

MINUTE OF THE MEETING OF THE RISK AND ASSURANCE COMMITTEE, HELD AT AN LÒCHRAN, INVERNESS, ON TUESDAY 23 AUGUST 2016 AT 09.00 HOURS

PRESENT:

Alistair Dodds
Ailsa Gray
Donald MacDonald
Donald MacRae

IN ATTENDANCE:

Alex Paterson	Chief Executive
Charlotte Wright	Director of Business and Sector Development
Forbes Duthie	Director of Finance and Corporate Services
Sandra Dunbar	Head of Business Improvement and Internal Audit
Chris Roberts	Head of Corporate and Media Relations
Andrew Jenkins	Head of Financial Services
Brian Howarth	Assistant Director, Audit Scotland
Angela Cullen	Assistant Director, Audit Scotland
Maggie Bruce	Senior Audit Manager, Audit Scotland
Carole Grant	Senior Audit Manager, Audit Scotland
Marion McCormack	Head of Sponsorship, Scottish Government (by phone)

1 Welcome and apologies

There were no apologies. The Chairman welcomed everyone to this rearranged meeting of the Risk and Assurance Committee, which had been called in particular to enable HIE's annual accounts to be reviewed and signed off before the departure of the current Chief Executive and Accountable Officer. Mr Paterson would be leaving HIE at the end of August to become Chief Executive of Historic Environment Scotland.

2 Declaration of Interests

There were no declarations of interest.

3 To approve the minute of the meeting held on 7 June 2016

Two amendments were noted. Item 4, Matters arising, should have stated that Audit Scotland would be submitting feedback to the Scottish Government. With regard to item 14, HIE Risk Register, Ailsa Gray requested some redrafting to capture more fully a point that she had put forward. The revised minute will be brought back for approval at the next meeting of the committee.

4 Matters arising

It was noted that Donald MacDonald had been contacted and had confirmed his approval of the minute of the meeting of 29 March, as requested.

5 Matters arising from the HIE Board meeting on 21 June 2016

It was noted that the Audit Scotland Review of the role of the Scottish Government and its enterprise agencies in supporting Scotland's economic growth had now concluded positively. HIE staff were addressing matters concerning the agency and an update on progress would be brought to a future meeting of the Risk and Assurance Committee.

ANNUAL ACCOUNTS

6 HIE annual accounts 2015/16

The Head of Financial Services introduced HIE's annual report and accounts for 2015/16, which were due to be laid in the Scottish Parliament on 30 September. The Committee noted in particular that HIE's total expenditure for the year, at just under £110.8m, had been £17m higher than 2014/15, and that this increase was largely attributable to investment of additional funding that had been secured for the rollout of next generation broadband infrastructure throughout the region. In delivering its objectives within budget, HIE had achieved continuing savings in administration costs, and provided £975,000 support for Scottish Government initiatives.

On the subject of risk, the Director of Finance and Corporate Services drew attention to the continuing low level of the Bank of England interest rate, and highlighted the effect that any further reduction could have on HIE's pension liabilities. The Committee agreed that the performance of HIE's superannuation scheme should be kept under regular review at future meetings, noting that this was an issue affecting all public bodies in Scotland.

Summing up, the Chairman thanked staff of HIE and Audit Scotland, who had met a demanding timescale to complete preparation of the accounts well in advance of the statutory deadline for laying in parliament. Mr Dodds expressed the view that the accounts provided transparency for the public, and showed HIE to be a well-run organisation, with low levels of absenteeism, which was being well managed and which indicated that staff were motivated.

Subject to amending a small number of typographical corrections that had been noted, the Committee accepted the accounts as an accurate record of HIE's activities during 2015/16 and agreed they could be signed off by the Chief Executive and Accountable Officer.

7 Audit Scotland draft annual report 2015/16

The Assistant Director General of Audit Scotland presented the organisation's draft annual report to members of the HIE Board, which would then be forwarded to the Auditor General for Scotland and the Scottish Parliament. Mr Howarth confirmed that this provided an unqualified, independent auditor's report on HIE's 2015/16 annual accounts.

It was noted that HIE had operated within its grant-in-aid resource limits for 2015/16, including planned surrender of £975,000 of funding to the Scottish Government on request, and the outcome for the year reflected a stable, short-term financial position. HIE's governance arrangements were found to be sound and well established, and systems of

internal control operated effectively in 2015/16. On best value, the report observed that HIE had achieved all performance measures set out in its performance management framework, and that the organisation was reviewing recommendations set out in Audit Scotland's report, *Supporting Scotland's Economic Growth: the Role of the Scottish Government and its Economic Development Agencies*.

Appendix IV to the report featured HIE's responses to recommendations from Audit Scotland, including plans to amend the reporting of Wave Energy Scotland balances for greater clarity, and consideration being given to extend the current three-year financial planning timeframe.

Discussion focused on the presentation of £975,000 that HIE had returned to the Scottish Government, at its request, during 2015/16. It was agreed that a footnote would be added to the report to make it clear that this sum did not constitute any part of an underspend by HIE. The Chairman also noted that HIE was taking action to ensure that information disclosed in registers of interest for members of HIE's Board and Leadership Team would be kept up to date on the HIE website.

In closing, Mr Howarth noted that this would be the last report he would be conducting for HIE, although Audit Scotland would remain as external auditors. The Committee noted that the relationship with Audit Scotland through Mr Howarth had been characterised by openness and professionalism, and thanked him for his valuable contributions to the organisation's effective governance over the past six years.

8 Letter of representation

The Committee noted the contents of the annual letter of representation to Audit Scotland, including the independent auditor's report, and agreed this could now be signed by the Chief Executive and Accountable Officer and returned to Audit Scotland.

9 EY subsidiary companies report

The Head of Financial Services presented a summary of external audit of HIE subsidiaries Wave Energy Scotland and HIE Ventures Ltd, conducted by EY. The Committee noted that the overall audit opinion in both instances was unmodified, and welcomed the report.

10 BIIA significant transactions review

HIE's Head of Business Improvement and Internal Audit (BIIA) presented the team's final report on significant transactions during 2015/16. This report is prepared every year to support preparation of the annual accounts. A total of 17 significant transactions had been reviewed during 2015/16, with a total value of more than £59m. The report included assurance findings and business improvement opportunities against a range of headings, including appraisal, approval, State Aid, legal documentation and conditions, and payments.

The Committee welcomed the report as a clear and thorough review that demonstrated the effectiveness of the BIIA team's role in organisational governance.

11 Final certificate of assurance 2015/16

The Committee welcomed the final certificate of assurance, to be submitted to the Scottish Government as part of the annual assurance process following completion of the annual accounts and audit.

STANDING ITEMS

12 Any other business

The Chairman noted that this would be the final meeting of the Risk and Assurance Committee to be attended by Alex Paterson. Members of the Committee joined Mr Dodds in thanking Mr Paterson for his excellent leadership of HIE, and his contributions to the work of the Risk and Assurance Committee in particular, and wished him every success in his new role. The Committee also welcomed Charlotte Wright, who would be taking over as Interim Chief Executive following Mr Paterson's departure on 26 August.

As this additional meeting had been convened, it was agreed that there was no longer a requirement to hold the next scheduled meeting of the Risk and Assurance Committee, which had been due to take place on 13 September in line with the annual accounts timetable. The next meeting would therefore be on Tuesday, 6 December. Donald MacRae informed the Committee that he would participate by teleconference.

13 Date of next meeting:

The next meeting of the Risk and Assurance Committee is scheduled for **Tuesday 6 December**.

Chris Roberts
23 August 2016