

**RISK AND ASSURANCE COMMITTEE**  
**COMATAIDH CHUNNART AGUS SGRÙDAIDH**

**MINUTE OF THE MEETING HELD AT AN LÒCHRAN, INVERNESS, AND BY TELECONFERENCE**  
**TUESDAY 5 JUNE 2018**

**PRESENT:**

Alistair Dodds (Chair)  
Ailsa Gray (telecon)  
Donald MacDonald (telecon)  
Donald MacRae

**IN ATTENDANCE:**

Charlotte Wright	Chief Executive
Nick Kenton	Director of Finance and Corporate Services
Sandra Dunbar	Head of Business Improvement and Internal Audit (BIIA)
Marion McCormack	Head of Sponsorship, Scottish Government
Jill Rosie	Enterprise Sponsorship Manager, Scottish Government
Chris Roberts	Head of Corporate and Media Relations
Gordon Small	Associate Director, Audit Scotland
Maggie Bruce	Senior Audit Manager, Audit Scotland
Andrew Jenkins	Head of Finance, items 7, 8
Douglas Cowan	Director of Strengthening Communities, item 14
David Oxley	Director of Business and Sector Development, item 17
Martin Johnson	Regional Head of Sectors, Inward Investment and International Trade, item 17
Graeme Harrison	Area Manager, Orkney, item 18
Harvey Stevenson	Head of Strategic Projects, Orkney, item 18
Rachel Gothard	GDPR Project Manager, item 19
Elaine Hanton	Head of Energy Technologies and Regulation, item 20
Andrea Eschle	Enterprise Information Systems, item 23
Ian Considine	Head of Procurement, item 28

**1 Apologies**

The Chair welcomed everyone to the meeting. There were no apologies. Donald MacRae had informed the Chair that he would need to leave at around 2.15 pm.

**2 Declaration of interests**

There were no declarations of interest concerning any of the items on the agenda for this meeting.

### **3 To approve the minutes of the meeting held on 6 March 2018**

With one correction to the list of attendees, the minute of the meeting held on 6 March 2018 was approved.

### **4 To approve the minutes of the meeting held on 20 April 2018**

The minute of the meeting held on 20 April 2018 was approved.

### **5 Matters arising**

#### **a Cairngorm**

The Chief Executive provided a verbal update to the Committee on Cairngorm, which had been an agenda item at the meeting on 6 March 2018. A review of ski uplift infrastructure on the mountainside, commissioned by HIE, was progressing well, and its conclusions would be presented to the HIE Board towards the end of the year.

HIE had developed a clear protocol to manage its distinctive roles as both landowner and adviser on community asset ownership. This had been discussed with a local community group that may wish to pursue ownership, and members had indicated that they were content with HIE's approach. It was intended that an updated version of this protocol and associated communications plan would be presented at the next meeting of the Committee.

Noting that operator CairnGorm Mountain Ltd (CML) continued to receive mixed coverage on traditional and social media, the Committee stressed the importance of effective stakeholder engagement. It was noted that the UK Great Travel Company (formerly Natural Retreats UK Ltd), which provides management services at Cairngorm, had added another business to its portfolio.

#### **b GDPR**

The Head of Business Improvement and Internal Audit (BIIA) confirmed that HIE had appointed a project manager to co-ordinate the agency's implementation of the General Data Protection Regulation (GDPR), and ensure full compliance.

### **6 Matters arising from the HIE Board meetings on 24 April 2018, 15 May 2018 and 25 May 2018**

There were no matters arising from the three most recent meetings of the HIE Board that were not covered elsewhere on the Committee agenda.

<b>ANNUAL ACCOUNTS</b> <b>CUNNTASAN BLIADHNAIL</b>
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*Andrew Jenkins joined the meeting.*

### **7 Annual Accounts update**

The Head of Financial Services reported on progress in preparing HIE's Annual Accounts for 2017-18. This was proceeding well, and on target to meet the deadline to deliver draft accounts to Audit Scotland by 15 June. Comments received to date from Audit Scotland and the Scottish Government had been accepted, and the accounts were on course to meet this year's earlier target date to be presented formally to the Scottish Parliament and published by the end of August.

## **7a. HMRC update**

*[Paragraph removed in the interests of the effective conduct of public affairs].*

Discussions regarding dual workplace had concluded positively, with HMRC now accepting that no member of HIE staff had dual workplaces.

Regarding the Orkney Research and Innovation Campus (ORIC), the Director reported that HMRC had confirmed that HIE will be classed as a deemed contractor under the Construction Industry Scheme (CIS) regulations, meaning that tax will not be deducted from payments HIE expects to receive from ORIC.

## **8 Financial accounting changes and any implications for HIE accounting policies**

The Committee noted changes to International Financial Reporting Standards, International Accounting Standards, and the Government Financial Reporting Model that will affect HIE's Annual Report and Accounts or accounting policies. While these were few in number, it was noted that some changes, including new standards on joint ventures and leases, had been announced very recently and there had not been an opportunity to assess their impact. Others, including equalities reporting, simply formalised the reporting of actions that HIE was already implementing and recording.

In discussion, Audit Scotland noted that, while individual key performance indicators were important, the overall intention behind many of the changes was to enable those reading the accounts to gain a fuller understanding of the business. The Committee welcomed this point, and thanked the Head of Financial Services for his report.

*Andrew Jenkins left the meeting.*

## **9 Business Improvement and Internal Audit annual report 2017-18 – executive summary**

The Head of Business Improvement and Internal Audit (BIIA) presented a report summarising the activities of the BIIA team during the 12 months from 1 April 2017 to 31 March 2018. During this period, the team had completed and issued 50 reports, with a further six in draft at the year end. A significant number of further outputs had been achieved through a variety of means, including presentations, papers, workshops and other activity that contributed significantly to business improvement and assurance-related activity. Several areas for improvement were highlighted, although there was no significant matter that needed to be drawn to the attention of the accountable officer prior to signing the assurance certificate.

The Committee welcomed the report, noting that a revised format helped provide clarity on the broad range of issues that were described. The Chair sought assurance that the team resource was sufficient to manage the high workload involved, and it was confirmed that this had been a challenging year on several fronts, including the growing complexity of many Freedom of Information requests and the team's considerable input to progressing business transformation opportunities. In response, the team continually assessed priorities to rebalance effort, and had made greater use of outsourcing. It was noted that an external review of the BIIA team's assurance activity had completed fieldwork, and a report was expected to be presented to the Committee in August.

## **10 European Union compliance and State Aid activity**

The Committee welcomed a report on EU compliance and State Aid activity in 2017-18. As well as reviewing past and present activity, the report covered upcoming engagement that was anticipated

with a range of programmes that were fully or part-funded through the EU, including Interreg, the Scottish Rural Development Programme, and the Northern Innovation Hub. The Chair thanked the BIIA team for a clear and thorough report.

#### **11 BIIA report – certificates of assurance 2017/18**

The Head of BIIA presented the outcomes of a review of the internal control environment across HIE and its subsidiaries. This aimed to inform the annual certificates of assurance process and advise the accountable officer of any control or assurance issues requiring to be reported to the Scottish Government and included in the annual accounts.

The Committee welcomed the report, commending its thoroughness and noting that the assurance level could be considered ‘substantial assurance’ (green). Audit Scotland confirmed that HIE was applying a thorough and systematic approach to internal control, in line with best practice.

#### **12 Interim assurance and internal control checklist**

The Committee welcomed for information the internal control checklist and interim assurance statement that HIE had submitted to the Scottish Government.

#### **13 Draft governance statement**

The draft governance statement that had been prepared by BIIA and will be provided to HIE’s Finance team for inclusion in the 2017-18 annual accounts was presented, with some areas highlighted as incomplete until Audit Scotland had concluded its work on the accounts. The Committee noted some minor corrections.

#### **14 Health and Safety Committee – assurance report**

*Douglas Cowan joined the meeting by teleconference.*

The Director of Strengthening Communities, who chairs HIE’s Health and Safety Committee, presented a summary report to the accountable officer on the internal control environment for health and safety matters.

In response to a question on staff representation, the Director reported that a decision had recently been made to invite a union representative and a member of the recently-formed HIE Staff Forum to join the Health and Safety Committee. It was agreed to consider health and safety policy as an agenda item for a future Risk and Assurance Committee meeting. The Committee welcomed the report and endorsed the approach being taken by the Health and Safety Committee which now meets five times a year.

*Douglas Cowan left the meeting.*

#### **15 Audit Scotland 2017-18 Management Report**

The Associate Director, Audit Scotland, presented the interim findings of the national audit body’s 2017-18 management report on HIE. Work carried out by Audit Scotland had included testing of key controls within financial systems and would be used to inform the 2017-18 financial statements audit.

#### **16 Risk and Assurance Committee Annual Report**

The Chair presented the 2017-18 annual report of the Risk and Assurance Committee. This had been prepared in compliance with guidance from the Scottish Government Audit Committee Handbook which states that audit committees should provide an annual report as part of the annual review cycle. The Committee welcomed the report, highlighting their appreciation for the positive input from HIE staff throughout the year.

It was noted that a range of external observers had attended meetings, and should all be acknowledged in the final draft. The Head of BIIA also reported that the Audit Committee Handbook issued by the Scottish Government had been updated recently. A report will be provided to a future meeting of the Risk and Assurance Committee.

## EMERGING ISSUES CÙISEAN AM FOLLAIS

### **17 Spaceport** **a Governance approach**

*David Oxley and Martin Johnson joined the meeting.*

The Director of Business and Sector Development presented a paper setting out the proposed governance and risk management framework around HIE's approach to space, including the potential development of a vertical launch site for small satellites in Sutherland. Two related sets of governance and risk management activities would follow HM Treasury Green Book principles and HIE's own project management and due diligence processes. These would involve establishing both a dedicated project board, and a programme board that would consider wider activities associated with delivering successful outcomes, and would include external representation. The Committee endorsed the framework, which should now be finalised.

In response to questions, the Chief Executive confirmed that HIE's Leadership Team had endorsed this approach to governance and risk management, and informed the Committee that HIE's support would require approval from the Scottish Government, in common with any other project that was judged novel and contentious. The Scottish Government's Head of Sponsorship confirmed that this process was under way.

*[Paragraph removed in the interests of the effective conduct of public affairs].*

Concerning the frequency of programme board meetings, the Committee recommended that these be held more regularly than the quarterly pattern that was proposed, suggesting that monthly meetings should be considered initially. It was also agreed that key actions for the project board should include the active pursuit of funding from other sources, thereby minimising the cost to HIE.

**b** *[Item removed in the interests of the effective conduct of public affairs and the disclosure of personal data as such disclosure would contravene the principle 1 as stated in Article 5(1) of the GDPR].*

*David Oxley and Martin Johnson left the meeting.*

### **18 Orkney Research and Innovation Campus (ORIC) update**

*Graeme Harrison and Harvey Stevenson joined the meeting by teleconference.*

The Orkney area team updated the Committee on progress with the ambitious project to establish the Orkney Research and Innovation Centre (ORIC) in Stromness. Since the last update in March, an agreement had been signed to establish a joint venture as a limited liability partnership between HIE and Orkney Islands Council; the ORIC board had held its first meeting; the construction contract had been awarded following procurement; building works had started, and were on schedule. A service level agreement between HIE and OIC was expected to be agreed in the summer, and recruitment plans were in development to appoint a Chair for the ORIC board.

The Committee underlined the importance of designing and applying effective governance arrangements, which could be particularly challenging with joint ventures. A strong company secretary would play a key role in ensuring implementation, and it was agreed that this requirement would be addressed in the service level agreement.

It was noted that some tenants were pressing for design changes to optimise energy efficiency in the campus premises, and agreed that this would need to be managed carefully. The Committee stressed the need to keep the project within budget, and encouraged staff to explore opportunities to attract external funding that would support energy efficiency, including UK Government.

It was agreed that an update will be provided to the next meeting of the Committee, including a governance diagram, details on how the construction contract was being managed, dates of upcoming board meetings, and progress with recruitment of a Chair, which the Committee felt should be conducted at pace. The Chief Executive agreed to follow up on these points with the appropriate directors and the area team.

#### **18a ORIC risk action plan**

The Committee noted a project risk action plan for ORIC, which the Orkney area team was developing further for adoption by the ORIC board. It was agreed that the board would require a risk register, and noted that ERDF should be added to the current list of identified risks. The importance of applying proper governance diligently was again stressed.

The Committee thanked the Orkney team members for their update and participation in discussion.

*Graeme Harrison and Harvey Stevenson left the meeting.*

#### **19 HIE GDPR update**

*Rachel Gothard joined the meeting.*

HIE's GDPR Project Manager described a programme of work that had been planned and was being delivered to ensure full compliance across HIE with the new General Data Protection Regulation. The Committee welcomed the update, which provided assurance that HIE was dealing with the challenge of GDPR in a well-organised, systematic fashion.

Audit Scotland confirmed that it would be working with public bodies across Scotland to ensure GDPR was being properly understood and applied.

#### **19a GDPR HIE client journey**

The Committee welcomed an analysis of GDPR implications for HIE's client journeys, including challenges around ensuring compliance when sharing data with other organisations.

*Rachel Gothard left the meeting.*

## **20 Wave Energy Scotland (WES) – review of governance and operating arrangements**

*Elaine Hanton joined the meeting.*

The Head of Energy Technologies and Regulation presented a paper setting out the main findings of reviews of the governance and wider operating arrangements for Wave Energy Scotland (WES), and recommending changes to the WES governance documents to ensure they remain fit for purpose and reflect the environment in which WES now operates. These included amendments to sections of the WES operating agreement covering the role of the WES board and appointments to the WES advisory group; alignment of WES financial delegated authorities with those of HIE, and a range of recommendations in relation to service delivery. The Committee welcomed the report, and endorsed the approach being taken.

*Elaine Hanton left the meeting.*

## **21 Audit Scotland Strategic Board Review – verbal update**

The Committee welcomed a verbal update from the Associate Director, Audit Scotland, on progress being made to engage with the new Enterprise and Skills Strategic Board. The current focus was on understanding the context of the national enterprise and skills challenge, and further updates will be provided to future meetings as the process develops.

### **PLANNED ACTIVITY**

### **GNIOMHAN SUIDHICHTE**

## **22 Corporate risk register**

The Head of BIIA presented HIE’s latest corporate risk register. The Committee noted that plans were being progressed to undertake an annual wholesale refresh that would provide an opportunity to review the register in total.

Risks highlighted by the Committee included issues of viability and sustainability associated with community land ownership, and it was noted that this would be covered in an update that was planned to go to the next meeting of the HIE Board, in June. There was also discussion on Brexit, which presents both strategic and tactical risks, and it was agreed that the way in which these are presented in the register would be reviewed.

The Committee asked to receive more in-depth information on specific risks, and it was agreed that a programme of individual updates would be developed as part of a new draft plan for the Committee.

## **23 EIS updates**

*Andrea Eschle joined the meeting by teleconference.*

As the Chief Information Officer, EIS, had been unable to attend today’s meeting, it was decided to postpone detailed discussion on a range of matters concerning the provision of ICT services to HIE. On his behalf, Andrea Eschle of EIS provided a verbal summary of key activities around issues including cyber security, GDPR, and plans for improvements to services.

The Committee requested reports on these matters at its next meeting, along with a cover paper to highlight key changes and provide a clear summary and overview of the content in the individual papers.

#### **24 EIS governance review – EY report**

The Committee welcomed a review of EIS governance from EY and requested that its findings be incorporated into a management update at the next meeting. It was confirmed that key points from the EY report would be included in a clear action plan.

*Andrea Eschle left the meeting.*

*Donald MacRae left the meeting at this point.*

#### **25 Customer feedback report 2017/18**

The Committee welcomed HIE's latest customer feedback, including compliments, complaints and requests made through the Freedom of Information (Scotland) Act and Environmental Information Regulations.

The growing complexity of FOI and EIR requests was presenting challenge, and it was noted that the Scottish Information Commissioner had partially upheld one appeal against HIE. The Committee expressed some concern at the strain being placed on resources, and recommended that this be monitored.

#### **26 Information assurance joint strategy and plan**

The Committee noted the contents of a joint strategy and plan covering the partners in shared IT services delivered by EIS (HIE, Scottish Enterprise and Skills Development Scotland). It was noted that the plan was currently in draft and would be revised following discussion with the EIS board. It was also agreed that a timeline would be added to the identified actions, which were welcomed.

#### **27 Risk and Assurance Committee Annual Plan**

The Head of BIIA presented an annual plan for the Risk and Assurance Committee in 2018-19. The Committee endorsed the plan, commenting on the value of training being provided to Committee members. A briefing on GDPR was requested, and it was noted that this could be relevant for all Board members.

#### **28 Procurement annual report**

*Ian Considine joined the meeting.*

HIE's Head of Procurement presented the team's annual report 2017-18. The Committee welcomed the report, and congratulated the team on its recent success in winning a national award. It was agreed that the final version of the annual report would include actual cash figures for spend analysis, as well as percentages. The Committee stressed the importance of community benefits, and the Head of Procurement advised that details were always requested in tenders, although these were not always scored. The Committee also expressed interest in knowing the proportion of spend with SMEs by area across the Highlands and Islands, and it was agreed that this would be investigated.

*Ian Considine left the meeting.*

29 *[Item removed in the interests of the effective conduct of public affairs, and due to commercial sensitivity].*

**STANDING ITEMS**

**CUSPAIREAN COTHROMACH**

**30 Date of next meeting**

The next meeting of the Risk and Assurance Committee is scheduled for 13 August 2018, in Inverness.

**31 Any other business**

There was no other business.

Chris Roberts  
5 June 2018