

Highlands and Islands Enterprise

Annual report on the 2011/12 audit



Prepared for Highlands and Islands Enterprise and the Auditor General for Scotland
November 2012

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

2011/12

We have given an unqualified opinion on the financial statements of Highlands and Islands Enterprise for 2011/12.

The financial statements have been properly prepared in accordance with the FReM and contain a governance statement which complies with Scottish Government guidance. A number of prior year adjustments have been made within the audited financial statements to reflect changes in accounting policies, address an identified error and ensure appropriate consolidation of associates.

Officers have agreed to make improvements in the non-current asset register, to ensure that accounting transactions for depreciation, impairment and revaluation continue to be accurately recorded.

We have not found it necessary to repeat our 2010/11 qualification of our auditor's report on the group accounts this year. Officers have been reviewing all investments and working towards amending the basis of investment in some companies, however this area continues to present perennial risks to the completeness and accuracy of the financial statements.

Highlands and Islands Enterprise operated within the resource budget set by the Scottish Government. A significant change in the 2011/12 expenditure was the increase in capital expenditure and associated reduction in net operating expenditure of £11 million.

The final net expenditure for 2011/12 was only 0.13% higher than the initial budget position, however this required active management of expenditure towards the end of the financial year due to the underachievement of other income of £2 million.

Outlook

The Board approved a balanced budget for 2012/13 of £76 million. This excludes additional expenditure of £9.9 million for the Inverness Campus project. Alternative funding options are currently being considered. This is a key risk for the 2012/13 financial position which is being managed and it is likely that the identified solution will be implemented in the 3rd quarter of 2012/13.

Introduction

1. This report is the summary of our findings arising from the 2011/12 audit of Highlands and Islands Enterprise. 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 statements and any significant findings from our wider review of Highlands and Islands Enterprise.
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 Highlands and Islands Enterprise understands its risks and has arrangements in place to manage these risks. The 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 Highlands and Islands Enterprise and the Auditor General and should form a key part of discussions with the Risk and Assurance Committee, 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 the Risk 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 our 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. We 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.
9. We review and report on, as appropriate, other information published with the financial statements, including the management commentary, remuneration report and governance statement. This section summarises the results of our audit on the financial statements.

Audit opinions

10. We have given an unqualified opinion that the financial statements of Highlands and Islands Enterprise for 2011/12 give a true and fair view of the state of the body's affairs and its net expenditure for the year.
11. Highlands and Islands Enterprise is required to follow the 2011/12 Government Financial Reporting Manual (the FReM) and we confirmed that the financial statements have been properly prepared in accordance with the FReM. We also confirmed that relevant parts of the remuneration report had been properly prepared and that information given in the management commentary was consistent with the financial statements.
12. 2011/12 is the first year that Highlands and Islands Enterprise has been required to include a governance statement, rather than a statement on internal control, within the financial statements. We reviewed the governance statement and concluded that it complied with Scottish Government guidance.

Regularity

13. In accordance with the requirements of the Public Finance and Accountability (Scotland) Act 2000, we confirmed that the expenditure and income in the financial statements was incurred or applied in accordance with applicable enactments and guidance issued by Scottish Ministers.

Accounting issues

Accounts submission

14. We received the unaudited financial statements on 9 July 2012, in accordance with the agreed timetable. The working papers were of a high standard and the staff provided good support to the audit team enabling all outstanding points to be cleared. The revised financial statements were approved on 25 September 2012.
15. A number of presentational changes were required to the annual report and accounts as a result of our review of the disclosures required by the FReM. We also identified some monetary changes which resulted in the net expenditure of the Group increasing by £0.9 million due to:
 - correcting the basis of accounting for the share of losses in associates (£0.4 million)
 - a change in the categorisation of investment losses/gains, which are not included as "other comprehensive expenditure/income" (£0.6 million), and
 - additional rental income (£0.2 million).

Prior year adjustments

16. The main change in the FReM for 2011/12 is that grants should be recognised immediately, unless there is a condition that the recipient has not yet satisfied that would lead to grant repayment. Most grants should now be recognised as income and the government grant reserve no longer exists. Highlands and Islands Enterprise implemented this required change in accounting policy and, as a result, additional income of £0.84 million was recognised in the 2010/11 Group Statement of Comprehensive Net Expenditure. The government grant reserve in the Statement of Financial Position has been eliminated resulting in a £5.2 million increase in the opening general reserve at 31 March 2010.
17. During 2011/12 finance officers identified an error in the accounting arrangements for property factoring with balances being recognised as receivables rather than expenditure. This adjustment has resulted in additional expenditure in the 2010/11 Group Statement of Comprehensive Net Expenditure of £1.0 million. Trade receivables in the Statement of Financial Position reduced by £0.8 million at 31 March 2010.
18. We had early discussions with finance officers about a number of group entities that should be consolidated within the financial statements as associates. The impact of the consolidation of these entities is that net expenditure in the 2010/11 Group Statement of Comprehensive Net Expenditure has reduced by £0.2 million and the investment in associates in the Statement of Financial Position at 31 March 2010 increased by £0.4 million.

Non-current assets

19. All property assets are subject to annual external revaluation and we obtained sufficient evidence that the net book value of the property assets as at 31 March 2012 was not materially misstated. However audit testing identified that the non-current asset register does

not contain sufficient detail to individual asset level for some of the transactions contained within the financial statements. There are a number of aspects to this:

- Depreciation calculations are not performed on an individual asset basis. The amount in the financial statements is an overall estimated amount derived from the previous year's charge with adjustments for additions and disposals.
- Revaluation reserve balances for some assets have not been recorded. Changes in valuation in individual assets are not tracked which means that future movements may be incorrectly accounted for.
- Accounting adjustments are not made to reflect the additional depreciation charged due to previous upward revaluations. An element of depreciation should be attributed to the revaluation reserve and an annual adjustment made between general and revaluation reserves. Over time this may lead to the revaluation reserve being misstated.

20. We reviewed annual valuation exercises over the past five years in order to conclude that there are no significant upward revaluation balances, to date, that have not been recognised and that might materially affect net expenditure. Finance officers have agreed to review the non-current asset register to identify a more robust method of recording the information and separating depreciation and revaluation movements for the 2012/13 financial statements.

Refer Action Plan No. 1

Group accounts and investments

21. In 2010/11 our auditor's report on the financial statements was "qualified" as two group entities had not been included in the group accounts even though dividend arrears conferred voting rights, and control, to Highlands and Islands Enterprise. As a result of last year's issues, officers have been reviewing all investments and working towards amending the basis of investment in some companies. This ongoing work identified a potential further issue this year with a different investment. As a result of dividend arrears, there was the potential that Highlands and Islands Enterprise had 59% of the voting rights in a company and this would need to be consolidated as a subsidiary in the 2011/12 financial statements. Officers reviewed the terms of the investment and the circumstances in which control would exist and we agreed with them that voting rights had not been conferred and that consolidation was therefore not required. However this area continues to present perennial risks to the completeness and accuracy of the financial statements.

Refer Action Plan No. 2

Assets under construction

22. These are included within the accounts at cost less impairment rather than at cost. This is because the value of the asset when it is brought into operational use is often less than the cost of construction. This reflects the role that Highlands and Islands Enterprise has in economic regeneration and the absence of active property markets or intervention where there is market failure.

23. The total expected impairment of the asset is apportioned over the construction period on the basis of expenditure to date. This treatment is unusual, but we have accepted as reasonable given that there would otherwise be significant impairments recognised only on completion of individual assets. For example, a key project currently being completed is Inverness Campus which has a total project spend of £19.2 million, but an expected valuation on completion of significantly less representing a large impairment for the project. During 2011/12 part of this total impairment has been recognised.

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. We 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

Annual outturn

27. The main financial objective for Highlands and Islands Enterprise is to ensure that the outturn for the year is within the resource budget allocated by Scottish Ministers. Highlands and Islands Enterprise operated within the resource budgets for 2011/12 as detailed in Table 1 below, which also shows the budget changes that occurred during the financial year.

Table 1: Resource Budget

	Initial Budget (£'000)	Autumn Revision (£'000)	Spring Revision (£'000)	Final Budget (£'000)	Actual Outturn (£'000)	Under / (Over) spend
Resource DEL	41,059		104	41,163	-	-
Capital DEL	7,300	2,200	500	10,000	-	-
Total (Grant in aid)	48,359	2,200	604	51,163	51,126	37
Non Cash DEL	12,697	-	-	12,697	7,098	5,599
AME	-	-	10,500 ¹	10,500	6,405	4,095

Source: Grant in aid letters and RAB return schedule

28. The budget revisions resulted in additional in-year budget increases of £13.3 million.

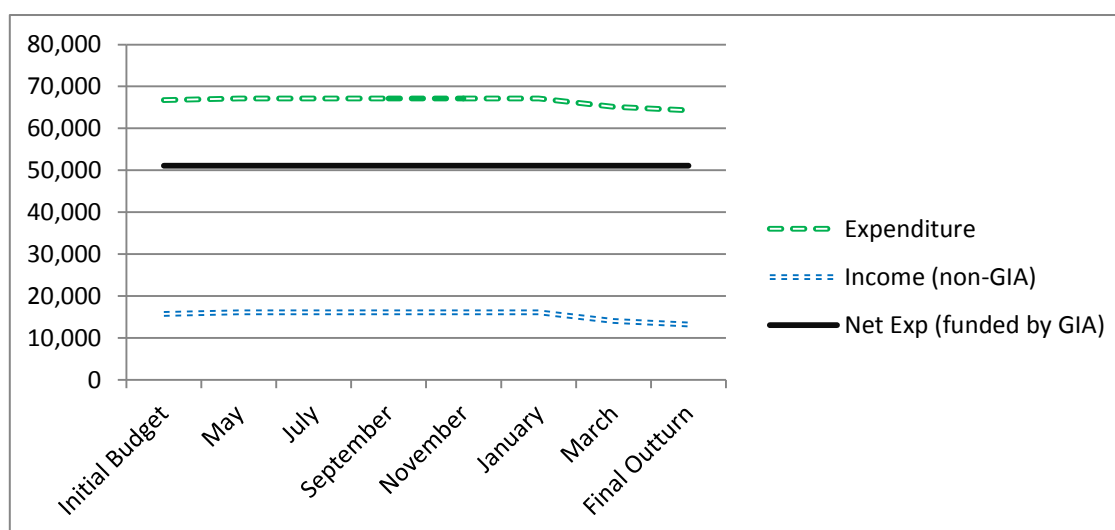
¹ not shown in the Scottish Government spring Budget Revision as scores against HM Treasury Budget

29. The significant under-utilisation of the non-cash DEL budget (department expenditure limit) is due to Highlands and Islands Enterprise being awarded an AME (annually management expenditure) allocation for the first time during 2011/12. This additional budget means that expenditure previously charged against non-cash DEL is now charged against AME including the impairment of assets under construction.
30. A significant change in the 2011/12 expenditure was the increase in capital expenditure and associated reduction in net operating expenditure of £11 million.

Budgetary control

31. Financial Statements are presented to each Board meeting providing details of the financial results for the period and the forecast outturn for the financial year. The budget reporting throughout the year detailed that actual capital income was below the profiled budget, however this was not reflected in the forecast outturn until the period 12 report. The reporting of year end financial outturn against grant in aid, is shown in Exhibit 1: The final net expenditure figure shows only a 0.13% increase from the initial budget, however this required active management of expenditure to match the underachievement of other income of £2 million, representing 12.5% of this element of the annual budget.

Exhibit 1: Financial Reporting



Source: *Financial Statements to the Board*

Financial position

32. The net asset position for Highlands and Islands Enterprise at 31 March 2012 is £27 million. Based on the information in this section of the report, we have concluded that, subject to any major change in pension valuations or Scottish Government funding, the financial position of Highlands and Islands Enterprise is stable. Its activities are financially sustainable, however there are significant risks surrounding income streams and the achievement of efficiencies. Overall the total equity of Highlands and Islands Enterprise decreased by £4 million during the year due to the increase in the pension liability.

Capital and investment 2011/12

33. In July 2011 Highlands and Islands Enterprise invested £3.4 million in ordinary shares of Wind Towers Limited, investing alongside Scottish and Southern Energy (SSE) and Marsh Wind Technology Limited (MWT). During the year Highlands and Islands Enterprise spent £7 million on the construction of assets.

Financial planning to support priority setting and cost reductions

34. In April 2012 the Board approved a balanced budget for 2012/13 of £76 million (£75 million in 2011/12). The expenditure is funded by Grant in Aid (£49 million), European funds (£5 million), capital receipts (£3 million) and revenue receipts (£6 million). The Financial Budgets 2012/13 report submitted to the Board identified 4 key risk areas and the associated impact they could have on the achievement of the budget. The most significant of these risks relate to the Inverness Campus.
35. Additional expenditure of £9.9 million in 2012/13, for the Inverness Campus, is not included in the balanced budget as plans are being considered to fund this by alternative means. Highlands and Islands Enterprise is currently discussing options and negotiating solutions based on sale and leaseback of associated land or a joint venture with local government.

Refer Action Plan No. 3

36. Recent financial reporting to the Board shows expenditure to the end of July 2012 of £21 million against a profile position of £24 million (88% of profile). The report shows a balanced forecast outturn, however there have been a number of changes since the budget was initially set, including an additional £15.5 million of Grant in Aid for "shovel-ready" projects.

Partnership working

37. In the current economic climate the area of partnership working and shared services is increasing in importance and scrutiny. Highlands and Islands Enterprise already has a partnership arrangement in place with Skills Development Scotland for the provision of information services which are outsourced to ATOS.
38. Highlands and Islands Enterprise is also part of the Scottish Government Strategic Forum. with Scottish Enterprise, Skills Development Scotland, VisitScotland and the Scottish Funding Council. A partners' efficiency programme has been established to produce proposals to identify and generate efficiency gains through the realignment or sharing of back office and corporate functions. Seven projects have been approved each of which is sponsored and led by one of the five member organisations. Highlands and Islands Enterprise is leading on the broadband and digital project and the research and analytical services project. The Scottish Government has indicated that Highlands and Islands Enterprise's contribution towards the Strategic Forum Efficiency Programme in 2012/13 is £1.6 million. They recognise that not all of this may be achieved through efficiencies and may therefore impact on the investment budget.

Refer Action Plan No. 4

Outlook

Financial forecasts beyond 2012/13

39. The Operating Plan 2012-15 contains a three year financial plan outlining the forecast expenditure across each key business area and the associated projected income. These financial plans are based on a stable Grant in Aid provision in line with the 2012/13 allocation and capital and revenue receipts. Sources of income, other than Grant in Aid, represent approximately 19% of total income over the life of the plan and Highlands and Islands Enterprise recognises the risk that accompanies these sources of income and the importance of robust financial management arrangements. The financial plans are detailed in Table 2.

Table 2: Financial Plan

	2012/13	2013/14	2014/15
	£m	£m	£m
Investment			
Supporting businesses and social enterprises	10.0	10.0	10.0
Strengthening communities and fragile areas	7.5	7.5	7.5
Developing growth sectors	11.5	12.0	12.5
Competitive and low carbon region	14.1	14.3	14.6
Development support	4.7	4.5	4.4
DEL/AME non cash expenditure	12.7	12.7	12.7
Operating costs	15.1	14.9	14.5
Total	75.6	75.9	76.2
Funded by			
Grant in Aid	48.4	48.4	48.4
DEL/AME non cash funding	12.7	12.7	12.7
European funds	5.0	5.0	5.0
Capital receipts	3.5	4.0	4.5
Revenue receipts	6.0	5.8	5.6
Total	75.6	75.9	76.2

Source: Highlands and Islands Enterprise Operating Plan 2012-15

Governance and accountability

40. 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.
41. 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.
42. Consistent with the wider scope of public audit, we 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.
43. In this part of the report we comment on key areas of governance.

Corporate governance

Overall effectiveness

44. We found that overall, corporate governance arrangements operated effectively during 2011/12.

Processes and committees

45. The Board has overall responsibility for ensuring that Highlands and Islands Enterprise fulfils its statutory duties and the aims and objectives set out by the Scottish Government in its Economic Strategy. The Board is supported by two committees, the Remuneration Committee and the Risk and Assurance Committee.
46. The *Role of boards* was published by the Auditor General in September 2011. This report examined the system of accountability of Scottish public bodies and the performance of boards in the central government sector. During the 2011/12 audit, we undertook follow-up work to assess progress made by Highlands and Islands Enterprise against key recommendations in the report.
47. The report highlights that regular reviews of how boards are working is important to ensure that they are operating as effectively as possible. Highlands and Islands Enterprise undertake a range of activities to consider the performance of the board and other committees. A review

of board activity is undertaken on an annual basis and lessons learned are used to inform forward activity. A formal assessment of the Audit Committee was completed in 2010 culminating in the name change to Risk and Assurance Committee and new terms of reference. The review used the annex to the Scottish Government handbook.

48. The report found that four-fifths of public sector organisations made board papers publicly available - three-tenths on their website and half on request. Highlands and Islands Enterprise board minutes are currently available on the website, however the meetings are held in private and no papers are available to the public, other than through freedom of information requests. A pilot exercise was completed previously where meetings were held in public and it is our view that Highlands and Islands Enterprise should consider publishing board papers, which are not commercially sensitive, on the website.

Refer Action Plan no. 5

Internal control

49. While we concentrate on significant systems and key controls in support of the opinion on the financial statements, our wider responsibilities require us to consider the financial systems and controls as a whole. The extent of this work is informed by our assessment of risk and the activities of internal audit.
50. The key controls within financial systems should operate effectively to accurately record transactions and prevent and detect fraud or error. This supports a robust internal control environment and the effective production of financial statements. As part of our audit we reviewed the high level controls operating and concluded that overall the system of internal control was operating effectively. The review identified a small number of areas where controls could be strengthened and these were reported to management in May 2012. We adjusted our financial statements approach to ensure appropriate coverage of these areas and no further issues were identified.
51. A key element of our work on internal controls is the extent of reliance that we can place on the work of internal audit. Our review established that the work of the business improvement and internal audit team is of a good quality allowing us to place reliance on a number of areas including significant transactions and income processes. This not only avoided duplication of effort but also enabled us to focus on other key risk areas.

Cairngorm Mountain Ltd

52. Cairngorm Mountain Limited became a wholly owned subsidiary of Highlands and Islands Enterprise in 2008. In April 2011 the Board agreed to undertake initial market testing to inform a wider options appraisal on securing the best economic and commercial solution for the operation of Cairngorm Mountain. The initial market testing exercise was undertaken in February 2012 and the findings were presented to the Board in April 2012. Highlands and Islands Enterprise has undertaken a full options appraisal exercise and the results are currently being considered.

Prevention and detection of fraud and irregularities

53. Audited bodies are responsible for establishing arrangements to prevent and detect fraud and other irregularity. Highlands and Islands Enterprise has robust arrangements in place to prevent and detect fraud, inappropriate conduct and corruption, including policies and codes of conduct for staff and board members.

NFI in Scotland

54. Highlands and Islands Enterprise has indicated that it will participate for the first time in the current National Fraud Initiative (NFI) exercise. This commences soon with data collection from participating organisations.
55. NFI is a counter-fraud exercise that uses computerised techniques to compare information about individuals held by different public bodies to identify circumstances that might suggest the existence of fraud or error (matches). Where matches are identified public bodies are expected to investigate these and if fraud and error has taken place, to stop payments and attempt to recover the amounts involved. The exercise also provides assurance on the effectiveness of arrangements and helps deter fraud.
56. The results from the previous NFI exercise were published by Audit Scotland in May 2012.

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

57. Audited bodies 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. Highlands and Islands Enterprise has sound arrangements in place to help ensure appropriate standards of conduct and to prevent and detect bribery and corruption.

Best Value, use of resources and performance

58. Audited bodies have responsibility to ensure that arrangements have been made to secure best value. The Auditor General may require that we consider whether accountable officers have put in place appropriate arrangements to satisfy their corresponding duty of best value. Where such requirements are not specified we may, in conjunction with audited bodies, agree to undertake local work in this area.
59. As part of their statutory responsibilities, the Auditor General may procure, through Audit Scotland, examinations of the use of resources by audited bodies and publish reports or guidance. We 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.

Management arrangements

Best Value

60. Scottish Government guidance for accountable officers on best value in public services requires a systematic approach to self-evaluation and continuous improvement. The guidance identifies the themes 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.
61. Highlands and Islands Enterprise have developed a best value action plan drawing together improvement actions against which opportunities for more effective and efficient delivery with be monitored. The Operating Plan 2012-15 contains a section on delivering best value demonstrating its importance and how it is being taken forward.

Performance management

62. The Government Economic Strategy sets out high-level targets for increasing Scotland's sustainable economic growth. These targets, along with the 16 national outcomes, inform the development of desired outcomes for the region and, in turn, the choice of regionally significant investments and enterprise programmes that Highlands and Islands Enterprise delivers. The Operating Plan 2012-15 details the performance framework and highlights the areas where they contribute to the national outcomes and targets as set out in the National Performance Framework.

Overview of reported performance in 2011/12

63. Highlands and Islands Enterprise monitored performance against the 7 key measures detailed in the Operating Plan 2011-14:
- forecast increase in turnover by supporting businesses
 - forecast increase in sales outwith Scotland by supported businesses
 - jobs supported
 - jobs supported in fragile areas
 - forecast increase in turnover in the social economy
 - number of social enterprises supported to increase social impacts
 - cumulative number of account managed communities support to implement growth plans.
64. During 2011/12 all key measures were achieved.

National performance reports

65. 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 detailed in Exhibit 2.

Exhibit 2: A selection of National performance reports 2011/12

- | | |
|--|---|
| <ul style="list-style-type: none">• Scotland's Public Finances - addressing the challenges | <ul style="list-style-type: none">• The role of community planning partnerships in economic development |
|--|---|

Source: www.audit-scotland.gov.uk

Scotland's public finances - addressing the challenges

66. The report highlights that all parts of the public sector have less to spend in 2011/12 than in 2010/11, although the level of budget reduction varies significantly with central government experiencing the biggest funding reduction of 12 per cent. Although most bodies were able to agree a balanced budget for 2011/12 the report highlights the risk that savings may not be realised and that unforeseen pressures may emerge which reduce the ability to generate future savings. The report also notes that public bodies are finding it difficult to plan beyond 2011/12 as they do not have a clear view of their future budgets. It highlights the importance of long-term financial sustainability when looking to reduce costs including consideration of key areas such as reducing workforce levels and identifying opportunities to share services.
67. The Risk and Assurance Committee considered the report at the September 2011 meeting. The committee heard details of a recent review of the administration spend including the development of an action plan to introduce greater efficiencies. The Operating Plan 2012-15 contains a 3 year financial plan showing indicative income streams and associated investment plans.

The role of community planning partnerships in economic development

68. The report details the important role that community planning partnerships have in planning and coordinating improvements to local economies and highlights the need for a more joined-up approach to achieve sustainable economic growth nationally. The report highlights that existing accountability arrangements should be used to hold all partners to account for their contribution in delivering the single outcome agreement priorities.
69. The Risk and Assurance Committee was provided with details of the report at the January 2012 meeting and the key recommendations were noted.

Appendix A: audit reports

External audit reports and audit opinions issued for 2011/12

Title of report or opinion	Date of issue	Date presented to Audit and Risk Committee
Annual Audit Plan	13 February 2012	13 March 2012
Key financial controls assurance report	31 May 2012	19 June 2012
Report on financial statements to those charged with governance	7 September 2012	18 September 2012
Audit opinion on the 2011/12 financial statements	7 September 2012	18 September 2012

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	20	<p>The non-current asset register does not contain sufficient detail to individual asset level.</p> <p><i>Risk - Non-current assets are not correctly accounted for in the financial statements.</i></p>	<p>The information in the non-current asset register will be enhanced to ensure it provides the relevant information.</p>	Head of Financial Services	31 March 2013
2	21	<p>Some of the investments held by Highlands and Islands Enterprise contain arrangements whereby voting rights are conferred when dividends are in arrears.</p> <p><i>Risk - The group financial statements do not correctly reflect the group relationships for some entities.</i></p>	<p>A review of all investments is ongoing to identify exit strategies and execute them where appropriate.</p>	Director of Corporate and Financial Services	31 March 2013
3	35	<p>The 2012/13 financial reporting has identified an additional funding requirement of £9.9 million for the Centre for Health Science as part of the Campus project.</p> <p><i>Risk - Failure to achieve this additional funding will have a significant impact on the financial position of Highlands and Islands Enterprise.</i></p>	<p>A range of funding options are currently being investigated.</p>	Director of Corporate and Financial Services	31 December 2012

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
4	38	<p>Highlands and Islands Enterprise is working with the Strategic Forum Partners to generate efficiency gains.</p> <p><i>Risk - The delivery of efficiency savings is not achieved resulting in an impact on the financial position.</i></p>	<p>Work is ongoing with partners to ensure full co-operation.</p> <p>Action plans will be completed for the delivery of the identified efficiencies.</p>	Director of Corporate and Financial Services.	31 March 2013
5	48	<p>Board meetings are held in private and papers are not available to the public.</p> <p><i>Risk - A public perception develops that Highlands and Islands Enterprise is not sufficiently open and transparent.</i></p>	<p>Further consideration will be given to including board papers on the website.</p>	Director of Corporate and Financial Services	31 March 2013