

RISK AND ASSURANCE COMMITTEE
COMATAIDH CHUNNART AGUS SGRÙDAIDH

MINUTE OF THE MEETING HELD ON 19 NOVEMBER 2024 AT 0900 AT AN LÒCHRAN, INVERNESS CAMPUS, AND BY TELECONFERENCE

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

IN ATTENDANCE (AN LÒCHRAN):

Stuart Black	Chief Executive
Sandra Dunbar	Director of Business Improvement and Internal Audit
Nick Kenton	Director of Finance and Corporate Services
Louise Macmillan	Audit and Assurance Manager
Andrew Jenkins	Head of Financial Services, Items 2.2, 3.2, 3.3
James Laraway	Business Improvement Manager, Item 4.2
Chris Roberts	Head of Communications, Item 3.3

IN ATTENDANCE (ONLINE):

Pauline Gillen	Audit Director, Audit Scotland
Kara Differ	Senior Auditor, Audit Scotland
Andrew Carton	Team Leader of Sponsorship, Scottish Government
Elaine Hanton	Head of Energy Transition and Net Zero, Item 2.3
Adrian Kitson	Head of Executive Office
Victoria Wardley	Executive Assistant

1 STANDING ITEMS
CUSPAIREAN COTHROMACH

1.1 Welcome and apologies

The Chair welcomed everyone to the meeting, noting no apologies for this meeting.

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 17 September 2024

The minutes of the meeting held on 17 September were approved with no amendments.

1.4 Matters arising from the Risk and Assurance Committee meeting of 17 September 2024

Item 3.3 Annual Report and Accounts will cover the matters arising from Item 3.1 Annual Account and timetable update of the previous meeting.

Item 3.2 HIE unaudited report and accounts 2023/24 arising matter from 17 September RAC meeting regarding a summary outturn on HIE's appearance at the Economy and Fair Work Committee was provided to members on 08 November 2024.

1.5 Matters arising from the HIE Board meeting held on 29 October 2024

- Item 2.4 will cover the paper requested by the Board on audit and governance matters.
- Amendments have been made to the Delegated Authorities, this has been finalised and included in the resources for this meeting.
- *[Sentence removed in the interests of the effective conduct of public affairs].*

2 CURRENT AND EMERGING ISSUES CÙISEAN LÀITHEIL

2.1 ERDF claims update

The Director of Business Improvement and Internal Audit (BIIA) provided an update on the ERDF situation, noting that the programme is nearing closure with only outputs and results to be reported in respect of a small number of capital projects, *[part of sentence removed in the interests of the effective conduct of public affairs].*

[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 queried the likelihood of a European Commission audit. The Director of BIIA responded that this is a possibility and HIE would continue to liaise with Scottish Government

Finally, the Director of BIIA clarified that whilst HIE is the lead, the responsibility for compliance sits with the delivery body, *[part of sentence removed in the interests of the effective conduct of public affairs, and due to commercial sensitivity]*, who HIE will actively work with in preparation for audits.

The Committee noted the update.

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

Andrew Jenkins left the meeting.

2.3 Cairngorm Update

Elaine Hanton joined the meeting.

The Head of Energy Transition and Net Zero provided an update on the funicular railway project, stating that the works are currently expected to be completed by the 3rd of December, weather permitting. The Head of Energy Transition and Net Zero added the importance of the works being completed before Garaventa arrived on 09 December as further delays could push the project into the New Year.

It was explained that after the works are completed, the completion certificate must be signed off by Balfour Beatty, the supervisors and the technical approval authority. The paperwork will be submitted to HSE, not for approval, and HIE should receive an acknowledgment.

[Paragraph removed in the interests of the effective conduct of public affairs].

The HIE Chief Executive has been liaising with the Scottish Managing Director of Balfour Beatty to emphasise the importance of completing the works on time, they will meet with Balfour Beatty’s MD in Glasgow on 29 November. *[Sentences removed in the interests of the effective conduct of public affairs].*

It was reported that interviews for two short term CMSL Board member positions took place last week and a permanent CMSL Chief Executive will be recruited when the funicular is back in operation. The Chair highlighted the increase in FOI’s around Cairngorm and the Head of Energy Transition & Net Zero responded that the increased interest from journalists and social media is being managed, a Cairngorm Advisory Group meeting is scheduled for early December.

The HIE Chief Executive highlighted he is meeting with Edward Mountain on 16 December, following the MSP’s visit to Cairngorm on 12 December.

The Committee thanked the Head of Energy Transition and Net Zero for the update and noted that a further update will go to the Board meeting in December. It was also noted the Cairngorm Sub-Group met on 7 November and a further meeting was being scheduled prior to the HIE Chief Executive meeting with BB on 29 November 2024

Elaine Hanton left the meeting.

2.4 Audit and Governance

Louise Macmillan left the meeting.

The Director of BIIA discussed the changes being made to establish a Corporate Services Directorate including protecting a strong Audit and Governance remit. This will include the creation of a new role for the Head of Audit and Assurance, which will be advertised internally and an external advertisement for the Chief Financial Officer position early in the New Year.

The Committee queried whether the title of the Chief Financial Officer best described the role in the organisation structure. The Chief Executive agreed this job title would be reviewed to ensure the interest for this position isn’t restricted.

Louise Macmillan rejoined the meeting.

3 ACCOUNTS RELATED

STUTHAN CUNNTASACHAIL

3.1 Audit Scotland Annual Report for 2023/24

3.1a Covering letter, including proposed independent auditor’s report and management letter of representation

3.1b Draft annual audit report

Andrew Jenkins joined the meeting

The Audit Director presented the Audit Scotland Annual Report, summarising the key findings and adjustments made during the audit, including adjustments related to pension costs, related party transactions, and capital accounting. She highlighted the improvements in capital accounting and the adjustments related to pension costs and related party transactions. It was noted the audit work is complete, subject to figures changing due to the revision of accounts.

It was noted there were no unadjusted misstatements exceeding the reporting threshold. The Audit Director highlighted improvements in capital accounting from previous years, with only two adjustments required this year. These adjustments were related to classification errors and minor issues in non-current assets.

Overall, the audit went smoothly and improved on the previous year. A formal lessons learned exercise will be undertaken and reported at the next committee meeting in March 2025. An update on implementation of the recommendations in the Audit Scotland report will also be provided at the March meeting. The possibility of the HIE audit timescale being brought forward was raised by the HIE Chief Executive. The Audit Director noted the need for Audit Scotland to prioritise resources impacting on timetables. It was noted that this would be discussed further as part of the 25/26 audit planning.

3.2 Annual accounts judgments and estimates

The Head of Financial Services provided a summary of the significant judgements and estimates applied in preparing the annual accounts for 2023/24. The Committee were content with this.

3.3 HIE annual report and accounts for 2023/24

Chris Roberts joined the meeting

The Director of Finance and Corporate Services presented the final version of the annual report and accounts, specifically highlighting the changes made since the September meeting. This included the increase in the authorised overspend due to a correction to the annual leave accrual and the adjustments related to two loans.

The Head of Financial Services noted three key adjustments which required to be made to the document presented to the Committee and the version which will be signed off by the Chief Executive:

- Note 22 has been updated to reflect the value of funded liabilities in Local Government Pension Fund
- Note on leases accounting policy has been expanded
- note on gifts updated, noting none needed to be reported

The Committee noted the useful contents page in the document to see the scale of HIE's work.

It was noted that the finance team will share a summary document with an explanation of the numbers included in the report with Committee members for background information

Chris Roberts and Andrew Jenkins left the meeting.

4.1 Assurance progress report 1 September to 31 October 2024

The Director of BIIA and Audit and Assurance Manager presented the assurance progress report. This highlighted a number of contingency reviews had been undertaken and that there had been significant support for information gathering for EU audits, but noted confidence in delivering the agreed plan.

The Committee raised a query about assurance received for group companies. The Director of BIIA responded explaining requirements were considered as part of the HIE assurance planning process and through consultation with the SROs for each group company. Specific reviews, or other support activity, has been undertaken in the past and have included cyber and information systems and governance reviews. Significant transactions reviews have also provided assurance related to group companies.

As part of the preparation of the 2025/26 assurance plan, the Audit and Assurance Manager will consider any additional group company audit requirements and any additional assurance which HIE may want to seek from the group companies

The Committee noted the update.

4.2 Risk Register

James Laraway joined the meeting.

The Business Improvement Manager provided a brief introduction to the Risk Register and the importance of this being a live document. *[Sentences removed in the interests of the effective conduct of public affairs]*.

The Committee discussed the process of which meetings items go to for review, either through the Board or the Risk and Assurance Committee. The Director of BIIA responded that Board discussion focused on strategy but did include oversight of high-risk projects such as Cairngorm. The RAC committee focused on more detailed consideration of governance and risk matters on behalf of the Board.

[Paragraph removed in the interests of the effective conduct of public affairs]

The Committee raised if *[part of sentence removed in the interests of the effective conduct of public affairs]* should be included in the Current and Emerging Matters section. The Director of BIIA noted *[part of sentence removed in the interests of the effective conduct of public affairs]* will be covered at the upcoming December Board meeting and an update *[part of sentence removed in the interests of the effective conduct of public affairs]* is included in the Chair and Chief Executive Update for the December Board meeting and could be considered for Risk and Assurance Committee updates thereafter if appropriate.

James Laraway left the meeting.

4.3 Public Services Reform Act annual report – verbal update

The Director of BIIA explained the requirement to report certain information, as defined under the Public Sector Services Reform Act, as soon as practicable after financial year end. The information for 2023/24 will be shared with Committee members offline to ensure transparency and timely publication.

The Committee noted the update.

4.4 RAC annual effectiveness review

The Audit and Assurance Manager presented the conclusions of the annual effectiveness review, summarising responses and proposed actions for improvement. The Chair and Committee expressed their satisfaction with the comprehensive exercise and agreed the recommended actions.

4.5 RAC terms of reference

The Audit and Assurance Manager presented a revised terms of reference for the Committee, highlighting proposed changes and additions. Committee members agreed with the updates and appreciated the clear presentation of the document. This will go to the Board meeting in December for endorsement.

4.6 RAC development programme (verbal)

The Committee discussed the development programme of RAC and suggested a focus on managing changes in resources and budgets, with the possibility of an additional session on budget environment. They also discussed horizon scanning for emerging risks such as cyber threats and AI.

4.7 Any Other Business

The Chair and Committee members expressed their gratitude to the Director of Finance and Corporate Services for his contributions to HIE and the Risk and Assurance Committee. The Committee members acknowledged his valuable input and wished him well in his future endeavours.

4.8 Date of next meeting

The next meeting of the Risk and Assurance Committee will take place on 18 March 2025.

Victoria Wardley
Executive Assistant
19 November 2024