

# Highlands and Islands Enterprise

Report on the 2007/08 Audit



November 2008

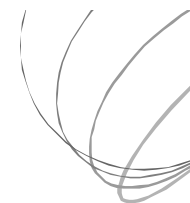


# Highlands and Islands Enterprise

**Report on the 2007/08 Audit**

# Contents

<b>Executive Summary</b>	<b>1</b>	<b>Governance</b>	<b>9</b>
<b>Introduction</b>	<b>3</b>	<b>Performance Management</b>	<b>12</b>
<b>Financial Position</b>	<b>4</b>	<b>Looking Forward</b>	<b>15</b>



# Executive Summary

## Introduction

In 2007/08 we looked at the key strategic and financial risks being faced by Highlands and Islands Enterprise (HIE). We audited the financial statements and we also reviewed aspects of performance management and governance. This report sets out our key findings.

## Financial Position

HIE met its key financial target to stay within its resource budget this year. The organisation had a total resource budget of £114.8 million for 2007/08 and achieved a net outturn of £114.8 million.

The future resources available to HIE from the Scottish Government, proposed in the detailed spending plans for 2008-11, reflect the results of the Scottish Government's enterprise review. This refocused HIE's priorities in support of the delivery of the Government's economic strategy and future sustainable growth. The challenge for HIE is to prioritise spending and review future commitments to ensure delivery of these objectives.

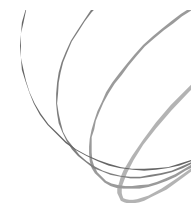
Scottish Ministers have agreed a resource budget for Highlands and Islands Enterprise of £79.37 million for 2008/09, which with other income generated by HIE of £15.65 million, provides a total operating budget of £95.02 million. Current projections forecast expenditure at £95.02 million for 2008/09, in line with the operating plan for the year. However global economic conditions and the restricted credit market could have a considerable effect on the achievement of a balanced budget through to the end of 2008/09, with increased charges in relation to declining property portfolio and other investments representing a significant risk to the achievement of the operating plan.

## Financial Statements

We have given an unqualified opinion on the financial statements of Highlands and Islands Enterprise Network for 2007/08.

We have also concluded that in all material respects, the expenditure and receipts shown in the financial statements were incurred or applied in accordance with applicable enactments and relevant guidance, issued by Scottish Ministers.

The Auditor General for Scotland has decided to issue a section 22 report, in terms of the Public Finance and Accountability (Scotland) Act 2000, on HIE's accounts for 2007/08. This draws Parliament's attention to recent actions taken by HIE to secure the Cairngorms Funicular Railway operation, and his intention to undertake a specific review on the project during 2009. This report was submitted along with the financial statements which were laid before Parliament.



## **Performance**

In 2007/08 HIE exceeded seven of its eight primary targets, which focus on strengthening communities, skills and learning, growing businesses and global connections. The remaining target, the number of new or enhanced community assets, was missed by only 1%. Following changes to the role of HIE arising from the Government's enterprise review, a revised set of key performance indicators have been prepared, and these have been incorporated in the operational plan for 2008-2011. We will monitor HIE's delivery of these revised targets in support of the Government's wider economic strategy, during the 2008/09 audit.

## **Best Value**

During 2007/08, HIE has continued to make progress against its Best Value action plan, with specific focus on areas such as equalities and sustainability. We intend to review aspects of the organisation's Best Value arrangements in 2008/09 through the implementation of a financial management toolkit, and the application of further toolkits on use of resources during 2009.

## **Governance**

Corporate Governance is concerned with the structures and process for decision making, accountability, control and behaviour at the upper levels of an organisation. Overall the corporate governance and control arrangements for HIE operated satisfactorily during the year, as reflected in the Statement on Internal Control.

HIE's governance arrangements have been revised following the cessation of the local enterprise companies on 31 March 2008. Both the HIE board and audit committee have been reconstituted from 1 April 2008, and a new management structure brought in to better align with the refocus of HIE priorities.

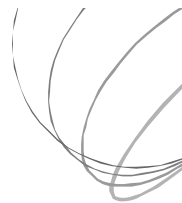
We examined the key financial systems which underpin the organisation's control environment. We concluded that financial systems and procedures operated sufficiently well to enable us to place reliance on them.

## **Looking forward**

The final part of our report notes some key risk areas for HIE going forward. Within the current economic climate, HIE faces a number of risks to the achievement of the resource budget for 2008/09 and beyond, and in contributing towards achievement of sustainable growth targets. We will continue to monitor the organisation's financial planning arrangements and financial position through our audit activity. We have also highlighted a number of national issues which affect all public sector bodies such as HIE, including the introduction of Scotland Performs; the impact of international financial reporting standards; and the review of data handling arrangement in public bodies across Scotland..

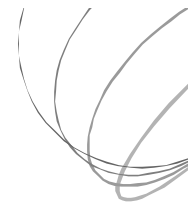
The assistance and co-operation given to us by Board members and staff during our audit is gratefully acknowledged.

**Audit Scotland  
November 2008**



# Introduction

1. This report summarises the findings from our 2007/08 audit of HIE. The scope of the audit was set out in our Audit Plan, which was presented to the Audit Committee on 12 March 2008. This plan set out our views on the key business risks facing the organisation and described the work we planned to carry out on financial statements, performance and governance.
2. We have issued a range of reports this year, and we briefly touch on the key issues we raised in this report. Each report set out our detailed findings and recommendations and HIE's agreed response.
3. We would like to take this opportunity to express our appreciation for the assistance and co-operation provided by officers and members of HIE during the course of our audit. This report will be submitted to the Auditor General for Scotland and will be published on our website, [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk).



# Financial Position

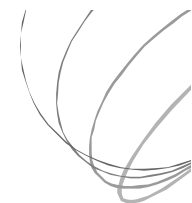
4. In this section we summarise key outcomes from our audit of HIE financial statements for 2007/08, and comment on the key financial management and accounting issues faced. The financial statements are an essential means by which the organisation accounts for its stewardship of the resources available to it and its financial performance in the use of those resources.

## Our responsibilities

5. We audit the financial statements and give an opinion on:
  - whether they give a true and fair view of the financial position on HIE Network and its expenditure and income for the period in question
  - whether they were prepared properly in accordance with relevant legislation, applicable accounting standards and other reporting requirements
  - the consistency of the information which comprises the management commentary with the financial statements
  - the regularity of the expenditure and receipts.
6. We also review the statement on internal control by:
  - considering the adequacy of the process put in place by the chief executive as accountable officer to obtain assurances on systems of internal control
  - assessing whether disclosures in the statement are consistent with our knowledge of HIE.

## Overall conclusion

7. We have given an unqualified opinion on the financial statements of HIE Network for 2007/08.
8. The Auditor General for Scotland has decided to issue a section 22 report, in terms of the Public Finance and Accountability (Scotland) Act 2000, on HIE's accounts for 2007/08. This draws Parliament's attention to recent actions taken by HIE to secure the Cairngorms Funicular Railway operation.
9. In 1997, the Secretary of State for Scotland approved HIE's recommendation for the funding of a funicular railway to replace the ageing chairlift on Cairngorm Mountain. Following the construction phase, HIE entered into a 30-year lease with Cairngorm Mountain Limited (CML) to operate the funicular and it opened to the public in December 2001.



10. HIE's monitoring of the performance of the funicular between November 2002 and March 2004 indicated that CML failed to achieve the anticipated visitor numbers, and a range of initiatives were then put in place by HIE to support CML in improving its operations. Despite this, CML has failed to cope with rising debts and has been unable to generate sufficient profit to deliver a successful business model. In May 2008, HIE announced its decision to take CML into public control, and gave a commitment to put in place a more viable business model for the funicular.
11. The section 22 report was submitted along with the financial statements which were laid before Parliament. In the report, the Auditor General for Scotland has asked Audit Scotland to undertake a specific review of the project, which he intends to report to Parliament in 2009. The review will examine both HIE's plans for the future operation of the funicular and relevant historical events and activity.

## Financial Position

### Outturn 2007/08

12. HIE is required to work within the resource budget set by the Scottish Government Enterprise, Energy and Tourism Directorate. In 2007/08 Highlands and Islands Enterprise stayed within both the cash and non cash elements of its resource budget – see exhibit 1 below.

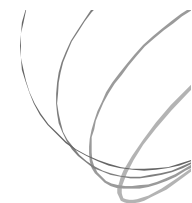
**Exhibit 1 – Performance against Resource Budget 2007/08**

<b>Resource Allocation</b>	<b>(£ Million)</b>	<b>Budget</b>	<b>Actual Outturn</b>	<b>Difference</b>
Grant in Aid – cash		100.8	100.8	0.00
Resource cover – non-cash		14.0	14.0	0.0
<b>Total</b>		<b>114.8</b>	<b>114.8</b>	<b>0.0</b>

### 2008/09 Budget

13. Scottish Ministers have agreed a resource budget for HIE of £79.37 million for 2008/09, a decrease of over £35 million on the 2007/08 allocation. The decrease takes account of transfer of funding streams to Skills Development Scotland, to match the transfer of responsibilities, as well as incorporating 2% efficiency savings. The resource budget comprises:
  - £65.38 million cash – grant-in-aid
  - £13.99 million to cover non-cash costs.





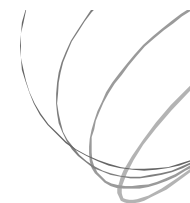
### Exhibit 2 – 2008/09 Resource Plan

	TOTAL	'CASH'	'NON CASH'
	£m	£m	£m
Grant in Aid (baseline)	61.71	61.71	0.00
Grant in Aid (additions)	3.67	3.67	0.00
Non cash resource	13.99	0.00	13.99
<b>Resource Budget</b>	<b>79.37</b>	<b>65.38</b>	<b>13.99</b>
Other Income Sources	15.65	15.65	0.00
<b>Total Operating Plan</b>	<b>95.02</b>	<b>81.03</b>	<b>13.99</b>
<b>Analysed as:</b>	<b>£m</b>		
Grant in Aid	65.38		
Other sources	15.65		
<b>'Total Cash'</b>	<b>81.03</b>		
<b>'Non cash' resource</b>	<b>13.99</b>		
<b>Total Operating Plan</b>	<b>95.02</b>		

14. The 2008/09 Operating Plan budgets for expenditure, including non cash costs of £13.99 million. Current projections forecast expenditure of £95.02 million for 2008/09, which is in line with levels planned for the year. However, the current global financial position relating to the restricted credit market could have a significant influence on the economic environment and consequently on the organisation's resources. In addition to possible increased client demand for economic assistance, the potential significant decline in value of the organisation's property and investment portfolio could result in charges against its resource budget. These issues increase the risk that HIE will not be able to meet its resource budget because of increased charges nor deliver its objectives within the resource budget currently available to the organisation. HIE has raised these concerns with the Scottish Government, and we will continue to monitor developments.

### Issues arising from the audit

15. As required by auditing standards we reported to the audit committee on 14 October 2008 the main issues arising from our audit of the financial statements. The key issues reported were:
16. **Submission of the accounts for audit** – Accounts were submitted for audit substantially later than set out in the agreed timetable, due to resourcing difficulties. HIE core accounts were due to be presented for audit on 20 June, but were not provided until the 28 August. Network accounts were provided on 9 September, 9 weeks after the planned date of 4 July, although there were still elements of the accounts outstanding at that point. HIE has agreed to review the allocation of responsibilities for the preparation of the 2008/09 financial statements to ensure the delivery of the unaudited financial statements to the agreed timetable.

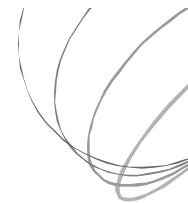


17. **European Commission Investigation** – Representations have been made to the European Commission by private individuals, that the financial support provided by HIE to Cairngorm Mountain Limited constitutes a breach of state aid rules. The European Commission requested background information from HIE, as part of their investigations, and this was provided via the UK Government in September 2008. The Commission's investigations are continuing at the date of this report and we will therefore continue to monitor progress on this investigation, and the impact of any decision in due course.
18. **Transitional EU Grants** – In 2007, following a review of compliance with European Union (EU) requirements under the Highlands and Islands Special Transitional Programme (HISTP), HIE identified a potential error of around £3.4 million of grant expenditure, which could be ineligible or was inadequately supported. HIE intended to apply £2.4 million of this grant to new projects or extensions to current projects under HISTP, with the balance of £1 million being de-committed from the programme. During 2007/08, HIE again reviewed the position on de-committed expenditure and substituted spend, and as a result made adjustments to the 2007/08 final accounts to reflect a further de-commitment of expenditure in 2007/08 of £216,807, with a resulting reduction in EU income shown in the accounts. With the closure of the HISTP scheme in July 2008, work is ongoing to finalise the impact on the 2008/09 financial position and any further de-commitment.
19. **Voluntary Severance Scheme** – Following restructuring announcements arising from the Scottish Government's enterprise review, HIE put in place a programme of voluntary severance. Around 119 staff applied for severance, with 59 staff leaving on 31 March 2008 through the programme, at a cost of around £4.4 million. Applications were considered and decisions documented by a panel including the Chief Executive, the Director of Human Resources and Facilities Management, and a Board member. Notes of these panel meetings were then formalised. During our review we noted that whilst the documentation to support individual severance calculations was satisfactory, there were some inconsistencies and control issues over the documentation recording the decisions of the panel. Further evidence was provided in support of the decisions of the panel and the documentation issues have now been rectified.
20. **Careers Scotland** – The Scottish Government's enterprise review required that a number of HIE's functions were transferred to other public bodies. Responsibility for careers advice and national training programmes transferred to Skills Development Scotland (SDS) on 1 April 2008. In line with the requirements of FRS3, the operating cost statement and relevant notes were amended to separately disclose this activity as a discontinued operation. Discussions are ongoing with local authorities in relation to the transfer of business gateway services, and the new operating arrangement should be in place by 1 April 2009. Similar FRS3 disclosures on discontinued operations will be required in 2008/09 accounts to reflect this transfer.



## Regularity Assertion

21. The Public Finance and Accountability (Scotland) Act 2000 imposes a responsibility on auditors that requires us to certify that, in all material respects, the expenditure and receipts shown in the accounts were incurred or applied in accordance with applicable enactments and guidance issued by the Scottish Ministers. We have been able to address the requirements of the regularity assertion through a range of procedures, including written assurances from the Accountable Officer as to his view on adherence to enactments and guidance. No significant issues were identified for disclosure.



# Governance

## Overview of arrangements

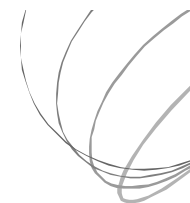
22. This section sets out our main findings arising from our review of HIE governance arrangements. This year we reviewed:
- key systems of internal control
  - internal audit
  - aspects of information and communications technology (ICT).
23. We also discharged our responsibilities as they relate to prevention and detection of fraud and irregularity; standards of conduct; and the organisation's financial position (see paragraphs 5-8). Our overall conclusion is that arrangements within HIE are sound and have operated through 2007/08.

## Strategic Priorities

24. Following Scottish Government's review of enterprise networks in September 2007, the Government Economic Strategy (GES) was published in November 2007. These events have significantly changed the role and focus of HIE. Activities such as careers advice and national training programmes have become the responsibility of Skills Development Scotland, and business gateway services are transferring to local authorities. The remaining activities have been refocused under three broad headings:
- Supporting high growth businesses and sectors.
  - Creating the infrastructure and conditions to improve regional competitiveness.
  - Strengthening communities, especially in the fragile parts of the area.
25. The Operating Plan for 2008-11 has incorporated these changes, and revised key performance indicators introduced which reflect this refocusing, and demonstrate the organisation's contribution towards the Government Economic Strategy – these are discussed further at paragraph 44.

## Governance arrangements

26. Following the Scottish Government's review of enterprise networks, local enterprise companies ceased operations on 31 March 2008, and their respective boards and committees were dismantled. From 1 April 2008, the reconstituted HIE board, which provides the strategic oversight of HIE, comprises the chair, six non-executive members and the chief executive. The network audit committee has also been reconstituted, with four non-executive members.



27. A new management structure has been introduced, with the number of operational groupings reduced from eight to five. These groupings are strengthening communities, regional competitiveness, strategic planning, corporate services and finance, and the operations group. To assist closer working with local authorities, the operations group is managed by three regional directors, reporting to the operations director.

## **Systems of internal control**

28. Key controls within systems should operate effectively and efficiently to accurately record financial transactions and prevent and detect fraud or error. This supports a robust internal control environment and the effective production of financial statements. In her annual report for 2007/08, the head of internal audit and compliance provided her opinion that, based on the internal audit work undertaken during the year, there was reasonable assurance on the adequacy and effectiveness on the systems of internal control.
29. As part of our audit we reviewed the high level controls in a number of HIE systems that impact on the financial statements. We concluded key controls were operating effectively.

## **Prevention and detection of fraud and irregularities**

30. HIE has appropriate arrangements in place to prevent and detect fraud, inappropriate conduct and corruption, including policies and codes of conduct for staff and Board members.

## **Internal Audit**

31. The establishment and operation of an effective internal audit function forms a key element of effective governance and stewardship. We therefore seek to rely on the work of internal audit wherever possible and as part of our risk assessment and planning process for the 2007/08 audit we assessed whether we could place reliance on HIE's internal audit function. We concluded that the internal audit service operates in accordance with the Government Internal Audit Manual and therefore placed reliance on their work in a number of areas during 2007/08, as we anticipated in our annual audit plan.

## **Statement on Internal Control**

32. The Statement on Internal Control provided by HIE's Accountable Officer reflected the main findings from both external and internal audit work. This recorded management's responsibility for maintaining a sound system of internal control and set out HIE's approach to this.
33. The Statement on Internal Control recognises the importance of effective business continuity arrangements and that building on the internal review of key systems during the year, all business

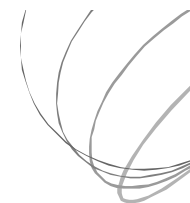


continuity plans should be in place during 2008/09. The Statement also recognises the need for improvement in compliance with European funding arrangements.

34. The Accountable Officer has also highlighted the significant risks to non-achievement of financial targets in the future, as a consequence of market factors outwith the control of the organisation.

## **Information and Communication Technology**

35. HIE made a significant investment in the introduction of the HIE management system (HMS) to integrate key management information within the organisation. Main functionality on the system was achieved in January 2007, and work is continuing on the development of remaining areas including data migration solutions, management reporting, and website infrastructure.
36. The HMS is expected to deliver a number of benefits over the longer term. In 2006/07, we undertook a joint review with Internal Audit and Compliance to establish whether appropriate plans were in place to identify and monitor the realisation of benefits from the system. A number of areas of good practice were identified at the time, and an action plan prepared to take forward other issues to ensure the process remained on track.
37. During this year, we have undertaken a further joint review with Internal Audit and Compliance. Our overall conclusion is that progress is being made on the action plan, although a number of timescales have slipped as a consequence of the organisational change and the departure of key personnel in the project. An updated action plan has been prepared with revised timescales, and we will continue to monitor progress over the coming year.



# Performance Management

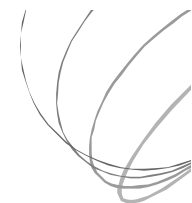
38. Public audit is more wide-ranging than in the private sector and covers the examination of, and reporting on, performance and value for money issues. As part of our audit we are required to plan reviews of aspects of the arrangements to manage performance, as they relate to economy, efficiency and effectiveness in the use of resources.
39. Accountable officers also have a duty to ensure the resources of their organisation are used economically, efficiently and effectively. These arrangements were extended in April 2002 to include a duty to ensure 'best value' in the use of resources.

## Best Value developments

40. During 2007/08, HIE has continued to make progress against its Best Value action plan, with specific focus on areas such as equalities and sustainability. An equalities manager was appointed in June 2007, and a Best Value Equalities group formed to lead on equality issues through the organisation with a focus on continuous improvement. In December 2007, the organisation's existing equality scheme action plans were combined into a single plan covering race, gender and disability.
41. The organisation has also commenced work on a more robust integration of sustainability decisions into the project appraisal process, which will be market tested and developed during 2008/09. A sustainable construction policy has also been implemented, to inform construction spend and activity, and an internal environmental management system is under development, to encourage environmental improvements in the way the organisation operates. During 2007/08, the organisation has also completed a draft carbon footprint study on its spend in the prior financial year. This has revealed where the majority of HIE's greenhouse gas emissions are generated and will help to inform a programme of work to reduce these emissions in line with Scottish Government ambitions identified in the Climate Change Bill consultation.
42. We will review aspects of Best Value arrangements further through the implementation of a financial management toolkit during 2008/09, and the rollout of further toolkits through 2009.

## Efficiency

43. HIE agreed efficiency targets of £0.928 million cash savings and £0.273 million time releasing savings for 2007/08 with the Scottish Government. These savings were achieved through organisational, architectural, property and supply partner efficiencies during the year. The three year budget settlement from 2008/09 onwards has a 2% efficiency target built into the baseline allocation, and HIE has put in place monitoring arrangements to demonstrate the ongoing delivery of efficiency savings.



44. Given the potential for increased demand for assistance and increased “non-cash” charges against the resource budget, as a consequence of global financial position, it is important that further efficiencies can be achieved to support the delivery of the organisation’s objectives.

## Performance Management

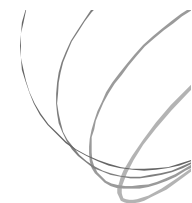
45. In 2007/08, HIE measured performance against eight primary measures of progress. These are numeric targets relating to the number of projects supported under the strategic themes of *Strengthening Communities, Skills and Learning, Growing Businesses and Global Connections*.

**Exhibit 3 - Performance against 2007/08 Primary Targets**

Description	2007/08 Target	2007/08 Actual	Actual as % of target
<b>Strengthening Communities</b>			
No. of new/enhanced community assets	200	198	99
No. of community groups with increased capacity	120	153	128
<b>Skills and Learning</b>			
No. of people supported to move towards and into sustainable employment	2,405	2,514	105
No. of businesses supported to engage in developing the skills of those in work	655	684	104
<b>Growing Businesses</b>			
No. of new business starts	550	553	101
No. of business growth projects	200	219	110
<b>Global Connections</b>			
No. of businesses engaging in International Business Development	200	217	109
Private Sector Earnings Index for Network assisted jobs	112	207	185

46. The organisation has exceeded seven out of the eight targets in 2007/08, with performance being 1% to 85% above target. Explanations provided in the Network year end review for exceeding these targets include:
- a high level of community engagement resulting in the number of groups with increased capacity, and
  - careful prioritisation undertaken through the network to ensure target for private sector earnings index was exceeded.
47. Following changes to the role of HIE arising from the Government’s enterprise review, a revised set of key performance indicators have been prepared. These indicators have been incorporated in the





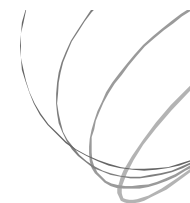
operational plan for 2008-2011, and reflect HIE's contribution towards the Government's economic strategy. The primary targets for the 2008-2011 Operating Plan are set out below. Progress towards the achievement of these targets will be monitored quarterly by the HIE's Management Team and reported half yearly to the Board and Scottish Government.

48. We will monitor HIE's delivery of these revised targets in support of the Government's wider economic strategy, during the 2008/09 audit.

**Exhibit 4 - Primary Targets set out in the Operating Plan 2008-11**

Description	Operating Plan 2008-11	
	2008/09 Target	2009/10 Target
<b>High-growth businesses</b>		
No of account managed businesses with growth plans	100	150
Cumulative total of account managed businesses	100	250
Added value to the national growth through account managed businesses (£m)	*	*
Increase in productivity in HIE-assisted businesses (%)	20	20
No of businesses deepening engagement in international business activity	100	110
Private Sector Earnings Index	120	125
<b>Strengthening Communities</b>		
No of account managed social enterprises with growth plans	40	50
Increase in the turnover in the social economy (£m)	*	*
No of community groups supported to invest in renewable energy	20	25
Decrease in carbon dioxide emissions (tonnes)	*	*

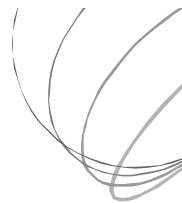
\* - Targets under development



# Looking Forward

49. Highlands and Islands Enterprise faces a number of challenges in 2008/09, which include:

- **Efficiency and future funding** – Core funding for HIE has been reduced following the refocusing of the enterprise network in Scotland and the transfer of some responsibilities to new bodies and local authorities. Revised funding levels also reflect the Government's drive for efficiencies across all public sector bodies. Budgets for 2008/09 and the immediate future will need to be managed within a tighter funding regime. This includes significantly less scope for the application of year end flexibility for the Government with HM Treasury until the next Spending Review; no option to transfer funds from capital to revenue; and the impact of the introduction of International Financial Reporting Standards (IFRS), particularly on investments, leases and infrastructure accounting. The challenge for HIE is to prioritise spending, identify efficiencies and review future commitments to ensure delivery of key targets and objectives.
- **Cairngorm Funicular** - In December 2001, following completion of the £19.7 million funicular railway construction to replace the previous chairlift system, HIE entered into a 30-year lease agreement with Cairngorm Mountain Limited (CML) to operate the funicular. Following lower than anticipated visitor numbers over the year, HIE undertook a number of initiatives to assist the continued operation of the funicular. However despite this support, CML failed to cope with rising debts and in May 2008, HIE announced its decision to take CML into public control, giving a commitment to put in place a more viable business model for the funicular. The Auditor General has requested a specific review of both the plans for the future operation of the funicular and relevant historical events and activity. Audit Scotland will carry out this review in 2009.
- **International Financial Reporting Standards (IFRS)** – As part of the UK Budget 2008 the Chancellor announced that the timetable for IFRS implementation was to be extended by a year with central government accounts in Scotland to become IFRS compliant with effect from the 2009/10 financial year. The Scottish Government have notified central government bodies that they will be required to produce shadow IFRS based accounts for the financial year in 2008/09, including a restated balance sheet as at 1 April 2008. A detailed timetable and list of requirements have been issued by the Scottish Government. This process may require significant resource to complete and it will be important that the restatement is tackled early in 2008/09, with a plan in place to manage the transition.
- **Scotland Performs** – The Scottish Government is continuing to develop its approach to performance management based on a National Performance Framework and outcome agreements. The National Performance Framework is based on the outcome based 'Virginia-style' model of performance measurement and reporting. In support of this the Scottish



Government has developed a new electronic tool and website to communicate to the public on Scotland's progress. This will include progress on overall delivery of the administration's purpose for Government, the five strategic objectives for Scotland and other aspects of the outcomes based National Performance Framework. HIE's refreshed performance targets have been aligned to this framework, and we will continue to monitor the organisation's delivery in this area.

- **Data handling** – The Scottish Government carried out a review of data handling arrangements in Scotland, in response to failures in UK government body's procedures and practices during 2007. The review considered current policies and procedures on data protection, consistency with government standards and local arrangements for implementation of procedures. The final report, published in June 2008, identified good practice across the public sector, and made a number of recommendations for improvement. We will monitor HIE's response to the review and action taken as part of our 2008/09 audit.