

# Highlands and Islands Enterprise

2021/22 Annual Audit Report



 AUDIT SCOTLAND

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

December 2022

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# Key messages

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## 2021/22 annual report and accounts

- 1 The financial statements of Highlands and Islands Enterprise and its group give a true and fair view of the financial position at 31 March 2022 and their net expenditure for the year.
- 2 The expenditure and income in the financial statements were incurred and applied in accordance with applicable enactments and guidance.
- 3 The other information in the annual report and accounts is consistent with the financial statements and is in accordance with the legal requirements.

## Financial management and sustainability

- 4 HIE operated within its revised budget, including authorised overspends, in 2021/22.
- 5 HIE has appropriate and effective financial management in place with regular budget monitoring reports provided to the Board.
- 6 Controls within the main financial systems are operating effectively while standards for the prevention and detection of fraud remain appropriate.
- 7 HIE continues to face significant financial uncertainties and cost pressures in 2022/23.

## Governance, transparency, and value for money

- 8 Governance arrangements are appropriate and support oversight of HIE's activities and finances, but openness and transparency could be improved.
- 9 HIE continues to take steps to improve its governance of cyber security.
- 10 An appropriate Best Value framework is in place.
- 11 HIE shows a strong commitment to promoting and complying with equalities legislation.
- 12 Performance monitoring has continued throughout 2021/22 and HIE met or exceeded all of its targets in 2021/22. There is scope to improve performance reporting by completing data quality checks before performance information is presented to the Board.

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# Introduction

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1. This report summarises the findings from our 2021/22 audit of Highlands and Islands Enterprise (HIE).
2. The scope of our audit was set out in our Annual Audit Plan presented to the March 2022 meeting of the Risk and Assurance Committee. The main elements of our audit work in 2021/22 have been:
  - an audit of HIE's 2021/22 annual report and accounts including the issue of an independent auditor's report setting out our opinions
  - a review of HIE's key financial systems
  - consideration of the four audit dimensions that frame the wider scope of public audit set out in the Code of Audit Practice 2016.

## Adding value through the audit

3. We add value to HIE through the audit by:
  - identifying and providing insight on significant risks, and making clear and relevant recommendations
  - providing clear and focused conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability
  - sharing intelligence and good practice through our national reports ([Appendix 2](#)) and good practice guides.

## Responsibilities and reporting

4. HIE has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing an annual report and accounts that are in accordance with the accounts direction from the Scottish Ministers.
5. HIE is also responsible for establishing appropriate and effective arrangements for governance, propriety, and regularity.
6. Our responsibilities as independent auditor are established by the Public Finance and Accountability (Scotland) Act 2000 and the Code of Audit Practice 2016, and supplementary guidance and International Standards on Auditing in the UK. As public sector auditors we give independent opinions on the annual report and accounts. Additionally, we conclude on the appropriateness and effectiveness of the performance management arrangements, the suitability and effectiveness of corporate governance arrangements, the financial position, and arrangements for securing financial sustainability. Further details of the

respective responsibilities of management and the auditor can be found in the Code of Audit Practice 2016 and supplementary guidance.

**7.** This report raises matters from our audit. Weaknesses or risks identified are only those which have come to our attention during our normal audit work and may not be all that exist. Communicating these does not absolve management from its responsibility to address the issues we raise and to maintain adequate systems of control.

**8.** Our annual audit report contains an agreed action plan at [Appendix 1](#). It sets out specific recommendations, the responsible officers, and dates for implementation. It also includes any outstanding actions from last year and progress against these.

## Auditor Independence

**9.** Auditors appointed by the Auditor General must comply with the Code of Audit Practice and relevant supporting guidance. When auditing the financial statements auditors must comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies.

**10.** We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services and the 2021/22 audit fee of £144,110 as set out in our 2021/22 Annual Audit Plan remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

**11.** This report is addressed to both HIE and the Auditor General for Scotland and will be published on Audit Scotland's website [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk) in due course.

## Audit appointment from 2022/23

**12.** The Auditor General for Scotland is responsible for the appointment of external auditors to central government bodies. External auditors are usually appointed for a five-year term either from Audit Scotland's Audit Services Group or a private firm of accountants. The current appointment round was due to end in 2020/21 but this was extended for a year so that 2021/22 is the last year of the current appointment round.

**13.** The procurement process for the new round of audit appointments was completed in May 2022. From financial year 2022/23 Audit Scotland will continue to be the appointed auditor for HIE.

**14.** A new [Code of Audit Practice](#) applies to public sector audits for financial years starting on or after 1 April 2022. It replaces the Code issued in May 2016.

**15.** We would like to thank Board members, Risk and Assurance Committee members, management, and other staff, particularly those in finance for their co-operation and assistance over the last six years.

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# 1. Audit of 2021/22 annual report and accounts

The principal means of accounting for the stewardship of resources and performance

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## Main judgements

The financial statements of HIE and its group give a true and fair view of the financial position at 31 March 2022 and their net expenditure for the year.

The expenditure and income in the financial statements were incurred and applied in accordance with applicable enactments and guidance.

The other information in the annual report and accounts is consistent with the financial statements and is in accordance with the legal requirements.

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## Our audit opinions on the annual report and accounts are unmodified

**16.** The annual report and accounts for the year ended 31 March 2022 were approved by the Risk and Assurance Committee on 6 December 2022. As reported in the independent auditor's report:

- the financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework
- expenditure and income were regular and in accordance with applicable enactments and guidance
- the audited part of the remuneration and staff report, performance report and governance statement were all consistent with the financial statements and properly prepared in accordance with the relevant legislation and directions made by Scottish Ministers.

## The unaudited annual report and accounts were submitted in line with our agreed audit timetable, but the performance report had not been finalised prior to submission for audit

**17.** The unaudited annual report and accounts were received in line with our agreed audit timetable on 16 August 2022. Overall, we received good support from HIE staff which enabled us to complete the audit in accordance with the agreed timetable.

**18.** We were advised, at the Risk and Assurance Committee meeting on 20 September, that the performance report was to be revised to include comments from HIE's sponsor department and RAC members. As a result our audit work on the performance report was delayed until 20 October when we received the revised report. In addition, there were delays in providing documentation to support the disclosures in the revised performance report.

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## Recommendation 1

HIE should ensure its accounts preparation timetable includes sufficient time for its sponsor department to review and comment on the performance report before it is submitted for audit. In addition, a clear audit trail should be maintained of the evidence used to support the information included in the performance report.

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## Overall materiality is £847,000

**19.** Our initial assessment of materiality was carried out during the planning phase of the audit. This was reviewed and revised on receipt of the unaudited annual report and accounts and is summarised in [Exhibit 1](#). The revised materiality had no impact on our audit approach.

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### Exhibit 1

#### Materiality values

Materiality level	Amount
Overall materiality	£847,000
Performance materiality	£339,000
Reporting threshold	£42,000

Source: Audit Scotland

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**20.** We considered the following factors in determining performance materiality:

- our understanding of HIE
- the nature and extent of misstatements identified in previous years
- issues identified from our risk assessment procedures.

## We have significant findings to report on the annual report and accounts

**21.** International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance, including our view about the qualitative aspects of the HIE's accounting practices. Our significant findings are summarised in [Exhibit 2](#).

### Exhibit 2

#### Significant findings from the audit of financial statements

Issue	Resolution
<p><b>1. Event after the reporting period - increase in provision for reinstatement of the funicular</b></p> <p>The unaudited accounts included a provision of £10.3 million for the estimated costs of reinstatement of the funicular. During the audit, HIE reviewed the provision to ensure it reflected the increase in costs of raw materials since the year-end.</p>	<p>The amendment increased net expenditure and provisions and reduced taxpayers' equity by £1 million.</p> <p>An 'events after the reporting period' disclosure has also been included in the annual report and accounts.</p> <p>We are content with the accounting adjustment and disclosures.</p>
<p><b>2. Accounting for the reinstatement of the funicular</b></p> <p>Our review of the disclosures in Note 19 Provisions highlighted inconsistencies in how the provision for the reinstatement of the funicular was being recognised and utilised in the accounts. In particular, the amount utilised did not agree to the amount of expenditure in the year. In addition, we noted that the amount of provision utilised (£10.1 million) had not been offset against the relevant expenditure in the Statement of Comprehensive Net Expenditure (SoCNE).</p>	<p>The audited accounts were amended to correct the disclosures associated with the provision for the reinstatement of the funicular. The amendments impacted on the disclosures within SoCNE and Note 19 but did not have any impact on net expenditure, net liabilities, or taxpayers' equity. The prior year disclosures were also amended.</p> <p>We are content with the accounting adjustments and disclosures.</p>
<p><b>3. Event after the reporting period - increase in expected credit loss recognised for loans</b></p> <p>During the audit HIE revised the expected credit loss provision required under IFRS 9 for a number of loans. This was based on their on-going review of loan repayments and the financial position of entities who have received loans.</p>	<p>The amendment increased net expenditure by £0.5 million and reduced financial assets by the same amount.</p> <p>An 'events after the reporting period' disclosure has not been included in the annual report and accounts as the amount is not material.</p> <p>We are content with the accounting adjustment and disclosures.</p>



22. [Exhibit 3](#) sets out the significant risks of material misstatement to the financial statements we identified in our 2021/22 Annual Audit Plan. It summarises the further audit procedures we performed during the year to obtain assurances over these risks and the conclusions from the work completed.

## Exhibit 3

### Significant risks of material misstatement in the financial statements

Audit risk	Assurance procedure	Results and conclusions
<p><b>1. Risk of material misstatement due to fraud caused by the management override of controls</b></p> <p>As stated in International Standard on Auditing (UK) 240, management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.</p>	<p>Assessed design and implementation of controls over journals.</p> <p>Tested journals at year-end and post-closing entries focusing on significant risk areas.</p> <p>Tested journal entries across the year.</p> <p>Evaluated significant transactions outside normal business.</p> <p>Assessed controls in place for identifying and disclosing related party transactions.</p> <p>Assessed any changes to methods and underlying assumptions used to prepare accounting estimates.</p> <p>Substantive testing of income and expenditure around year-end to confirm they are accounted for in the correct year.</p> <p>Focused testing of accruals and prepayments.</p>	<p>We found the controls over journal entry processing to be operating satisfactorily.</p> <p>We reviewed a sample of journal entries and found no errors.</p> <p>There were no significant transactions outside the normal course of business.</p> <p>No issues were identified regarding the controls over identifying and disclosing related party disclosures.</p> <p>There were no changes to the methods and underlying assumptions used to prepare accounting estimates.</p> <p>Our income and expenditure testing did not identify any issues that suggested items were not being accounted for in the correct year.</p> <p>Our testing of accruals and prepayments did not identify any issues that would indicate management override of control.</p> <p><b>Conclusion:</b> Satisfactory, there is no evidence of management override of controls.</p>
<p><b>2. Risk of material misstatement in accounting estimates and judgements in provisions.</b></p> <p>There is a significant degree of subjectivity in determining</p>	<p>Reviewed whether disclosure reflects our understanding of the business.</p> <p>Reviewed the work done by management and rationale</p>	<p>We concluded that the disclosures reflected our understanding of the business but noted some issues with how the accounting entries were</p>

Audit risk	Assurance procedure	Results and conclusions
<p>provisions relating to the reinstatement of the Cairngorm funicular.</p> <p>There is potential for material change in costs as a result of market prices and the complexity of the location of this project.</p> <p>There is a risk of misstatement in the accuracy of amounts provided in the financial statements.</p>	<p>used to assess costs included in the provision.</p> <p>Substantive testing of information used to assess provisions and related disclosures.</p>	<p>reflected in the accounts (see Exhibit 2, item 2).</p> <p>We reviewed the methodology employed by management for estimating the provision and concluded it was reasonable. As in previous years, management reviewed and increased the provision prior to the conclusion of the audit (see Exhibit 2, item 1).</p> <p>Substantive testing of the amounts included in the revised provision did not identify any issues.</p> <p><b>Conclusion:</b> Satisfactory</p>

## Other areas of audit focus

**23.** We identified in our 2021/22 Annual Audit Plan areas where we considered there to be other risks of material misstatement to the financial statements. Based on our assessment of the likelihood and magnitude of the risk, we did not consider these to represent significant risks.

**24.** The areas of specific audit focus were:

- Estimates and judgements: valuation of pension liabilities and land and buildings. HIE relies on external management experts (actuaries and professional valuers) to provide information that is subsequently included in its annual report and accounts.

**25.** As part of our audit, we reviewed the work of these management experts, and considered the controls HIE has in place over the expert's work. There are no matters which we require to bring to your attention.

## Officers made adjustments totalling £1.6 million to the unaudited accounts

**26.** It is our responsibility to request that all misstatements, other than those below the reporting threshold, are corrected, although the final decision on making the correction lies with those charged with governance considering advice from senior officers and materiality.

**27.** There was one material adjustment to the annual accounts presented for audit (item 2, Exhibit 2) which had no impact on net expenditure, net liabilities, nor taxpayers' equity. The adjustment reflects the full extent of the potential misstatement for this item and so further audit procedures were not required.

**28.** The accounts were also updated to reflect information received after the reporting period (Exhibit 2, items 1 and 3) and one of these amendments was material. We have reviewed the basis for management's revised estimates and concluded that they reflect the best information available at the date the accounts were authorised for issue.

**29.** In addition to the adjustments set out in Exhibit 2, there were four smaller adjustments relating to the classification of income from investments (£68,000), the understatement of deferred rent income (£92,000), overstatement of debtors (£63,000) and to reflect audit adjustments to a subsidiary's accounts (£107,000). We reviewed the nature and causes of these adjustments and considered if additional testing was required. We concluded that they arose from issues that have been isolated and identified in their entirety and do not indicate further systemic error.

**30.** The adjustments increased net expenditure in the Group Statement of Comprehensive Net Expenditure and net liabilities in the Group Statement of Financial Position by £1.6 million in the audited annual accounts.

**31.** Management have adjusted all identified misstatements above our reporting threshold and so there are no unadjusted errors to report.

## **The performance report was revised to meet requirements of the FReM**

**32.** The performance report should provide information on HIE, its main objectives and the principal risks it faces. Additionally, it should provide a fair, balanced, and understandable analysis of HIE's performance as well as helping stakeholders understand the financial statements.

**33.** In previous years, we have recommended that HIE should review the content and presentation of its performance report against Annex 5 of the Financial Reporting Framework (FReM) and Audit Scotland's good practice guide. Our review of the 2021/22 performance report noted that some areas which had been amended in response to our audit last year had reverted to the unaudited position and required amendment again this year to ensure compliance with the FReM. We discussed matters with management who agreed to update the report. We concluded the audited performance report meets the requirements of the FReM.

**34.** Last year, we also recommended that HIE should make clearer how financial information contained in the annual report relates to the main financial statements. In response to our recommendation, the Director of Finance and Corporate Services reviewed the content and presentation of the financial information to be included in the 2021/22 performance report. Our review noted that the overall presentation of the financial information was improved although there were a number of examples where figures were not consistent, or easily reconciled, with the financial statements.

## Recommendation 2

HIE should review the content and presentation of its performance report against Annex 5 of the FReM and Audit Scotland's good practice guide prior to submission for audit. It should also ensure consistency of disclosures both within the annual report and with the financial statements.

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### Progress was made on prior year recommendations

**35.** HIE has made progress in implementing our prior year audit recommendations. Three of the six brought forward recommendations are complete with two others in progress and one outstanding. For actions not yet fully implemented, revised responses and timescales have been agreed with management, and are set out in [Appendix 1](#).

## 2. Financial management

Financial management is about financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.

### Main judgements

HIE operated within its revised budget, including authorised overspends, in 2021/22.

Controls within the main financial systems were operating effectively while standards for the prevention and detection of fraud remain appropriate.

### HIE operated within its revised budget including authorised overspends in 2021/22

36. HIE's main financial objective is to ensure that the financial outturn for the year is within the budget allocated by Scottish Ministers. HIE's financial performance against Departmental Expenditure Limits (DEL) is shown in [Exhibit 4](#).

#### Exhibit 4 Performance against DEL in 2021/22

Performance	Initial budget £m	Final budget £m	Outturn £m	Over/(under) spend £m
Resource	32.645	33.476	34.661	1.185
Capital	30.200	48.448	47.499	(0.949)
Financial Transactions	2.600	1.250	0.550	(0.700)
	65.445	83.174	82.710	(0.464)
Expected credit losses	-	-	(1.948)	(1.948)
Total DEL	65.445	83.174	80.762	(2.412)

Source: HIE Grant in Aid letters issued by Scottish Government, HIE's 2021/22 annual report and accounts

**37.** HIE and its group reported an outturn of £80.8 million for 2021/22 against a resource budget of £83.2 million, an underspend of £2.4 million. This was made up of:

- £1 million underspend on the capital budget which is mainly due to slippage on large construction projects
- £0.7 million underspend on the financial transactions budget due to delays in enabling works which were subsequently funded by capital grant
- £1.9 million reversal of expected credit losses which was mainly due to the sale of shares which had been fully written-down in previous years
- £1.2 million overspend on the resource budget which is well within the £2.8 million overspend authorised by the Scottish Government (see paragraph 39 for details). HIE underspent its authorised overspend for Cairngorm Mountain (Scotland) Limited by £0.7 million and its general revenue budget by £0.8 million. The underspend for CMSL was due to operating income being more than expected whilst the underspend of the general revenue budget resulted from Covid consequential funding received in year. The outturns for Cairngorm project management costs and Covid support schemes were in line with the authorised overspends.

### **HIE received additional grant in aid funding totalling £17.7 million during the year**

**38.** HIE had an initial grant in aid budget of £64.5 million. As shown in [Exhibit 3](#) above, there was a significant increase in Scottish Government funding over the course of the year. The most significant elements of the changes in the budget were:

- additional RDEL allocation for strengthening communities' projects (£0.6 million) and for funding of Covid-19 business support schemes (£0.2 million)
- additional CDEL allocation in respect of funding for Wave Energy Scotland (£6 million), and major projects including the Cairngorm funicular reinstatement (£7.4 million), £1.1 million for an energy project which Scottish Government later agreed could be used to fund Space Hub Sutherland and the Nigg East Quay project (£5.4 million). This was partially offset by £3.9 million of CDEL which HIE returned following the completion of the Digital Scotland Superfast Broadband programme.

**39.** In addition, the Scottish Government agreed that HIE could overspend its RDEL allocation by up to £2.8 million comprising funding to support anticipated losses for HIE's subsidiary, Cairngorm Mountain (Scotland) Limited (£2 million); Cairngorm project management costs (£0.5 million) and Covid support schemes (£0.3 million).

## Effective arrangements are in place for budget monitoring

**40.** Our review of the Board's budget monitoring and control processes concluded that effective arrangements are in place. Budget monitoring reports are regularly presented to the Board and monthly management accounts are prepared. HIE's progress against budget and its financial position are discussed regularly at Leadership Team meetings.

## Net liabilities decreased by £26.4 million

**41.** HIE's net group liabilities decreased by £26.4 million from £37.7 million to £11.3 million at 31 March 2022. This was mainly due to:

- £13.7 million reduction in net pension liabilities
- £11.6 million increase in current assets mainly due to increased cash balances (£7.4 million) and increased trade receivables (£3.9 million).

## Financial systems of internal control were operating effectively

**42.** Auditing standards require external auditors to obtain an understanding of the accounting and internal control systems that exist within the audited body to allow us to plan and develop an effective audit approach for the annual accounts.

**43.** Our 2021/22 testing concluded that the controls tested were operating effectively with two exceptions (see [Exhibit 5](#) for details). We carried out additional work in response to these findings as part of our audit of the 2021/22 financial statements. No significant internal control weaknesses were identified during the audit which could affect HIE's ability to record, process, summarise and report financial and other relevant data properly.

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### Exhibit 5

#### Key controls – findings and additional audit work

Issue identified	Additional audit work/ recommendation
<p><b>1. Approval of expenditure on HMS</b></p> <p>HIE moved from HMS to MyHIE as their main project management system in June 2021. Access to the HMS system was not available when we undertook our interim testing and so we could not test controls over the approval of expenditure for the first three months of the year.</p> <p><b>There is a risk that expenditure has been processed outwith the normal approval processes.</b></p>	<p>We increased the number of expenditure transactions we substantively tested from first three months of the year.</p> <p>No issues were identified.</p>

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Issue identified	Additional audit work/ recommendation
<p><b>2. MyHIE/CODA reconciliations</b></p> <p>Prior to the introduction of MyHIE, there was a fortnightly reconciliation between HMS and CODA. When MyHIE was introduced, this was changed to a monthly reconciliation. Audit testing identified that reconciliations covering the period August to December 2021 were not reviewed and authorised until December 2021.</p> <p><b>There is a risk that reconciling items are not investigated in a timely manner and fraudulent or erroneous transactions are not promptly detected.</b></p>	<p>We reviewed the February and March reconciliations and concluded that they had been timeously reviewed and authorised.</p> <p>We also reviewed the year-end reconciliation to ensure that all differences were investigated and resolved.</p> <p>No issues were identified.</p>

## Internal audit remains effective

**44.** We reviewed HIE's internal audit arrangements in accordance with International Standard on Auditing (UK) 610 (Using the Work of Internal Auditors) to determine the extent to which we could use the work of internal audit.

**45.** Internal audit is provided by an in-house team supported by additional resources provided by a firm of accountants. Specialist IT audit services are provided by an independent third party on behalf of HIE and their partners in Enterprise Information Services (EIS) (the shared IT arrangement with Skills Development Scotland, Scottish Enterprise, and South of Scotland Enterprise).

**46.** Our review concluded that HIE's internal audit arrangements are effective. We placed reliance on internal audit's testing of significant transactions and its work on the certificates of assurance which support the governance statement. This works supports our audit opinion.

## Arrangements for the prevention and detection of fraud and error and for maintaining standards of conduct are appropriate

**47.** HIE is responsible for establishing arrangements for the prevention and detection of fraud, error and irregularities, bribery, and corruption. Furthermore, the Board is responsible for ensuring that its affairs are managed in accordance with proper standards of conduct by putting effective arrangements in place.

**48.** We concluded that HIE has appropriate arrangements for the prevention and detection of fraud, error, and irregularities. We also reviewed arrangements to maintain standards of conduct including the codes of conduct for both staff and Board members and registers of interest. We concluded that HIE has established procedures for preventing and detecting any breaches of these standards.



**49.** The National Fraud Initiative (NFI) is a counter-fraud exercise across the UK public sector which aims to prevent and detect fraud. We reviewed HIE's NFI arrangements and concluded that it is proactive in investigating matches and reporting the outcomes of NFI activity to the Risk and Assurance Committee.

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# 3. Financial sustainability

Financial sustainability looks forward to the medium and long term to consider whether HIE is planning effectively to continue to deliver its services

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## Main judgements

HIE continues to face significant financial uncertainties and cost pressures in 2022/23.

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### HIE continues to face significant financial uncertainties and cost pressures in 2022/23

**50.** HIE's 2022/23 budget was approved by the Board in March 2022. The approved budget shows that HIE plans to spend £97.6 million (revenue and capital) in 2022/23. This will be funded by £84.5 million grant in aid from the Scottish Government, and revenue (£2.7 million) and capital (£5 million) receipts. As in previous years, the approved budget includes an element (£5 million) of 'over-programming' which HIE will manage through expected slippage in spending plans and additional funding requests.

**51.** The 2022/23 budget anticipates significant (£20.3 million) in-year additions to grant in aid funding provided by the Scottish Government. This is mostly due to the inclusion of a number of large projects (including Cairngorm funicular reinstatement, Space Hub Sutherland, and Wave Energy Scotland) where Scottish Government funding has not yet been confirmed.

**52.** There has been no increase in the revenue budget for management, administration, and staff costs from that approved for 2021/22. HIE acknowledges that this will be challenging with efficiencies required to fund pay awards and non-pay inflation. Current estimates are that efficiencies of 7.6% will be required if HIE is to deliver within this budget.

### Reinstatement of the Cairngorm funicular is nearing completion but has cost more than expected due to Covid-19, extreme weather, and technical challenges

**53.** The Cairngorm funicular has been out of service since September 2018. In October 2020, HIE and the Scottish Government announced that £20 million would be invested in Cairngorm to sustain the resort as a year-round attraction and important national asset.

**54.** Preparatory work began on the reinstatement in November 2020 with the major strengthening works commencing in April 2021. The project was originally planned to conclude in Autumn 2021, but progress was hampered by Covid-19 restrictions, extreme weather, and unforeseen technical challenges. Work is

now substantially complete, and it is expected that the funicular will be back in service in early 2023.

**55.** The delays together with cost inflation in the construction industry and the weakness of sterling in international exchange markets have all impacted on the cost of the project, which is now estimated at £25 million, an increase of £8.8 million on the original budget. HIE had reallocated uncommitted funds from the wider Cairngorm masterplan capital investment package to meet the additional costs and in June 2022 the Scottish Government allocated £7 million additional funding to support completion of the funicular. This additional funding should enable HIE to manage the completion of the work without negatively impacting on other capital activity.

**56.** The masterplan for the Cairngorm Estate was published in June 2021. HIE's 2022/23 budget includes £0.7 million to establish three kilometres of mountain biking trails and an uplift system on the lower slopes of the mountain as a first step to delivering the 25-year masterplan.

**57.** Cairngorm Mountain will continue to put strain on HIE's finances and its plans for financial sustainability for the foreseeable future. We will continue to monitor developments.

### **HIE provided £2.1 million of funding to Cairngorm Mountain (Scotland) Limited during 2021/22**

**58.** Cairngorm Mountain resort reopened from Covid-19 lockdown restrictions in April 2021. As a result, the company managing activities on Cairngorm, Cairngorm Mountain (Scotland) Limited (CMSL), which is a subsidiary of HIE, experienced a significant increase in its business compared to the previous year. This in turn reduced the amount of revenue grant funding (£1 million) provided by HIE to enable CMSL to record a break-even position in its 2021/22 accounts.

**59.** HIE also gave CMSL a capital grant of £1.1 million in 2021/22. The majority of this (£0.6 million) was used to fund the extensive refurbishment of the Ptarmigan building that sits on the plateau and includes the UK's highest restaurant, a shop, exhibition space and viewing platforms. The refurbishment started at the end of August 2021 and was completed in summer 2022. The restaurant will reopen once the funicular returns to service.

### **HIE's pension fund deficit decreased during 2021/22, but remains a significant longer-term liability**

**60.** The 2021/22 annual accounts report that HIE's pension schemes are in deficit with liabilities exceeding assets by £46.9 million (2020/21: £60.6 million) resulting in group net liabilities of £12.9 million at the year end. The HIE pension scheme accounts for most of this deficit with an excess of liabilities over assets of £45.4 million as at 31 March 2022 (£57.1 million as at 31 March 2021).

**61.** The Scottish Government has provided HIE with guarantees for the local government pension schemes to cover the costs associated with any cessation event (triggered when HIE no longer has any active members in a pension scheme). This is an important safeguard as HIE is a member of three local government pension schemes with decreasing numbers of active members.

The Scottish Government has also provided a guarantee which covers the HIE pension scheme liability.

**62.** HIE has previously implemented a recovery plan, which was updated in April 2021, to address the deficit on the HIE pension scheme. The recovery plan includes additional lump sum employer contributions. HIE made a lump sum payment of £0.6 million during 2021/22 to reduce its pension deficit.

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# 4. Governance and transparency

The effectiveness of scrutiny and oversight, and transparent reporting of information

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## Main judgements

Governance arrangements are appropriate and support oversight of HIE's activities and finances.

Openness and transparency could be improved.

HIE is taking steps to further improve its governance of cyber security.

HIE shows a strong commitment to promoting and complying with equalities legislation.

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## HIE has appropriate governance arrangements in place

**63.** HIE is governed by a Board that is accountable to Scottish Ministers. The Board is accountable for the overall direction of the organisation within the strategic and funding framework set by Scottish Ministers.

**64.** The Board is supported by two sub-committees: risk and assurance (RAC), and remuneration, and two sub-groups that consider issues related to Cairngorm Mountain, and Space.

**65.** The RAC met four times during 2021/22. Agendas follow a standard format and papers are circulated to members in advance, allowing adequate time for members to review. We attend all RAC meetings and are satisfied that members provide appropriate scrutiny of submitted reports.

**66.** We have concluded that HIE had appropriate governance arrangements in place throughout 2021/22.

## Openness and transparency could be improved

**67.** Openness and transparency in how a body operates and makes decisions is key to supporting understanding and scrutiny. Transparency means that the public has access to understandable, relevant, and timely information about how the Board is taking decisions and how it is using its resources.

**68.** In previous years we have reported significant delays in publishing minutes of Board and RAC meetings on HIE's website. In response, officers advised that

they had set a target for minutes of future Board and RAC meetings to be published within 10 working days of their approval.

**69.** A recent review of HIE's website noted that more work is required to ensure that Board and RAC minutes are published within the target timescale. Minutes of Board meetings in April and June have still to be published, as well as minutes from the RAC meeting in June. We also noted that funding approvals, which should be published quarterly, are not up to date on the website.

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### Recommendation 3

HIE should ensure that it publishes minutes of Board and RAC meetings in line with its target timescales and that funding approvals are published promptly after the end of each quarter.

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### HIE is taking steps to further improve its governance of cyber security

**70.** Public bodies should ensure that they have the capacity and capability to respond to increasing risks to cyber security. They should have risk assessment processes in place for recording activities and learning including the cost impact of responding to a cyber-attack.

**71.** HIE has a shared Enterprise Information Service (EIS) arrangement with Skills Development Scotland, Scottish Enterprise, and South of Scotland Enterprise.

**72.** Internal audit carried out a follow-up review of EIS's cyber security arrangements in 2021/22. Its report, published in December 2021, concluded that cyber security remains a material risk for the partnership. The report was graded 4 (the second highest priority for attention).

**73.** Internal audit highlighted the need for EIS to continue to invest in and sustain an appropriate cyber security programme, particularly given recent examples of serious and complex cyber-attacks at other public bodies.

**74.** The report reflected the progress made by the partnership since internal audit's 2019 EIS cyber security review. Internal audit noted, however, that EIS support less than 25 per cent of the partnership's IT estate. This means there is a material risk that partner cyber security risks and vulnerabilities are not fully mapped out, understood and managed.

**75.** The EIS partnership board has discussed the report and agreed its recommendations.

**76.** In addition to the systems managed by EIS, HIE have a number of systems which are either partially managed by EIS (e.g. Objective Connect) or managed internally by HIE including key systems such as ledger, payroll and expenses. HIE is currently seeking to transfer management of the partially managed systems to EIS. HIE has also asked EIS to take on management of its new finance and payroll system.

**77.** HIE's officers regularly present updates on HIE's cyber security arrangements to the Risk and Assurance Committee. The most recent of these, in September 2022, notes that there have been nine reviews of cyber security arrangements in the last year. All of these reviews have resulted in action plans which together amount to a significant programme of work. HIE acknowledges that the speed of implementation of these actions is dependent on in-house resources which are extremely limited although these are being reviewed. As a result, HIE aims to maximise the use it makes of its significant investment in EIS's expertise by migrating systems into EIS's management.

**78.** HIE has also developed a separate cyber security risk register to support the over-arching cyber security entry in the corporate risk register. There is an entry for each system with a target risk score for each that HIE are aiming to achieve. This register will also be used to track specific new risks that arise in terms of non-EIS systems and general cyber security risks. By doing this HIE aims to identify areas or systems where it might be over exposed.

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## Recommendation 4

HIE should continue to support work to strengthen resilience in EIS's cyber security arrangements and continue to review and improve its own governance of cyber security.

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## HIE shows a strong commitment to promoting and complying with equalities legislation

**79.** Every public sector body must be able to demonstrate how it fulfils the general equality duty under the Equality Act 2010. We have undertaken a high-level review of how HIE demonstrates its compliance with the Act, and how it advances equalities within the organisation and in its business activities.

**80.** In line with the requirements, reports are produced every two years which focus on progress against HIE's equality outcomes. The latest (2021) report reviewed progress against the outcomes set out in the 2019 report. These focus on: improving diversity of leadership and workforce participation in the Highlands and Islands; sustaining empowered, capable, and inclusive communities; and growing the working age population in the region.

**81.** Key findings from our high-level review include:

- the gender pay gap has reduced to 15.86% (as at 31 March 2021) from 22.54% in 2009 but remains above the latest reported gender pay gap for Scotland of 13%. Gender balance within HIE's workforce is relatively static at 64% female and 36% male with more women employed in the lower pay grades. Progress in closing the gender pay gap is monitored biannually by the leadership team
- the Gender Representation on Public Boards (2018) Act sets a gender representation objective for Boards to have 50% of non-executive members who are women by 31 December 2022. HIE's Board is appointed by Scottish Ministers and there are currently 6 males and 5

females (excluding the Chief Executive) on the Board. The Senior Leadership Team has 5 males and 4 females

- HIE has a low number of employees who identify themselves as having an ethnic origin other than White British (only 3.5%). The number of disabled employees also remains low representing 4% of HIE's workforce (increased from 1% in 2019)
- HIE is engaging well with both male and female clients across all operations (43% male and 45% female) as well as within programmes specifically aimed at social enterprise (46% male and 54% female). Over 70% of participants in HIE programmes are, however, over 35. Although HIE has worked with partners to deliver programmes which support young people to develop entrepreneurship, leadership, and innovation skills, it acknowledges that more needs to be done to strengthen its engagement with younger stakeholders
- work is ongoing to ensure that HIE's processes and procedures (for recruitment in particular) are free from any artificial barriers, such as prejudice or a failure to respond to the specific needs of people with different protected characteristics. HIE expects suppliers to adopt fair work practices and promotes the Scottish Business Pledge. New procurement training materials are being developed which will include social procurement aspects including community benefits/community wealth building.

**82.** Equalities reporting and assessment of improvements is hampered by a lack of available data. Disclosure of some protected characteristics by employees is voluntary, and this limits the extent of analysis which can be undertaken. HIE has launched a campaign to encourage disclosure by employees.

**83.** Since 1 April 2020 organisations receiving financial assistance of over £0.1 million have been required to comply with the Fair Work First criteria. This has been extended to all organisations receiving financial assistance from 1 April 2022. HIE has shared lessons learned and their wider evidence base with public sector partners and wider stakeholders to help inform policy and delivery of Fair Work in Scotland.

**84.** We concluded that HIE shows a strong commitment to promoting and complying with equality legislation and has been proactive in promoting equalities to its staff, suppliers, and stakeholders.

**85.** Our review also identified that HIE's diversity and equality policy was last updated in 2015. We recommend that this policy be reviewed to ensure that it is still fit for purpose.

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## Recommendation 5

HIE's diversity and equality policy should be reviewed and updated to ensure it is still fit for purpose.

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# 5. Value for money

Using resources effectively and continually improving services

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## Main judgements

HIE has an appropriate Best Value framework in place.

Performance monitoring has continued throughout 2021/22 and HIE met or exceeded all of its targets in 2021/22. There is scope to improve performance reporting to the Board by quality checking data before it is presented to the Board.

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### HIE has developed an appropriate Best Value framework

**86.** [Ministerial guidance to Accountable Officers](#) for public bodies and the [Scottish Public Finance Manual](#) (SPFM) sets out the accountable officer's duty to ensure that arrangements are in place to secure Best Value.

**87.** The guidance sets out the key characteristics of Best Value and states that compliance with the duty of Best Value requires public bodies to take a systematic approach to self-evaluation and continuous improvement.

**88.** The Chief Executive of HIE is the accountable officer. HIE has a range of processes in place to help the accountable officer demonstrate Best Value. The Board also has a role in providing commitment and leadership in developing and promoting Best Value principles throughout HIE.

**89.** HIE's arrangements to secure Best Value include:

- sound corporate governance arrangements
- development of a three-year strategic plan together with an annual business plan
- regular monitoring of budgets and resources
- a systematic approach to risk management
- regular monitoring of the achievement of outcomes.

### HIE has delayed publication of its new three-year strategic plan to ensure it is fully aligned with the Scottish Government's National Strategy for Economic Transformation

**90.** Work is ongoing to develop HIE's next medium-term strategy which will set out its strategic direction and key priorities over the period 2023 to 2026. The Scottish Government's National Strategy for Economic Transformation (NSET) was published in March 2022 and includes five policy programmes covering the

next five years. HIE has delayed the publication of its new strategy until Spring 2023 to ensure it is fully aligned with the NSET.

## **HIE met or exceeded all performance targets set out in its 2021 Operating Plan**

**91.** During the year, HIE monitored performance against the primary outcome measures set out in its 2021 Operating Plan. HIE did not set target ranges for five of the twelve measures reported in the annual report and accounts as these were newly introduced in 2021/22 to measure HIE's contribution to net zero. Performance against the remaining measures met or exceeded target.

**92.** As part of our audit, we sought to agree the performance reported in the annual report and accounts to the performance report submitted to Board members in June 2022. Our review identified that the majority of the indicators had changed since reporting to the Board as data quality checks had not been completed prior to preparation of the Board paper. The minute of the meeting notes that Board members were advised that data relating to outputs during the year was still in the process of being recorded and would be finalised prior to the accounts being prepared and submitted for audit.

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## **Recommendation 6**

Data quality checks should be completed before inclusion in Board papers so members have an accurate assessment of performance against outcome measures.

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## **National performance audit reports**

**93.** Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. In 2021/22 several reports were published which may be of direct interest to HIE. These are outlined in [Appendix 2](#).

# Appendix 1. Action plan 2021/22

## 2021/22 recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p><b>1. Accounts preparation</b></p> <p>The performance report included in the unaudited accounts had not been reviewed by HIE's leadership team or sponsor department prior to submission for audit. A revised performance report, including their comments, was not submitted until 20 October 2022. In addition, there were delays in providing documentation to support the disclosures in the revised performance report.</p> <p>Risk: the audit cannot be completed in line with the agreed timetable.</p>	<p>HIE should ensure its accounts preparation timetable includes sufficient time for its leadership team and sponsor department to review and comment on the performance report before it is submitted for audit. In addition, a clear audit trail should be maintained of the evidence used to source information included in the performance report in future years.</p> <p><a href="#">Paragraph 18</a></p>	<p>Noting drafts were shared in advance, HIE will ensure there is scope in the timetable for a final version to be reviewed by HIE Leadership Team and sponsor department prior to submission to Audit Scotland.</p> <p><b>Responsible officer:</b> Director of Strategy and Regional Economy</p> <p><b>Agreed date:</b> In line with the 2022/23 accounts timetable</p>
<p><b>2. Performance Report</b></p> <p>The Performance Report in the unaudited accounts did not meet the requirements of the FReM and there was no evidence that the content and presentation had been reviewed against the FReM or Audit Scotland's good practice guide.</p> <p>The overall presentation of the financial information was improved although there were a number of examples where figures were not consistent, or easily reconciled, with the financial statements. In</p>	<p>HIE should review the content and presentation of its performance report against Annex 5 of the FReM and Audit Scotland's good practice guide prior to submission for audit. It should also ensure consistency of disclosures both within the annual report and with the financial statements.</p> <p><a href="#">Paragraphs 32 to 34</a></p>	<p>First item: HIE will ensure future reports are drafted fully in line with FReM requirements and Audit Scotland good practice.</p> <p>Second item: HIE had revised its approach for 2021/22, taking account of examples of good practice. In the light of Audit Scotland's comments, will we revisit this again in advance of the 2022/23 accounts process.</p> <p><b>Responsible officer:</b></p>

Issue/risk	Recommendation	Agreed management action/timing
<p>addition, some of the terminology used was potentially confusing to an informed reader of the annual report and accounts.</p> <p>Risk: HIE does not communicate its performance effectively to its stakeholders.</p>		<p>First item: Director of Strategy and Regional Economy</p> <p>Second item: Director of Finance and Corporate Services</p> <p><b>Agreed date:</b></p> <p>In line with the 2022/23 accounts timetable</p>
<p><b>3. Openness and transparency</b></p> <p>Openness and transparency in how a body operates and makes decisions is key to supporting understanding and scrutiny. HIE has set a target for Board and RAC minutes to be published on its website within 10 days of their approval. However, minutes of Board meetings in April and June have still to be published, as well as minutes from the RAC meeting in June. We also noted that funding approvals, which should be published quarterly, are not up to date on the website.</p> <p>Risk: HIE cannot demonstrate the openness and transparency of its decisions.</p>	<p>HIE should ensure that it publishes minutes of Board and RAC meetings in line with its target timescales and that funding approvals are published promptly after the end of each quarter.</p> <p><a href="#">Paragraphs 67 to 69</a></p>	<p>HIE will put in place a timetable to ensure that Board and RAC minutes are published within the 10 day requirement following approval, and that quarterly approvals are published promptly.</p> <p><b>Responsible officer:</b></p> <p>Director of Strategy and Regional Economy</p> <p><b>Agreed date:</b></p> <p>March 2023</p>
<p><b>4. Governance of cyber security</b></p> <p>HIE is part of the shared Enterprise Information Service (EIS).</p> <p>Internal audit carried out a follow up review of EIS's cyber security arrangements in 2021/22. It concluded that cyber security remains a material risk for the partnership.</p>	<p>HIE should continue to strengthen resilience in EIS's cyber security arrangements and continue to review and improve its own governance of cyber security.</p> <p><a href="#">Paragraphs 70 to 78</a></p>	<p>HIE will continue to support the EIS cyber security improvement programme and has a comprehensive cyber security action plan in relation to its own systems. HIE is also reviewing resources in this area.</p> <p><b>Responsible officer:</b></p> <p>Director of Finance and Corporate Services</p> <p><b>Agreed date:</b></p>

Issue/risk	Recommendation	Agreed management action/timing
<p>HIE is taking a range of actions to improve its own cyber security arrangements.</p> <p>Risk: a cyber-attack could disrupt HIE's key financial systems.</p>		Ongoing
<p><b>5. Equality and diversity</b></p> <p>HIE's diversity and equality policy was last updated in 2015.</p> <p>Risk: the policy is not up to date and may not be fit for purpose.</p>	<p>HIE's diversity and equality policy should be reviewed and updated to ensure it is still fit for purpose.</p> <p><a href="#">Paragraphs 79 to 84</a></p>	<p>HIE is currently reviewing its Equality and Diversity policy and this will be updated during 2022-23.</p> <p><b>Responsible officer:</b> Director of Strategy and Regional Economy</p> <p><b>Agreed date:</b> March 2023</p>
<p><b>6. Performance reporting to the Board</b></p> <p>Our review identified that the majority of the performance indicators had changed since reporting to the Board as data quality checks had not been completed prior to preparation of the Board paper.</p> <p>Risk: the Board is not provided with an accurate assessment of HIE's performance against its outcome measures.</p>	<p>Data quality checks should be completed before inclusion in Board papers, so members have an accurate assessment of performance against outcome measures.</p> <p><a href="#">Paragraphs 90 to 91</a></p>	<p>The data presented had been quality checked at time of drawing that version together but there were still projects in amendment and issues being identified – this was clearly highlighted to the Board and in the Minute. It was an extraordinary year given significant system changes mid year. A new project amendment process has been put in place and system improvements enables more sophisticated data capture and will improve analysis for future Annual Reports.</p> <p><b>Responsible officer:</b> Director of Strategy and Regional Economy</p> <p><b>Agreed date:</b> In place and ongoing</p>

## Follow-up of prior year recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p><b>b/f 1. Capital Accounting</b></p> <p>Last year we reported that HIE needed to develop its understanding of capital accounting. This year we identified more issues with how HIE accounts for non-current assets and capital receipts.</p> <p>Risk: the annual accounts do not comply with accounting standards and policies. Significant audit input is required to ensure the accounts are not materially misstated resulting in additional audit fees.</p>	<p>HIE finance staff should improve its understanding of capital accounting, including accounting for revaluation and classification of non-current assets.</p>	<p><b>Update included in b/f 3 below</b></p>
<p><b>b/f 2. Use of management experts and service organisations</b></p> <p>HIE relies on external management experts (professional valuers and actuaries) to provide information that is subsequently included in its annual report and accounts. It also uses a service organisation to manage its property portfolio. We concluded that there is scope to improve the controls management has put in place to ensure the reliability of the information provided by the management experts and the completeness and accuracy of property income.</p> <p>Risk: information is included in the accounts which is not in accordance with management's assessment and expectations.</p>	<p>HIE senior management should review reports from its management experts and confirm that these provide a satisfactory basis for the disclosures included in the accounts. Controls over the completeness and accuracy of property income should be evidenced and consideration given to requesting a service auditor report from their property managers.</p>	<p><b>Complete</b></p> <p>There was evidence of increased review by management of the information provided by external experts (the valuer and actuaries).</p> <p>The Business Improvement and Internal Audit team liaised with Finance and Property teams to consider whether to request a service auditor report from HIE's property managers. HIE staff concluded that HIE's internal processes, together with assurances received from its property agents, gave sufficient assurance over the completeness and accuracy of property income. This will be kept under review.</p>

Issue/risk	Recommendation	Agreed management action/timing
<p><b>b/f 3. Finance team capacity</b></p> <p>There is some evidence that the new posts have improved the finance team's capacity. However, we have yet to see significant improvement in accounting for complex areas such as capital accounting, Financial Transactions, and investments.</p> <p>Risk: the annual report and accounts submitted for audit are materially misstated or require significant adjustment</p>	<p>HIE senior management should consider how to develop the required skills and experience to ensure complex areas are appropriately reflected in the annual report and accounts</p>	<p><b>In progress</b></p> <p>This year we continued to note improvements, with fewer significant audit adjustments required than in previous years (see Exhibit 2).</p> <p>There remain some areas of weakness, particularly with regard to capital accounting adjustments (revaluation adjustments), and the processing of entries relating to provisions.</p> <p><b>Revised action:</b></p> <p>HIE will review its treatment of capital accounting and revaluation adjustments in advance of the timetable for the 2022/23 final accounts.</p> <p><b>Responsible officer:</b></p> <p>Director of Finance and Corporate Services</p> <p><b>Revised date:</b></p> <p>In line with the 2022/23 accounts timetable</p>
<p><b>b/f 4. Financial Sustainability</b></p> <p>HIE faces significant financial risks and uncertainties in 2021/22 and the approved budget includes key assumptions in relation to these. HIE acknowledges that it will be challenging to manage these financial pressures alongside the continuing uncertainty caused by Covid-19.</p> <p>Risk: HIE is unable to deliver all of its financial commitments or meet performance targets within</p>	<p>HIE should continue to keep its financial plans under close review during 2021/22 so that it is able to take early and informed decisions on options for dealing with the financial challenges it faces.</p>	<p><b>Complete</b></p> <p>HIE underspent its capital resource allocation (CDEL) in 2021/22 and reported an overspend on its resource allocation (RDEL) which was within the overspend limit authorised by the Scottish Government.</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>its existing resource allocation.</p>		
<p><b>b/f 5. Governance of write-offs</b></p> <p>The 2020/21 accounts include write-offs which have not been notified to the Board and Board approval has not been obtained for individual write-offs which exceed £0.250 million as required by HIE's Delegated Levels of Authority document.</p> <p>Risks: write-offs are not approved in line with HIE's delegated limits. The Board are not aware of all write-offs processed through the accounts.</p>	<p>HIE should review its internal procedures for write-offs and ensure that all write-offs recognised in the accounts are included in the annual report to the Board and approval sought for all write-offs over £0.250 million as set out in HIE's Delegated Levels of Authority document.</p>	<p><b>Complete</b></p> <p>There were no significant write-offs in 2021/22 which required approval of the Board.</p> <p>A previously approved significant write-off (over £0.250 million) was revised and presented to the Board for re-approval in line with Delegated Levels of Authority.</p>
<p><b>b/f 6. Performance Report</b></p> <p>This year we again noted a lack of balance in performance reporting. We also noted a need to assist understanding of how the financial performance information relates to the main financial statements.</p> <p>Risk: HIE does not communicate its performance effectively to its stakeholders.</p>	<p>HIE should review the content and presentation of its performance report against Annex 5 of the FReM and Audit Scotland's good practice guide. In addition, HIE should review how it assists understanding of how financial information contained in the annual report relates to the main financial statements.</p>	<p><b>Update included in <a href="#">issue 2</a> above.</b></p>



# Appendix 2. 2021/22 national reports and briefing papers

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## May

[Local government in Scotland Overview 2021](#)

## June

[Covid 19: Personal protective equipment](#)

## July

[Community justice: Sustainable alternatives to custody](#)

## September

[Covid 19: Vaccination programme](#)

## January

[Planning for skills](#)

[Social care briefing](#)

## February

[NHS in Scotland 2021](#)

## March

[Local government in Scotland: Financial Overview 20/21](#)

[Drug and alcohol: An update](#)

[Scotland's economy: Supporting businesses through the Covid 19 pandemic](#)

# Highlands and Islands Enterprise

## 2021/22 Annual Audit Report

Audit Scotland's published material is available for download on the website in a number of formats. For information on our accessibility principles, please visit:

[www.audit-scotland.gov.uk/accessibility](http://www.audit-scotland.gov.uk/accessibility)



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