

Audit Scotland's limited investigation into HIE's mismanagement at Cairn Gorm

Description

Audit Scotland has at long last decided to take a look at Highland and Island Enterprise's management of Cairn Gorm ([see here](#)) as part of their annual audit process. The areas for investigation have been identified with staff, which gives little cause for confidence, and focuses on risk from the narrow perspective of an annual audit:

There is a risk that the finance team will not have the capacity or skills required to deliver the annual accounts to the agreed timetable and that the complex transactions will not be accounted for correctly.

Not much to interest the public here. Nor in Audit Scotland's intention to *review the accounting treatment for the new subsidiary*.

On what basis did HIE re-acquire Cairn Gorm Mountain?

Of more interest is Audit Scotland's statement that they will *examine HIE's board papers relating to the establishment and operation of CMSL[Cairngorm Mountain (Scotland) Ltd]*. Back in October/November 2018 when it became clear CML was going bust, HIE arranged three special Board Meetings on 21st, 23rd and 26th November. HIE does not publish Board papers, only minutes of meetings ([see here](#)), but the minutes of the three November meetings, as well as the section of the October meeting that covers their management of Cairn Gorm, have been almost totally redacted:

5 Cairngorm Mountain: update on present situation

The Head of Business Development and the Head of Business Improvement and Internal Audit updated the Board on the progress of discussions that had taken place since the Board meeting of 30 October with the directors of Cairngorm Mountain Ltd (CML), operator of the HIE-owned visitor attraction at Cairngorm, and its parent company Natural Assets Investments Ltd (NAIL). These discussions aimed to effect a transition of operations to HIE, with the agency's prime goals being to safeguard jobs, stabilise the business, and ensure the continuity of this key driver of the local economy.

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

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There was no other business.

Example from HIE Board Minute 21st November

As an aside, the last paragraph of the third meeting, on 26th November, has, however, been left unredacted:

“The Chair thanked the Board members and HIE staff for their outstanding input to ensure HIE was fully prepared to cope effectively with a highly challenging and important situation.”

With the funicular still bust and no information forthcoming about the extent of the problems, Lorne Crerar, the Chair, has just been made, this week, a Commander of the British Empire.

Returning to Audit Scotland, it's very welcome that they are going to look at on what basis the HIE Board decided to take back Cairn Gorm into public ownership because its clear HIE will not tell the public voluntarily. Perhaps, as part of this process, Audit Scotland could also make all the Board Papers and Minutes relating to the decision available to the public, as any reason for keeping them secret has now passed? That will save yet more Information Request and appeals to the Information Commissioner.

It's also welcome that Audit Scotland intend to carry out *substantive testing of asset valuation included within the accounts, including impairment reviews*. In other words, they will look at what the assets at Cairn Gorm were really worth when HIE bought CML back for twice what it sold it for in 2014.

The bigger issues which need addressing

This year's audit could provide a first step towards enabling Audit Scotland to answer questions about the financial position at Cairn Gorm in 2014, prior to Cairn Gorm Mountain being sold to Natural Retreats, with the position now. There should be two parts to this. What was the real value of Cairn Gorm Mountain Ltd, before HIE sold it on the cheap to Natural Retreats, compared to what they bought back last year? And, what was the value of all the assets HIE retained in its ownership in 2014, including the funicular and the Coire na Ciste lifts, before they outsourced the maintenance to Natural Retreats, compared to their value four years later? Audit Scotland's statement quoted by the P and J that *There is a risk that the funicular's asset valuation is materially misstated in the accounts* suggests that HIE may not have accounted for some of these properly.

While this year's audit may help provide more reliable figures on the current value of the assets at Cairn Gorm, it won't explain any changes over the last four years. Despite requests from MSPs like John Finnie, Audit Scotland also still shows no signs of investigating what might lie behind the figures, i.e. what were the flaws in decision-making and subsequent contract management which has led to the current disaster at Cairn Gorm? One would hope that what they find from this year's accounts might prompt Audit Scotland to look further.

I have my doubts, however. Audit Scotland have been too involved in the whole outsourcing debacle. The minutes of HIE's Risk and Audit Committee meeting in March 2014 recorded that two members of staff from Audit Scotland were present and were party to the decisions. The minute of the meeting shows that the Committee approved the Report to the Board which led to the outsourcing of Cairngorm Mountain to Natural Retreats:

The Committee examined several aspects of the report, including legal arrangements, work to establish the new operator's [ie Natural Retreats] financial probity, and the role of the present operating company in ensuring a smooth transition. Members expressed satisfaction with the report as an extremely thorough and valuable piece of work.

There are too many skeletons in Audit Scotland's cupboard for it to investigate what has really gone on at Cairn Gorm. That explains the narrow remit of their current audit and why the public shouldn't

expect too much to come out of it. It also re-inforces the need for the Scottish Parliament to set up an inquiry into HIE's disastrous mismanagement at Cairn Gorm.

I will return to HIE's disastrous procurement process in future posts.

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