

RISK AND ASSURANCE COMMITTEE
COMATAIDH CHUNNART AGUS SGRÙDAIDH

DRAFT MINUTE OF THE MEETING HELD ON 04 JUNE 2025 AT 0900 AT AN LÒCHRAN, INVERNESS CAMPUS, AND BY TELECONFERENCE

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

IN ATTENDANCE (ONLINE):

Ailsa Raeburn	HIE Board member
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, 4.5 & 4.6)
Elaine Hanton	Head of Energy Transition and Net Zero (Item 2.3)
Peter Dennis	Construction Project Manager (Item 2.3)
Andrew Jenkins	Head of Financial Services (Items 3.2, 3.3 & 4.9)
Fiona Sarjeant	European Compliance Manager (Item 4.2.1)
[Name removed for data protection]	Business Improvement Manager (Item 4.4)
[Name removed for data protection]	Customer Service Improvement Manager (Item 4.7)
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 Chair notified the Committee that in the event of any connection issues, Calum Ross would chair the Committee meeting.

The Audit Director will leave the meeting after the conclusion of section 3 due to a diary clash, the Senior Audit Manager will be in attendance for the full meeting.

1.2 Declarations of interest

Stuart Black and Angus Campbell gave the Committee a transparency statement due to being season ticket holders for Inverness Thistle and Caledonian F.C. Limited, there was no requirement for these members to leave the meeting due to this.

1.3 To approve minute of the Risk and Assurance Committee meetings held on 18 March 2025

The minute of the meeting held on 18 March 2025 was approved with no amendments.

1.4 Matters arising from the Risk and Assurance Committee meeting of 18 March 2025

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

1.5 Matters arising from the HIE Board meetings held on 29 April 2025.

The Director of Corporate Services provided an update on the Parliamentary Audit Committee's inquiry into the Cairngorm Funicular Railway, noting HIE have been asked to give evidence on the 17 September 2025 and provide written evidence in advance. HIE's understanding is that the Committee will focus on developments since the last Audit Scotland report and committee session attended by the Auditor General. If any outstanding legal and contractual matters are ongoing at the time of the inquiry this will be discussed with the Committee at that time.

2 CURRENT AND EMERGING ISSUES **CÙISEAN LÀITHEIL**

2.1 ERDF update

Lorna Gregson-MacLeod joined the meeting.

The Head of Planning and Partnerships provided an update on the European Regional Development Fund (ERDF) as the Scottish Government works through the programme closure. There have been two formal closure reports relating to the Highlands and Islands. The Head of Planning and Partnerships reported the notification of recoveries for the ScotGrad and Leadership Programmes. The recovery amount confirmed for the ScotGrad programme is £17,429.

The Head of Planning and Partnerships stated that HIE is awaiting advice on *[part of sentence removed in the interests of the effective conduct of public affairs, and due to commercial sensitivity]* and feedback on all achievements. The Scottish Government is going through each capital project and revenue programme individually and raising queries as they progress.

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

The Director of Corporate Services clarified a query on financial exposure for the current financial year and noted that the latest recovery amounts are not regarded as material. HIE had agreed an authorised overspend in the 23/24 financial year end for a previous recovery.

Lorna Gregson-MacLeod left the meeting.

2.2 ERP update

Janie Sheridan joined the meeting.

The Head of Business Transformation updated the Committee on the implementation of the Enterprise Resource Planning (ERP) system, noting it went live in February 2025. The paper outlined what has been delivered, what has not been delivered, and the lessons learned. The system is now in a continuous improvement phase, with plans to implement additional modules over the course of 2025/26.

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

The Committee appreciated the lessons learned section and asked about integrating these lessons into project management documentation which is currently under review. The Director of Corporate Services discussed the importance of early engagement in procurement and embedding internal knowledge sharing, and the ongoing efforts to update the project management documentation.

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

Janie Sheridan left the meeting.

2.3 Cairngorm update

Elaine Hanton and Peter Dennis joined the meeting.

The Construction Project Manager provided an update on the completion of the defect rectification work on the Cairngorm Funicular. The train was handed over to Cairngorm Mountain (Scotland) Limited (CMSL) and restarted with full operations on Monday 2 June 2025, the evening work on defect rectification continues. *[Sentence removed in the interests of the effective conduct of public affairs, and due to commercial sensitivity].*

The Head of Energy Transition and Net Zero reported that the Health and Safety Executive (HSE) will visit on 24 and 25 June 2025 to undertake an 'Intervention Inspection'. This will be similar to previous visits and will involve a review of CMSL operating procedures and some physical inspections

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

The Head of Energy Transition and Net Zero noted that HIE will work with the new CEO of CMSL, who starts on 16 June 2025, on the CMSL business plan with a view on driving down losses and improving the commercial operation of the business. The funding assurance letter for CMSL will be finalised and reviewed by HIE Leadership Team. The project team are currently reviewing options for CMSL Board members, to provide consistency, to ensure an effective transition and to support the new CEO. This may require some extension to existing Board memberships.

The team will continue monitoring items which require to be remediated by 1 August 2025 in line with the interim completion certificate.

Elaine Hanton and Peter Dennis left the meeting.

3

ACCOUNTS RELATED
STUTHAN CUNNTASACHAIL

Andrew Jenkins joined the meeting.

3.1 Audit Scotland Interim Audit Letter

The Senior Audit Manager presented the Audit Scotland interim letter, outlining areas of control weaknesses and the agreed actions to address these issues. He mentioned the upcoming financial statements audit starting on 4 August 2025, with the aim of bringing the accounts and audit reports to the November RAC committee.

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

sensitivity].

3.2 HIE annual report and accounts timetable update

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

The Committee noted the update provided.

3.3 Annual accounts judgement and estimates

The Head of Financial Services discussed the key judgements and estimates for the annual accounts, including contingent liabilities related to the Cairngorm funicular reinstatement, lease property dilapidations, and other projects. He highlighted the new policy on impairments and provisions which will ensure consistency in the treatment of impairments and provisions for any liabilities.

The Finance team will continue to monitor and update the judgements and estimates as necessary throughout the accounting process as these may be subject to change.

Andrew Jenkins left the meeting.

3.4 Audit Scotland recommendations – update on action

The Head of Audit and Assurance updated the Committee on the implementation of Audit Scotland recommendations, noting that all actions are in progress and some have been completed. She emphasised the importance of following up on these recommendations to ensure proper implementation and addressing other improvement areas.

The Committee noted the action taken.

3.5 Audit report – Certificates of assurance for 2024/25

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

The activity in year had also identified areas for improvement which will be incorporated into ongoing lessons learned and knowledge sharing activity. Proposed areas for reporting in the return to Scottish Government sponsor team were agreed and it was noted the Chief Executive will also submit an internal control checklist as part of the return.

The Committee asked for sight of the minutes, outcomes and actions from the Information Systems, Security and Governance group (ISSGG) and the Director of Corporate Services added these reports will be shared to give assurance to the Committee.

3.6 Draft governance statement for 2024/25

The Head of Audit and Assurance presented the draft governance statement, outlining the structure and key areas covered. She noted that some sections will be updated later in the audit process, including significant risks and external audit conclusions.

The Committee noted the draft governance statement as part of its consideration of the overall control environment in year and in the context of the annual accounts and noted this is subject to change up until the signing of accounts.

4.1 RAC annual report on activity 2024/25

The Chair presented the RAC annual report, highlighting the committee's satisfaction with the quality of internal and external assurance reports and noting opportunities for improvement and transparency. The report will be presented to the HIE Board in July.

The committee agreed the report was a fair reflection of the Committees activity in the year recognising the quality of both internal and external assurance reports and the contribution to the overall positive assessment of the committee's activities.

4.2 Audit and Assurance – Assurance plan progress report and annual opinion (Feb and March 25 and final position)

Fiona Sarjeant joined the meeting.

The Head of Audit and Assurance discussed the audit assurance plan progress report, covering activities from February to March 2025 and the final position at the end of the year. The plan was largely delivered, as scheduled, with the exception of certain items agreed by the committee to roll forward to the next period. These items have been incorporated into the planning paper for future action.

The Committee enquired about three draft reports that had not yet been finalised, seeking confirmation on whether there were any significant issues with these. The Head of Audit and Assurance confirmed that there were no significant issues. Of the three reports, finalising two were paused to prioritise year-end audit requirements, with the other requiring significant updates from the draft version due to the active nature of a system implementation. This report is currently at a final draft stage and is with management for agreement.

[Sentence removed in the interests of the effective conduct of public affairs, and due to commercial sensitivity]. The Committee noted the activity in the final two months of the financial year, the status of all planned assurance work in 2024/25 and the opinion from the Head of Audit and Assurance on the system of internal control.

4.2.1 Audit and Assurance – internal quality assessment

The European Compliance Manager explained that as part of the external quality assessment concluded in February 2024, one area of improvement was identified in relation to undertaking an annual internal quality assessment. The European Compliance Manager outlined the internal quality assessment process, which utilised a UK government framework to evaluate the team's performance. Having undertaken the assessment, the team achieved a "better" rating. She outlined the steps required to achieve best rating, noting some criteria is not suitable for a small team. To further improve their performance, the team plans to conduct internal surveys after the year-end period. These surveys will gather feedback from various directorates to identify areas for enhancement.

The Committee enquired about the survey work, and the European Compliance Manager explained that she has been liaising with the Planning and Partnerships Team with a view to designing a user-friendly survey which can be used to conduct anonymous surveys. These surveys will gather feedback from the business to improve the quality and relevance of their reports.

The Committee noted the update.

Fiona Sarjeant left the meeting.

4.3 2025/26 plans:

4.3.1 RAC plan

The Head of Audit and Assurance presented a draft plan to the Committee for 2025/26 which has been prepared based on an assessment of the internal control environment and areas of risk and emerging opportunities. She added that two training and development sessions will be arranged for the Committee, one focusing on information strategy and systems and one on the budget environment. The Committee proposed holding the development session on the budget environment towards the end of summer and the information strategy and systems session in the autumn to provide timely and relevant training for Committee members.

The Committee agreed the plan of its activity for 2025/26.

4.3.2 HIE Assurance Plan

The Head of Audit and Assurance discussed the HIE assurance plan for 2025/26. This plan is designed to provide the Accountable officer (and other stakeholders, including the Committee) with assurance on the effectiveness of the internal control environment.

The Committee enquired as to whether Artificial Intelligence had been considered in undertaking audit reviews. The Head of Audit and Assurance commented this was an area that was being further considered by the team. The Committee also queried what assurance was being received related to the Group Companies. The Director of Corporate Services advised that this was recognised as an area which required further consideration and further discussions would be held with each group company to ensure appropriate assurance activity is undertaken. It was noted this would be particularly helpful to the new CMSL Chief Executive.

The Committee approved the assurance plan for 2025/26.

4.3.3 IS Audit Plan (Partners)

The Head of Audit and Assurance presented the IS Partners audit plan, which was agreed by EIS Partnership Board (EISPB) at its meeting on 30 April 2025. *[Sentences 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].

It was noted that HIE continued to liaise with EIS on future strategy and delivery of Best Value, and the HIE Chief Executive noted he had encouraged EIS to consider recruiting staff in the HIE area.

The Committee noted the IS plan for the Partners.

4.4 Risk Register

[Name removed for data protection] joined the meeting.

The Business Improvement Manager 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]. [Sentences*

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

The Committee noted the risk register update.

[Name removed for data protection] left the meeting.

4.5 Best Value annual report 2024/25

Janie Sheridan joined the meeting.

The Head of Business Transformation presented the Best Value annual report, showing positive progress. The Committee were pleased to note that a delivery plan to support HIE's Organisational Net Zero Strategy was due to be presented to the HIE Leadership Team.

The Director of Corporate Services added that the Information, Security, Systems and Governance Group (ISSGG) is a key action area, with this group reporting to the Digital Change Group. The Digital Change group will have oversight of all digital activity with a strategic focus, supported by the ISSGG on issues of governance and risk.

The Committee noted the summary of the Best Value annual report.

4.6 2024/2025 Governance Review and Annual Report

The Head of Business Transformation discussed the annual review of governance groups, aiming to ensure the right groups are in place to support delivery without duplicating effort. Refinements were planned for the Process Change Group and the groups supporting digital activity.

The Committee noted the update.

Janie Sheridan left the meeting.

4.7 Information requests and complaints feedback annual report 2024/25

[Name removed for data protection] joined the meeting.

The Customer Service Improvement Manager provided an overview of information requests and complaints, noting a slight drop in FOI enquiries and an increase in complaints. Persistent correspondents were managed through the unacceptable actions route. He added that he is currently improving the recording and logging of compliments received by various teams.

The Committee noted the activity.

[Name removed for data protection] left the meeting.

4.8 Investment Portfolio

The Director of Corporate Services discussed the investment portfolio, highlighting no new additions but noting an exit from a legacy holding. The team continues to monitor the loan portfolio for financial implications and support clients with solutions where challenges are being faced. She added that there was ongoing training and knowledge sharing on complex due diligence and loan process and a detailed session had been undertaken in year with colleagues.

It was also noted that arrears are kept under review with a monthly update provided by the Finance Team to business owners and that the due diligence team supported colleagues on any complex cases.

The Committee noted the update.

4.9 Public Services Reform Act annual report for 2023/24 - update

Andrew Jenkins joined the meeting.

The Head of Financial Services presented the Public Services Reform Act report, updating figures for public relations, hospitality, and consultancy. For consultancy there was a significant decrease compared to the previous year. This report will now be published.

The Head of Financial Services also advised work has commenced to prepare for the 2024/25 disclosure, working alongside the team in Benbecula for them to take lead responsibility for completing this in the future.

The Committee noted the update

Andrew Jenkins left the meeting.

4.10 Any Other Business

The Committee agreed on the development programme discussed in item 4.3.1, focusing on budget and information strategy and systems sessions planned for the summer and autumn.

The Committee Chair thanked Committee member, Calum Ross, for his contributions to the committee, acknowledging his insights and skills. He added that Ailsa Raeburn will join the Committee from 5 June 2025.

Date of next meeting:

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

[Name removed for data protection]

Executive Assistant

04 June 2025