

RISK AND ASSURANCE COMMITTEE
COMATAIDH CHUNNART AGUS SGRÙDAIDH

**MINUTE OF THE MEETING HELD ON 18 MARCH AT 0900 AT AN LÒCHRAN, INVERNESS CAMPUS,
AND BY TELECONFERENCE**

PRESENT (ONLINE): Angus Campbell (*Chair*)
Calum Ross
Keith Nicholson
Allan Clow

IN ATTENDANCE (ONLINE):

Stuart Black	Chief Executive
Sandra Dunbar	Director of Corporate Services
Louise Macmillan	Head of Audit and Assurance
Lorna Gregson-MacLeod	Head of Planning and Partnerships (Item 2.1)
Janie Sheridan	Head of Business Transformation (Item 2.2)
Elaine Hanton	Head of Energy Transition and Net Zero (Item 2.3 & 2.4)
James Palmer	Project Manager – Construction (Item 2.3)
David Howie	Head of Strategic Projects (Item 4.2)
Andrew Jenkins	Head of Financial Services (Items 3.3, 4.6 & 4.7)
David Oxley	Director of Strategic Projects (Item 4.2)
[Name removed for data protection]	Head of Strategic Projects (Orkney) (Item 2.6)
[Name removed for data protection]	Business Improvement Manager (Item 4.5)
Pauline Gillen	Audit Director, Audit Scotland
Kyle McAulay	Senior Audit Manager, Audit Scotland
Andrew Carton	Team Leader of Sponsorship, Scottish Government
Adrian Kitson	Head of Executive Office
[Name removed for data protection]	Executive Assistant

1 **STANDING ITEMS**
CUSPAIREAN COTHROMACH

1.1 Welcome and apologies

The Chair welcomed everyone to the meeting, noting no apologies had been received. The Senior Audit Manager added that the Audit Director would join the meeting later.

1.2 Declarations of interest

No declarations of interest were stated.

1.3 To approve minute of the Risk and Assurance Committee meetings held on 19 November 2024

The minutes of the meeting held on 19 November 2024 were approved with no amendments.

1.4 Matters arising from the Risk and Assurance Committee meeting of 19 November 2024

All matters arising would be dealt with under other agenda items.

1.5 Matters arising from the HIE Board meetings held on 10 December 2024 and 25 February 2025

There were no matters arising from the HIE Board meetings held on 10 December 2024 and 25 February 2025.

2 CURRENT AND EMERGING ISSUES CÙISEAN LÀITHEIL

2.1 ERDF update

Calum Ross joined the meeting.

Lorna Gregson-MacLeod joined the meeting.

The Head of Planning and Partnerships provided an update on ERDF, noting Scottish Government audit requests for further information, some in addition to requirements in place when programmes commenced. *[Sentence removed in the interests of the effective conduct of public affairs, and due to commercial sensitivity].*

[Paragraph removed in the interests of the effective conduct of public affairs, and due to commercial sensitivity].

[Paragraph removed in the interests of the effective conduct of public affairs, and due to commercial sensitivity].

The Committee emphasised the importance of appropriate legal agreements with delivery partners and the Committee were provided with assurance that these were in place. The Committee were content with the update.

Lorna Gregson-MacLeod left the meeting.

2.2 *[Item removed in the interests of the effective conduct of public affairs]*

2.3 Cairngorm update

Elaine Hanton and James Palmer joined the meeting.

The Head of Energy Transition and Net Zero provided updates on the Cairngorm project, including the return to service of the funicular railway, progress of defect inspections, contractual and legal matters, financial projections, and visitor numbers. The Committee were also updated on the Cairngorm Mountain (Scotland) Limited (CMSL) Chief Executive (CE) recruitment and the importance of the operating company diversifying operational activity to improve income streams.

The number of outstanding defect items requiring action had reduced and a programme was being agreed with the contractor to resolve these as soon as possible. It was expected that the funicular will require to be closed for approximately two weeks to allow this work to proceed and work is ongoing to schedule this alongside a planned funicular closure being undertaken by CMSL.

[Paragraph removed in the interests of the effective conduct of public affairs, and due to commercial

sensitivity].

[Paragraph removed in the interests of the effective conduct of public affairs, and due to commercial sensitivity].

[Sentences removed in the interests of the effective conduct of public affairs]. It was noted that HIE will always face budget pressure relating to Cairngorm Mountain as the operator final outturn in any year is outwith the control of HIE or the operator. The Committee noted the need to reduce the operating company dependency on subsidy and to ensure benefit from the investment in diversified product offering was realised. The HIE Chief Executive also added that the new CE for CMSL will require to be given time to review the operating model and business plan.

It was noted that the current interim CE for CMSL will remain on the CMSL Board for another year to ensure continuity and support new Board members and the new CMSL CE.

[Paragraph removed in the interests of the effective conduct of public affairs, and due to commercial sensitivity].

James Palmer left the meeting.

2.4 WES Board Arrangements

The Head of Energy Transition and Net Zero advised the Committee of the governance changes within the WES Board. Approval for the changes was given by the HIE Chief Executive (in consultation with the HIE Chair) for Graeme Harrison to step down from the WES Board to remove any potential conflict that may arise from his new role as Head of Marine Energy. The existing non-executive director, Paul Wheelhouse, will assume the role of chair. A further review of governance will take place alongside a longer term strategic review of WES.

[Paragraph removed in the interests of the effective conduct of public affairs, and due to commercial sensitivity].

Elaine Hanton left the meeting.

2.5 Sutherland Spaceport update

David Howie and David Oxley joined the meeting.

The Director of Strategic Projects and the Head of Strategic Projects provided the committee with an update on the Sutherland Spaceport, *[part of the sentence removed in the interests of the effective conduct of public affairs, and due to commercial sensitivity]*. The Director of Strategic Projects explained that Orbex has paused development at Sutherland. *[Sentence removed in the interests of the effective conduct of public affairs, and due to commercial sensitivity]*.

[Paragraph removed in the interests of the effective conduct of public affairs, and due to commercial sensitivity].

[Paragraph removed in the interests of the effective conduct of public affairs, and due to commercial sensitivity].

David Howie and David Oxley left the meeting.

2.6 Orkney Research and Innovation Campus (ORIC)

[Name removed for data protection] joined the meeting.

The Head of Strategic Projects (Orkney) gave the committee an update on the progress relating to the delivery of the ORIC project since the last RAC meeting, noting an additional update was given at the February HIE Board meeting.

The process for HIE to purchase Orkney Islands Council's (OIC's) share in ORIC is progressing well, with the transaction expected to finalise over the next week with ORIC holding a Board meeting on Thursday 20 March 2025. This transaction will result in HIE's subsidiary HIE Orkney acquiring the OIC share of ORIC. The Committee were provided with assurance that HIE would take an active role to minimise any revenue impact on HIE.

[Paragraph removed in the interests of the effective conduct of public affairs, and due to commercial sensitivity].

HIE and OIC plan to issue joint messaging to tenants and stakeholders after the transfer from OIC to HIE Orkney to ensure a positive communication approach.

The Committee noted the update.

[Name removed for data protection] left the meeting.

2.7 HIE approach to implementing recommendations from the Martins Report

The Director of Corporate Services highlighted the recommendations set out in the Scottish Government commissioned Martins' report. HIE are developing a specific Mobile Messaging Application policy and ensuring other relevant policies, such as the social media policy, support business need, compliance and robust information governance. This work is being led by the Head of Marketing and Communications and Head of Information Governance and will report to the Information Governance and Security Group, a sub-group of the Digital Change group.

It was noted that the Director of Corporate Services chairs the Digital Change Group and the Information Governance and Security Group currently. A review of governance is ongoing and it will be proposed that the Information Governance Group will be chaired by the Head of Executive Office.

The Committee noted the action being taken by HIE.

3 ACCOUNTS RELATED STUTHAN CUNNTASACHAIL

Item 3.2-3.6 were taken ahead of Item 3.1 due to the Audit Director for Audit Scotland being unavailable to join the call at this time.

3.2 Annual report and accounts approach

Andrew Jenkins joined the meeting.

The Director of Corporate Services emphasised the importance of ensuring the annual report reflects the organisation's achievements and challenges. The Director added the annual report and accounts required input from across HIE and were not restricted to the finance team. A lessons learned exercise had been undertaken and there was increased focus on ensuring recommended actions had been implemented timeously.

[Sentence removed in the interests of the effective conduct of public affairs]. The Director of Corporate Services added that after market testing, it has been decided not to make an appointment to the

Head of Finance post. The Director advised that she will work with the Finance Team on development opportunities and future resource requirements including potential graduate post or similar.

The Committee noted the approach being taken.

3.3 HIE annual accounts planning and timetable for 2024/25

The Head of Financial Services provided an update on the annual accounts timetable and highlighted that the interim audit which started in February is ongoing. This is focusing on detailed transaction testing and process updates with the main audit scheduled for August through September.

The accounts will be finalised in October with the final version to be presented for approval at the Committee on 06 November 2025. The Director of Corporate Services noted it would be beneficial to bring the timetable forward in subsequent years, aligning with pre-COVID schedules. Additionally, this would assist with the Economy and Fair Work Committee that takes place in September by having the accounts signed off prior to this date. Options will be discussed further with Audit Scotland in due course.

3.4 Approach to internal audit expenditure reviews for 2024/25

The Head of Audit and Assurance outlined the proposed approach for the expenditure reviews for 2024/25. Any projects with a transaction over £400,000 will be reviewed as will any project with a loan transaction of over £200,000. The threshold may be adjusted at the end of March based on the number of projects identified to ensure appropriate coverage. The Sutherland Spaceport project will also be reviewed, as requested by the Director of Strategic Projects.

The Committee noted the proposed approach.

3.5 Approach to annual assurance exercise for 2024/25

The Head of Audit and Assurance discussed the approach being taken to conduct the annual assurance exercise. This seeks to receive assurance from all business units, group companies and other key areas such as Senior Responsible Owners (SROs) of external funding that the internal control environment is operating effectively. This information is used to provide assurance to the accountable officer and the Sponsor Team and to inform the Governance Statement.

The Committee noted the approach being taken to the annual assurance exercise.

3.6 Lessons learned from 2023/24 accounts process

The Head of Audit and Assurance summarised the lessons learned from the annual report process, including the need for better tracking of queries, clear expectations for internal and external experts and transparency on recommendations. The importance of building on successful aspects of the process was emphasised.

The Committee noted the lessons learned and actions identified to ensure improvements are made for the 2024/25 annual report and accounts process.

3.1 Audit Scotland annual audit plan and fee for 2024/25

The Senior Auditor presented the Audit Plan for 2024-25 and explained the materiality levels for the 2024-25 audit are consistent with the prior year ensuring continuity and reliability in the audit process. *[Sentence removed in the interests of the effective conduct of public affairs]*. Last year's risk on capital accounting has reduced this year as improvements have been seen so is no longer noted as a significant

risk.

The Senior Auditor discussed the wider scope work, including the risk related to the Cairngorm Funicular Railway which is ongoing. Fairness and Equality (Best Value) across all three enterprise agencies will also be reviewed as part of this audit activity. It was added that the financial statements audit is scheduled for August-September 2025, with the accounts being signed 06 November 2025. The audit fee for 2024-2025 is £203,400, a 1.9% increase from the prior year.

The Committee thanked the Senior Auditor for the update.

4 **PLANNED ACTIVITY** **GNÌOMHACHDAN PLANAICHTE**

4.1 Assurance progress report 1 November 2024 to 31 January 2025

The Head of Audit and Assurance presented a summary of progress against the assurance plan for 2024-25 to the end of January 2025. She reported good progress in most areas of the assurance plan, highlighting the need to roll forward or pause certain items. The Committee was asked to agree changes to the plan for four areas and this was agreed. The Committee also asked if any reports with a rating of "Limited Assurance" could automatically be provided to the committee and this was agreed.

Pauline Gillen joined the meeting.

4.2 Audit report – Audit recommendations – reports issued 2023/24 and Audit Scotland Report on 23/24 audit

The Head of Audit and Assurance presented a summary report which highlighted that 30 reports were issued in the period April 2023 to March 2024. The report noted 76% of all recommendations had been implemented or were ongoing. 90% of high priority recommendations were fully implemented. It was also noted that good progress was being made against the recommendations made by Audit Scotland in its annual report.

The Committee noted the findings and actions being taken.

4.3 Audit Report – NFI Matches

The Head of Audit and Assurance reported on the National Fraud Initiative (NFI) data matching exercise in which HIE participates. A review of the matches received identified no potential fraud or uncorrected errors.

The Committee were advised that the fraud policy and fraud response plan had been reviewed and updated. Additionally, an update was provided on the work done to raise awareness around fraud risks and the requirement for all staff to complete cyber security training.

The Committee noted the findings of report and the update on fraud awareness actions.

4.4 Audit report – Training, hospitality and staff expenses

The Head of Audit and Assurance presented a report summarising the findings of a review of training,

hospitality, and staff expenses, noting that costs incurred would seem to be reasonable. Two policies are out of date and require to be reviewed and amended, Travel Policy and Gifts and Hospitality Policy, both of which are currently under review.

[Sentence removed in the interests of the effective conduct of public affairs]. The Committee were also provided assurance that an improvement action regarding scheduling reviews had been implemented.

The Committee noted the findings of the review and the action being taken.

4.5 Risk register

The Business Improvement Manager provided the Committee with an updated risk register, focusing on the changes relating to the Cairngorm risk. The Business Improvement Manager continues to work with all business units to undertake an annual refresh of the risk register.

The Director of Corporate Services also noted the Business Improvement Manager now sits on the EIS risk forum.

The Committee noted the updated risk register

4.6 Public Services Reform Act annual report

The Head of Financial Services provided an update on the Public Service Reform Act reporting, noting delays *[part of sentence removed in the interests of the effective conduct of public affairs]*. The paper had highlighted that both marketing and external consultancy data were outstanding. The Head of Financial Services confirmed marketing spend was now complete and was in line with previous years. HIE will now move to publish this information.

A further update will be provided to the next Committee meeting.

The Committee noted the update.

4.7 Write-offs

The Head of Financial Services reported four small write-offs, all under £10k, carried out as part of the data cleansing of the finance system *[part of sentence removed in the interests of the effective conduct of public affairs]*. These included a small rent write-off and three historical balances.

The Committee noted the write-offs in the 2024-25 financial year.

4.8 RAC Development Programme

The Chair and the Director of Corporate Services suggested a short session for members to discuss *[part of sentence removed in the interests of the effective conduct of public affairs]*. MyHIE and how to link both into the information systems strategy going forward.

4.9 Any Other Business

The Committee had no other business.

Date of next meeting

The next meeting of the Risk and Assurance Committee will take place on 04 June 2025.

*[Name removed for
data protection]*

Executive Assistant

18 March 2025

APPROVED