

RISK AND ASSURANCE COMMITTEE
COMATAIDH CHUNNART AGUS SGRÙDAIDH

**MINUTE OF THE MEETING HELD ON 3 OCTOBER 2023 AT 0900 AT AN LÒCHRAN, INVERNESS CAMPUS,
AND BY TELECONFERENCE**

PRESENT (ONLINE): Angus Campbell (*Chair*)
Belinda Oldfield (joined during item 2.1)
Calum Ross
Keith Nicholson

IN ATTENDANCE (AN LÒCHRAN):

Stuart Black Chief Executive
Nick Kenton Director of Finance and Corporate Services
Louise Macmillan Audit and Assurance Manager
Andrew Jenkins Head of Financial Services, item 3.2
Janie Sheridan Head of Business Transformation, item 4.3

IN ATTENDANCE (ONLINE):

Stuart Black Chief Executive
Sandra Dunbar Director of Business Improvement and Internal Audit (BIIA)
Pauline Gillen Audit Director, Audit Scotland
Kyle McAulay Senior Manager, Audit Scotland
Andrew Carton Team Leader of Sponsorship, Scottish Government
Adrian Kitson Head of Executive Office
Martin Johnson Director of Strategy and Regional Economy, item 2.2
Dave MacLeod Head of Property and Infrastructure, item 2.3
Alex MacIver Information Systems Manager, item 4.5

1 STANDING ITEMS
CUSPAIREAN COTHROMACH

1.1 Welcome and apologies

The Chair welcomed everyone to the meeting and confirmed that no apologies had been received.

1.2 Declarations of interest

Board member Keith Nicholson provided a transparency statement to note that his wife runs a self-catering business. The Director of Finance and Corporate Services provided a transparency statement, to note he is a director of HIE Ventures Ltd which is referenced in the Annual Report and Accounts.

1.3 To approve minute of the Risk and Assurance Committee meeting held on 17 August 2023

The minute was approved.

1.4 Matters arising from the Risk and Assurance Committee meeting and action note from the meeting of 17 August 2023

There were no matters arising.

1.5 Matters arising from the HIE Board meeting held on 29 August 2023

The Director of Business Improvement and Internal Audit (BIIA) updated the Committee that the Board endorsed (subject to some minor changes) the Risk Appetite Statements which was an important follow-on from the Committees substantive discussion. A final version will be published on the HIE Intranet and training will be undertaken for HIE colleagues. These statements will now be reviewed twice a year.

There were no other matters arising.

2 CURRENT AND EMERGING ISSUES **CÙISEAN LÀITHEIL**

2.1 ERDF claims update

The EU Funding Manager had provided his apologies with the Director of BIIA providing a further update on progress to the Committee in his absence. In relation to the ERDF claims, there is a tight timescale to get all of the final claims in for the legacy programme of the end of January 2024 and Scottish Government (SG) have an objective to finalise all of the programme activity by June 2024. Feedback has not been received on claims now submitted [*part of sentence removed in the interests of the effective conduct of public affairs*].

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

The Committee asked if the SG team is providing support to HIE. The Director confirmed that support is being provided but is impacted due to the volume of work Scottish Government colleagues are dealing with. An update will be provided at the Committee at the December meeting.

2.2 External Funding Board update

Martin Johnson joined part way through the item.

The Director of BIIA outlined that the focus of the report was on lessons learned from previous experience of accessing external funding and to have the governance in place which allows access to other funding in the future to be optimised.

There was previously an EU Funding Board, the terms of reference for this group have been updated to support this objective by having a focus on three areas, 1) alignment with strategic objectives, 2) early understanding of resource, governance and compliance and 3) an ongoing watching brief to ensure that the objectives are being delivered. The Director of Strategy and Regional Economy chairs the Other Funding Group based on these terms of reference.

The Committee asked if there were any initial targets for funding and if these arrangements covered subsidiary organisations such as WES. The Director of BIIA confirmed there were two themes, those opportunities that are near term or newly started such as the Growth Deals and ensuring that we are clear on the governance to support these and then to identify other opportunities to access funding which support delivery of our strategic priorities. In relation to subsidiaries, there are already processes in place and HIE would not want to duplicate these with assurance provided via internal audit of WES.

The Chief Executive confirmed that due to current budget position, there is a need to source other funding into HIE and to support our partners and clients in accessing other funding e.g. through third party investors, other public sector funding etc. This activity is captured and reported as non-financial interventions. Key for WES is securing further SG funding beyond the current funding envelope.

The Committee welcomed the update and asked what the process of interaction with the Committee would be. The Director of BIIA confirmed that there would be an annual update to the Committee.

Martin Johnson left the meeting.

2.3 Update on Reinforced Autoclave Aerated Concrete (RAAC)

Dave MacLeod joined the meeting.

The Head of Property and Infrastructure provided the Committee with an update on the work HIE is undertaking to determine if there are any risk issues relating to the presence of RAAC in any HIE owned or occupied premises. The majority of HIE’s portfolio was constructed post 2000. The relatively young age of the portfolio combined with the type of buildings (predominately offices and industrial units) and the lower prevalence of RAAC used historically within the region means the likelihood of RAAC being present is low.

The HIE Property team have instructed building surveyors with initial reviews indicating no evidence of RAAC, more detailed inspections have been instructed and third party assurance sought on one property. Further updates will be provided once these reviews are complete.

The Committee asked if there was confidence that the whole estate had been covered and asked about the timeframe for the additional inspections on third party buildings. The Head of Property and Infrastructure confirmed that there is confidence that the buildings that could have been at risk have been identified. In terms of timeframe for inspections of third party buildings, two are taking place in the coming week with a third to be confirmed.

Dave MacLeod left the meeting.

**3 ACCOUNTS RELATED
STUTHAN CUNNTASACHAIL**

- 3.1 Audit Scotland Annual Report for 2022/23**
 - 3.1a – Audit Scotland covering letter, proposed independent auditor’s report and management letter of representation**
 - 3.1b – Draft annual audit report**
- 3.2 HIE Annual Report and Accounts 2022/23**
- 3.3 Proposed final certificate of assurance for 2022/23**

The Director of Finance and Corporate Services provided a brief update to the Committee outlining that the unaudited accounts and annual report had been presented to the Committee in August and confirmed that these have since been updated with significant input from Audit Scotland. It was noted that the Audit Scotland Annual Report had only been received over the weekend and a number of potentially significant issues were raised in the report which required consideration prior to this document being finalised. This has been discussed with the Chair of the Committee and at Leadership Team with a decision taken to defer the Annual Accounts section and all related items of the agenda

from this meeting. Due to availability of key members of staff, it was agreed that to allow time for the resolution of all issues, that Committee discussion on this would be deferred for a week.

The Chair noted that although not ideal, this was the appropriate way to deal with this. A further meeting will be arranged for around a week's time on Annual Accounts-only issues.

Members noted their contentment with the decision.

4 PLANNED ACTIVITY
GNIOMHACHDAN PLANAICHTE

4.1 Assurance plan progress report 1 April to 31 August 2023

The Director of BIIA outlined that this report covered independent audit reviews and updates on wider activity that the Committee, Chief Executive and Leadership Team get assurance from. The report also noted that changes in the risk environment are kept under review to inform the assurance activity.

There are new corporate risks identified on the August register, and one specific emerging area (Reinforced Autoclave Aerated Concrete - RAAC). An update on this was provided to the Committee as a separate agenda item.

The assurance plan is largely on track with much of the activity front loaded around areas relevant to the annual accounts. The Audit and Assurance Manager noted that a procurement exercise had recently taken place to appoint a supplier to review the internal audit function's compliance with the Public Sector Internal Audit Standards. This work will take place October to December 2023, with a report anticipated by end of January 2024. The findings of this review will be presented to a future committee.

The Committee asked if the procurement exercise was a competitive process, it was confirmed that the quick quote process was used with approaches made to six suppliers with an award now made. On the regular assurance updates, it was agreed it would be helpful to add a planned by date for future reports on the IT audit plan and scope the Committee were pleased to note that cloud security was included. The Director confirmed that the EY report had previously been taken to the RAC.

A further question was asked on Gateway reviews for deal projects. The Director confirmed that any funding over £500k follows the Scottish Government Risk Potential Assessment process which involves a two stage assessment process on risk to determine if a Gateway review could add value. The Chief Executive also confirmed that HIE will use influence to encourage partners to undertake Gateway reviews for higher risk activity.

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

4.2 Risk Register – August 2023

The Director of BIIA outlined that there was a review underway of corporate risks, and the paper presented was the register presented to the Board in August. The review will take into account emerging risks such as the RAAC issues. The paper also noted ongoing activity to increase awareness of risk, proportionate application of process and on lessons learned and knowledge sharing. It was noted that this will be referenced at the all staff conference and that reviewer development sessions are being planned to support colleagues being confident in applying these.

The Committee welcomed the comprehensive paper and asked if there had been any liaison with Scottish Government on the rollout of their ERP system. The Director noted that there were two

stages, the first being moving to a new supported environment and the second is in relation to longer term options. The Director of Finance and Corporate Services confirmed that HIE had already procured an ERP system with the key focus being to move off the existing platform as soon as possible with a target date of June 2024.

4.3 Best Value update

The Head of Business Transformation provided the Risk and Assurance Committee with an update on progress in developing the Best Value plan. This includes identification of key performance indicators and a summary of review of internal governance groups.

Aligned to the development of HIE's new strategy, a Best Value plan for 2023/24 with key areas of priority and activities was presented to the Leadership Team on 22 May 2023 and to the Risk and Assurance Committee on 6 June 2023. It was agreed that implementation of this plan should be progressed and that focus should be on aligning reporting of indicators with the wider organisation performance reporting.

Six key performance indicators have been suggested under which HIE will measure progress: 1. Customer reach; 2. Customer experience; 3. Financial spend and income; 4. Service quality; 5. Data quality and use; and 6. Project management and delivery.

A short term working group has been put in place to refine the indicators and help to prioritise data warehousing and reporting priorities. In addition, a review has been carried out of the governance groups with responsibility for the themes identified in this plan and a number of recommendations have been made within the paper. It is proposed that work now commences on reporting against the indicators where possible for period up to 30 September 2023.

The Committee welcomed the paper noting that it would be useful to have a discussion about measuring customer satisfaction. It was confirmed that this would be something that would be included when the plan was extended in due course.

4.4 Governance Policies – update on rolling schedule

The Audit and Assurance Manager provided an update on the rolling review of governance policies that require to be reviewed and updated. HIE has a suite of policies which help in ensuring appropriate governance arrangements are in place to support HIE and its staff in undertaking its role. These are subject to regular review to ensure they remain fit for purpose.

A prioritised rolling programme for review of the relevant policies is in place, with a proposal that these are reviewed at least every three years.

The Committee noted the update.

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

4.6 Risk and Assurance Committee – development programme

The Director of Business Improvement and Internal Audit outlined two areas for the Committee to cover. One area is Net Zero where the Head of Net Zero Transition is rolling out a programme which would be useful for the Committee and the wider Board to undertake, the other area is the Committee annual effectiveness review. It would be hopeful to schedule something on Net Zero in December.

The Committee confirmed Net Zero as a priority and also suggested a subsidy update, noting that timing may be best to allow new Committee members to attend.

4.7 Any other business

There was no other business.

4.8 Date of next meeting

The next meeting of the Risk and Assurance Committee will be next week with the date to be confirmed. The Chair thanked the Committee for making the time to join an additional meeting to cover the annual accounts.

Dates for next year are also being reviewed and these will be circulated to Committee members to agree.

Adrian Kitson
Head of Executive Office
3 October 2023

APPROVED