

Highlands and Islands Enterprise

Annual report on the 2010/11 audit



Prepared for Highlands and Islands Enterprise and the Auditor General for Scotland
December 2011

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. It provides services to the Auditor General for Scotland and the Accounts Commission. Together they ensure that the Scottish Government and public sector bodies in Scotland are held to account for the proper, efficient and effective use of public funds.

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Key messages

2010/11

We have given a qualified opinion on the financial statements of Highlands and Islands Enterprise (HIE) for 2010/11. HIE's group accounts do not consolidate the results of two companies which fall within the definition of a subsidiary under IAS27. The inclusion of these subsidiaries would have increased the group's net assets by £2.3 million.

HIE is required to work within its resource budget set by the Scottish Government's Enterprise, Energy and Tourism Directorate. HIE's total resource budget was set at £73.0 million for 2010/11. HIE operated within this budget with an out turn of £67.5 million, underspending its non-cash resource allocation by £5.5 million, mainly as a result of a delay in the commencement of infrastructure expenditure.

During 2010/11 a selective voluntary severance programme was completed. The scheme led to the departure of 12 members of staff at a cost of £0.851 million. The scheme was offered to all staff, with those under 50 being offered a severance based on their age, length of service and contractual or minimum terms as defined by legislation. Employees aged over 50 were offered an enhanced early retirement package.

Outlook

Scottish Ministers have agreed a resource budget for HIE of £61.056 million for 2011/12, a decrease of some £7.4 million on the prior year allocation. This represents a baseline reduction of £4.5m and the removal of previous non-recurring allocations. The Scottish Government is also changing the existing Resource budget arrangements for HIE with the introduction of an Annually Managed Expenditure (AME) component.

As a means of addressing the reduction in funding, staff resource has been allocated to the identification of opportunities for alternative sources of funding and delivery vehicles. These include the supplement of grant-in-aid via income from other sources, the consideration of selling some key HIE property assets, exploration of different financial packages and funding mechanisms and a drive to maximise investment income in respect to operating costs. These opportunities will be taken forward by the Board during 2011/12.

A range of steps have also been taken to improve the management of spend in 2011/12 including increased commitment levels, a two year budget allocation, a new approach to resource prioritisation and the identification of projects that could be released quickly if necessary. A weekly review of budgets has also been introduced for 2011/12.

Introduction

1. This report is the summary of our findings arising from the 2010/11 audit of Highlands and Islands Enterprise (HIE). The purpose of the annual audit report is to set out concisely the scope, nature and extent of the audit, and to summarise the auditor's opinions (i.e. on the financial statements) and conclusions and any significant issues arising. The report is divided into sections which reflect the extent of our public sector audit model.
2. A number of reports have been issued in the course of the year in which we make recommendations for improvements (Appendix A). We do not repeat all of the findings in this report, but instead we focus on the financial statement.
3. Appendix B is an action plan setting out the high level risks we have identified from the audit. Officers have considered the issues and agreed to take the specific steps in the column headed "planned management action". We do not expect all risks to be eliminated or even minimised. What we expect is that HIE understands its risks and has arrangements in place to manage these risks. The Board and Accountable Officer should ensure that they are satisfied with the proposed management action and have a mechanism in place to assess progress.
4. This report is addressed to HIE and the Auditor General and should form a key part of discussions with audit committees, either prior to or as soon as possible after the formal completion of the audit of the financial statements. Reports should be made available to stakeholders and the public, where appropriate. Audit is an essential element of accountability and the process of public reporting.
5. This report will be published on our website after consideration by HIE's Risks and Assurance Committee.
6. The management of the audited body is responsible for preparing financial statements that show a true and fair view and for implementing appropriate internal control systems. Weaknesses or risks identified by auditors are only those which have come to our attention during their normal audit work, and may not be all that exist. Communication by auditors of matters arising from the audit of the financial statements or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.

Financial statements

7. Audited bodies' financial statements are an essential part of accounting for their stewardship of the resources made available to them and their performance in the use of those resources.
8. Auditors are required to audit financial statements in accordance with the timescales set by Audit Scotland, which may be shorter than statutory requirements, and give an opinion on:
 - whether they give a true and fair view of the financial position of audited bodies and their expenditure and income
 - whether they have been properly prepared in accordance with relevant legislation, the applicable accounting framework and other reporting requirements
 - the regularity of the expenditure and income (except for local government bodies).
9. Auditors review and report on, as appropriate, other information published with the financial statements, including the management commentary, statement on internal control and the remuneration report. Where required, auditors also review and report on the Whole of Government Accounts return. This section summarises the results of our audit on the financial statements.

Audit opinion

10. We have given a qualified opinion on the financial statements of HIE for 2010/11, on the basis that HIE's group accounts do not consolidate the results of two investee companies which fall within the definition of a subsidiary under accounting standard IAS 27. These companies were subsidiaries at 31 March 2011 due to voting rights which confer to HIE when preference dividends due are in arrears. Based on the latest accounts available for the two companies concerned, the estimated omission of the Group's Net Assets is £2.277 million.

Regularity

11. In accordance with the requirements of the Public Finance and Accountability (Scotland) Act 2000, we have also provided an opinion, that in all material respects, the expenditure and receipts in the financial statements were incurred or applied in accordance with applicable enactments and guidance.

Remuneration report and statement on internal control

12. In our opinion, the audited part of the remuneration report has been properly prepared and the remaining elements of the remuneration report and management commentary are consistent with the financial statements.
13. We also confirm that we have no issues to report to you on the statement of internal control and its compliance with Scottish Government guidance.

Accounting issues

Accounts submission

14. The financial statements were submitted for audit on 7 July, in accordance with a pre-agreed timetable. The audit fieldwork was completed on 5 August with all matters, except the qualification of the group accounts, cleared with the Head of Financial Services on that date. A report covering any significant matters on the financial statements was issued to the Risk and Assurance Committee for the meeting on the 15 September 2011. The revised financial statements were signed by the Chief Executive and Accountable Officer on 27 September 2011.

Presentational and monetary adjustments to the unaudited accounts

15. HIE is required to follow the 2010/11 Government Financial Reporting Manual (the FReM). We identified a number of instances where the FReM requirements in relation to the format and content of the financial statement were not met. Many of these have been amended in the audited financial statement however some issues remain:
- The audited part of the Remuneration Report is not clearly distinguished
 - The layout of the main statements do not follow FReM or HM Treasury proformas.
16. We recommend that future processes for preparing the accounts refer to the FReM and NAO checklist to ensure compliance with public sector disclosure requirements.

Refer Action Plan No. 1

Prior year adjustments

17. All central government bodies have been affected by the removal of the cost of capital in the 2010/11 FReM. These changes are identified within the accounting policies and appropriate amendments have been made to the prior year statements.

Pension costs

18. HIE staff are members of the Highlands and Enterprise Superannuation Scheme or the Local Government Pension Scheme. The actuarial valuation of the HIE scheme at 5 April 2009 indicated a potential deficit of £27.0 million. HIE, in agreement with the HIE Pension Fund Trustees and Scottish Government have implemented a recovery plan to address the shortfall and a further lump sum contribution to the Scheme of £1.5 million was made during 2010/11. The net pension liability on the HIE Scheme at 31 March 2011 has now reduced to £8.1 million.

Whole of government accounts

19. The whole of government accounts (WGA) is the consolidated financial statements for all branches of government in the UK. HIE was required to submit a consolidation pack to the Scottish Government by 15 July 2011, prior to submission to audit. HIE submitted the

consolidation pack to the Scottish Government on 12 September. We have concluded our audit of the WGA and have no significant issues to report.

Outlook

20. The main change in the financial reporting framework (FReM) next year (2011/12) is that grants and donated assets should be recognised immediately, unless there is a condition that the recipient had not satisfied that would lead to repayment. Most grants and donated assets should be recognised as income, but grants from a sponsoring department to an NDPB should be credited to general reserves. As a consequence, the government grant reserve will no longer exist.
21. Looking further ahead, from 1 January 2013 changes to international financial reporting standards (IFRSs) will become effective. This includes the introduction of:
 - IFRS 9 - financial instruments (replacing IAS39)
 - IFRS 10 - consolidated financial statements (replacing IAS27)
 - IFRS11 - joint arrangements (replacing IAS31)
 - IFRS12 - disclosure of interest in other entities (replacing IFRS12)
 - IFRS 13 - fair value.
22. Revisions to the FReM for 2013/14 are included in the Financial Reporting Advisory Board (FRAB) forward work programme for 1 December 2011.

Audit appointment for 2011/12

23. Audit appointments are made by the Auditor General, either to Audit Scotland staff or to private firms of accountants for a five year term. 2010/11 is the last year of the current audit appointment. The procurement process for the next five years was completed in May 2011. From next year (2011/12) the auditor for HIE will continue to be Audit Scotland. As Audit Scotland will again be appointed as the auditor for HIE, we look forward to continuing the good working relationship that exists and thank officers and members of the board and committees for their assistance during the last five years.

Financial position

24. Audited bodies are responsible for conducting their affairs and for putting in place proper arrangements to ensure that their financial position is soundly based.
25. Auditors consider whether audited bodies have established adequate arrangements and examine:
- financial performance in the period under audit
 - compliance with any statutory financial requirements and financial targets
 - ability to meet known or contingent, statutory and other financial obligations
 - responses to developments which may have an impact on the financial position
 - financial plans for future periods.
26. These are key areas in the current economic circumstances. This section summarises the financial position and outlook for the organisation.

Financial results 2010/11

27. HIE is required to work within its resource budget set by the Scottish Government Business, Enterprise and Energy Directorate. Performance against resource budget for 2010/11 is detailed at Exhibit 1 below:

Exhibit 1: Performance against resource budget 2010/11 (£ million)

Limits	Budget	Actual Outturn	Difference
Non Cash Expenditure	13.7	8.2	5.5
Cash	59.3	59.3	0
Total	73.0	67.5	5.5

28. HIE underspent its non-cash resource allocation by £5.5 million in 2010/11 mainly as a result of a delay in the commencement of infrastructure expenditure.
29. The Group Statement of Comprehensive Net Expenditure shows a net operating cost after taxation for the Group of £61.834 million. The most significant elements of HIE operating costs were
- regionally significant investments of £19.894 million (£16.566 million 2009/10);
 - growth investment of £25.393 million (£24.109 million 2009/10); and
 - Management, Staff and Administration costs of £17.320 million (£22.528 million 2009/10).

Budgetary control

30. Budgetary control within HIE focuses on monitoring actual and committed expenditure of individual projects, particularly within the Block A category. The system holds project staff accountable for the expenditure incurred on individual projects. In determining the potential outturn for the year, finance staff liaise with individual project officers to quantify and confirm the accuracy of individual project performance.

Financial position at 31 March 2011

31. The Group Statement of Financial Position shows an improved net assets position of £34.758 million (£27.919 million net assets 2009/10). The movement is largely due to a reduction in the retirement benefit obligation of £11.132 million, due to improving market conditions, the move to CPI basis for pension increases and the pension recovery plan lump-sum contribution of £1.5 million.

Financial planning to support priority setting and cost reductions

32. Scottish Ministers have agreed a resource budget for HIE of £61.056 million for 2011/12, a decrease of some £7.4 million on the prior year allocation. This represents a baseline reduction of £4.5m and the removal of previous non-recurring allocations. The Scottish Government is also changing the existing Resource budget arrangements for HIE with the introduction of an Annually Managed Expenditure (AME) component.
33. During 2010/11 work was initiated across the organisation to scrutinise the budget commitment figure, in order to achieve an accurate picture of the budget challenge and known demand. A resource prioritisation framework paper was submitted to the Board meeting of 8 February 2011 which identified that staff resource had been allocated to give greater time to the identification of opportunities for alternative sources of funding and delivery vehicles. These included the supplement of grant-in-aid via income from other sources, the consideration of selling some key HIE property assets, exploration of different financial packages and funding mechanisms and a drive to maximise investment income in respect to operating costs. These opportunities are to be taken forward by the Board during 2011/12.
34. A range of steps have also been taken to improve the management of spend in 2011/12 including increased commitment levels, a two year budget allocation, a new approach to resource prioritisation and the identification of projects that could be released quickly if necessary. A weekly review of budgets has also been introduced for 2011/12.

Procurement

35. The first annual Procurement Capability Assessment (PCA) was carried out across 50 Scottish Central Government organisations in December 2009 and January 2010. As part of the 2010/11 audit, we assessed the results of HIE's participation in the PCA and provided a report to the Procurement Manager.

36. HIE's result from the first Assessment in 2009 was 33%. In a second PCA in late 2010, HIE improved its rating from conformance (33%) to improved performance (50%). Improvements were identified in 6 out of the 8 categories assessed under the PCA. The most significant improvements were identified in the following areas:
- key purchasing processes and systems
 - people
 - procurement commodity / project strategies & collaborative procurement
 - defining the supply needs
37. HIE attribute the result to improvements in the procurement of service contracts through wider advertising, monitoring performance, identifying training requirements and better contract monitoring throughout the period of the contract.
38. Our report includes a number of recommendations to ensure that HIE continues to make progress in this area including:
- HIE require to complete a full review of the 2010 PCA and complete an Implementation Plan to take forward areas requiring further work prior to the commencement of the next PCA.
 - There should be Board approval of procurement strategy and improvement plans and/or Risk and Assurance Committee monitoring of progress in relation to procurement plans.
 - All purchases over £50,000 should be reviewed to ensure compliance with the procurement framework.

Outlook

2011/12 budget

39. As outlined at paragraph 32, Scottish Ministers have agreed a resource budget for HIE of £61.056 million for 2011/12. HIE's 2011/12 Resource Plan is detailed below at Exhibit 2:

Exhibit 2 - 2011/12 Resource Plan

	Total	"Cash"	"Non Cash"
Grant In Aid	48.359	48.359	0.0
Non cash resource	12.697	0.0	12.697
Total	61.056	48.359	12.697
Other Income Sources	14.241	14.241	0.0
Total Operating Plan	75.297	62.600	12.697

40. During 2011/12 Scottish Government have made changes to the way in which HIE split its resources. HIE's budget has traditionally classified as Departmental Expenditure Limits (DEL). In future, classifications will be split between a DEL component and an Annually

Managed Expenditure (AME) component. A revised Grant in Aid letter is to be issued during 2011/12.

2011/12 budget reporting

41. As at 31 July 2011, total HIE expenditure was within budget. Total Block A expenditure was £12.993m against a pro-rata budget of £17.868 million. Block B expenditure of £5.025 million was within the profiled budget to date target of £5.133 million.

End Year Flexibility

42. As part of efforts to reduce national borrowing levels, the UK Government has announced the replacement of End Year Flexibility with a more restrictive Budget Exchange arrangement from 2011/12. The Scottish Government is in dialogue with HM Treasury about the ultimate implications for the Scottish Budget, including the extent to which it can carry forward any unspent funding from 2010/11 to future years.

Financial forecasts beyond 2011/12

43. Following the September 2011 Spending Review, the Scottish Government has indicated that it is seeking to maintain HIE's operating budget for the next three years at the current level of £61.1 million, which HIE will supplement with other funding to produce its overall budget.

Governance and accountability

44. The three fundamental principles of corporate governance – openness, integrity and accountability – apply to all audited bodies, whether their members are elected or appointed, or whether they comprise groups of people or an individual accountable officer.
45. Through its chief executive or accountable officer, each body is responsible for establishing arrangements for ensuring the proper conduct of its affairs including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements. Audited bodies usually involve those charged with governance (including audit committees or similar groups) in monitoring these arrangements.
46. Consistent with the wider scope of public audit, auditors have a responsibility to review and report on audited bodies' corporate governance arrangements as they relate to:
 - corporate governance and systems of internal control
 - the prevention and detection of fraud and irregularity
 - standards of conduct and arrangements for the prevention and detection of corruption
47. In this part of the report we comment on key areas of governance.

Corporate governance

Processes and committees

48. HIE's Audit Committee was re-named in June 2010 as the Risk and Assurance Committee (RAC). Overall, HIE's Risk and Assurance Committee (RAC) is effective and complies with CIPFA's good practice principles for audit committees. Members of the RAC serve a three year appointment with the possibility of this being extended to a second term.

Internal control

49. Key controls within systems should operate effectively and efficiently to accurately record financial transactions and prevent and detect fraud or error. This supports a robust internal control environment and the effective production of financial statements. In the annual report for 2010/11 the Head of Business Improvement and Internal Audit provided her opinion based on the internal audit work undertaken during the year, and concluded that the programme of internal audits in 2010/11 has offered assurance that HIE continues to have a broadly sound framework of internal controls.
50. As part of our audit we reviewed the high level controls in a number of HIE systems that impact on the financial statements. Our overall conclusion was that key controls were operating effectively and that HIE has adequate systems of internal control in place. We did

identify a couple of minor areas where controls could be strengthened and agreed an action plan of improvements with management.

51. The Statement on Internal Control provided by HIE's Accountable Officer reflected the main findings from both external and internal audit work. This recorded management's responsibility for maintaining a sound system of internal control and set out HIE's approach to this. There were no significant internal control weaknesses found.

Internal Audit

52. The establishment and operation of an effective internal audit function forms a key element of effective governance and stewardship. We therefore seek to rely on the work of internal audit wherever possible and as part of our risk assessment and planning process for the 2010/11 audit we assessed whether we could place reliance on HIE's internal audit function.
53. During 2010/11, a new Business Improvement and Internal Audit team replaced the previous Internal Audit and Compliance Team. The new team will play a key role in leading HIE's business improvement activities in addition to providing assurance to the HIE Accountable Officer under a separate and accountable internal audit strand.
54. We concluded that the Business Improvement and Internal Audit section operated in accordance with the Government Internal Audit Manual and we have placed reliance on its work in a number of areas during 2010/11, as we anticipated in our annual audit plan.

Cairngorm Funicular

55. In 2010 a report on the Cairngorm Funicular Railway ('the Funicular') was presented to the Scottish Parliament Public Audit Committee under Section 23 of the Public Finance and Accountability (Scotland) Act 2000.
56. During 2010/11 Internal Audit provided an update on progress against the key recommendations and themes arising from the Audit Scotland and Parliamentary Audit committee review of the Funicular and the Audit Scotland best practice checklist for major capital projects. The internal Audit review concluded that there are three key work strands being taken forward by HIE staff:
 - Ongoing oversight of the current operating company, Cairngorm Mountain Limited (CML), in its delivery of an enhanced revenue model
 - Account management of CML
 - Specification and procurement of a new operator.
57. During 2011/12, HIE intend to finalise a new management plan for CML which confirms the strategic and economic context within which the Funicular operates and will identify key tasks to deliver HIE's short and longer term objectives.

Property construction

58. In 2004, HIE entered into a framework arrangement for procurement of property construction activity with Tulloch Building Ltd. In September 2006, ROK Building Ltd acquired Tulloch's construction, civil engineering and building services division. ROK Building Ltd went into administration on 8 November 2010.
59. Following the administration of ROK, HIE highlighted a small number of payments which related to work which had not been completed at the time of ROK administration. The review identified 7 contracts where the value of work completed was potentially £131,224 less than the payments made to ROK by HIE. In line with normal procedure related to payments for projects which extend over a long time period, these payments had been made following an assessment by external surveyors. It is HIE's intention that any prepayments will be offset in the final reconciliation with ROK.

Prevention and detection of fraud and irregularities

60. HIE are responsible for establishing arrangements to prevent and detect fraud and other irregularity. Based on our review of the documentation and procedures in place, HIE has appropriate arrangements in place to prevent and detect fraud, inappropriate conduct and corruption, including policies and codes of conduct for staff and Board members.

Standards of conduct and arrangements for the prevention/detection of bribery and corruption

61. HIE are responsible for ensuring that their affairs are managed in accordance with proper standards of conduct and have proper arrangements in place for implementing and monitoring compliance with standards and codes of conduct, standing orders and financial instructions. Auditors consider whether bodies have adequate arrangements in place. We have concluded that the arrangements in HIE are satisfactory and we are not aware of any specific issues that we need to identify in this report.

Best Value, use of resources and performance

62. Accountable officers have a specific responsibility to ensure that arrangements have been made to secure Best Value.
63. The Auditor General may require that auditors consider whether accountable officers have put in place appropriate arrangements to satisfy their corresponding duty of Best Value. Where no requirements are specified for auditors in a period they may, in conjunction with their audited bodies, agree to undertake local work in this area]
64. As part of their statutory responsibilities, the Auditor General and the Accounts Commission may procure, through Audit Scotland, examinations of the use of resources by audited bodies and publish reports or guidance. Auditors may be requested from time to time to participate in:
 - a performance audit which may result in the publication of a national report
 - an examination of the implications of a particular topic or performance audit for an audited body at local level
 - a review of a body's response to national recommendations.
65. Auditors may also consider the use of resources in services or functions, where the need for this is identified through local audit risk assessments
66. During the course of their audit appointment auditors should also consider and report on progress made by audited bodies in implementing the recommendations arising from reviews in earlier years.
67. This section includes a commentary on the Best Value/ performance management arrangements within HIE. We also note any headline performance outcomes/ measures used by HIE and any comment on any relevant national reports and the body's response to these.

Management arrangements

Best Value

68. In March 2011, the Scottish Government issued new guidance for accountable officers on Best Value in Public Services. The new guidance, in essence, required public bodies to take a systematic approach to self-evaluation and continuous improvement.
69. The guidance identifies the themes which an organisation needs to focus on in order to deliver the duty of Best value, but notes that implementation should be appropriate and proportionate to the priorities, operating environment, scale and nature of the body's business.

70. The five themes and two cross-cutting themes (some of which we have commented on earlier in this report) are:
- vision and leadership
 - effective partnership
 - governance and accountability
 - use of resources
 - performance management
 - equality (cross-cutting)
 - sustainability (cross-cutting)
71. During 2010/11, HIE developed a Best Value action plan using Best Value characteristics to identify key areas of business improvement. The Plan, which was presented to the December 2010 meeting of the Risk and Assurance Committee, draws together improvement actions identified from other reviews to provide a framework against which opportunities for more effective and efficient delivery will be consolidated and monitored. The Plan has been updated during 2011/12 for the new guidance on Best Value issued by the Scottish Government.

Performance management

72. HIE published its Operating Plan for 2011-14 in March 2011. The Plan outlines the contribution HIE is making towards implementing the Government Economic Strategy, which identifies five strategic priorities critical to economic growth:
- learning, skills and wellbeing
 - supportive business environment
 - infrastructure development and place
 - effective government
 - equity
73. To address these priorities HIE has focused its activities in four areas:
- supporting businesses and social enterprises to shape and realise their growth aspirations
 - strengthening communities and fragile areas
 - developing key sectors, particularly distinctive regional opportunities
 - creating the conditions for a competitive and low-carbon region.

Overview of performance in 2010/11

74. In 2010/11 HIE measured their performance against 8 growth measures. These measures were amended from 2009/10. Some previous indicators were dropped and those remaining were amended to ensure that they continue to be challenging.

Exhibit 3 - Performance against 2010/11 Growth Measures

Description	2010/11 Target	2010/11 Actual	Actual as % of target	Reason for not attaining target
Growth measure				
Total HIE account managed businesses	350	375	107%	
Account managed businesses supported to implement growth plans	100	148	148%	
Anticipated added value to national growth generated through accounts managed businesses (year 3)	£50m	£56m	112%	
Anticipated average wage of jobs supported (year 3)	£25k	£24.3k	97%	Achievement of absolute numbers in relation to in year targets is considered to be less important than progress against the longer term strategy. This is reflected in HIE's Operating Plan 2011/14.
Total HIE account managed social	60	129	215%	

Description	2010/11 Target	2010/11 Actual	Actual as % of target	Reason for not attaining target
enterprises				
No of account managed social enterprises supported to implement growth plans	20	29	145%	
Anticipated increase in turnover through new growth plans agreed with account managed social enterprises (year 3)	£2m	£2.1m	105%	
Cumulative number of account managed communities supported to implement growth plans	18	18	100%	

National performance reports

75. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. Reports in the last year of direct interest are set out in Exhibit 2.

Exhibit 2: A selection of National performance reports 2010/11

- Improving energy efficiency: a follow-up report
- Scotland's public finances: responding to the challenges
- Role of boards: a summary for non-executive board members
- Management of the Scottish Government's capital investment programme
- The cost of public sector pensions in Scotland

Source: www.audit-scotland.gov.uk

Follow-up of National performance reports

76. During 2010/11 as part of our audit we followed up the role of boards and improving energy efficiency reports. In relation to the Role of Boards study, the full report went to the HIE Board on 8 Feb 2011, after which it was agreed that each Board member would be provided with the self-assessment questionnaire for completion, in order to identify any areas within the operation of the Board that require further investigation or improvement. For Energy Efficiency, HIE's first Carbon Management plan was approved by the HIE Board on 14 June 2011 which covered areas within HIE's Block B consumption such as business travel, waste, energy and water. Working with the Carbon Trust, HIE had recently completed the plan which set a target of a 20% reduction in carbon emissions by 31 March 2014. HIE intends to be ambitious in seeking further opportunities to reduce the organisation's carbon footprint.
77. The other national performance reports listed above have been reviewed by HIE's senior management team and their content has been noted for any information that may be useful to them in future decision making.

Appendix A: audit reports

External audit reports and audit opinions issued for 2010/11

Title of report or opinion	Date of issue	Date presented to Risk and Assurance Committee
Annual Audit Plan	21 February 2011	10 March 2011
Key financial controls assurance report	31 May 2011	15 June 2011
Report on financial statements to those charged with governance	12 September 2011	15 September 2011
Audit opinion on the 2010/11 financial statements	5 October 2011	

Appendix B: action plan

Key Risk Areas and Planned Management Action

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
1	16	<p>We identified a number of instances where the FReM requirements in relation to the format and content of the financial statement were not met. Many of these have been amended in the audited financial statement however some issues remain:</p> <ul style="list-style-type: none"> • The audited part of the Remuneration Report is not clearly distinguished • The layout of the main statements do not follow FReM or HM Treasury proformas. 	<p>Future processes for preparing the accounts will refer to the FReM and NAO checklist to ensure compliance with public sector requirements</p>		