

RISK AND ASSURANCE COMMITTEE
COMATAIDH CHUNNART AGUS SGRÙDAIDH

MINUTE OF THE MEETING HELD ON 5 DECEMBER 2023 AT 0900 AT AN LÒCHRAN, INVERNESS CAMPUS, AND BY TELECONFERENCE

PRESENT (ONLINE): Angus Campbell (*Chair*)
Belinda Oldfield
Calum Ross
Keith Nicholson

IN ATTENDANCE (AN LÒCHRAN):

Stuart Black Chief Executive
Louise Macmillan Audit and Assurance Manager

IN ATTENDANCE (ONLINE):

Sandra Dunbar Director of Business Improvement and Internal Audit (BIIA)
Nick Kenton Director of Finance and Corporate Services
Kara Brown Senior Auditor, Audit Scotland
Andrew Carton Team Leader of Sponsorship, Scottish Government
Adrian Kitson Head of Executive Office
David Hamilton EU Funding Manager, item 2.1
Keith Masson Head of Net Zero Transition, item 2.2
Elaine Hanton Senior Project Lead, item 2.3
Dave MacLeod Head of Property and Infrastructure, item 2.3
Andrew Jenkins Head of Financial Services, item 2.4 and 3.8
David Oxley Director of Strategic Projects, item 2.5
Fiona Eardley Head of Information Governance, item 3.2 and 3.3
Alex Maciver Information Systems Manager, item 3.4
Chris Knight Head of Cyber Security, Skills Development Scotland, item 3.4
Janie Sheridan Head of Business Transformation, item 3.5
James Laraway Business Improvement Manager, item 3.6

1 STANDING ITEMS
CUSPAIREAN COTHROMACH

1.1 Welcome and apologies

The Chair welcomed everyone to the meeting, noting apologies from Pauline Gillen and Kyle McAulay from Audit Scotland and welcoming Kara Brown, Senior Auditor from Audit Scotland who was attending in their absence.

1.2 Declarations of interest

Board member Belinda Oldfield provided a transparency statement to note that she is a Non Executive Board Member with Scottish Government [*part of sentence removed in the interests of the effective*

conduct of public affairs, and due to commercial sensitivity]. The Chair of the Committee also made a transparency statement about his role in UHI and the UHI Court noting that there was no direct conflict of interest in relation to any of the papers to be discussed. Board member Keith Nicholson made a transparency statement to confirm that he did not consider that he had a conflict of interest [*part of sentence removed in the interests of the effective conduct of public affairs*]. Board member Calum Ross made a transparency statement in relation to him being a member of the UHI Court noting that there was no direct conflict of interest in relation to any of the papers to be discussed and also in relation to the paper with transactions over £25k where there are organisations mentioned that he has involvement with.

1.3 Final Minute of the Risk and Assurance Committee Meeting of 17 August 2023 – minor amendments for noting

The Committee noted the minor amendments and confirmed that they were content with the accuracy.

1.4 To approve minute of the Risk and Assurance Committee meetings held on 3 October 2023 and 11 October 2023

The minutes of the meetings held on 3 October 2023 and 11 October 2023 were approved.

1.5 Matters arising from the Risk and Assurance Committee meetings and action note from the meetings of 3 October 2023 and 11 October 2023

There were no matters arising that were not covered on the meeting agenda.

1.6 Matters arising from the HIE Board meeting held on 31 October 2023

There were no other matters arising.

2 CURRENT AND EMERGING ISSUES **CÙISEAN LÀITHEIL**

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

2.2 Net Zero and climate change update

Keith Masson joined the meeting.

The Head of Net Zero Transition provided an update on key climate related risks, mitigating actions and opportunities with respect to HIE's statutory net zero responsibilities, breaking them down into areas of risk directly relevant to HIE from an operational perspective and HIE's statutory obligations under the Climate Change (Scotland) Act as well as the risks faced by clients and communities. The key risk areas relate to the built estate, decarbonisation of staff travel, internal governance and net zero conditionality and various competing pressures arising from both statutory responsibilities as well as HIE's new strategy. These issues mean that the Energy Transition & Net Zero team will require clear prioritisation steers from the HIE Board / LT.

The Committee welcomed the comprehensive paper and approach being taken by HIE, noting the challenge ahead for businesses and ability to change due to cashflow challenges and wider issues with regards to Electric Vehicle (EV) charging points for example.

The Committee asked if the Mott MacDonald report, once received, could be shared with the Board and noted that they were looking forward to attending the Climate Literacy course being delivered in the New Year.

The Head of Net Zero Transition highlighted that the situation with buildings was a challenge, from a technical perspective all buildings in Scotland could be made Net Zero but cost is the biggest issue. The Mott MacDonald report will help to provide the high level understanding of the cost profile to transition the portfolio over to Net Zero and will inform the retention strategy for the built estate. It was also confirmed that conditionality in relation to funding is currently being reviewed and a paper will be presented to Leadership Team and will very much mirror what Scottish Enterprise are doing in this regard.

Keith Masson left the meeting.

2.3 Cairngorm update

Elaine Hanton and Dave MacLeod joined the meeting.

The Head of Property and Infrastructure provided a recap of the current position at Cairngorm. It was noted that during the planned programme of non-critical defects work implemented by the contractor, issues had been identified that resulted in the funicular being immediately taken out of service on 25 August 2023. The HIE Board had received updates at their meetings on 29 August and 31 October.

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

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

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

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

Elaine Hanton and Dave MacLeod left the meeting.

2.4 ERP project update

Andrew Jenkins joined the meeting.

The Director of Finance and Corporate Services as SRO for the ERP Project provided a brief overview of the background and current status of the ERP project. *[Sentences removed in the interests of the effective conduct of public affairs].*

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

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

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

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

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

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

Andrew Jenkins left the meeting.

2.5 Space update

David Oxley joined the meeting.

The Director of Strategic Projects provided an update on the current level of risk for the Space sector in particular around the development of Sutherland and Saxa Vord Spaceports. *[Sentences removed in the interests of the effective conduct of public affairs, and due to commercial sensitivity].* Spaceport 1 planning permission was granted in early summer. The decision was not called in by Scottish Government, and the period for a judicial review has expired. *[Sentence removed due to commercial sensitivity].*

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

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

David Oxley left the meeting.

3 PLANNED ACTIVITY

GNÌOMHACHDAN PLANAICHTE

3.1 Assurance plan progress report 1 September to 31 October 2023

The Director of BIIA outlined that the report was in the normal format but following Committee feedback, a “planned date” has been added. There are two areas to highlight, the first being the pivoting of work in the last quarter to support the claims for the European funding deadline and secondly prioritisation to support a submission to the Competitions and Market Authority (CMA) which was the first one in Scotland. The CMA submission had resulted in positive feedback on HIE’s approach and will be helpful in informing future project activity.

In addition, new corporate risks have been identified and the planned assurance activity will ensure these are appropriately considered. Activity is ongoing to review and update a number of policies and other guidance. The review of the internal audit function’s compliance with the Public Sector Internal Audit Standards has commenced.

The Committee welcomed the addition of the timescale column on the report which is extremely helpful.

3.2 EY internal audit report – HIE – Information Governance

3.3 Information Governance – update on HIE actions to address EY report findings

Fiona Eardley joined the meeting.

Items 3.2 and 3.3 were covered together.

The Audit and Assurance Manager outlined that a review was undertaken by EY on behalf of HIE to identify potential gaps or barriers to drive effective information governance practices, taking into account the desired maturity of these. The review was graded as 4 (High – limited assurance). It noted some areas for improvement which would strengthen practices, including: best use of governance forums, clarity around roles and responsibilities, development of information governance strategy and supporting communications strategy, development of specific training and defining a data management framework and data dictionary.

The Head of Information Governance has separately prepared an update on actions which have been taken, or are planned, to address the improvement areas noted in the report and gave a brief introduction to the action plan covering areas such as automated closure of files, retention schedules, destruction and delivery of training.

The Committee noted the update.

Fiona Eardley left the meeting.

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

3.5 Best Value summary, 30 September 2023

Janie Sheridan joined the meeting.

The Head of Business Transformation provided a summary of the Best Value Plan activity as at 30 September 2023 against the six Key Performance Indicators (KPIs) agreed with the Committee in October. The full report has gone to Leadership Team, Senior Managers, and has been made available to all colleagues. Some themes that have come out include scope for improved recording of client engagement and reach, inconsistency of how processes are being applied and a number of areas for improvement have been identified such as the management of the application process. Overall, this tells a very positive story of HIE delivery activity. Turnaround times are very good with responses to enquiries generally being provided on the same working day as they are received. Work is ongoing in terms of improvements to reporting and getting a real time dashboard embedded with HIE's routine performance information and review periods.

The Committee noted the positive report and also the identification of what still remains to be done in terms of improvements This demonstrated HIE's approach to ensuring it is effective and efficient and aligned to Public Sector Reform ambitions.

Janie Sheridan left the meeting.

3.6 Risk register, October 2023

James Laraway joined the meeting.

The Director of BIIA highlighted that the risk register is the one presented at the last Board meeting with a new one being prepared for the next Board meeting. This is a valuable tool and is a living

document which is actively reviewed and reflects the current environment and ensures an awareness of the issues. HIE is looking to do more around knowledge sharing and lessons learned which is linked to Best Value. The Business Improvement Manager is facilitating two workshops, one in relation to risk appetite and risk characteristics and one in relation to the proportionate application of the appraisal process.

In the case of the Growth Deals, the projects and programmes being delivered through these exhibit many of the characteristics of high risk and/or complex projects. Therefore, it is important that there is a clear approach to understanding risk and for appropriate risk management arrangements to be put in place.

[Sentence removed in the interests of the effective conduct of public affairs]. The Director of BIIA noted this and added that the Digital Change Group is setting aside time outwith the normal business as usual agenda to look at this project in particular.

In relation to the Growth Deals, the Committee asked if there was confidence that HIE was aware of all of the risks. The Business Improvement Manager confirmed that he was working with the Head of Growth Deals to ensure there is a clear picture of what HIE is involved in and associated risks.

The Chair of the Committee asked about the Withers Skills review and potential changes. The Director of BIIA noted that skills as one of the key regional themes.

James Laraway left the meeting.

3.7 RAC annual effectiveness review, December 2023

The Audit and Assurance Manager thanked Committee members for coming back promptly with thoughts on areas for improvement. The paper presented summarises the findings from the RAC effectiveness review for 2023/24. Two areas have been implemented with one ongoing in relation to implementation of audit recommendations for the next batch of reports issued. One area that is outstanding is the Internal Audit terms of reference which is scheduled to be done in January for presenting to the Committee in March. New areas include induction of new Committee members and one around the annual accounts process and the wider lessons learned.

The Committee noted the update.

3.8 Public Services Reform Act – annual report

Andrew Jenkins joined the meeting.

The Financial Services Manager presented a paper to allow the Committee to review the 2022/23 Public Services Reform (Scotland) Act 2010 disclosure for HIE, HIEs subsidiaries and Joint Ventures. Under the Act, HIE is required as soon as is reasonably practicable after the end of each financial year, to publish a statement of expenditure categories defined in this Act. In line with 2022/23 years, information regarding each of the active companies HIE, WES, CMSL and ORIC is reported separately.

The paper details specific information that HIE is required to disclose including public relations spend, overseas travel, hospitality and entertainment, external consultancy and listings of payments over £25k. There is a statement covering sustainable growth and efficiency and effectiveness throughout the year.

The Committee noted that it was helpful to see the tables and payments within the report and highlighted the total value of payments to EIS for shared services as circa £0.5m per year. The Chief

Executive confirmed that this was the payments to EIS for HIE's shared IT provision. The actual figure outlined in the annual report was £2.56m, this included five quarters of payments due to the timing of the payments with the usual annual rate being in the region of £2m. The Director of Finance and Corporate Services reassured members that HIE was pushing EIS hard re efficiencies and that the costs were at market price.

Andrew Jenkins left the meeting.

3.9 RAC development programme

The Director of BIIA noted that two themes emerged from discussion at the last Committee meeting, the first being Net Zero Climate Literacy training with a session scheduled for Board members in the last quarter of the financial year and the second being an update on Subsidy which will also be scheduled before the end of March.

The Committee Chair asked that dates be issued as soon as possible for both planned events. He also suggested a private session for members to discuss the Committee and to receive feedback.

3.10 Any other business

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

3.11 Date of next meeting

The next meeting of the Risk and Assurance Committee will take place on 14 March 2024.

Adrian Kitson
Head of Executive Office
5 December 2023