

**MINUTES OF THE SCOTTISH ENTERPRISE BOARD HELD ON FRIDAY 28 JULY 2023
BY MS TEAMS**

- Present:** Adrian Gillespie Chief Executive
Willie Mackie, Interim Chair
Karthik Subramanya
Dr Poonam Malik
Dr Sue Paterson
Carmel Teusner
Peter McKellar
Professor Gillian Murray
Raymond O'Hare
- In Attendance:** Jane Martin, MD, Innovation and Investment
Maria Bradshaw, Interim Chief People Officer
Douglas Colquhoun, Chief Financial Officer
Reuben Aitken, MD, International Operations
Rhona Allison, MD, Business Growth
Karen Hannah, Corporate Office
- Apologies:** Neil Francis, MD, Digital and Major Projects, Scottish Enterprise
Professor Richard Williams

FOR APPROVAL**1. Annual Report and Accounts 2022/23 – SE(23)29**

Willie welcomed members to the meeting and explained the process of governance for approval of the Annual Report and Accounts, advising that the Audit and Risk Committee had reviewed the Accounts on Wednesday 26 July. It was noted that there had been some late changes which had been highlighted to the SE Board on Monday 24 July.

Carmel provided an overview of discussions from the Audit & Risk Committee meeting which had provided an opportunity to review the Annual Report and Accounts and subsidiary accounts, as well as the Internal Audit Report and Certificates of Assurance. The meeting had been attended by Audit Scotland and Thomson Cooper who had confirmed clean audit opinions.

In discussion, the Committee had commented on the clarity of the Annual Report and the positive messages on SE's performance throughout the year, and the Committee had commended the teams responsible for delivery. Peter had previously raised a question in relation to the basis of valuation and had confirmed that he was content that this had been satisfactorily covered. In relation to the late changes to the Accounts, this had been a result of the implementation of changes to IFRS 16 and minor changes resulting from the delay in timetable. There were no major issues raised and the Committee was pleased with the clean audit opinion for both the Annual Report and Account and subsidiaries.

A few recommendations had been made by the auditors in relation to additional checks and balances. The Committee had discussed reporting on losses below £250k to provide additional information and assurance to the Committee. It was agreed that information on

trends and lessons learned in relation to write-downs would be included in the annual report on Investment Performance.

A private discussion had been held with Audit Scotland following the meeting, to give them the opportunity to raise any issues experienced throughout the audit. The team had been very complementary, commending the SE team on the cooperation received. The audit team had experience of working with other agencies and had offered to share best practice gleaned from across the other public sector agencies.

Douglas also highlighted that the performance report outlined a further year of outstanding performance and achieving targets. The underspend position at the year-end had reduced compared to the provisional report in April, mainly due to the inclusion of an accrual and the IFRS adjustment. The balance sheet outlined that overall net assets had reduced significantly during the year due to the movement in the pension scheme where surplus had reduced by £92m to just under £19m. The Committee had discussed and it was suggested that an update on the triennial valuation of the pension scheme, which was currently underway, would be included in Alistair Gray, Chair of the Pension Trustees's update to the Board later in the year. Other issues raised by Audit Scotland were relatively minor. Douglas apologised for the late changes made, which had been out with SE's control, explaining that SE had been one of the first bodies to be audited by Audit Scotland who had been working through the practical implications of the IFRS 16 changes, which had resulted in the revised position.

Douglas updated that work was underway with the Communications Team on the communications strategy around the publication of the Annual Report and Accounts. Similar to previous years, this would be a soft launch and lines would be prepared for areas of potential media scrutiny. It had been confirmed at the Audit & Risk Committee that there had been no known fraudulent activity against SE during the course of the year.

Raymond sought confirmation that the Audit & Risk Committee was comfortable with the revised position in relation to IFRS 16 and alignment with Scottish Government guidance. Douglas confirmed that the Annual Accounts aligned with the Scottish Government guidance, advising that Audit Scotland had some concerns initially with the guidance, however, following further consideration and engagement with Scottish Government, this would be the standard that Audit Scotland would apply to all bodies. Carmel agreed that the Committee had been assured following discussions with Audit Scotland, and advised that this had been flagged early in the planning stages as a potential risk given that this had been the first year of implementation.

Carmel raised the amendment to wording required in relation to the National Fraud Initiative. Douglas provided an update, advising that the Audit Scotland report had highlighted a high level of potential high-risk matches. Mark Donohoe had provided an explanation at the Committee meeting, advising that the methodology used by the National Fraud Initiative team was flawed, which had overstated the numbers significantly. Audit Scotland had agreed to amend the draft audit report to take this into account. The Committee was assured that there was no cause for concern.

Carmel also highlighted the discussion the Committee had in relation to the balance of assets in terms of financial investment and capital investment. Peter advised that this was in relation to the size of the financial investments, which largely dominated the balance sheet, however work was underway to review the land and building portfolio with the aim to grow this over time, to address the balance. Peter expressed his comfort from the note in the accounts on the basis of valuation and level of disclosure.

Following discussion, the SE Board approved the Annual Report and Accounts.

On behalf of the Board, Willie acknowledged the work involved to prepare the accounts, with particular thanks to Douglas, Clair and the Finance team.

Willie also noted the exceptional performance in a very challenging year and thanked Adrian and the Executive Leadership Team for their passion and commitment.

Poonam highlighted the need for clear narrative in relation to the external environment, particularly in relation to measures where performance had been lower than the previous year. Adrian confirmed that the Delivering Results Campaign would provide the context of the challenging environment.

Any Other Business

Business Leaders: Poonam provided feedback from a recent Business Leaders Dinner she had attended the previous evening with the First Minister and the Cabinet Secretary, where SE had been mentioned negatively. Adrian reflected that SE invested a great deal in terms of communicating the work it does and its performance, highlighting the positive media coverage. Plans were underway to undertake more face to face discussions around the launch of the Corporate Plan, which may help to mitigate any negative perceptions. Adrian was due to meet with Colin McAllister and Neil Gray and would raise with them.

Adrian highlighted that news was expected soon on a positive development for Scotland which would be shared with the Board.