

RISK AND ASSURANCE COMMITTEE
COMATAIDH CHUNNART AGUS SGRÙDAIDH

**MINUTE OF THE MEETING HELD AT AN LÒCHRAN, 10 INVERNESS CAMPUS,
TUESDAY 5 DECEMBER 2017**

PRESENT:

Alistair Dodds (Chair)
Ailsa Gray (by phone)
Donald MacDonald
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 (by telecon)
Chris Roberts	Head of Corporate and Media Relations
Gordon Smail	Associate Director, Audit Scotland
Marie Mackintosh	State Aid Manager, item 6
Felix Spittal	Senior Development Manager, Northern Innovation Hub, item 9
Graeme Harrison	Area Manager, Orkney, item 10
Harvey Stevenson	Head of Strategic Projects, Orkney, item 10
David Oxley	Director of Business and Sector Development, item 11
Janie Sheridan	Business Improvement Manager, items 12, 13, 16
Keiron Scott	Information Systems Strategy Manager, items 12, 13, 16
Paul Clark	Chief Information Officer, EIS, items 13, 16 (by telecon)

1 Welcome and apologies

The Chair welcomed everyone to the meeting. There were no apologies.

2 Declaration of interests

There were no declarations of interest concerning any item on the agenda.

3 To approve the minute of the meeting held on 5 September 2017

In item 11, *HMRC compliance update*, it was agreed that a reference to 'dual workplace policy' should be changed to 'dual workplace practice'. With that amendment, the minute was approved.

4 Matters arising

In relation to item 14, *Draft Public Services Reform Act Report*, the Head of Business Information and Internal Audit (BIIA) noted that the Hymans Robertson report that was mentioned in the minute would be sent separately to Committee members for information.

5 Matters arising from the HIE Board meeting on 4 October 2017

There were no matters arising from the HIE Board meeting of 4 October 2017 that were not already covered on today's agenda.

EMERGING ISSUES **CÙISEAN LÀITHREACH**

6 *[Item removed due to commercial sensitivity].*

7 General Data Protection Regulation

The Head of Business Improvement and Internal Audit (BIIA) reported on steps that HIE is taking to ensure compliance with the General Data Protection Regulation (GDPR), which is due to replace the UK Data Protection Act in May 2018.

HIE's objectives are to build on existing practice to establish a strong, legally compliant basis for processing personal data, and to do so within the context of delivering a significant programme of business improvement that will increase opportunities for data sharing, analysis and collaboration with other organisations.

The report detailed external legal advice obtained by HIE and set out a series of findings to inform an action plan that HIE will use to develop data protection and information handling practices throughout the organisation. A key requirement will be to ensure that a designated data protection officer with responsibility for HIE and its subsidiary Wave Energy Scotland (WES) is in place on day one of GDPR coming into force.

The Committee welcomed the update, noting that the approach outlined had been developed by a broad-based project team that featured representation from a range of relevant business units. Members sought and received assurance that HIE would ensure that training, guidance and support were in place, including the potential use of online training tools, to enable staff to fully understand and implement the cultural shift that would come with GDPR. It would be important to use clear and precise language to deliver effective internal communications that would underpin compliance at all levels across HIE and WES.

8 Tax compliance review update

The Director of Finance and Corporate Services updated the Committee on progress with two compliance reviews currently being carried out by HM Revenue and Customs, one covering HIE's employment tax, and one on VAT. His report also covered IR35 legislation to reduce tax avoidance through the use of personal service companies.

On employment tax, one particular area of interest was whether any HIE employees had dual workplaces. HIE had taken advice from EY to inform its response to HMRC and was awaiting a decision which it was hoped would resolve this matter early in 2018.

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

Checks relating to a range of HIE service contracts had been carried out to ensure IR35 compliance. To date, no cases of non-compliance had been discovered.

The Committee welcomed the update, and discussed the issues that it had highlighted in some detail. While members appreciated that HIE operated very effective internal audit processes, it was agreed that commissioning regular external reviews would add strength to the system and provide greater assurance on tax compliance, which was a complex and changing area. A report on HIE's methodology for ensuring tax compliance will also be presented for review at a future meeting.

9 Northern Innovation Hub governance update

Felix Spittal joined the meeting.

The Senior Manager, Northern Innovation Hub, presented an update on progress with establishing this ambitious project, which aims to support business innovation throughout all of the Highland Council area, and is backed by funding from the Inverness and Highland City-Region Deal and the European Regional Development Fund. A risk register and action plan had been prepared, identifying a series of potential risks associated with the project, along with actions to treat them. This judged the overall risk level as amber (medium).

In discussion, it was confirmed that the risk register would be kept under review and updated regularly during the lifetime of the project. It was also noted that work was under way to carry out an economic impact assessment (EIA) of the food and drink strand of the project which would include creating a new technology centre in a location outwith Inverness. The EIA would form part of the business case for this strand to be submitted to the UK Government, which had already granted conditional approval for food and drink, and full approval for the project overall. The Committee welcomed the update.

Felix Spittal left the meeting.

10 Orkney Research and Innovation Campus update

Graeme Harrison and Harvey Stevenson joined the meeting.

The Orkney area team updated the Committee on progress towards creating the Orkney Research and Innovation Campus (ORIC), in partnership with Orkney Islands Council (OIC).

Very good progress had been made towards establishing a joint venture and it was anticipated that the proposed limited liability partnership between HIE and OIC would be formalised early in the new year. Six ORIC Board nominees had been confirmed (three put forward by HIE, and three by OIC) and it was expected that an independent chair would be appointed shortly as the seventh board member. HIE's appointees were: Board member Belinda Oldfield, Director of Regional Development Carroll Buxton, and former Orkney Area Manager Ken Grant. Discussions were ongoing with the Scottish Government regarding State Aid compliance, and ministerial approval for the project would be sought once this matter was agreed.

In order to meet the deadline to draw down ERDF funding for the project, the HIE Board had delegated authority to award the construction contract to HIE's Leadership Team, provided an acceptable tender was received within the agreed project budget.

The Committee welcomed the update and stressed the need to ensure that robust processes were in place to ensure that the project was closely managed and remained within budget.

Graeme Harrison and Harvey Stevenson left the meeting.

11 Cairngorm Mountain update

David Oxley joined the meeting

The Director of Business and Sector Development updated the Committee on the range of current HIE activities concerning Cairngorm Mountain. These included the agency's contract with visitor centre operator Cairngorm Mountain Ltd (CML), HIE's plans to enhance stakeholder engagement, and the potential for a community asset transfer request to be submitted by Aviemore and Glenmore Community Trust.

It was noted that ownership of management company Natural Retreats UK Ltd had changed in November 2017, and that the business had been renamed as the UK Great Travel Company Ltd. This new entity was UK-based and wholly owned by the former Natural Retreats UK Ltd management team. HIE was carrying out due diligence on this and had seeking assurance that existing company and personal guarantees relating to CML operations at Cairngorm remained in place. CML itself was achieving financial targets and meeting key performance indicators agreed with HIE.

A trial of snow making equipment on the mountain was under way, supported by HIE funding, and the agency had begun procurement to appoint an experienced contractor to conduct a comprehensive review of ski uplift infrastructure. HIE was also working with the Highland Council to secure snow clearing machinery that would be used to open the ski road more quickly and keep it clear in winter.

Following the HIE Board's decision in April 2017 to approve changes to the purpose of a previously agreed £4m loan, CML was preparing a planning application to introduce artificial ski slopes at the resort. A further application, for an extension to the Ptarmigan top station, was expected to follow later in the year.

The Committee welcomed the report and encouraged HIE staff to remain focused on working with CML to achieve a sustainable business model. It was important to work pro-actively towards effective stakeholder engagement, including building constructive relationships with local people and organisations, and the wider snowsports community. The Chief Executive highlighted the care that HIE was taking to ensure that the separate elements of its dual role, as landowner, and as asset transfer adviser to the community group, remained distinct and did not present a conflict. This aspect in particular would be kept under review, and it was agreed that an update would be provided to the Cabinet Secretary for the Rural Economy and Connectivity at his next meeting with HIE.

David Oxley left the meeting

12 Digital HIE update

Janie Sheridan and Keiron Scott joined the meeting

The Head of BIIA presented an update on progress with HIE's business transformation programme, known as *Digital HIE*, which aims to put customers at the heart of business operations and delivery mechanisms, both now and in future. In particular, the programme recognises the importance of meeting changing customer needs through implementing significant changes to: HIE's structure and culture; staff skills and capabilities; business processes and service design, and supporting technologies.

The Committee endorsed the approach being taken, underlining the importance of viewing the programme as business transformation supported by digital technology, along with other innovations to adapt and streamline customer interactions with HIE. Parallels were drawn between this internal programme, and HIE's externally-focused digital engagement work, and members welcomed HIE's move to improve customer service through digital and other means.

It was noted that the risk level of several workstrands was amber (medium risk), and that this was to be expected at the present stage of a multi-faceted initiative where successful delivery depends on many different factors, both internal and external. HIE's key role in collaborating with other agencies towards establishing a single customer sign in ID was acknowledged, noting that this work is being carefully aligned with GDPR understanding and implementation (item 7).

13 Enterprise Information Systems update including cyber security

Paul Clark joined the meeting.

The Chief Information Officer, Enterprise Information Systems (EIS), which provides ICT services to HIE, Scottish Enterprise and Skills Development Scotland, presented a report on security planning.

EIS has a Risk and Information team with a remit covering information security, assurance, and risk management. The report detailed trends in cyber security, including malware, spam, phishing and mobile and social media, and described the approach taken by EIS and its partners, including HIE, to design and implement effective security arrangements. The first meeting of a new EIS Security Council had been held on 14 November 2017, with representation from HIE. It was also noted that EIS was confident of attaining ISO 27001, providing certified assurance of the quality of its information security management.

The Committee thanked EIS for the update, and welcomed HIE's participation, along with the other EIS partners, in the Scottish Government's cyber catalyst scheme, part of the national cyber resilience strategy. Members also recommended that EIS investigate best practice in the international insurance broker community, which is at the forefront of cyber security.

It was agreed that the Committee would receive regular updates on this important issue, including details of EIS's internal ISO assessment, and the external evaluation once this had been delivered.

PLANNED ACTIVITY GNÌOMHAN PLANAICHTE

14 Business Improvement and Internal Audit activity to 31 October 2017

The latest Business Improvement and Internal Audit report, summarising activity over the seven months from 1 April to 31 October 2017 was noted for information.

15 Business Improvement and assurance – approach and strategy

The Head of Business Improvement and Internal Audit presented a report describing the purpose and activities of the BIIA team and highlighting its refreshed strategy for business improvement and integrated assurance approach. The Committee welcomed the report, noting the breadth and depth of activity undertaken, and commending HIE's willingness to bring in skills and expertise from external providers and other organisations, including Audit Scotland.

16 Audit Scotland ICT review

Note: This item was taken out of sequence at the meeting, immediately after item 11, so that Paul Clark, Keiron Scott and Janie Sheridan could be present.

The Associate Director, Audit Scotland, presented the findings of a high level review of information communications technology (ICT) arrangements delivered by Enterprise

Information Systems (EIS) for a partnership comprising HIE, Scottish Enterprise and Skills Development Scotland.

The review had examined five specific themes in detail: strategic direction, organisation structure, asset protection, service delivery, and business continuity. It had concluded that EIS was operating effectively, with good governance arrangements in place. As a partnership, EIS faced numerous challenges that were being addressed through work plans and projects. Audit Scotland had identified a small number of matters to be addressed by management, and the Chief Information Officer of EIS confirmed that the review had provided a very useful health check for the organisation.

The Committee welcomed the findings of the review, noting that HIE staff had also confirmed that the agency enjoyed a positive working relationship with EIS.

Paul Clark, Keiron Scott, Janie Sheridan left the meeting

17 Board Standing Orders review

The Head of BIIA presented a refreshed draft of the HIE Board Standing Orders, which had been reviewed following a recommendation from Audit Scotland. A small number of points for further clarification were noted and a revised draft will be examined by the HIE Board in February 2018.

Due to another commitment, Donald MacRae tendered his apologies and left at this point.

18 Customer feedback report to 30 September 2017

The Committee welcomed the latest customer feedback report, collating compliments, complaints and Freedom of Information (FOI) and Environmental Information requests received by HIE and its subsidiary Wave Energy Scotland in the six months from 1 April to 30 September 2017.

The challenging nature of some current FOI requests was noted and it was recommended that the resource required to handle the increasing complexity and volume of enquires should be reviewed. The Committee endorsed recommendations for next steps that were included in the report, and members expressed their appreciation of the high quality work carried out by HIE staff in processing customer feedback and information requests.

19 Priority Investment approach

The Head of BIIA presented a paper describing a new approach that HIE had designed to identify, assess, manage and measure the impact of priority investments delivered by teams across the agency. The paper included a definition of the characteristics of priority investments, steps to ensure effective governance and project management, and details of reporting arrangements, including the importance of sharing knowledge that was derived from individual projects within HIE and with other organisations.

The Committee welcomed the approach, highlighting the need for HIE to continue to prioritise local projects that could achieve major impacts in remote and rural communities, as well as projects of regional significance. The Chair recommended that details of major projects in their earlier stages of development should be presented routinely to the HIE Board for information and discussion, and not only when funding decisions were required to be taken.

20 Risk Register - September 2017

The Committee noted HIE's corporate risk register, showing risks allocated against agreed themes and movement of risks over time.

21 Risk Reporting Schedule

HIE's Risk Reporting Schedule, showing a calendar of updates and actions that are due to be examined by HIE's Leadership Team in the period from December 2017 to September 2018, was noted.

22 Date of next meeting

An effectiveness workshop for Committee members is planned for 11 December 2017.

The next formal meeting of the Risk and Assurance Committee will be in Inverness on Tuesday 6 March 2018.

Chris Roberts
5 December 2017
HIEA 2017/01320