

**RISK AND ASSURANCE COMMITTEE**  
**COMATAIDH CHUNNART AGUS SGRÙDAIDH**

**DRAFT MINUTE OF THE MEETING HELD ON 18 SEPTEMBER 2025 AT 1300 AT AN LÒCHRAN,  
INVERNESS CAMPUS, AND BY TELECONFERENCE**

**PRESENT (ONLINE):**

Angus Campbell ( <i>Chair</i> )
Ailsa Raeburn
Allan Clow
Keith Nicholson

**IN ATTENDANCE (AN LÒCHRAN):**

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)
Elaine Hanton	Head of Energy Transition and Net Zero (Item 2.2)
[Name redacted for data protection]	Management Accountant (Item 2.3)
Chris Roberts	Head of Communications (Item 3.3)
[Name redacted for data protection]	Senior Audit and Assurance Manager (Item 3.5)
Janie Sheridan	Head of Business Transformation (Item 4.3)

**IN ATTENDANCE (ONLINE):**

Pauline Gillen	Audit Director, Audit Scotland
Andrew Carton	Team Leader, Scottish Government
Peter Dennis	Construction Project Manager (Item 2.2)
Andrew Jenkins	Head of Financial Services (Item 3.1-3.5)
Eunice McAdam	Partner, Saffery (Item 3.4)
Fiona Eardley	Head of Information Governance (Item 4.3)
[Name redacted 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.

**1.2 Declarations of interest**

A transparency statement was declared for member, Keith Nicolson, for item 4.3 due to a potential conflict relating to an ongoing procurement process, access to the relevant paper was given as no conflict of interest was considered to exist.

### 1.3 To approve minute of the Risk and Assurance Committee meetings held on 04 June 2025

The minute of the meeting held on 04 June 2025 was approved with no amendments.

### 1.4 Matters arising from the Risk and Assurance Committee meeting of 04 June 2025

The Committee queried the upcoming development sessions, the Head of Audit and Assurance confirmed the Information Systems Strategy session will take place on Wednesday 19 November. The date for the Budget session is yet to be confirmed.

### 1.5 Matters arising from the HIE Board meetings held on 01 July and 28 August 2025

The Director of Corporate Services noted the amendment to the Terms of Reference for the Risk and Assurance Committee has now been implemented.

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

## 2 CURRENT AND EMERGING MATTERS CÙISEAN LÀITHEIL

### 2.1 ERDF update

*Lorna Gregson-MacLeod joined the meeting.*

The Head of Planning and Partnerships provided an update on the closure of the European Regional Development Fund (ERDF), including final repayments, audit outcomes, lessons learned and ongoing obligations. She explained that the ERDF programme closure resulted in some repayment due to overpayments identified by the Scottish Government, with most accounted for in previous years accounts. It was noted that whilst Scottish Government audits are complete, there remains a possibility of a European Commission audit until 2028, therefore asset disposal restrictions remain in place and all records related to the ERDF programme must be retained until the end of 2028.

The Head of Planning and Partnerships highlighted lessons learned from the ERDF programme, particularly regarding guidance changes and audit timing, these are being applied to other funding streams including Growth Deals, with an emphasis on improved record keeping and risk management.

The Committee asked for clarification on implications for HIE's accounts relating to the repayments. The Director of Corporate Services confirmed that the most significant recovery relating to Creative Industries programme of over £600k had been accounted for in 2023/24, the additional amounts are relatively small and would be adjusted in the 2024/25 accounts. For the projects where delivery responsibility sat with third parties, HIE had either already recovered the funds or were taking steps to recover these prior to returning to Scottish Government.

The Committee noted the update.

*Lorna Gregson-MacLeod left the meeting.*

### 2.2 Cairngorm update

*Elaine Hanton and Peter Dennis joined the meeting.*

The Head of Energy Transition and Net Zero and Construction Project Manager and joined the meeting to provide an update on the Cairngorm remediation works, *[part of sentence removed in the interests of the effective conduct of public affairs, and due to commercial sensitivity]*. The Construction Project Manager

detailed the schedule for Balfour Beatty's remediation works *[part of sentence removed in the interests of the effective conduct of public affairs, and due to commercial sensitivity]*, he added that the current completion certificate expires on 26 September 2025. The Head of Energy Transition and Net Zero *[part of sentence removed in the interests of the effective conduct of public affairs, and due to commercial sensitivity]* highlighted good feedback about CMSL's new Chief Executive, Mike Gifford, and the upcoming CMSL Board recruitment which will begin in October. There will be two Board members expected to start in January 2026 and two in April 2026.

HIE attended the Scottish Parliament Public Audit Committee on Wednesday 17 September 2025, as part of the Committee's enquiry focusing on Cairngorm. HIE will also arrange a visit to Cairngorm and a stakeholder meeting for the Public Audit Committee later in the year. The Head of Energy Transition and Net Zero highlighted positive media enquiries as a result of the Committee appearance, particularly on the potential for a future toboggan.

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

The Committee asked about the costs relating to landlord responsibilities, including and ranger services within the revenue costs and if these will be ongoing costs to HIE, the Construction Manager responded that these are costs which fall to HIE as landlord.

The Committee noted the update.

*Elaine Hanton and Peter Dennis left the meeting.*

### **2.3 Financial outlook and financial management strategy**

*[Name redacted for data protection] joined the meeting.*

The Director of Corporate Services and the Management Accountant presented the financial outlook and financial management strategy, highlighting reduced core budgets, success in securing additional capital, ongoing cost-saving measures, and the need for strategic revenue allocation, with discussion on risks, staffing, and influencing government funding.

The Director of Corporate Services outlined significant reductions in core revenue and capital budgets, offset by securing additional income funding in both capital (50%) and revenue (34%). She highlighted the development of a strategic approach to financial management including integrating fiscal, people, property, and procurement strategies, and emphasised the importance of risk-taking and long-term planning. The Director also noted the ongoing Best Value initiatives which included active vacancy management and a shift towards using internal expertise to reduce consultancy costs.

The Committee discussed possible opportunities of joint ventures and increased access to other funding. The Chief Executive noted the action HIE had taken to access community benefit funds, however these have been very competitive, with funds being allocated direct to communities rather than through an intermediary. The Committee noted the action being taken to access external funds, the prioritisation being applied to generation efficiencies and the ongoing importance of demonstrating delivery impact to stakeholders.

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

The Committee noted the financial outlook and welcomed the approach to the financial management strategy and active approach to Best Value being taken by HIE

*[Name redacted for data protection] left the meeting.*

*Andrew Jenkins joined the meeting.*

### **3.1 Audit Scotland progress update - verbal**

The Audit Director updated the Committee on the progress of Audit Scotland, confirming the audit is progressing as planned, with phased team deployment in line with Audit Scotland resource availability.

The Chief Executive noted that the Scottish Parliament Economy and Fair Work Committee in their pre-budget scrutiny evidence session with HIE the previous day had expressed disappointment that HIE's annual report and accounts had not been finalised in the same timescale as Scottish Enterprise and South of Scotland Enterprise. HIE had responded that this was largely as a result of the Audit Scotland timetable, and he asked the Audit Scotland Director about the possibility of the HIE Audit timetable being brought forward in future years. The Audit Director acknowledged the Committee's concerns regarding audit timing compared with other agencies. She agreed to review this but also noted the resourcing pressures faced by Audit Scotland due to statutory deadlines for other organisations.

The final annual report and accounts are expected to be presented at the Risk and Assurance Committee in November.

The Committee noted the update.

### **3.2 HIE annual report and accounts timetable update**

The Head of Financial Services provided an update on the accounts timetable. He highlighted the group companies' accounts will be explained further in item 3.4, with Cairngorm Mountain (Scotland) Limited awaiting finalisation of accounts.

The Committee raised the question of whether there are any concerns relating to the slight delays in pension reports and property valuations, the Head of Financial Services confirmed that these are not expected to affect the overall schedule.

The Committee noted the update provided.

*Chris Roberts joined the meeting.*

### **3.3 HIE unaudited report and accounts 2024/25**

The Director of Corporate Services noted that the Committee had been provided with the draft annual report and accounts. These have not been updated to reflect comments received from Committee members and will be subject to further review and change prior to the final version. This will include ongoing review of areas of uncertainty such as loan provision.

The Head of Financial Services summarised key financial outcomes, including meeting the vast majority of targets, and strong progress on Best Value. On the financial out-turn the draft accounts report a small capital underspend, improved net asset position, and a significant reduction in retirement benefit liability.

The Head of Communications explained that the report is in draft form, and was presented in a format which complied with the Government Financial Reporting Manual. The Committee noted the extensive information included in the document regarding the breadth of HIE activity and good performance. They asked the Head of Communications to consider if there was an opportunity to include some key messages at the start of the report to highlight these. The Head of Communications added that the lessons learned

exercise from the 23/24 annual report and accounts process have proved valuable and has fed into positive action.

The Committee noted the report and accounts.

*Chris Roberts left the meeting.*

### **3.4 Group companies accounts and audit reports 2024/25:**

*Eunice McAdam joined the meeting.*

The Partner at Saffery presented a comprehensive overview of the group company accounts and audit reports, covering all entities - HIE Ventures Ltd, HIE Orkney, Wave Energy Scotland Ltd, Orkney Research and Innovation Campus LLP, and Cairngorm Mountain (Scotland) Ltd (CMSL). She explained the audit remained consistent with previous years, with all statutory accounts being signed except for CMSL which is pending report finalisation.

#### **3.4.1 Cairngorm Mountain (Scotland) Ltd**

As noted above, the CMSL report awaits finalisation and signature. *[Sentences removed due to commercial sensitivity].*

*[Paragraph removed due to commercial sensitivity].*

#### **3.4.2 HIE Orkney**

HIE Orkney reported minimal activity and no audit issues identified, the only transactions were the initial investment and a reduction in investment value due to net asset movement.

#### **3.4.3 HIE Ventures Ltd**

HIE Ventures Ltd reported minimal activity and no audit issues identified.

#### **3.4.4 Orkney Research and Innovation Campus LLP (ORIC)**

ORIC underwent an external property revaluation, resulting in a value charge and a change in grant funding presentation, disclosures were updated accordingly. No audit issues were identified.

#### **3.4.5 Wave Energy Scotland Ltd (WES)**

Wave Energy Scotland required a net adjustment of around £100,000 due to issues with deferred grant income and foreign exchange rate transactions. No issues were found in data migration as a result of the change in the financial system implemented during the year.

The Committee noted the group companies accounts and audit reports.

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

*Eunice McAdam left the meeting.*

*Andrew Jenkins left the meeting.*

### **3.5 Audit Report – Composite Significant Transactions for 2024/25**

*[Name redacted for data protection] joined the meeting.*

The Senior Audit and Assurance Manager outlined the review process, which reviewed projects with

transactions over £400,000 to December 2024, and transactions of over £200,000 in the last quarter of the financial year. All reviews resulted in either substantial or reasonable assurance. No issues were noted for the accounts, with good practice observed in audit trails and payment approval processes. She noted some over-reliance on year-end payment approval processes over usual delegated authority arrangements and highlighted the need for comprehensive project handovers and complete files.

The Committee asked about the process for ensuring previous recommendations are implemented and the Head of Audit and Assurance explained the rolling schedule of follow-ups, evidence gathering and quarterly reporting with the Chief Executive. The Committee also receives annual updates.

The Committee queried if subsidy rules and other themes are proactively reviewed and the Senior Audit and Assurance Manager confirmed that as an example, subsidy is reviewed as standard as part of the significant transactions audits. The audit also identified common areas which inform improvement activity.

The Committee noted the action taken.

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

##### **4.1 Assurance plan progress report 01 April to 31 July 2025**

The Head of Audit and Assurance gave an update on assurance plan progress from April to July, with Audit and Assurance team focusing on activity to support the accounts including significant transactions, annual assurance, governance statement preparation and significant effort to support the conclusion of EU audit activity. Other assurance has included development and delivery of project appraisal guidance and training.

The Committee suggested considering a formal three-year audit plan. The Head of Audit and Assurance explained that as part of audit planning, the team has a rolling list of activity which requires to be covered over a three-year period and agreed to formalise and present this to the Committee at a future meeting to provide oversight.

The Committee noted the report.

*[Name redacted for data protection] left the meeting.*

##### **4.2 Risk Register, August 2025**

The Director of Corporate Services provided an update on the risk register, *[part of sentence removed in the interests of the effective conduct of public affairs, and due to commercial sensitivity]*. The register was updated to reflect comments at the recent Board meeting and changes to risks since then.

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

The Committee noted the risk register update.

##### **4.3 Information Governance and Information Systems update**

*Janie Sheridan and Fiona Eardley joined the meeting.*

The Head of Business Transformation, Head of Information Governance and the Director of Corporate Services provided a detailed update on information governance and systems, *[part of 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].*

*[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 noted the update.

*Janie Sheridan and Fiona Eardley left the meeting.*

#### **4.4 RAC development programme (verbal)**

The Chair highlighted the upcoming Information Systems Strategy session on 19 November, with a Budget session to be arranged. The Director of Corporate Services added that she will liaise with the Executive Office and the Standards Commission to provide a session for members on ethical standards

#### **4.5 Any Other Business**

The Committee noted no other business.

#### **Date of next meeting:**

The next meeting of the Risk and Assurance Committee will take place on 06 November 2025.

Victoria Wardley  
Executive Assistant  
18 September 2025