Executive

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