



Comhairle nan Eilean Siar
Internal Audit Follow Up Review
Outer Hebrides - Community Led Local Development
(OH CLLD)
Final Report – FU01-24/25

3 December 2024

**COMHAIRLE NAN EILEAN SIAR
INTERNAL AUDIT FOLLOW UP REPORT
OUTER HEBRIDES – COMMUNITY LED LOCAL DEVELOPMENT (OH CLLD)**

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SECTION 1: EXECUTIVE SUMMARY

Introduction

- 1.1 The Report has been prepared for the Comhairle’s Audit and Scrutiny Committee. The original report advised of 3 recommendations made in the Outer Hebrides – Community Led Local Development report which was issued on 30 April 2024. The follow up review was undertaken in accordance with the operational annual internal audit plan for 2023/24.

Internal Audit Objective




- 1.2 Following up internal audit reports and assessing the level of compliance with recommendations made is an important part of the internal audit function.
- 1.3 In accordance with the remit detailed in the operational annual internal audit plan for 2023/24, our internal audit work was designed to obtain assurance that the original recommendations have been implemented. We obtained this assurance through internal audit testing and undertaking discussions with key personnel.
- 1.4 The main recommendations in the original report were:
- The OH CLLD works in isolation with no segregation of duties in place for the processes from submission of applications to payment of grants. This poses a risk to the Comhairle in that any errors or discrepancies may go undetected and not be identified timeously;
 - Written statements must be provided by applicants prior to any payments being released confirming the requirements of the Minimal Financial Assistance (MFA) provisions of the Subsidy Control Act 2022; and
 - Where issues have been identified concerning VAT the OH CLLD seeks clarity from the Scottish Government and issue information to grant claimants. In the event that no information is forthcoming claimants should seek independent financial advice.




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Detailed Findings

1.5 The current status of progress against the original recommendations can be summarised as follows:

Key to Status

-  Fully implemented;
-  Partly implemented, although further work is required to meet the objective of the recommendation; or
-  Insufficient progress to date

Recommendations	Action to Date	Status
Management to confirm that a reasonable level of segregation to be applied for the administration of the grants processes.	Partly Implemented	
The OH CLLD coordinator to follow up with Scottish Government on any updated guidance for VAT for the 2024/25 session. Otherwise, clarification should be sought from HMRC in the interests of the Comhairle.	Fully Implemented	
Written confirmation must be provided to the Comhairle prior to any payments being made demonstrating that the Minimal Financial Assistance (MFA) threshold will not be exceeded.	Fully Implemented	

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Concluding Remarks

- 1.6 From our follow up testing, we note that out of the 3 follow up recommendations made in the original 2 appear to have been fully implemented, and management have confirmed that the remaining recommendations will be implemented by January 2025.
- 1.7 For Comhairle Nan Eilean Siar Internal Audit Section

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Sandwick Road
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HS1 2BW

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SECTION 2 - DETAILED FINDINGS AND RECOMMENDATIONS

Action Recommended	Action By	Progress to Date	Action Outstanding
2.1			
Management to confirm that a reasonable level of segregation to be applied for the administration of the grants processes.	Economic Development Manager	We are currently seeking to resource this through redeploying a member of staff from elsewhere within the service. This is an intermittent task and previous efforts to advertise for a specific post were unsuccessful.	Aiming to implement by end January 2025

Action Recommended	Action By	Progress to Date	Action Outstanding
2.2			
The OH CLLD coordinator to follow up with Scottish Government on any updated guidance for VAT for the 2024/25 session. Otherwise, clarification should be sought from HMRC in the interests of the Comhairle.	OH CLLD Coordinator	Guidance for applicants has been updated regarding VAT and their responsibilities in this respect.	Complete

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Action Recommended	Action By	Progress to Date	Action Outstanding
2.3			
Written confirmation must be provided to the Comhairle prior to any payments being made demonstrating that the Minimal Financial Assistance (MFA) threshold will not be exceeded.	OH CLLD Coordinator	MFA only applies where the grant is a subsidy. Subsidy control assessments are carried out for each grant award. To date, no grant awards have been determined to represent a subsidy. When this situation arises, and if they are in receipt of a grant through MFA, the recipient will be required to complete a specific form and return to the Comhairle in advance of any payments being made.	Complete

RESPECTIVE RESPONSIBILITIES OF MANAGEMENT AND INTERNAL AUDIT

Responsibility in Relation to Internal Controls

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

Responsibilities in Relation to Fraud and Corruption

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

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