

# Public Document Pack

## ADDITIONAL CIRCULATION



To: Councillor Jackie Dunbar, Convener; Councillor Yuill, Vice Convener; and Councillors Cameron, Cooney, Crockett, Donnelly, Graham, Greig, Lawrence, Malik, May, Jean Morrison MBE, Nathan Morrison, Noble, Reynolds and Townson.

Town House,  
ABERDEEN 23 June 2015

## **AUDIT, RISK AND SCRUTINY COMMITTEE**

The undernoted items are circulated in connection with the meeting of the **AUDIT, RISK AND SCRUTINY COMMITTEE** to be held here in the Town House on **THURSDAY, 25 JUNE 2015 at 2.00 pm.**

RODERICK MACBEATH  
SENIOR DEMOCRATIC SERVICES MANAGER

## **BUSINESS**

- 3.4 ALEO Governance Hub Minute of Meetings of 15 June and 17 June 2015  
(Pages 1 - 76)
- 4.3 Audit, Risk and Scrutiny Annual Report - Report by the Acting Director of Corporate Governance (Pages 77 - 104)  
Please note that this report has been circulated again due to the original not printing correctly.
- 5.1 Corporate Governance Risk Register - Report by the Acting Director of Corporate Governance (Pages 105 - 118)  
Please note that this report has been circulated again due to the original not printing properly.
- 8.1 Outstanding Audit Recommendations - Report by the Acting Director of Corporate Governance (Pages 119 - 126)  
Please note that this report has been circulated again due to the original not printing correctly.

Should you require any further information about this agenda, please contact Karen Rennie, tel 01224 522723 or email [karrennie@aberdeencity.gov.uk](mailto:karrennie@aberdeencity.gov.uk)

**ALEO GOVERNANCE HUB  
BON ACCORD CARE**

ABERDEEN, 15 June 2015. Minute of Meeting of the ALEO GOVERNANCE HUB. Present:- Roderick MacBeath (Democratic Services), Chairperson; and Neil Buck (IT and Transformation), Jeff Capstick (Human Resources), Tom Cowan (Health and Social Care Partnership), Paul Dixon (Finance), Joan McCluskey (Commercial and Procurement Services), Martyn Phillips (Human Resources and Organisational Development) and Scott Ramsay (Economic Development); and Graeme Morrison and Sandra Ross (Bon Accord Cafe).

Also in attendance: Iain Robertson (Democratic Services) and Mark Johnstone (Audit Scotland).

Apologies: Mary Agnew (Human Resources and Customer Service).

No	Item	Documents Submitted	Assurance Provided	Actions/Decisions	Responsible Officer(s)
1.	Chair's Opening Remarks	N/A	The Chair opened the meeting and welcomed Hub members and representatives from Bon Accord Care (BAC) and he explained that the Governance Hub would meet biannually with the next meeting in December and further explained that today's meeting would provide high level scrutiny of each ALEO and that two areas identified from the meeting for further development would be investigated in a more extensive and targeted manner at the December meeting.  The Chair then advised that the purpose of the Governance Hub was to put in place reporting arrangements in which each ALEO's performance would be scrutinised in areas of financial performance; service	N/A	N/A

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			<p>performance; the management of risk and contractual compliance in order to provide assurance to the Council. In addition to this he also provided a summary of the two outstanding audit recommendations from the Audit, Risk and Scrutiny Committee.</p> <p>The Chair then explained how the meeting would proceed and he advised that the Hub would adopt a standardised approach of high level scrutiny for all four of the ALEOs this cycle and would take care not to infringe upon the remit of the ALEO Boards. He further elaborated that each ALEO would be scrutinised for between ten and fifteen minutes by a Hub member representing a service from Corporate Governance and then by a Service representative; in this case a representative from the Health and Social Care Partnership for between fifteen and twenty minutes.</p> <p>The Chair further advised that the minute from today's meeting would be submitted to the Council's Audit, Risk and Scrutiny Committee on 25 June and the Education and Children Service's Committee on 3 September. Thereafter, those present at the meeting introduced themselves.</p>		
Risk Mitigation and Management					
No	Item	Documents Submitted	Assurance Provided	Actions/Decisions	Responsible

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2.	Business Continuity Plans	<p>(a) Business Continuity Procedure (April 2015);</p> <p>(b) Business Continuity Plan (March 2015);</p> <p>(c) Business Continuity Workbook (August 2014); and</p> <p>(d) Business Continuity Plan Log (November 2014).</p>	<p>Neil Buck (Performance and Risk Manager) introduced the Risk Mitigation and Management section and outlined the criteria he expected to be met. He explained that the scrutiny of each ALEO would be high level and would focus on two main areas: the management and mitigation of risk and the robustness of their performance management framework.</p> <p>Mr Buck explained that the Hub sought a level of assurance from each ALEO that they had the proper systems and processes in place and that they were effectively managing and mitigating their own risk and risks to the Council. He also advised that he would scrutinise each ALEO's Performance Management Framework; concentrating on how performance was measured and evaluated and how it linked with their priorities and outcomes as well as those of the Council.</p> <p>With reference to their Business Continuity Plans Mr Buck enquired if BAC had a testing regime in place. Sandra Ross (Managing Director, BAC) advised that BAC had conducted an initial table top simulation in conjunction with Aberdeen City Council (ACC) based on the scenario of an out of hours fire that examined strengths and weaknesses of their plans and procedures. This produced Business</p>	<p><b>The Hub resolved:-</b></p> <p>(i) to request an update on BAC's testing of their Business Continuity Plans;</p> <p>(ii) to otherwise note the reports; and</p> <p>(iii) note the information provided.</p>	Officer(s) Neil Buck
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3.	Current Risk Register	BAC Risk Register	<p>Continuity Plans for each area which were reviewed on an annual basis. Ms Ross recognised that their Business Continuity Plans needed to be further tested and they would look to conduct another test this year to ensure that this continued to occur on an annual basis.</p> <p>With reference to the Risk Register Mr Buck stated that it was comprehensive and welcomed the use of the traffic light system. He asked why the 'Risk Rating Following Mitigation' column of the Risk Register was not populated: Sandra Ross explained that the register was currently being updated and the column would be populated as and when the risk had been mitigated and this would continue on an ongoing basis.</p> <p>Ms Ross added that although BAC did not have a broader risk management strategy they had adopted a dynamic, bottom-up approach to risk reporting as they had established a Risk Management Committee that provided a mechanism for greater staff involvement and she advised that training for members of this committee on how to identify and mitigate risk was ongoing. She further iterated that the Risk Register was submitted to the Board at every meeting and it was the role of the Board to scrutinise the register and examine the quality assurance systems and structures that underpinned risk</p>	<p><b>The Hub resolved:-</b></p> <p>(i) to request an update on BAC's development of a broader Risk Management Strategy;</p> <p>(ii) to otherwise note the report; and</p> <p>(iii) note the information provided.</p>	Neil Buck
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		<p>(a) Performance Management Framework (1 April 2015 – 31 March 2018);</p> <p>(b) May Monthly Referrals;</p> <p>(c) Service User Satisfaction Survey (June 2014 – May 2015);</p> <p>(d) Occupational Therapy (OT) Data Set for May 2015</p> <p>(e) ADL Smartcare Data Set for May 2015;</p> <p>(f) Care Inspectorate Grade Report (31 May 2015); and</p> <p>(g) OT Equipment Store Data Set (May 2015 – April 2016).</p>	<p>reporting.</p> <p>With reference to BAC's Performance Management Framework Mr Buck asked about the reporting process. Sandra Ross explained that the framework was constructed to report internal KPI's and KPI's that would support the Single Outcome Agreement (SOA); and she added that a number of KPI's were reported weekly to ACC whereas others were reported on a monthly basis. Ms Ross also confirmed that BAC had benchmarked against other comparative organisations in areas such as sickness rates; staff engagement and use of agency staff; and trends were monitored on a weekly basis.</p>	<p><b>The Hub resolved:-</b></p> <p>(i) to note the reports; and</p> <p>(ii) to otherwise note the information provided.</p>	Neil Buck
5.	External and Internal Inspection Structure with Outstanding Recommendations	<p>(a) Explanatory note which stated that no formal internal audit provider had been appointed for BAC and that their contract had not reflected the provision of this service from within the Service Level Agreement (SLA);</p> <p>(b) Internal and External Governance Arrangements Report; and</p> <p>(c) Outstanding Audit Recommendations from the Care Inspectorate.</p>	<p>With reference to BAC's inspection structure Mr Buck enquired about BAC's auditing arrangements. Sandra Ross advised that no formal internal auditing arrangement was in place and that this would be subject to discussions with ACC. Ms Ross elaborated that BAC had created an Internal Audit Working Group which would meet on 13 August to recommend a more robust quality assurance system and she assured the Hub that she took internal auditing arrangements very seriously.</p> <p>With regards to external auditing arrangements Ms Ross advised that this was conducted by the Care Inspectorate</p>	<p><b>The Hub resolved:-</b></p> <p>(i) to request an update on BAC's internal auditing arrangements;</p> <p>(ii) to otherwise note the reports; and</p> <p>(iii) note the information provided.</p>	Neil Buck

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			and other regulatory agencies.		
Financial Governance					
No	Item	Documents Submitted	Assurance Provided	Actions/Decisions	Responsible Officer(s)
6.	Approved Financial Procedures	<p>(a) Explanatory note which explained that BAC purchased most of their necessary financial activities from ACC and that these services were managed through SLAs with Corporate Governance;</p> <p>(b) InfoSmart Matrix;</p> <p>(c) PECOS Requisitioners and Cost Centre Structure (1 April 2014); and</p> <p>(d) Financial Regulations Management and Control: Code of Practice (September 2014).</p>	<p>Paul Dixon (Accounting Manager, ACC) introduced the Financial Governance section and advised that he sought assurance on the robustness of BAC's financial procedures and he acknowledged that BAC had existing reporting arrangements with the Council's Shareholder and Scrutiny Group. Mr Dixon asked if BAC had prepared for a reduction in their level of funding as this risk was not on their Risk Register: Sandra Ross replied that this issue had been considered; and the Board and senior management had set aside two days in July to focus on business planning to proactively prepare for further austerity measures.</p> <p>Ms Ross elaborated that the risks identified were related to the constraints of the current contract and commissioning in facilitating BAC's ability to trade. She added that initial discussions had taken place with ACC to investigate how this could be progressed.</p> <p>Mr Dixon noted the submission of the explanatory note which explained that BAC had largely adopted ACC's financial</p>	<p><b>The Hub resolved:-</b></p> <p>(i) to request an update on the development of a risk indicator that would capture the risk of a reduction in core funding;</p> <p>(ii) to request an update on the development of bespoke financial procedures;</p> <p>(iii) to otherwise note the reports; and</p> <p>(iv) note the information provided.</p>	Paul Dixon



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			procedures and arrangements and he enquired if BAC had considered introducing bespoke procedures: Sandra Ross explained that the Council's procedures were packaged along with the transfer of functions and services and that they were sufficient at present although she acknowledged that these procedures would be a foundation in the development of bespoke procedures and this would be reviewed in due course.		
<b>Decision Making</b>					
No	Item	Documents Submitted	Assurance Provided	Actions/Decisions	Responsible Officer(s)
7.	Board Structure and Sub Committees with Remit and Membership	Board and Committee Structure Report	The Chair (Senior Democratic Services Manager) spoke to the Decision Making section and with reference to the effectiveness of the Board's membership and structure he asked what mechanism BAC had in place to enhance the capability of Board members and the steps they would take if a skills gap had been identified: Sandra Ross explained that no formal procedures were in place to address this and was confident that Board members would indicate if they needed support. She elaborated that they had invited experts to Board meetings to educate members on issues such as Corporation Tax and in addition to this they had formed working groups to share and enhance knowledge.	<b>The Hub resolved:-</b> (i) to note the report; and (ii) to otherwise note the information provided.	Roderick MacBeath

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8.	Constitution and Delegations	(a) BAC Articles of Association; and (b) Bon Accord Support Services (BASS) Articles of Association.	<p>The Chair explained that reference had been made in an audit report to inconsistent approaches adopted by ALEOs with regards to ACC officer attendance at ALEO Board meetings. The Chair asked if ACC officers were welcome to attend BAC Board meetings; and that they received agenda papers in advance and had the opportunity to speak at meetings. Sandra Ross advised that the contract stated that ACC officer would attend as an observer, previously Liz Taylor, the former Director of Social Care and Welbeing had attended Board meetings and openly addressed the Board and she would continue to work with the designated ACC officer.</p> <p>The Chair welcomed this and advised that the ACC Chief Executive had nominated a lead officer for each ALEO and they would represent their Council Service at Board meetings.</p>	<p>The Chair asked if BAC considered the gender balance of the Board to be a risk: Sandra Ross replied that she did not view gender balance as a risk and she explained that the Senior Management Team was well represented by women and added that in the future BAC would take cognisance of this issue to ensure an even gender split on the Board.</p>	<p><b>The Hub resolved:-</b> (i) to note the reports; and (ii) to otherwise note the information provided.</p>	Roderick MacBeath
9.	Report Template	(a) Board report template;	The Chair stated that the documents	<p><b>The Hub resolved:-</b></p>	Roderick	

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	for Board and Sub Committees	(b) Minute sheet template; and (c) Action note template.	submitted were satisfactory.	to note the reports.	MacBeath
<b>HR Compliance and Best Practice</b>					
No	Item	Documents Submitted	Assurance Provided	Actions/Decisions	Responsible Officer(s)
10.	Sickness Management	Maximising Attendance Policy.	<p>Jeff Capstick (HR Manager) spoke to the HR Compliance and Best Practice section and asked about BAC's approach towards sickness management: Sandra Ross explained that the Maximising Attendance Procedure had been reviewed and operational management of it changed in 2014 and since then overall sickness absence had been reduced by 11% and short term absence now stood at 29%, which was an improvement on previous years. She did acknowledge that longer term absence was particularly challenging and still a significant risk.</p> <p>Ms Ross elaborated that she had put in place a number of initiatives to address this issue which included:</p> <ul style="list-style-type: none"> <li>• the establishment of an Occupational Health Working Group;</li> <li>• the establishment of a Events and Wellbeing Committee operated by staff that supported initiatives such as fundraising and smoking cessation; and</li> </ul>	<p><b>The Hub resolved:-</b></p> <p>(i) to note the report; and (ii) to otherwise note the information provided.</p>	Jeff Capstick

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			<ul style="list-style-type: none"> <li>Work Place Assessments.</li> </ul> <p>Ms Ross added that the Events and Wellbeing Committee had taken the lead on BAC's aim to be accredited with the Bronze Award for healthy working lives.</p>		
11.	Conduct and Capability Procedures	Managing Performance Policy and Procedure.	<p>With reference to Conduct and Capability Procedures: Sandra Ross advised that BAC were aware of their legal obligations to manage the performance of their staff and had received guidance from HR colleagues on best practice. Ms Ross added that they had established links with the Chartered Institute of Personal Development (CIPD) and were externally regulated by the Care Inspectorate. She also advised that BAC were aware of changes to holiday pay regulations and had taken steps to address this within their business plan.</p>	<p><b>The Hub resolved:-</b></p> <ul style="list-style-type: none"> <li>(i) to note the report; and</li> <li>(ii) to otherwise note the information provided.</li> </ul>	Jeff Capstick
12.	Staff Engagement Strategy	Staff Engagement Strategy.	<p>With reference to the Staff Engagement Strategy: Sandra Ross advised that BAC had created an internal newsletter and established a working group to drive content. She elaborated that the newsletter updated staff on policy changes and upcoming events and provided a forum for staff to provide and receive feedback from senior managers. Ms Ross added that BAC had a website that was regularly updated; they also conducted staff surveys and had introduced a shadowing policy that arranged for senior</p>	<p><b>The Hub resolved:-</b></p> <ul style="list-style-type: none"> <li>(i) to note the report; and</li> <li>(ii) to otherwise note the information provided.</li> </ul>	Jeff Capstick

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13.	Health and Safety Compliance	<p>(a) Health and Safety Policy (20 September 2013); and</p> <p>(b) Explanatory note which explained that BAC's Health and Safety Policy was scheduled for review and that the Health and Safety Committee had met every two months and that Health and Safety was a standing item on the Board's agenda.</p>	<p>managers and staff to shadow each other.</p> <p>Martyn Phillips (Health and Safety Advisor, ACC) spoke to the Health and Safety Compliance section and asked about BAC's most pressing health and safety risks: Sandra Ross highlighted staff absence; incidents of abuse towards staff and updating staff skill sets.</p> <p>With regards to staff absences Ms Ross explained that she hoped to add further dimensions to the Occupational Therapy provision for staff to align with operational and strategic risks but this had been delayed as it's delivery was dependent on budgetary decisions taken by ACC.</p> <p>With regards to mitigating and managing risks from abusive service users she advised that de-escalation training for staff was currently being reviewed.</p> <p>With regards to staff training she advised that all employees received a three day induction focussing on statutory obligations in areas such as hygiene, fires and organisational values. This was followed by a three month supervision period in which progress was recorded at two, four and eight weeks respectively and thereafter training trackers would be submitted on a monthly basis; she also added that the training tracker was currently being reviewed.</p>	<p><b>The Hub resolved:-</b></p> <p>(i) to note the report;</p> <p>(ii) to note the explanatory note; and</p> <p>(iii) to otherwise note the information provided.</p>	Mary Agnew/ Martyn Phillips
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			<p>With reference to how BAC ensured that health and safety was reported effectively: Sandra Ross advised that BAC complied with regulations and had put in place a mechanism to investigate and analyse trends. She added that BAC maintained a rigorous Accident and Incident Log and they had adopted a bottom-up health and safety approach whereby accidents, incidents and concerns were reported up to senior management after consultation with the Health and Safety Working Group and then onto the Board for mitigation, management and actions; and these actions were subsequently cascaded back down to staff.</p> <p>With reference to how BAC ensured competency amongst agency staff: Sandra Ross explained that agency staff received an induction and she added that although agency use was still high, the use of agency staff had decreased by over 50% in comparison to the previous year. She elaborated that this had been due to the implementation of an internal staff pool, in which pool staff had an initial induction period and then worked flexibly across a range of roles and this had had a positive impact on performance.</p>		
Commercial Compliance and Best Practice					
No	Item	Documents Submitted	Assurance Provided	Actions/Decisions	Responsible

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14.	Procurement Regulations and Procedures	<p>Explanatory note which explained that BAC operated under the same procurement guidelines as ACC and that BAC were currently drafting bespoke procurement policies and procedures with appropriate controls and transparency when spending the public pound; the procedure was at an early stage of development but would be finalised during the budgetary year.</p>	<p>Joan McCluskey (Corporate and Procurement Manager, ACC) introduced the Commercial Compliance and Best Practice section and stated how public money was spent was very important and subject to changing legislation and regulations from Scottish Government and the EU and it was essential that procurement procedures were in line with legislation. She added that the three overriding principles that should inform procurement regulations and procedures were fairness, openness and transparency. Ms McCluskey acknowledged that BAC operated under the same guidelines as ACC and she enquired how this applied in practice:</p> <p>Sandra Ross advised that BAC used ACC nominated suppliers and thresholds and relied on ACC colleagues for advice and guidance with regards to this area of the organisation; she iterated that BAC were in the initial stages of developing bespoke procurement regulations and procedures in order to ensure best value and greater transparency.</p> <p>Expanding on this point, Ms McCluskey asked how BAC advertised a contract or tender to ensure best value and transparency. Ms Ross advised that BAC used local suppliers and that the volume of suppliers was low and there was an</p>	<p><b>The Hub resolved:-</b></p> <p>(i) to advise and support BAC in their development of robust procurement procedures to satisfy regulations and reporting arrangements set out in the Procurement Reform (Scotland) Bill (2014);</p> <p>(ii) to otherwise note the explanatory note; and</p> <p>(iii) note the information provided.</p>	Officer(s) Joan McCluskey
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		<p>assumption that if ACC had contracted these suppliers then that was an assurance of best value. Further to this Ms Ross acknowledged that BAC needed to develop and expand their procedures in this area to ensure a more transparent process.</p> <p>Ms McCluskey enquired if BAC maintained a Contracts Register and forward planned: Sandra Ross advised that they held a Contracts Register which also included non-value contracts such as their contract with the Chaplaincy Service. In terms of forward planning she explained that this process would be further developed when the Service Level Agreement was reviewed.</p> <p>To conclude, Ms McCluskey asked if BAC were aware of the Procurement Reform (Scotland) Bill (2014) and the impact it would have on how services were procured and their reporting arrangements. She added this was the nucleus of her scrutiny to provide assurance that a contracts register, sustainable procurement practices and forward planning would be developed by BAC before the act came into force: Sandra Ross explained that she was not aware of the new legislation as the Board and senior management team had been internally focussed and were preparing for the integration of adult health and social</p>		
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			care. Ms Ross explained that she would welcome further information and guidance from ACC colleagues in order to help BAC prepare for the forthcoming regulations and reporting arrangements as set out in the legislation.		
<b>Operational Performance</b>					
No	Item	Documents Submitted	Assurance Provided	Actions/Decisions	Responsible Officer(s)
15.	Operational Performance	(a) BASS Service Provision Agreement; and (b) First Year Report (1 August 2013 – 31 July 2014).	Tom Cowan (Head of Joint Operations, Health and Social Care Partnership) spoke to the Operational Performance section and Mr Cowan acknowledged the complexity of delivering social care to often vulnerable service users in which roughly 66% of funding was set aside for residential care and the delivery of care in the home. Mr Cowan asked the BAC representatives to assess their performance; Sandra Ross highlighted that the Care Inspectorate's Quality Indicators had shown that BAC had improved their quality performance. With regards to efficiency levels within the organisation she added that this had been achieved due to rota changes that allowed staff to be assigned more flexibly in order to meet service user need.  Mr Cowan recognised that BAC were contracted to deliver a significant number of services and he enquired how they targeted the delivery of services and	<b>The Hub resolved:-</b> (i) to note the reports; and (ii) to otherwise note the information provided.	Tom Cowan

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ensured that resources were assigned based on service user need: Ms Ross advised that they monitored KPI's on occupancy levels; discharge rates; staff absences and vacancies to get a fuller understanding of the service environment. She added that the staff rota system had been reviewed and she felt that care could now be assigned and redistributed more efficiently based on service user need. She also highlighted the benefits of using the referral system but advised that in her view the current way of commissioning contracts particularly the delivery of statutory and commercial contracts had stifled more streamlined working arrangements.

With regards to the effectiveness of the bespoke Enablement Service: Ms Ross explained that key outcomes had been developed with criteria that focused on referral rates and staff training and she reiterated that this service aligned with an innovative approach to support early intervention. Ms Ross added that she would work with Public Health colleagues to progress this service.

To conclude, Mr Cowan enquired about the strategic environment; specifically how BAC planned to influence the social care agenda and how prepared they were for the integration of adult health and social care: Ms Ross advised that BAC would

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			<p>look to develop and promote early intervention and preventative approaches; and would prioritise enablement in order for service users to lead as full and independent lives as possible. She added that she would also look at modelling on eligibility criteria. In terms of the integration of adult health and social care: she hoped that this would break down barriers that currently prevented a more streamlined approach with regards to service delivery.</p>		
16.	The Chair's Closing Remarks	N/A	<p>The Chair reiterated that the minutes from today's meeting would be submitted to the Audit, Risk and Scrutiny Committee on 25 June and to the Education and Children's Services Committee on 3 September. He also explained that a report which focussed on service performance would also be submitted to the Education and Children's Service's Committee.</p> <p>The Chair thanked the BAC representatives for their attendance and contributions and brought the meeting to a close.</p>	N/A	N/A

**If you require further information about this minute, please contact Iain Robertson, tel. 01224 522869 or email [iairobertson@aberdeencity.gov.uk](mailto:iairobertson@aberdeencity.gov.uk)**

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**ALEO GOVERNANCE HUB  
AECC LTD**

ABERDEEN, 15 June 2015. Minute of Meeting of the ALEO GOVERNANCE HUB. Present:- Roderick MacBeath (Democratic Services), Chairperson; and Neil Buck (IT and Transformation), Jeff Capstick (Human Resources), Paul Dixon (Finance), Joan McCuskey (Commercial and Procurement Services), Martyn Phillips (Human Resources and Organisational Development) and Scott Ramsay (Economic Development); and Graeme Cumming and Louise Lonte (AECC Ltd).

Also in attendance: Iain Robertson (Democratic Services) and Mark Johnstone (Audit Scotland).

Apologies: Mary Agnew (Human Resources and Customer Service) and Richard Sweetnam (Economic Development).

No	Item	Documents Submitted	Assurance Provided	Actions/Decisions	Responsible Officer(s)
1.	Chair's Opening Remarks	N/A	<p>The Chair opened the meeting and welcomed Hub members and representatives from Aberdeen Exhibition and Conference Centre Ltd (AECC) and he explained that the Governance Hub would meet biannually with the next meeting in December and further explained that today's meeting would provide high level scrutiny of each ALEO and that two areas identified from the meeting for further development would be investigated in a more extensive and targeted manner at the December meeting.</p> <p>The Chair then advised that the purpose of the Governance Hub was to put in place reporting arrangements in which each ALEO's performance was scrutinised in areas of financial performance; service</p>	N/A	N/A

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			<p>performance; the management of risk and contractual compliance in order to provide assurance to the Council. In addition to this he also provided a summary of the two outstanding audit recommendations from the Audit, Risk and Scrutiny Committee.</p> <p>The Chair then explained how the meeting would proceed and he advised that the Hub would adopt a standardised approach of high level scrutiny for all four of the ALEOs this cycle and would take care not to infringe upon the remit of the ALEO Boards. He further elaborated that each ALEO would be scrutinised for between ten and fifteen minutes by a Hub member representing a service from Corporate Governance and then by a Service representative; in this case a representative from Communities, Housing and Infrastructure for between fifteen and twenty minutes.</p> <p>The Chair further advised that the minute from today's meeting would be submitted to the Council's Audit, Risk and Scrutiny Committee on 25 June and the Communities, Housing and Infrastructure Committee on 27 August. Thereafter, those present at the meeting introduced themselves.</p>		
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**Risk Mitigation and Management**

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No	Item	Documents Submitted	Assurance Provided	Actions/Decisions	Responsible Officer(s)
2.	Business Continuity Plans	Major Incident Plan (17 March 2015).	<p>Neil Buck (Performance and Risk Manager) introduced the Risk Mitigation and Management section and outlined the criteria he expected to be met. He explained that the scrutiny of each ALEO would be high level and would focus on two main areas: the management and mitigation of risk and the robustness of their performance management framework.</p> <p>Mr Buck explained that the Hub sought a level of assurance from each ALEO that they had the proper systems and processes in place and that they were effectively managing and mitigating their own risk and the risks to the Council. He also advised that he would scrutinise each ALEO's Performance Management Framework; concentrating on how performance was measured and evaluated and how it linked with their priorities and outcomes as well as those of the Council.</p> <p>With reference to the Business Continuity Plan Mr Buck asked if the plan was still fit for purpose: Graeme Cumming (Interim Managing Director/Finance Director, AECC) advised that AECC had adopted two continuity plans the first was a Major Incident Master Plan and the second was a Corporate Continuity Plan. With regards to the Major Incident Master Plan Mr</p>	<p><b>The Hub resolved:-</b></p> <p>(i) to request an update on the development of AECC's Corporate Continuity Plan;</p> <p>(ii) to otherwise note the Major Incident Plan; and</p> <p>(iii) note the information provided.</p>	Neil Buck

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			<p>Cumming advised that clear procedures and processes were in place which involved detailed scenario planning with all AECC staff and there was close co-operation and co-ordination with the Emergency Services; Environmental Health and they had appointed an external health and safety advisor to support their planning for the event.</p> <p>With regards to the Corporate Continuity Plan Mr Cumming conceded that this plan was not as developed and in response they had appointed an external consultant to advise them on the development of a more robust Corporate Continuity Plan.</p>		
3.	Current Risk Register	(a) Risk Management Policy; and (b) Risk Register (1 June 2015).	<p>With reference to the Risk Register Mr Buck stated that it provided a comprehensive account of the business risks and welcomed the use of the traffic lighting system. He noticed that AECC had no red risks and asked how risks were identified and enquired about the frequency of their review: Graeme Cumming advised that risks were updated on a rolling period but conceded that the Risk Register had not been formally reviewed for a period of time and explained that since he had taken over as Interim Managing Director last month he had drawn up a calendar of events to ensure that the Risk Register was reviewed on a six monthly basis by the Senior Management Team (SMT) and</p>	<p><b>The Hub resolved:-</b></p> <ul style="list-style-type: none"> <li>(i) to request an update on the review of AECC's Risk register;</li> <li>(ii) to otherwise note the reports; and</li> <li>(iii) note the information provided.</li> </ul>	Neil Buck



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			<p>annually by the Board.</p> <p>Mr Cumming added that risk was identified at ground level as all 80 staff were based on site and most teams were line managed by a senior manager who categorised the risk as either a corporate or operational risk. From there the identified risk would be reported to SMT and then to the Board for action in order to mitigate and manage the risk. Mr Cumming added that he felt that their risk reporting had been effective and he cited as evidence the recent build up to the Elton John concert on 20 June in which daily meetings on risk were held.</p>		
4.	Annual Business Plan and Performance Framework	(a) New AECC Business Plan; and (b) 2015/16 Budget Narrative.	<p>With reference to the Performance Management Framework and benchmarking: Louise Lonie (Director of Sales and Communications, AECC) confirmed that AECC had benchmarked against comparative conference and entertainment facilities to determine trends and share best practice. Ms Lonie added that AECC were members of several industry bodies such as the National Arena Association and the Association of Event Organisers and these forums had proven valuable for identifying trends in areas such as average customer spend and salary benchmarking. She elaborated that the Performance Management Framework informed financial projections; budget setting; marketing strategy and</p>	<p><b>The Hub resolved:-</b></p> <p>(i) to note the reports; and (ii) to note the information provided.</p>	Neil Buck

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			ticket pricing.		
5.	External and Internal Inspection Structure with Outstanding Recommendations	Audit Planning Report (31 March 2015).	With reference to the External and Internal Inspection Structure: Paul Dixon (Accounting Manager, ACC) enquired about AECC's auditing arrangements: Mr Cumming advised that AECC had no internal auditor and their external auditor was Anderson Anderson Brown. He added that AECC had no outstanding audit recommendations and no recommendations to his knowledge had ever been raised and he stated that the Board was very risk averse in this regard.	<b>The Hub resolved:-</b> (i) to note the report; and (ii) to note the information provided.	Neil Buck
<b>Financial Governance</b>					
No	Item	Documents Submitted	Assurance Provided	Actions/Decisions	Responsible Officer(s)
6.	Approved Financial Procedures	Financial Regulations and Procedures (21 January 2011).	Paul Dixon introduced the Financial Governance section and advised that he sought assurance on the robustness of AECC's financial procedures. Mr Dixon enquired if AECC had measures in place to mitigate against a reduction in funding due to ongoing austerity measures: Graeme Cumming advised that their business plan had made assumptions of funding being reduced by 5% and they had also designed a financial model based on no grant funding being allocated. He iterated that it was incumbent on the AECC to innovate and source new funding streams.	<b>The Hub resolved:-</b> (i) to request that an AECC Board Financial Briefing Pack be cascaded to Hub members ahead of the next Hub meeting; (ii) otherwise to note the report; and (iii) to note the information provided.	Paul Dixon

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		<p>Mr Dixon referred to the submitted Financial Procedures which were approved by the Board on 23 January 2011 and asked if they were outdated and enquired about how financial performance was presented and considered at Board meetings. Graeme Cumming advised that he did not feel that their financial procedures were outdated as they were updated on an ongoing basis but he would consider reviewing them in due course.</p> <p>With reference to the presentation of financial performance at Board meetings: Mr Cumming explained that financial performance was a standing item on the Board agenda and at each meeting Board members received a financial pack that contained balance sheets; marketing information; data analysis; and a narrative on forecasting and performance and he cited the Report Template and Meeting Agenda Template submitted under Item 3d of the agenda as evidence of this approach.</p> <p>Mr Cumming further advised that the Board approved the Business Plan and at least one Councillor on the Board had to be present in order for the meeting to be quorate. He elaborated that the Board always received a presentation and a question and answer session for budgetary matters that required approval.</p>		
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Decision Making					
No	Item	Documents Submitted	Assurance Provided	Actions/Decisions	Responsible Officer(s)
7.	Board Structure and Sub Committees with Remit and Membership	(a) Organisational Chart; and (b) 2016 Calendar for Board Meetings and Remuneration Committees.	<p>The Chair (Senior Democratic Services Manager) spoke to the Decision Making section and enquired how AECC assessed the capability of Board members and what procedures were in place to identify a skills gap: Graeme Cumming replied that he felt that Board members were capable of understanding issues and made informed decisions. He explained that they had identified that no Board member had a background or expertise in marketing and promotion and this would be essential as the AECC prepared to move to its new venue and he added that a competency review of the Board would be conducted in due course.</p> <p>The Chair asked if AECC considered the gender balance of the Board to be a risk: Graeme Cumming explained that he had not thought of this as a risk and that there had been no discrimination against female applicants to the Board. He elaborated that there had been no formal recruitment process onto the Board for a considerable period of time but stated that more formal procedures and policies could be developed to raise greater awareness of this issue that would inform future recruitment to ensure women were fairly recruited and represented on the Board.</p>	<p><b>The Hub resolved:-</b></p> <p>(i) to request an update on AECC's plans to conduct a skills analysis and competency review of the Board;</p> <p>(ii) to otherwise note the reports; and</p> <p>(iii) note the information provided.</p>	Roderick MacBeath

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8.	Constitution and Delegations	<p>(a) Articles of Association (31 March 2014); and</p> <p>(b) Limits and Levels of Authority report.</p>	<p>The Chair explained that reference had been made in an audit report with regards to the inconsistent approach adopted by the ALEOs with regards to ACC officer attendance at ALEO Board meetings. The Chair asked if ACC officers were welcome to attend AECC Board meetings; that they received agenda papers in advance and had the opportunity to speak at meetings:</p> <p>Graeme Cumming confirmed that the Council's liaison officer had received agenda papers in advance of the meeting and were permitted to speak at Board meetings which operated on an informal basis.</p> <p>The Chair welcomed this and advised that the ACC Chief Executive had nominated a lead officer for each ALEO and they would represent their Council Service at Board meetings.</p>	<p><b><u>The Hub resolved:-</u></b></p> <p>(i) to note the reports; and</p> <p>(ii) to note the information provided.</p>	Roderick MacBeath
9.	Report Template for Board and Sub Committees	<p>(a) Terms of Reference for Remuneration Committee;</p> <p>(b) Board Report Template;</p> <p>(c) Meeting Agenda Template; and</p> <p>(d) Director Induction Program with Director Induction Pack.</p>	<p>The Chair stated that the documents submitted were satisfactory.</p>	<p><b><u>The Hub resolved:-</u></b></p> <p>to note the reports.</p>	Roderick MacBeath
10.	Legal Compliance	Compliance with Legislation Report (2015).	<p>The Chair stated that the document submitted was satisfactory.</p>	<p><b><u>The Hub resolved:-</u></b></p> <p>to note the report.</p>	Roderick MacBeath

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HR Compliance and Best Practice					
No	Item	Documents Submitted	Assurance Provided	Actions/Decisions	Responsible Officer(s)
11.	Sickness Management	Permanent Employees Staff Handbook (section twelve: Sickness)	Jeff Capstick (HR Manager) spoke to the HR Compliance and Best Practice section and enquired about AECC's approach towards sickness management: Graeme Cumming advised that sickness absence was not a significant issue for AECC as they were a small organisation and he iterated that clear procedures were in place to mitigate and manage this issue and that all absences were recorded and held centrally where trends could be identified and analysed.	<b><u>The Hub resolved:-</u></b> (i) to note the report; and (ii) to note the information provided.	Jeff Capstick
12.	Conduct and Capability Procedures	Permanent Employees Staff Handbook (section 16: Grievance Procedure; section 17 Disciplinary Procedure; and section 19: Personal Conduct).	With reference to Conduct and Capability Procedures: Graeme Cumming advised that they had recently recruited a HR Manager who was professionally accredited and she was currently reviewing their disciplinary procedures and difficult conversations guidance in order to further empower managers.  Mr Cumming further explained that AECC had had up to 500 casual staff working for them and several team leaders were very young and this presented unique challenges. He added that they always aimed to comply with HR guidance and legislation and increase gross value added.	<b><u>The Hub resolved:-</u></b> (i) to note the report; and (ii) to note the information provided.	Jeff Capstick

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13.	Staff Engagement Strategy	<p>(a) Permanent Employees Staff Survey (January 2014);</p> <p>(b) Investors in People Audit Report (March 2014);</p> <p>(c) Casual Workers Survey (January 2014); and</p> <p>(d) Email confirmation from Investors in People Scotland on the achievement of Bronze Accreditation (26 March 2014).</p>	<p>With reference to the Staff Engagement Strategy: Graeme Cumming explained that AECC had used the UK Treasury's staff engagement strategy as a template and their staff surveys were conducted and analysed by an external consultant: The Urquhart Partnership. Mr Cumming elaborated that survey questions were standardised for both permanent and casual staff and they now had a representative data base having conducted two staff surveys with another survey scheduled for early next year. He added that the outcomes of the surveys were reported to SMT and the Board and then cascaded to staff.</p>	<p><b>The Hub resolved:-</b></p> <p>(i) to note the reports; and</p> <p>(ii) to note the information provided.</p>	Jeff Capstick
14.	Health and Safety Compliance	Health and Safety Policy (March 2015).	<p>Martyn Phillips (Health and Safety Advisor, ACC) spoke to the Health and Safety Compliance section and enquired about AECC's most pressing health and safety risks: Graeme Cumming highlighted equipment and vehicle training as there had been a serious forklift accident in 2007 and this had precipitated a fundamental review of their health and safety policies and procedures and he added that they had appointed an external consultant with industry specific knowledge to advise them on health and safety matters. Mr Cumming also highlighted the risk of allergies as they operated a catering business; and construction design management as the AECC facility was classed in regulations</p>	<p><b>The Hub resolved:-</b></p> <p>(i) to note the report; and</p> <p>(ii) to note the information provided.</p>	Mary Agnew/ Martyn Phillips

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		<p>as a construction site.</p> <p>With reference to the appropriate assignment of risk: Mr Cumming advised that as a small organisation they could be more flexible and their staff structure ensured that the most qualified staff were assigned to high risk areas. He elaborated that in recent years there had been a culture change with regards to health and safety and the AECCLTD was more transparent in their approach and he highlighted the availability of their Near Miss Register as an example of this openness. Further to this he explained that all staff received a health and safety email and every team had a health and safety champion; they also had established a Health and Safety Committee with staff participation and membership which met regularly and health and safety was a standing item on the Board's agenda.</p> <p>With regards to ensuring that competent people were employed: Mr Cumming advised that all staff had undergone induction training; and role specific training and testing were conducted on an ongoing basis.</p> <p>With reference to the source of AECCLTD's occupational health advice: Mr Cumming explained that they received occupational health advice on an ad hoc basis and he added that they maintained an accident</p>		
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			log and most occupational health issues related to stress or musculoskeletal injuries. He further advised that AECC had introduced the Simply Health Program which was a medical plan designed to help staff to cover the cost of treatments such as physiotherapy and he explained that they were investigating the option of introducing counselling in the future.		
Commercial Compliance and Best Practice					
No	Item	Documents Submitted	Assurance Provided	Actions/Decisions	Responsible Officer(s)
15.	Procurement Regulations and Procedures	(a) Invitation to Tender Documentation; and (b) Contracts and Procurement Standing Orders (23 January 2011).	Joan McCluskey (Corporate and Procurement Manager, ACC) introduced the Commercial Compliance and Best Practice section and stated how public money was spent was very important and subject to changing legislation and regulations from Scottish Government and the EU and it was essential that procurement procedures were in line with legislation. She added that the three overriding principles that should inform procurement regulations and procedures were fairness, openness and transparency. Ms McCluskey noted that AECC's procurement standing orders were dated 23 January 2011 and asked about the frequency of their review:  Graeme Cumming advised that procurement standing orders were updated on an ongoing basis and that their tender template for procuring large scale	<b>The Hub resolved:-</b> (i) to advise and support AECC in their development of robust procurement procedures to satisfy regulations and reporting arrangements set out in the Procurement Reform (Scotland) Bill (2014); (ii) to otherwise note the reports; and (iii) note the information provided.	Joan McCluskey

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services was reviewed by the Board on an annual basis. Mr Cumming queried if AECC was subject to EU procurement legislation; in addition to Best Value for Public Pound regulations. Ms McCluskey advised that it was her understanding that as an ALEO of the Council AECC was subject to EU Procurement legislation and she advised that she would be happy to provide further guidance on this matter.

With reference to Corporate Procurement Procedures being made available to staff: Mr Cumming explained that small amounts could be covered by credit card whereas larger costs required a sign off from an Authorised Officer and these orders would be processed through their Purchase Ordering System. He added that procurement fell into two categories: Events Based Procurement and Corporate Procurement and managers were responsible for their own areas in this regard.

With reference to how AECC ensured that tender opportunities were advertised fairly and transparently: Louise Lonie advised that AECC maintained a contacts list and advertised tender opportunities on their website. She added that they had investigated advertising in the Press and Journal but deemed that the costs were too high. Graeme Cumming elaborated that as a small organisation they had to

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		<p>balance the level of cost with the level of transparency and conceded that perhaps the balance was slightly tilted towards efficiency levels and he would be happy to receive advice on rectifying this matter. And Ms McCluskey replied that she would be happy to provide this guidance and advised that Scottish Government had mechanisms in place to support small organisations and recommended that they use Public Contracts Scotland.</p> <p>Ms McCluskey noted that AECC had maintained a Contracts Register and enquired if it was up to date and if they forward planned: Louise Lonie advised that the Contracts Register was updated as and when contracts were secured, renewed or ended and they made a particular note of contracts with a value over £60,000. Graeme Cumming added that AECC had adopted a flexible approach that empowered managers to be proactive and cost effective and they could secure best value; particularly with groceries as they had not entered into standard contracts with any of their food providers. Mr Cumming advised that AECC had a small number of contracts and their adoption of a flexible approach determined that forward planning was not a priority.</p> <p>To conclude, Ms McCluskey asked if AECC were aware of the Procurement</p>		
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			<p>Reform (Scotland) Bill (2014) and the impact it would have on how they procured services and their reporting arrangements. She added this was the nucleus of her scrutiny to provide assurance that a Contracts Register; sustainable procurement practices and forward planning would be developed by AECC before the act came into force:</p> <p>Mr Cumming stated that he was not aware of the legislation and requested advice and guidance on this issue from ACC colleagues and added that he was happy to learn about how these procedures could be developed and more broadly how AECC could integrate more fully with the Single Outcome Agreement (SOA) and how greater engagement and communication could be promoted and effected between AECC and the Council.</p>			
<b>Operational Performance</b>						
No	Item	Documents Submitted	Assurance Provided	Actions/Decisions	Responsible Officer(s)	
16.	Operational Performance	(a) Funding and Service Provision Agreement; and (b) Corporate Review 2013/14.	Scott Ramsay (Senior Project Officer, ACC) spoke to the Operational Performance section and he asked the AECC representatives to assess their performance against the objectives in their Business Plan: Louise Lonie advised that entertainment performance had been strong as receipts had increased by over £1million compared to the previous year.	<b>The Hub resolved:-</b> (i) to note the reports; and (ii) to note the information provided.	Richard Sweetnam/ Scott Ramsay	

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Whereas the conference side of the business was more cyclical and had been adversely impacted by the downturn in the oil and gas industry and subsequently receipts had decreased by £800,000 in comparison to the previous year.

Further to this Ms Lonie explained that AECC benchmarked against several facilities, and paid particular attention to the Wales Millennium Centre in Cardiff: a venue and city of similar size and found that they had performed well against most KPIs. She was also encouraged that over 15,000 tickets had been sold for the upcoming Elton John concert and that this had opened up areas for innovative development ahead of the delivery of the new AECC facility.

With reference to major areas of challenge: Ms Lonie highlighted that the current venue was outdated and that selling Aberdeen as a conference and entertainment destination was particularly challenging due to location and logistical problems such as the lack of hotel rooms for prospective clients and service users. Ms Lonie iterated that she would be keen to work more closely with Aberdeen Airport; the universities; ACC and VisitAberdeen to more effectively promote the city as a desirable destination.

With regards to the collation of customer

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17.	The Chair's Closing Remarks	N/A	<p>feedback: Ms Lonie advised that they had disseminated customer experience questionnaires and had followed this up with more in depth customer satisfaction phone calls and had found that 80% of business was repeat business which confirmed that AECC had a large and satisfied customer base. The other 20% that was not repeat business tended to be corporate and conference business that had been impacted by the challenging economic environment or rotated their conferences between cities.</p>	N/A	N/A
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If you require further information about this minute, please contact Iain Robertson tel. 01224 522869 or email [iairobertson@aberdeencity.gov.uk](mailto:iairobertson@aberdeencity.gov.uk)

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ABERDEEN, 15 June 2015. Minute of Meeting of the ALEO GOVERNANCE HUB. Present:- Roderick MacBeath (Democratic Services), Chairperson; and Neil Buck (IT and Transformation), Jeff Capstick (Human Resources), Paul Dixon (Finance), Jo Hall (Education Service), Andrew Jones (Policy, Performance and Resources), Joan McCluskey (Commercial and Procurement Services), Martyn Phillips (Human Resources and Organisational Development) and Scott Ramsay (Economic Development); and Jan Griffiths, Kenny Gunnyeon, Sue Stephenson and Jane Thomson (Aberdeen Sports Village).

Also in attendance: Iain Robertson (Democratic Services) and Mark Johnstone (Audit Scotland).

Apologies: Mary Agnew (Human Resources and Customer Service) and Euan Couperwhite (Policy, Performance and Resources).

No	Item	Documents Submitted	Assurance Provided	Actions/Decisions	Responsible Officer(s)
1.	Chair's Opening Remarks	N/A	The Chair opened the meeting and welcomed Hub members and representatives from Aberdeen Sports Village (ASV) and he explained that the Governance Hub would meet biannually with the next meeting in December and further explained that today's meeting would provide high level scrutiny of each ALEO and that two areas identified from the meeting for further development would be investigated in a more extensive and targeted manner at the December meeting.  The Chair advised that the purpose of the Governance Hub was to put in place reporting arrangements in which each ALEO's performance would be scrutinised in areas of financial	N/A	N/A

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			<p>performance; service performance; the management of risk and contractual compliance in order to provide assurance to the Council. In addition to this he also provided a summary of the two outstanding audit recommendations from the Audit, Risk and Scrutiny Committee.</p> <p>The Chair then explained how the meeting would proceed and he advised that the Hub would adopt a standardised approach of high level scrutiny for all four of the ALEOs this cycle and would take care not to infringe upon the remit of the ALEO Boards. He further elaborated that each ALEO would be scrutinised for between ten and fifteen minutes by a Hub member representing a service from Corporate Governance and then by a Service representative; in this case a representative from Education and Children's Services for between fifteen and twenty minutes.</p> <p>The Chair further advised that the minute from today's meeting would be submitted to the Council's Audit, Risk and Scrutiny Committee on 25 June and the Education and Children's Services Committee on 3 September. Thereafter, those present at the meeting introduced themselves.</p>		
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Risk Mitigation and Management

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No	Item	Documents Submitted	Assurance Provided	Actions	Responsible Officer(s)
2.	Business Continuity Plans	<p>(a) Business Continuity Management Procedures;</p> <p>(b) Critical Incident Management Plan (July 2014); and</p> <p>(c) IT Systems Continuity Plan.</p>	<p>Neil Buck (Performance and Risk Manager, ACC) introduced the Risk Mitigation and Management section and outlined the criteria he expected to be met. He explained that the scrutiny of each ALEO would be high level and would focus on two main areas: the management and mitigation of risk and the robustness of their performance management framework.</p> <p>Mr Buck explained that the Hub sought a level of assurance from each ALEO that they had proper systems and processes in place and that they were effectively managing and mitigating their own risk and risks to the Council. He also advised that he would scrutinise each ALEO's Performance Management Framework; concentrating on how performance was measured and evaluated and how it linked with their priorities and outcomes as well as those of the Council.</p> <p>With reference to the Business Continuity Plans Mr Buck stated that these were comprehensive and asked if there was a testing regime in place to identify if the plans were still fit for purpose and how frequently they were reviewed: Kenny Gunnyeon (Business Development Manager, ASV) apologised for the omission of the review schedule and</p>	<p><b>The Hub resolved:-</b></p> <p>(i) to request that the Business Continuity Plan Testing Review Schedule be made available to Hub members ahead of the next meeting;</p> <p>(ii) otherwise to note the reports; and</p> <p>(iii) note the information provided.</p>	Neil Buck

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			<p>advised that this could be provided on request. Mr Gunnyeon also explained that operational risks were reviewed on an ongoing basis and that the Business Continuity Plans were reviewed by the Senior Management Team (SMT) on an annual basis. He also explained that ASV recently had a real time IT critical management test when their software went offline and was not operational and that the effectiveness of their procedures and responses were reviewed following this.</p>		
3.	Current Risk Register	<p>(a) Risk Register (February 2015); and (b) Health and Safety Risk Analysis (December 2014).</p>	<p>With reference to ASV's Risk Register Mr Buck stated that he was satisfied that it was comprehensive and provided a broad account of risk and welcomed the use of the traffic lighting system. Further to this Mr Buck enquired about the frequency of Risk Register reviews: Mr Gunnyeon advised that risks were identified and reviewed on an ongoing basis and that the register was reviewed in full by SMT twice a year and submitted to the Board annually.</p>	<p><b>The Hub resolved:-</b> (i) to note the reports; and (ii) to note the information provided.</p>	Neil Buck
4.	Annual Business Plan and Performance Framework	Draft Business Plan 2015-18 (March 2015).	<p>With reference to the Business Plan and the Performance Framework Mr Buck asked when the indicators in the draft Business Plan would be populated: Sue Stephenson (Finance Manager, ASV) explained that the Strategic Plan was still at draft stage and performance indicators were still subject to review but would</p>	<p><b>The Hub resolved:-</b> (i) to request an update on the development and population of performance indicators in ASV's draft Business</p>	Neil Buck

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5.	External and Internal Inspection Structure with Outstanding Recommendations		provide an update when these were finalised.	<p>(ii) Plan; otherwise to note the report; and</p> <p>(iii) note the information provided.</p>	Neil Buck
	<p>(a) External and Internal Inspection Structure;</p> <p>(b) Henderson Loggie External Audit 2013/14;</p> <p>(c) AAB Sage Internal Audit (February 2014);</p> <p>(d) Quest Assessment Report (1 May 2015);</p> <p>(e) Quality Leisure Management (QLM) Audit (6 March 2015);</p> <p>(f) QLM Recommendations and Action Plan (26 May 2015);</p> <p>(g) Health and Safety Inspections Report (December 2014);</p> <p>(h) Internal Audit Schedule (2015)</p> <p>(i) Internal Health and Safety Audit (2015); and</p> <p>(j) Royal Life Saving Society UK Lifeguard Audit (19 August 2014).</p>	<p>Paul Dixon (Accounting Manager, ACC) enquired about the steps ASV had taken to satisfy outstanding audit recommendations and Sue Stephenson advised that an action plan had been developed to address these recommendations and was being reviewed and updated on an ongoing basis. She added that alterations would be submitted to the Board for approval as and when required.</p>	<p><b>The Hub resolved:-</b></p> <p>(i) to note the reports; and</p> <p>(ii) to note the information provided.</p>		

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Financial Governance					
No	Item	Documents Submitted	Assurance Provided	Actions	Responsible Officer(s)
6.	Approved Financial Procedures	Financial Regulations (January 2015).	<p>Paul Dixon introduced the Financial Governance section and advised that he sought assurance on the robustness of ASV's financial procedures. Mr Dixon stated that ASV's financial procedures looked extensive and asked about the frequency of review:</p> <p>Sue Stephenson advised that financial procedures were reviewed on a three year standing cycle and updated when necessary and subject to ongoing review. She also explained that financial performance was reported to the Board on a quarterly basis and that report authors clearly evidenced financial implications in all papers submitted to the Board. She referenced the Board Report Template in Item 3c to evidence this approach and elaborated that the Board were particularly attuned to financial implications due to the ongoing Phase Three Development.</p> <p>Further to this Mr Dixon enquired about the challenges ASV had faced during the development of their Business Plan and Ms Stephenson explained that ASV and ACC had different financial years and this had budgetary and financial planning implications. She also highlighted that the profile of the budget was formulated</p>	<p><b>The Hub resolved:-</b></p> <p>(i) to note the report; and</p> <p>(ii) to note the information provided.</p>	Paul Dixon

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Decision Making					
No	Item	Documents Submitted	Assurance Provided	Actions	Responsible Officer(s)
			to reflect funding arrangements throughout the year and they were increasingly mindful of the risks of funding being reduced from their partners due to ongoing austerity measures and that this had been reflected in their Business Plan whereby an assumption of a £50 million shortfall was prepared for.		
7.	Board Structure and Sub Committees with Remit and Membership	Job Description of Board Members.	<p>The Chair (Senior Democratic Services Manager) spoke to the Decision Making section and with reference to the effectiveness of the Board's membership and structure he asked what mechanism ASV had in place to enhance the capability of Board members and the steps they would take if a skills gap had been identified:</p> <p>Jan Griffiths (Acting Chief Executive, ASV) advised that a strict recruitment process was in place and that they were actively considering increasing the number of Board members by two in order to broaden the fields of expertise and enhance the level of knowledge on the Board. She also explained that ASV had co-opted members onto sub committees on a time bound basis and adopted this approach during the development of the Aquatics Centre</p>	<p><b>The Hub resolved:-</b></p> <p>(i) to note the report; and</p> <p>(ii) otherwise note the information provided.</p>	Roderick MacBeath

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8.	Constitution and Delegations	<p>(a) Articles of Association (11 July 2008);</p> <p>(b) Joint Venture Agreement (5 October 2007); and</p> <p>(c) Draft Operating Agreement (June 2015).</p>	<p>although she advised that there were currently no co-optees in place. Further to this she stated that the Board had retained a number of Board members since inception in 2008 and they reviewed the composition of skill sets on a regular basis.</p> <p>The Chair asked if ASV considered the gender balance of the Board to be a risk: Mrs Griffiths advised that ASV did not view this as a risk and was confident that their partners would appoint the best person for the role irrespective of gender.</p>	<p><b>The Hub resolved:-</b></p> <p>(i) to request an update on ACC officer attendance and participation at ASV Board meetings at the next Hub meeting; otherwise to note the reports; and</p> <p>(ii) note the information provided.</p>	Roderick MacBeath
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			Executive had nominated a lead officer for each ALEO and they would represent the Council Service at Board meetings and he advised that the Hub would consider this matter at its next meeting.						
9.	Report Template for Board and Sub Committees	ASV Board Agenda (13 March 2015).	The Chair stated that the documents submitted were satisfactory.						Roderick MacBeath
<b>HR Compliance and Best Practice</b>									
No	Item	Documents Submitted	Assurance Provided	Actions	Responsible Officer(s)				
10.	Sickness Management	Sickness Absence Policy Statement (May 2013).	Jeff Capstick (HR Manager) spoke to the HR Compliance and Best Practice section and enquired about ASV's approach towards sickness management: Jan Griffiths advised that absences were recorded on an ongoing basis at team level and held centrally at management level where trends were monitored and could be addressed. She also added that SMT were briefed on a regular basis and trends and results were cascaded down to line managers for information and action.	<b>The Hub resolved:-</b> (i) to note the report; and (ii) to note the information provided.	Jeff Capstick				
11.	Conduct and Capability Procedures	(a) Training Needs Analysis and Training Plan (May 2015); (b) Disciplinary Procedure (15 May 2013); (c) Discrimination and	With reference to the main strategic risks faced by ASV: Kenny Gunnyeon highlighted that the recruitment and retention of quality staff was a long standing challenge due to economic competition for entry level jobs in	<b>The Hub resolved:-</b> (i) to note the reports; and (ii) to note the information provided.	Jeff Capstick				

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12.	Staff Engagement Strategy	Employee Engagement Strategy	<p>Harassment Policy (15 May 2013);            (d) Grievance Procedure (15 March 2013); and            (e) Pay and Reward Policy (December 2014).</p>	<p>Aberdeen. Jane Thomson (Health and Safety Development Manager, ASV) also explained that in order to retain staff ASV had placed a greater focus on training and development to enhance the skill set of staff and provide a pathway for career progression. She also advised that ASV operated a Job Evaluation Scheme that had been adapted from Aberdeen University's scheme and this had provided a mechanism to evaluate job roles and salary levels of staff.</p> <p>Further to this, all ASV representatives recognised the importance of complying with legislation within their respective areas of the organisation and on a more corporate level they were satisfied that the policies and procedures they had in place were updated on a regular basis and complied with legislation.</p> <p>Sue Stephenson added that in terms of regulatory changes, such as the updated interpretation of the Working Time Directive with regards to holiday pay and on Equal Pay they worked closely with Aberdeen University's HR department and consulted with partners before effecting systemic change.</p>	<p><b>The Hub resolved:-</b>            (i) to note the report; and</p>	Jeff Capstick
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13.	Health and Safety Compliance	<p>(a) Health and Safety Policy (September 2014);</p> <p>(b) Health and Safety Management Approach (September 2014);</p> <p>(c) Health and Safety Inspections Procedure (December 2014);</p> <p>(d) Performance Measurement Procedure (December 2014);</p> <p>(e) Risk Analysis (December 2014); and</p> <p>(f) Policy and Procedure Log (May 2015).</p>	<p>that promoted ongoing engagement between management and staff. Mrs Griffiths explained that line managers briefed their teams on a regular basis on operational and strategic matters and they were also continually developing their employee package that included schemes such as the Cycle to Work Scheme and benefits such as gym membership. Ms Stephenson also highlighted that ASV had been externally validated with an Investors in Young People accreditation and had recently been awarded the Investors in People Gold standard.</p>	<p>(ii) to note the information provided.</p>	
			<p>Martyn Phillips (Health and Safety Advisor, ACC) spoke to the Health and Safety Compliance section and asked about ASV's most pressing health and safety risks: Jane Thomson highlighted pool safety particularly in relation to lifeguard training and fire risk; and she added that Aberdeen University carried out ASV's Fire Risk Assessment.</p> <p>Mrs Thomson explained that health and safety risks were categorised into two sections: Incidents and Accidents and Customer Care and that high level risks and decisions that required longer term planning such as training rested at Board and management level. She also added that ASV had adopted a bottom-up</p>	<p><b>The Hub resolved:-</b></p> <p>(i) to note the reports; and</p> <p>(ii) to note the information provided.</p>	Mary Agnew/Martyn Phillips

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			<p>approach to health and safety with staff attending daily huddles and weekly meetings to keep them abreast of health and safety issues. ASV had also formed a Health and Safety Improvement Group that met on a quarterly basis and provided an open forum for staff to be kept informed, raise concerns and develop solutions with regards to health and safety.</p> <p>Mr Phillips enquired about the arrangements for ensuring employee competence: Mrs Thomson advised that all employees: permanent or agency had gone through the same induction process. She also added that all employees were tested on competence on an ongoing basis and the outcomes of these tests were recorded on a progress matrix which allowed management an in-depth look at training history and helped to identify areas for further development.</p> <p>With reference to Occupational Health: Mr Gunnyeon confirmed that ASV had an Occupational Health provider and that this used to be provided by Aberdeen University but there was now a private provider in place and this service had been used intermittently by staff over the past few years.</p>		
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Commercial Compliance and Best Practice

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No	Item	Documents Submitted	Assurance Provided	Actions	Responsible Officer(s)
14.	Procurement Regulations and Procedures	Financial Regulations (January 2015).	<p>Joan McCluskey (Corporate and Procurement Manager, ACC) introduced the Commercial Compliance and Best Practice section and stated how public money was spent was very important and subject to changing legislation and regulations from Scottish Government and the EU and it was essential that procurement procedures were in line with legislation. She added that the three overriding principles that should inform procurement regulations and procedures were fairness, openness and transparency and she enquired how the tendering process was made available to staff and specifically how ASV differentiated between a quote and a tender?</p> <p>Sue Stephenson advised that there was a threshold in place and below that threshold, responsibility resided with budget holders and she added that financial procedures and obligations were made available to staff on the ASV intranet site. Ms Stephenson explained that procurement above the threshold would require hierarchy approval and for larger contracts such as the development of the Aquatics Centre they had used Public Contracts Scotland but conceded that they tended to use the same two or three specialist companies.</p>	<p><b>The Hub resolved:-</b></p> <p>(i) to advise and support ASV in their development of robust procurement procedures to satisfy regulations and reporting arrangements set out in the Procurement Reform (Scotland) Bill (2014);</p> <p>(ii) to otherwise note the report; and</p> <p>(iii) note the information provided.</p>	Joan McCluskey

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			<p>Ms McCluskey enquired how transparency could be ensured if ASV used the same providers on a regular basis: Ms Stephenson explained that the use of regular providers was largely based on Aberdeen University contracts and Ms McCluskey offered to support them with regards to the development of more robust and bespoke procedures.</p> <p>Further to this, Ms McCluskey asked if ASV had a Contracts Register and forward planned their procurement: Ms Stephenson advised that as a small organisation the list of contracts was held by the Operations Manager who acted as the Authorised Officer and was updated on an annual basis. She also explained that forward planning was referenced in the draft Business Plan particularly in sections relating to capital expenditure and she advised that ASV had a significant suite of records in this area.</p> <p>To conclude, Ms McCluskey asked if ASV were aware of the Procurement Reform (Scotland) Bill (2014) and the impact it would have on how they procured services and their reporting arrangements. She added this was the nucleus of her scrutiny to provide assurance that a Contracts Register, sustainable procurement practices and forward planning would be developed by</p>		
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		ASV before the act came into force. The ASV representatives highlighted their awareness of the new legislation but were not familiar with the detail and advised that they would action this once more information became available; and that over the past few years they had become accustomed to responding to constant regulatory change.			
Operational Performance					
No	Item	Documents Submitted	Assurance Provided	Actions	Responsible Officer(s)
15.	Operational Performance	(a) Joint Venture Agreement (7 October 2007); and (b) Draft Operating Agreement (June 2015)	Andrew Jones (Policy, Performance and Resources, ACC) and Jo Hall (Education Service, ACC) spoke to the Operational Performance section and they asked about the areas in which ASV had performed well and had met their objectives: Jan Griffiths iterated that ASV had developed significantly since its inception in 2008 when it was largely limited to the facility itself. However since 2008 the workforce had expanded from 50 to 250 staff and they had met most of the objectives set out in their original Strategic Plan. She also added that revised objectives had been developed for the new Strategic Plan to reflect the expansion of the facilities managed and the number and scope of services delivered.  With reference to areas requiring improvement: Mrs Griffiths explained that	<b>The Hub resolved:-</b> (i) to note the reports; and (ii) to note the information provided.	Euan Couperwhite /Andrew Jones/Jo Hall

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			<p>ASV was looking to optimise underused facility spaces and expand its level of community engagement.</p> <p>With reference to how ASV complied with its charitable status: Ms Stephenson explained that they were unsure how this status would be impacted after the formation of Cafe Kovo due to sponsorship income issues; as a result a decision was taken to establish a separate limited company to mitigate this risk and this arrangement was reviewed on an ongoing basis.</p> <p>With reference to how ASV engaged with service users: Mrs Griffiths advised that they promoted activities based on target groups and used social media and innovative marketing alongside traditional methods such as community engagement and the distribution of leaflets.</p> <p>With reference to how ASV measured service user satisfaction: Mrs Griffiths explained that they had cascaded service user satisfaction surveys; collated customer feedback and carried out specific case studies on various aspects of the service delivery programme and results were reported to the Board on a quarterly basis. They also participated in a mystery shopper scheme via external industry specific quality assurance</p>		
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			<p>schemes and had received external validation of service user satisfaction from external audits. Based on this feedback and the expansion of membership she felt that this provided evidence of value for money and customer satisfaction.</p> <p>With reference to how ASV linked into the Council's Single Outcome Agreement: Mrs Griffiths advised that they tried to integrate into a wider framework and were keen to support their partners' priorities and objectives and felt they worked effectively in partnership with ACC on a daily basis in an informal manner without demonstratively reflecting the constitutional link between the two bodies.</p>		
16.	Chair's Closing Remarks		<p>The Chair reiterated that the minutes from today's meeting would be submitted to the Audit, Risk and Scrutiny Committee on 25 June and to the Education and Children's Services Committee on 3 September. He also explained that a report which focussed on service performance would also be submitted to the Education and Children's Services Committee.</p> <p>The Chair thanked the ASV representatives for their attendance and their contributions and brought the</p>		

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meeting to a close.

**If you require any further information about this minute, please contact Iain Robertson, tel 01224 522869 or email [iairobertson@aberdeencity.gov.uk](mailto:iairobertson@aberdeencity.gov.uk)**

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ABERDEEN, 17 June 2015. Minute of Meeting of the ALEO GOVERNANCE HUB. Present:- Roderick Murdo MacBeath (Democratic Services), Chairperson; and Neil Buck (IT and Transformation), Jeff Capstick (Human Resources), Paul Dixon (Finance), Andrew Jones (Policy, Performance and Resources), Joan McCluskey (Commercial and Procurement Services) and Martyn Phillips (Human Resources and Organisational Development); and Jill Franks, Donald Mackie, Alistair Robertson and Duncan Sinclair (Sport Aberdeen).

Also in attendance: Iain Robertson (Democratic Services) and Mark Johnstone (Audit Scotland).

Apologies: Mary Agnew (Human Resources and Customer Service), Euan Couperwhite (Policy, Performance and Resources) and Nickie Scorgie (Sport Aberdeen).

No	Item	Documents Submitted	Assurance Provided	Actions/Decisions	Responsible Officer(s)
1.	Chair's Opening Remarks	N/A	The Chair opened the meeting and welcomed Hub members and representatives from Sport Aberdeen (SA) and he explained that the Governance Hub would meet biannually with the next meeting in December and that today's meeting would provide high level scrutiny of SA and that two areas identified from the meeting for further development would be investigated in a more extensive and targeted manner at the December meeting.  The Chair then advised that the purpose of the Governance Hub was to put in place reporting arrangements in which each ALEO's performance would be scrutinised in areas of financial performance; service	N/A	N/A

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			<p>performance; the management of risk and contractual compliance in order to provide assurance to the Council. In addition to this he also provided a summary of the two outstanding audit recommendations from the Audit, Risk and Scrutiny Committee.</p> <p>The Chair then explained how the meeting would proceed and he advised that the Hub would adopt a standardised approach of high level scrutiny for all four of the ALEOs this cycle and would take care not to infringe upon the remit of the ALEO Boards. He further elaborated that each ALEO had been scrutinised for between ten and fifteen minutes by a Hub member representing a service from Corporate Governance and then by a Service representative; in this case a representative from Education and Children's Services for between fifteen and twenty minutes.</p> <p>The Chair further advised that the minute from today's meeting would be submitted to the Council's Audit, Risk and Scrutiny Committee on 25 June and the Education and Children's Services Committee on 3 September. Thereafter, those present at the meeting introduced themselves.</p>		
<b>Financial Governance</b>					
No	Item	Documents Submitted	Assurance Provided	Actions/Decisions	Responsible

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2.	Approved Financial Procedures	<p>(a) Financial Procedures (27 January 2014); and</p> <p>(b) Funding and Services Agreement - Sample Structure.</p>	<p>Paul Dixon (Accounting Manager, ACC) introduced the Financial Governance section and advised that he sought assurance on the robustness of SA's financial procedures. Mr Dixon enquired about the measures SA had taken to mitigate against the risk that core funding could be reduced due to ongoing austerity measures: Donald Mackie (Financial Performance Manager, SA) advised that the risk of a 5% cut of funding had been captured in their Risk Register and they worked constructively with the Council's Head of Finance. He added that since SA had been formed, there had been a £1.2million reduction in grant support from ACC, however due to proactive measures put in place, this deficit was covered by £1.5million from other income streams.</p> <p>Alistair Robertson (Managing Director, SA) elaborated that the Business Plan was updated as and when financial information became available and there was an ongoing review of growth bids and efficiencies that could be delivered and they were mindful that budgetary decisions aligned with the principles set out in the Funding and Services Agreement. Mr Robertson elaborated that the Board approved the Business Plan in September and the Council approved the plan in February but explained that it remained a live working document. He added that SA</p>	<p><b>The Hub resolved:-</b></p> <p>(i) to note the reports; and</p> <p>(ii) to otherwise note the information provided.</p>	Officer(s) Paul Dixon
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		<p>would continue to develop new funding streams with a focus on sponsorship; health and fitness and growth markets in order to be less reliant on core funding from the Council. Mr Dixon replied that he was satisfied by this approach and thanked the respondents for their full answer to his query.</p> <p>With reference to SA's Financial Procedures: Mr Mackie advised that the procedures were updated on an ongoing basis and had been reviewed by the Board in January 2015 with only minor changes recommended. Mr Robertson added that the strategic Financial Regulations and operational Financial Procedures were reviewed by their Corporate Governance Committee on an annual basis or after a significant event had precipitated a change in conditions.</p> <p>Mr Dixon enquired if report authors outlined financial implications in their reports to the Board: Mr Robertson advised that the majority of report authors were members of the Senior Management Team (SMT) and they ensured that the Financial Performance Director had been consulted before submission to the Board. They also ensured where necessary, that the Chairman of the Corporate Governance Committee had been consulted before reports were submitted to the Corporate Governance Committee or</p>		
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			<p>Board. He added that the Board Report Template attached under Item 3d of today's agenda demonstrated the prominence of position assigned to Financial Implications in Board reports.</p> <p>With reference to the reporting arrangements of Annual Accounts and other financial reports: Mr Mackie advised that financial reports were submitted to the Corporate Governance Committee six times a year and were also submitted to the Board; and he briefly summarised the business planning procedure that required a three month consultation period with ACC before final approval from the Board and by ACC. He also highlighted that their Trustees Report had been adopted at their Annual General Meeting in September 2014.</p>		
Risk Mitigation and Management					
No	Item	Documents Submitted	Assurance Provided	Actions/Decisions	Responsible Officer(s)
3.	Business Continuity Plans	Business Contingency Plan.	Neil Buck (Performance and Risk Manager, ACC) introduced the Risk Mitigation and Management section and outlined the criteria he expected to be met. He explained that the scrutiny of SA would be high level and would focus on two main areas: the management and mitigation of risk and the robustness of their performance management framework.	<p><b>The Hub resolved:-</b></p> <p>(i) to request an update on SA's development of a Core Business Continuity Plan; otherwise to note the report; and</p> <p>(ii) note the information provided.</p>	Neil Buck

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4.	Current Risk Register	Sport Aberdeen's (SA) Risk Register.	<p>Mr Buck explained that the Hub sought a level of assurance from SA that they had proper systems and processes in place and that they were effectively managing and mitigating their own risk and risks to the Council. He also advised that he would scrutinise their Performance Management Framework; concentrating on how performance was measured and evaluated and how it linked with their priorities and outcomes as well as those of the Council.</p> <p>With reference to testing of the Business Contingency Plan: Jill Franks (Business Development Director, SA) advised that they used the same IT system as ACC and were subject to ACC's testing regime and she explained that their IT system was scheduled for testing next weekend. Ms Franks explained that there was no contingency plan in place if their HQ or core business was not operational and acknowledged that they needed to develop procedures in this area. Alistair Robertson further added that SA had investigated further integration with ACC's civil contingencies and could provide venues for events such as large scale evacuations.</p>	<p><b>The Hub resolved:-</b> (i) to request an update on the insertion of risk review dates into their</p>	Neil Buck
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5.	Annual Business Plan and Performance Framework	(a) Business Plan 2017/18; (b) Business Plan Matrix; and (c) Performance Framework.	<p>enquired how often risks were reviewed and asked if they had a broader risk management statement or policy: Jill Franks explained that risks were considered at SMT and at Board meetings but no changes had been made to red risks recently. She advised that they would consider the insertion of dates to highlight when risks had been reviewed in order to provide greater clarity.</p> <p>Ms Franks further explained that the development of a broader risk management policy was on their to do list and she stated that there was a process in place to identify risks at an early stage but this was not outlined in a policy format. Alistair Robertson advised that the Risk Register was a standing item on the Board's and Corporate Governance Committee's agendas and SA had developed emergency business procedures for high level risks.</p>	<p>(ii) Risk Register; to request an update on the development of a broader Risk Management Policy or Statement;</p> <p>(iii) otherwise to note the report; and</p> <p>(iv) note the information provided.</p>	Neil Buck
<p>Neil Buck highlighted that SA's Performance Management Framework looked comprehensive and he asked how frequently performance was reported to the Board and if they benchmarked: Duncan Sinclair (Operations Director, SA) advised that KPI's on operational performance and accounts were reported on a monthly basis and business planning was reported to the Board; the Corporate Governance Committee; the Business</p>			<p><b>The Hub resolved:-</b></p> <p>(i) to note the reports; and</p> <p>(ii) to otherwise note the information provided.</p>	Neil Buck	

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			Development Committee and to ACC on a quarterly basis.  Mr Sinclair confirmed that SA benchmarked on certain aspects of their performance such as aquatics; and health and fitness commercial performance and he added that they were at an early stage of benchmarking on property and assets and golf performance. He further explained that they had joined networking groups to progress and strengthen these aspects of performance reporting.		
6.	External and Internal Inspection Structure with Outstanding Recommendations	(a) Internal Audit Strategy 2015 – 18; and (b) External Audit Progress Report (3 October 2014).	With regards to Outstanding Audit Recommendations: Mr Robertson advised that SA had an internal auditor in place and progress made against these recommendations were submitted to the Board. He added that there were some outstanding actions for ACC; however these would be picked up with a wider review of the Funding and Services Agreement in order to better reflect SA's increased scope and development and to refine key outputs and outcomes.	<b>The Hub resolved:-</b> (i) to note the reports; and (ii) to otherwise note the information provided.	Neil Buck
<b>Decision Making</b>					
No	Item	Documents Submitted	Assurance Provided	Actions/Decisions	Responsible Officer(s)
7.	Board Structure and Sub Committees with Remit and	(a) Board and Committee Organisational Structure; (b) Committees of the Board Appointments for 2015;	The Chair (Senior Democratic Services Manager, ACC) spoke to the Decision Making section and with reference to the effectiveness of the Board's membership	<b>The Hub resolved:-</b> (i) to note the reports; and	Roderick MacBeath

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<p>Membership</p>	<p>(c) Person Specification for Board Membership (July 2013); (d) Board Trainers Report (24 September 2014; and (e) 2015 Schedule for Board and Committee Meetings.</p>	<p>and structure he asked what mechanism SA had in place to enhance the capability of Board members and the steps they would take if a skills gap had been identified: Jill Franks advised that SA had sought permission from ACC to expand the membership of the Board to cover as many fields of expertise as possible. She added that they had conducted robust assessments for selection onto the Board and had established a system of co-option for sub-committees in order that they received advice in areas such as HR from those with professional expertise.</p> <p>Ms Franks further advised that they had developed a skills matrix to review the skills set of Board members and found that the Board had extensive business and commercial expertise. Alistair Robertson added that they also had a trained solicitor on the Board who could provide legal advice on matters such as the dispute between trade unions and SA.</p> <p>The Chair asked if SA considered the gender balance of the Board to be a risk: Mr Robertson explained that he didn't view this as a risk and they always sought the best people for the role regardless of gender and he felt that the process was open and transparent as they had advertised on their website and in the local press. He advised that they would look at ways such as out of hours Board meetings</p>	<p>(ii) to otherwise note the information provided.</p>	
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8.	Constitution and Delegations	<ul style="list-style-type: none"> <li>(a) Memorandum and Articles of Association;</li> <li>(b) Terms of Reference for SA's Corporate Governance Committee;</li> <li>(c) Terms of Reference for the Business Development Committee;</li> <li>(d) Terms of Reference for HR and Organisational Development Committee;</li> <li>(e) Company Scheme of Delegation (6 March 2015);</li> <li>(f) Senior Management and Business Cluster;</li> <li>(g) Operations Division Operational Structure;</li> <li>(h) Business Development Division Organisational Structure;</li> <li>(i) HR Organisational Structure.</li> </ul>	<p>to encourage more nominations from women and those with disabilities in order for the Board to be as representative as possible.</p> <p>The Chair explained that reference had been made in an audit report to inconsistent approaches adopted by ALEOs with regards to ACC officer attendance at ALEO Board meetings. The Chair asked if ACC officers were welcome to attend SA Board meetings; and that they received agenda papers in advance and had the opportunity to speak at meetings: Alistair Robertson explained that an invitation was delivered to the Council as a matter of course and the Director of Education and Children's Services had attended Board meetings in the past. He added that agenda papers were sent in advance and Council officers could speak at meetings; although he queried if this was the best use of officer time as SA produced a significant amount of paperwork.</p> <p>The Chair recommended that SA liaise with the Clerk of the Governance Hub and he would ensure that the relevant reports were cascaded to the appropriate Council officer(s). The Chair added that the ACC Chief Executive had nominated a lead officer for each ALEO and they would represent their Council Service at Board meetings. Mr Robertson welcomed this</p>	<p><b>The Hub resolved:-</b></p> <ul style="list-style-type: none"> <li>(i) to request that SA liaise with the Clerk to ensure that relevant reports were cascaded to the appropriate Council officer(s);</li> <li>(ii) otherwise to note the reports; and</li> <li>(iii) note the information provided.</li> </ul>	Roderick MacBeath
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			increased engagement and was happy to accept a more formal reporting arrangement.		
9.	Report Template for Board and Sub Committees	Board meeting agenda template.	The Chair stated that the documents submitted were satisfactory.	<b>The Hub resolved:-</b> (i) to note the report; and (ii) to otherwise note the information provided.	Roderick MacBeath
<b>HR Compliance and Best Practice</b>					
No	Item	Documents Submitted	Assurance Provided	Actions/Decisions	Responsible Officer(s)
10.	Sickness Management	Maximising Attendance Policy (February 2014).	<p>Jeff Capstick (HR Manager) spoke to the HR Compliance and Best Practice section and enquired about SA's Sickness Management approach: Jill Franks advised that they had a robust Maximising Attendance Policy which documented that sickness management began at induction and mandated that managers received refresher training to keep their knowledge up to date and to strengthen their decision making capabilities.</p> <p>Ms Franks elaborated that their HR Manager co-ordinated the reporting process and results were reported on a monthly basis and were fed back to line managers. She added that sickness management was a standing item on the Board's agenda and these reports fed into KPIs and informed business planning.</p>	<b>The Hub resolved:-</b> (i) to note the report; and (ii) to otherwise note the information provided.	Jeff Capstick

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11.	Conduct and Capability Procedures	Managing Performance Policy (February 2014).	<p>With reference to Conduct and Capability: Alistair Robertson advised that their HR documents were live documents and updated on an ongoing basis and he highlighted that recent changes had been made to the Induction Pack.</p> <p>Mr Robertson confirmed that SA conducted job evaluations and he iterated that they placed an emphasis on upskilling and people development to ensure that competent people were recruited and retained. He further explained that it was the remit of the HR Manager to manage culture change after ACC staff had transferred to SA and to promote the professional development of staff. He added that it was also the HR Manager's responsibility to ensure that SA complied with their legal obligations as an employer and highlighted recent regulatory changes to holiday pay as an example of this.</p>	<p><b>The Hub resolved:-</b></p> <p>(i) to note the report; and (ii) to otherwise note the information provided.</p>	Jeff Capstick
12.	Staff Engagement Strategy	Employee Engagement Strategy (February 2014).	<p>With reference to the Staff Engagement Strategy Jeff Capstick enquired about the findings of the latest staff survey: Alistair Robertson advised that staff were concerned about the uncertainty surrounding SA particularly with regards to the variability of terms and conditions when ACC staff transferred to SA. He added that although they had achieved a harmonised position over the previous two years the issue had left a legacy. Mr</p>	<p><b>The Hub resolved:-</b></p> <p>(i) to note the report; and (ii) to otherwise note the information provided.</p>	Jeff Capstick

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13.	Health and Safety Compliance	Health and Safety Policy (March 2015).	<p>Robertson also highlighted that staff had raised concerns about their IT system particularly in relation to poor broadband connection speeds.</p> <p>Martyn Phillips (Health and Safety Advisor, ACC) spoke to the Health and Safety Compliance section and he enquired about SA's main health and safety risks: Alistair Robertson highlighted the deterioration of assets and property and he explained that stock and facilities transferred from ACC were outdated and their durability was monitored on an ongoing basis. He elaborated that the outcome of the extensive tendering process would be reported to both the Corporate Governance Committee and the Board at the beginning of July and this would allow the replacement of outdated health and fitness equipment. Mr Robertson also confirmed that SA had an Occupational Health provider in place and was available for staff use.</p> <p>Duncan Sinclair advised that the competency of staff was an important health and safety concern and all staff completed a health and safety induction and were tested for competence on an ongoing basis. With regards to lifeguards: they were subject to more rigorous testing such as minimum training requirements that involved frequent on the spot competency checks. He also advised that</p>	<p><b>The Hub resolved:-</b></p> <p>(i) to request an update on the development of SA's Health and Safety Objectives;</p> <p>(ii) otherwise to note the report; and</p> <p>(iii) note the information provided.</p>	Mary Agnew/ Martyn Phillips
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			<p>SA had not used agency staff for a period of time but contractors; grounds maintenance staff and volunteers all had to complete the same health and safety training as employees on top of any additional role specific training.</p> <p>Mr Robertson acknowledged that their Health and Safety Objectives were underdeveloped but they were currently being updated by the Health and Safety Committee. He added that a representative from industry experts QLM had attended Committee meetings to advise the Committee on the development of more robust objectives and they had also made an annual presentation to the Board. He further advised that SA conducted their own Self Assessments on an annual basis and health and safety compliance was scored and procedures were revised accordingly.</p>		
<b>Commercial Compliance and Best Practice</b>					
<b>No</b>	<b>Item</b>	<b>Documents Submitted</b>	<b>Assurance Provided</b>	<b>Actions/Decisions</b>	<b>Responsible Officer(s)</b>
14.	Procurement Regulations and Procedures	Commercial Compliance Financial Regulations (February 2015).	Joan McCluskey (Corporate and Procurement Manager, ACC) introduced the Commercial Compliance and Best Practice section and stated how public money was spent was very important and subject to changing legislation and regulations from Scottish Government and the EU and it was essential that	<b>The Hub resolved:-</b> (i) to advise and support SA in their development of robust procurement procedures to satisfy regulations and	Joan McCluskey



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		<p>procurement procedures were in line with legislation. She added that the three overriding principles that should inform procurement regulations and procedures were fairness, openness and transparency. Ms McCluskey enquired about how procurement procedures were made available to staff:</p> <p>Alistair Robertson advised that SA had a Scheme of Delegations that outlined the thresholds for procurement. He added that low value services could be procured by Principal Budget Holders and explained that SA tended to use preferred suppliers.</p> <p>Ms McCluskey asked if their procurement procedures were as transparent as they could be if SA used preferred suppliers: Mr Robertson advised that they were reviewing their procedures and regulations in order to improve transparency particularly with regards to low level procurement. Jill Franks further advised that they used Public Contracts Scotland for high cost contracts and she felt that this mechanism had helped improve transparency.</p> <p>Ms McCluskey enquired if SA produced a Contracts Register and forward planned: Ms Franks explained that they had maintained a list of suppliers and they were currently in the process of developing a more fit for purpose IT</p>	<p>reporting arrangements set out in the Procurement Reform (Scotland) Bill (2014);</p> <p>(ii) otherwise to note the report; and</p> <p>(iii) note the information provided.</p>	
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**ALEO GOVERNANCE HUB  
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		<p>system that would support the development of a more transparent procurement system. She added that SA had forward planned their contracts particularly for high value tenders and they had received best practice guidance through their membership of the Strategic Finance Group.</p> <p>To conclude, Ms McCluskey asked if SA were aware of the Procurement Reform (Scotland) Bill (2014) and the impact it would have on how services were procured and their reporting arrangements. She added this was the nucleus of her scrutiny to provide assurance that a Contracts Register; sustainable procurement practices and forward planning would be developed by SA before the act came into force. All the representatives of SA were aware of the legislation but confirmed that no concrete plans were in place as they were waiting on more definitive guidance. Mr Robertson assured the Hub that SA would have a Contracts Register and a Forward Plan in place before the act came into force and he welcomed input from ACC colleagues on their development. He further added that SA had a proven record of compliance and he pointed to their compliance with Freedom of Information (FOI) legislation.</p>		
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Operational Performance

**ALEO GOVERNANCE HUB  
SPORT ABERDEEN**

No	Item	Documents Submitted	Assurance Provided	Actions/Decisions	Responsible Officer(s)
15.	Operational Performance	Funding and Service Agreement (2010)	<p>Andrew Jones (Policy, Performance and Resources, ACC) spoke to the Operational Performance section and asked how well SA had performed against their principle objectives: Alistair Robertson advised that they had largely performed well against the seven objectives outlined in their Business Plan and he highlighted strong performance in areas such as increasing participation and engaging with hard to reach groups. Jill Franks elaborated that SA had successfully identified new funding streams and would continue to drive their aspiration to have Aberdeen recognised as a sports city.</p> <p>Duncan Sinclair further added that service user feedback had largely been positive and he explained that service user satisfaction and operational performance would be collated on a performance scorecard that would make performance reporting more accessible. Ms Franks added that SA had commissioned an external consultant to conduct non-user research to broaden the scope of the organisation and open up new markets.</p> <p>With regards to ensuring compliance with their charitable status: Mr Robertson advised that their approach was detailed in their Service Plan and he explained that trustees had participated in a Governance</p>	<p><b>The Hub resolved:-</b></p> <p>(i) to request an update on how SA had supported SOA priorities and outcomes and their position within the Community Planning Framework;</p> <p>(ii) otherwise to note the report; and</p> <p>(iii) note the information provided.</p>	Euan Couperwhite/ Andrew Jones

**ALEO GOVERNANCE HUB  
SPORT ABERDEEN**

16.	Chair's Closing Remarks	N/A	<p>Training Program that outlined their obligations as charity trustees; and the Board received refresher training on an annual basis. Ms Franks added that internal auditors helped to ensure financial compliance and external auditors had scrutinised their compliance with charitable status in previous audits. Ms Franks further advised that they reported annually to the Office of the Scottish Charity Regulator (OSCR).</p> <p>With regards to how their service planning linked with the SOA and the Community Planning Framework: Mr Robertson explained that they had not been as engaged as he would have liked and he wanted SA to be deeper integrated into a wider network and framework and he highlighted public health and wellbeing as an area they would look to become more involved in.</p>	N/A	N/A
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**ALEO GOVERNANCE HUB  
SPORT ABERDEEN**

		<p>Governance Hub process and welcomed the Hub as an appropriate forum to develop contacts and build productive working relationships between officers of the two bodies. He added that increased engagement would further support effective planning and the delivery of services and highlighted that he wanted SA to be seen as an asset to the Council.</p> <p>The Chair concurred with these remarks and thanked the SA representatives for their attendance and contributions and brought the meeting to a close.</p>		
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**If you require further information about this minute, please contact Iain Robertson, tel. 01224 522869 or email [iairobertson@aberdeencity.gov.uk](mailto:iairobertson@aberdeencity.gov.uk)**

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## ABERDEEN CITY COUNCIL

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COMMITTEE	Audit, Risk & Scrutiny
DATE	25 <sup>th</sup> June 2015
DIRECTOR	Angela Scott
TITLE OF REPORT	Audit, Risk & Scrutiny Committee – Annual Report
REPORT NUMBER:	CG/15/79

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### 1. PURPOSE OF REPORT

The purpose of this report is to present the annual report of the Audit, Risk & Scrutiny Committee.

### 2. RECOMMENDATION(S)

that the Committee:–

- (a) Approve the annual report; and
- (b) Refer the report to the Council for their consideration.

### 3. FINANCIAL IMPLICATIONS

There are no direct financial implications arising from this report.

### 4. OTHER IMPLICATIONS

None.

### 5. BACKGROUND/MAIN ISSUES

During the Committee's self-evaluation exercise in 2014, Member's agreed that the Committee prepare an annual report of its activities and that this be referred to Council. This report attaches a draft of that annual report.

### 6. IMPACT

There is impact on the Council's governance arrangements through improved transparency, understanding and challenge of the activity and outcomes from the Audit, Risk & Scrutiny Committee.

7. MANAGEMENT OF RISK

There are no identified material risks which would result from the approval of the recommendations in this report.

8. BACKGROUND PAPERS

“A Toolkit for Local Authority Audit Committees” - CIPFA  
“Audit Committees: Practical Guidance for Local Authorities and Police”  
- CIPFA (2013)

9. REPORT AUTHOR DETAILS

Martin Murchie, Office of Chief Executive  
[mmurchie@aberdeencity.gov.uk](mailto:mmurchie@aberdeencity.gov.uk)  
(01224) 522008



**Audit, Risk and Scrutiny Committee**  
**Annual Report 2014/15**

## **Introduction**

I am pleased to present this year's Annual Report of the Audit, Risk & Scrutiny Committee. An annual report to Council is a useful way to develop understanding of the Committee's role and functions. The Committee is accountable to Council and welcomes scrutiny of its effectiveness in fulfilling its terms of reference and its impact on the improvement of governance, risk and control within the authority. This report covers the work of the Audit, Risk & Scrutiny Committee during the period April 2014 – March 2015. In addition, to a summary of work undertaken, the report includes details of the Committee's membership, officer support to the Committee, and the results of a self-evaluation of the Committee's effectiveness. The report ends with a look forward to 2015/16 and the Committee would welcome any feedback from Members of the Council on the themes identified.

**Jackie Dunbar**

*Convener*

*Audit, Risk & Scrutiny Committee*

## The role of the Audit, Risk & Scrutiny Committee

Cipfa (the Chartered Institute of Public Finance and Accountancy) defines the purpose of an audit committee as:

*“...to provide to those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes.”<sup>1</sup>*

In accordance with this, the role of the Committee is primarily concerned with assuring itself, and advising the Council as necessary, that the Council’s policies are being implemented and has in place systems which provide adequate controls over the Council’s resources and assets to prevent the risk of loss through fraud and corruption. It is not the role of the Audit, Risk & Scrutiny Committee to be responsible for, or manage, the arrangements themselves.

Key to the role of the Committee is that it should be independent; have clear reporting lines and rights of access to other committees; and that its members should be properly trained to fulfil the role. The Orders of Reference for the Committee are listed below with a summary of work undertaken.

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<sup>1</sup> CIPFA (2013) Audit Committees: Practical Guidance for Local Authorities and Police

# 1. Risk Management

The Committee will:-

- (a) receive an annual review of the risk management process, and an update every six months on the risk register and related action plans;
- (b) approve the risk management strategy and implementation plan;
- (c) monitor risk management and internal control arrangements; and
- (d) commission and review annual assessments of the effectiveness of the risk management and control framework.

## Summary of Activity

- Reviewed and approved a revised Risk Management Strategy;
- Reviewed and approved annual Statement of Internal Control, specifically for risk management;
- Reviewed reports on each aspect of the Council's "System of Risk Management", namely, **S**trategy; **S**tructure; **S**kills; **S**ystem; **S**hared Values; and **S**taff. In doing so, identified strengths, weaknesses and required improvement actions;
- Instigated reporting of reviews of critical incidents;
- Instigated regular reporting, to the Committee, of strategic and operational risk registers.

## Outcomes

- The Committee is aware of the need to continuously strengthen risk management arrangements and its activity in the last 12 months has established a clearer and stronger strategic direction for risk management;
- Improvements have been identified and actions taken in all areas of the "System of Risk Management";
- There is increased transparency and focus on the effectiveness of risk registers and the management of risks;
- Through specific training, members of the Committee, are better able to challenge officers in the implementation of the Risk Management Strategy.

## 2. Internal Audit

The Committee is charged with responsibility for ensuring that there is an effective Internal Audit function. This to be achieved through the following:-

- (a) the approval of the Internal Audit Annual Plan;
- (b) the consideration of all reports issued by Internal Audit with the exception of those on the Pension Fund;
- (c) responsibility for ensuring that there is an adequately resourced Internal Audit service; and
- (d) the consideration of performance reports on Internal Audit activity.

### Summary of Activity

- Approved a risk based Audit Plan 2014/15 and Internal Audit Charter;
- Reviewed the performance of Internal Audit, including the progress in completing the Audit Plan, at each meeting;
- Considered each internal audit report and management responses;
- Followed up on the implementation of all recommendations agreed following audit reviews;
- Considered an Annual Report by the Head of Internal Audit which included the Head of Internal Audit's annual opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control;
- Considered and approved an option appraisal for the future delivery of internal audit service as a shared service with Aberdeenshire Council.

### Outcomes

- Whilst a small number of reviews within the 2014/15 Audit Plan are carried forward into 2015/16, the Plan has been implemented, assurances given and, where required, further controls identified;
- Significant improvement has been seen during the year in the number of recommended actions implemented on time.

### 3. External Audit

To receive all reports prepared by the Council's External Auditor with the exception of those on the Pension Fund.

#### Summary of Activity

- Received and reviewed the Council's external auditor's (Audit Scotland) annual Audit Plan and assessment of significant audit risks.
- Instigated regular reports from the external auditor on progress in implementing the Audit Plan;
- Considered the Assurance & Improvement Plan for the Council from the Local Area Network;
- Considered a number of specific reports from the external auditor, as well as local impact reports from national initiatives;
- Considered the external auditor's ISA 260 report to those charged with governance; independent report on the financial statements\*; and annual report to members and the Controller of Audit.

#### Outcomes

- Ensured the discharge of the Council's responsibilities with regard the external audit function; and
- Improved the Committee's review of external audit activity throughout the year.

*\*The Committee determined that due to late submission, that a special meeting was required to consider the external auditor's communication of audit matters arising from the financial statements.*

### 4. Accounts

To consider and approve the Council's Annual Report, Annual Accounts and Trading Services Annual Report and Accounts.

#### Summary of Activity

- Considered and approved the Statement of Accounts for the Council;
- Within the accounts, the Annual Governance Statement was specifically considered and approved.

#### Outcomes

- A full set of accounts were completed and signed off.

*\* The audited accounts formed part of the papers for the special meeting of the Committee referred to at 3. above.*

## 5. Whistleblowing and Other Investigations

### Summary of Activity

- The Committee gave consideration to a petition submitted to the Scottish Parliament on the operation of Whistleblowing Schemes in Scotland's public bodies;
- The Committee heard oral reports on a small number of investigations during 2014/15;
- No whistleblowing reports were received or considered.

## 6. Anti-Fraud

The approval of an anti-fraud policy and monitoring its implementation; and

- (a) Commissioning investigations to secure value for money in the delivery of services.
- (b) To oversee the processes by which services are exposed to competition and costs are let, where the Council itself is a bidder for the work.

### Summary of Activity

- The Committee commissioned, considered and approved a review which recommended that:-
  - the Head of Legal Services revise the Council's "Policy and strategic Response to Fraud, Bribery and Corruption";
  - that the finalised policy should be formally communicated to staff and line management; and
  - a paper summarising Fraud, Bribery, Corruption and Whistleblowing will be submitted to the Audit Scrutiny and Risk Committee on an annual basis.

The implementation of these recommendations is now being monitored.

- The Committee also reviewed the design and operating effectiveness of controls for the prevention and detection of fraud in housing tenancy and the Scottish Welfare Fund;
- No frauds were reported to the Committee during the year..

## 7. Legal Compliance

To review minuted actions from all main Committees with the exception of the Planning Development Management and Licensing Committees (or Regulatory Committee) to ensure compliance with legal requirements and good practice. The Committee will not prevent any decision being taken and will only review a decision.

### Summary of Activity

- The Committee commissioned and considered, in November 2014, a review by internal audit on the Council's compliance with laws and regulations. It approved recommendations relating to the role of the Head of Legal and Democratic Services in reviewing committee reports; collaboration between legal Services and other Council services; training on compliance with laws and regulations; and reporting on fraud, bribery, corruption and whistleblowing.

### Outcomes

- Compliance with the requirements to consult the Head of Legal and Democratic Services on all committee reports is now monitored by the Corporate Management Team and mitigates the risk of non-compliance with laws and regulations.

## 8. Health and Safety

Approve the Council's Health & Safety Policy, including its annual review and implementation.

### Summary of Activity

- The Corporate Health and Safety Committee (CHSC) was designated as a Sub Committee of the Audit, Risk & Scrutiny Committee in August 2014;
- The minutes of each meeting of the CHSC are now submitted to the Committee for consideration;
- The Committee approved revisions to the constitution of the CHSC in September;
- Commissioned and considered a report establishing assurance reporting arrangements for health & safety.



## 9. Arm's Length External Organisations (ALEOs)

The Committee will ensure, through consideration of a quarterly report from the governance hub, that each tier 1 Arm's Length External Organisation has an effective system of risk management in place, covering strategy, structure, skills, system, staff and shared values. The Committee will use this to determine the level of assurance it can place on the effectiveness of that system and its ability to achieve the organisational objectives.

### Summary of Activity

- The Committee has received officers' updates at each meeting on outstanding actions to establish effective ALEO governance arrangements;
- The Committee commissioned and considered a review from internal audit into the design and operation of governance arrangements in place for the Tier 2 ALEOs: Aberdeen Performing Arts and Aberdeen Heat and Power;
- The Committee considered a report by the external auditor which set out the follow up work being undertaken with all Councils in respect of the Accounts Commission's 2011 report 'Arm's Length External Organisations: Are you getting it right?'.

### Outcomes

- The committee's remit was revised in order that there would be improved consideration of governance issues with respect to ALEOs. The Committee has not yet received full assurance that governance of ALEOs is effectively controlled. The Committee is aware of recent work undertaken to design and implemented an ALEO Governance Hub and is due to consider a further report on this in June 2015.

## Membership of the Committee

The Audit, Risk & Scrutiny Committee is composed of 17 Members from across all parties. Members bring with them business experience of audit, risk management, health & safety, project management and relevant service and local governance knowledge. During the self-evaluation of the committee's effectiveness, Members and officers acknowledged the skills and knowledge of the Committee.

During 2014/15 significant improvements were made to the training offered to members of the committee. A new training package was designed and delivered to each member of the Committee. This included:-

- An overview of the role of the Committee and the member's role in this;
- The annual accounts process;
- Internal Audit;
- Risk Management.

This was very well received by Members and is being rolled out to all members of the Council. Further, and ongoing, training specifically for members of the Committee is currently being developed.

### Attendance:

Member	Total Expected Attendances	Total Attendances	Nominated Substitute Attended
Cllr McCaig Former Convener	6	6	N/A
Cllr Yuill Vice Convener	6	5	None
Cllr Adam, Lord Provost <b>(A&amp;R May to Oct 2014)</b>	4	3	Cllr Taylor
Cllr Cameron	6	5	Cllr Cormie
Cllr Cooney	6	4	Cllr Allan (both)
Cllr Crockett <b>(AR&amp;S Oct 14 onwards)</b>	2	2	N/A
Cllr Donnelly	6	6	N/A
Cllr Jackie Dunbar	6	4	Cllr Cormie (both)
Cllr Graham	6	5	Cllr Jean Morrison
Cllr Greig	6	6	N/A
Cllr Lawrence	6	4	Cllr Milne (1)
Cllr Malik	6	5	Cllr Young
Cllr May	6	3	Cllr Dickson (2) Cllr Kiddie
Cllr Jean Morrison <b>(AR&amp;S Oct 14 onwards)</b>	2	2	N/A
Cllr Nathan Morrison	6	5	Cllr Young
Cllr Noble	6	6	N/A
Cllr Reynolds	6	4	None

Cllr Townson ( <b>AR&amp;S Oct 14 onwards</b> )	2	2	N/A
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## **Officer support to the Committee**

### The Chief Executive

The Chief Executive has taken a very active role in the development and support of the Committee over the last 12 months. She regularly attends the Committee and ensures that the Committee is effectively supported.

### The Section 95 Officer

Steve Whyte, provides key support to the Committee. Statute requires every local authority to make arrangements for the proper administration of their financial affairs and requires one officer to be nominated to take responsibility for the administration of those affairs. The Section 95 Officer, with the support of his colleagues and external audit, has provided reports and training in relation to the Statement of Accounts, external audit activity and financial management. They have attended every Audit, Risk & Scrutiny Committee meeting and ensured that the Committee has received the information and advice that it needs to do its job effectively.

### Chief Internal Auditor

During 2014/15, the Chief Internal Auditor role has been undertaken by David Brown of PricewaterhouseCoopers. David and his colleagues have attended each meeting of the Committee to present their reviews, answer members questions and provide advice in relation to scrutiny and the regulatory framework.

### Lead Executive Support

The lead executive support role for the Committee has been performed during 2014/15 by Martin Murchie. As well as the general executive support, Martin was “client” officer for the contracted internal audit services; took responsibility for risk management; and facilitated the development of the Committee through the self-evaluation.

### External Audit

Audit Scotland are the Council’s appointed external auditors. The appointed auditor for the Council is Stephen Boyle and the local contact responsible for day to day management of the audit is Anne MacDonald. Their primary responsibility is to give their opinion on whether the Council’s accounts give a true and fair view of the Council’s financial transactions. Audit Scotland also deliver a targeted programme of risk based reviews and take the lead role in the Local Area Network, which determines the level and nature of external scrutiny which will be applied to the Council’s services.

**Attendance:**

<b>Officer</b>	<b>Total Expected Attendances</b>	<b>Total Attendances</b>	<b>Nominated Substitute Attended</b>
Chief Executive	6	5	1
Steve Whyte	6	6	N/A
David Brown (PWC)	5	4	1
Anne Macdonald	6	6	N/A
Martin Murchie	6	6	N/A

## **Effectiveness review through self-evaluation**

In April / May 2014, the Committee undertook a facilitated self-evaluation of the Committee's effectiveness in line with Cipfa's "*Audit Committees: Practical Guidance for Local Authorities and Police*". This guidance includes a self-evaluation tool, which was used to assess the Committee's compliance with commonly agreed standards and to identify areas for improvement.

The Committee was found to have areas of strength, but a number of improvement actions were identified where the Committee considered best practice was not yet in place.

These improvement actions have been reported to each meeting of the Committee throughout the year and progress in their implementation monitored. The self-evaluation exercise has now been repeated for 2015. Members and officers are agreed that significant progress was made during the year and that the Committee is well placed to further improve its effectiveness.

The output from the most recent self-evaluation is included as Appendix A.

## **Next year's focus**

The Audit, Risk & Scrutiny Committee will continue to review and challenge the Council's arrangements with regards to risk management, corporate governance, internal and external audit and treasury management throughout 2015/16.

Amongst the issues which are likely to receive particular focus are:-

- The operation of the new shared internal audit function with Aberdeenshire Council;
- The revised governance arrangements for the Council's Arm's Length External Organisations;
- Confirmation of scrutiny arrangements to be implemented with respect to integrated health and social care;
- A revised strategic risk register and operation of the system of risk management;
- The exercise of the Committee's new responsibilities for Health and Safety;
- A revised strategy for anti-fraud, bribery, corruption and whistleblowing;
- The outcomes of the recently completed follow-up Best Value Audit, led by Audit Scotland.

Question	Self-Evaluation Method & Evidence	Response	
Establishment, Operation & Duties Role & Remit		Comments 2015	Status
1. Does the committee have written terms of reference?	Officers		✓
2. Do the terms of reference cover the core functions of a committee as identified in the CIPFA guidance?	Officers	Yes. The core functions are described as:- <ul style="list-style-type: none"> <li>• Annual Governance Statement;</li> <li>• Internal Audit;</li> <li>• Risk Management</li> <li>• Assurance Frameworks and Assurance Planning</li> <li>• Value for Money and Best Value;</li> <li>• Countering Fraud and Corruption</li> <li>• External Audit;</li> <li>• Financial Reporting;</li> <li>• Partnership Governance.</li> </ul>	✓
3. Are the terms of reference approved by the council and reviewed periodically?	Officers	These are approved by Council and reviewed periodically, but not in line with an agreed timetable.	✓
4. Has the committee been provided with sufficient membership, authority and resources to perform its role effectively and independently?	Officer Input & Interviews with Committee Members	Members agreed that the Committee did have the membership, authority and resources to perform and role, but raised questions on how the Committee would be supported to undertake its remit with respect to the Council's relationship with ALEOs; with significant shared services and nationally based partners, such as	✓

		Police Scotland.	
5. Can the committee access other committees and full council as necessary?	Officer Input & Interviews with Committee Members	During discussions members agreed there was a need for items identified by the Audit, Risk & Scrutiny Committee to be routinely and systematically reported to appropriate committees.	✓
6. Does the authority's annual governance statement include a description of the committee's establishment and activities?	Officers	Yes. This was added in 2014.	✓
7. Does the committee periodically review its own effectiveness?	Officers	Yes, through this self-evaluation.	✓
8. Does the committee make a formal annual report on its work and performance during the year to full council?	Officers	No. It is recommended that an Annual Report is prepared for the year 2014/15.	X
<b>Membership, Induction &amp; Training</b>			
9. Has the membership of the committee been formally agreed and a quorum set?	Officers		✓
10. Is the chair independent of the executive function?	Officers		✓
11. Has the committee chair either previous knowledge of, or received appropriate training, on financial and risk management, accounting concepts and standards, and the regulatory regime?	Interview with Convenor and Vice Convenor	Training has been given and knowledge acquired. It is acknowledged that this is, and requires to be, a continual process.	✓
12. Are new committee members provided with an appropriate induction?	Officer Input & Interviews with Committee Members	Training for members of the Committee has been significantly increased and improved in the last year.	✓
13. Have all members' skills and experiences been assessed and training given for identified gaps?	Officer Input & Interviews with Committee Members	Organisational Development advise that 1-2-1 sessions have been made available for members. Members' feedback during this self-evaluation process was that take up has been slow.	X
14. Has each member declared his or her business interests?	Officer Input & Interviews with Committee	The Council's process for declaring interests and the advice of officers is consistent.	✓



	Members		
15. Are members sufficiently independent of the other key committees of the council?	Interviews with Committee Members	Members believe that recent training has reinforced the distinct role of members of the Committee and that behaviours reflect this.	✓
<b>Meetings</b>			
16. Does the committee meet regularly?	Officers		✓
17. Do the terms of reference set out the frequency of meetings?	Officers	No, but an 18 month schedule is reported to Council.	X
18. Does the committee calendar meet the authority's business needs, governance needs and the financial calendar?	Officer Input & Interviews with Committee Members	Yes. Greater planning was introduced during 2014 to ensure this is systematic.	✓
19. Are members attending meetings on a regular basis and if not, is appropriate action taken?	Officers	There have been 5 meetings and 1 special meeting. 1 councillor has had 3 absences. 4 with 2 absences and 6 with one.  Number of members absent from meetings over past year - 07/05/2014 – 3 (2 subs provided) 26/06/2014 – 1 (1 sub provided) 23/09/2014 – 4 (3 subs provided) 25/09/2014 – 6 (4 subs provided) 20/11/2014 – 2 (2 subs provided) 26/02/2015 – 1 (1 sub provided)	-
20. Are meetings free and open without political influences being displayed?	Interviews with Committee Members	Members reflected that there has been a reduction in adversarial behaviours and that the Committee acts more as a team.	✓
21. Does the Chief Financial Officer or deputy attend all meetings?	Officers		✓

22. Does the committee have the benefit of attendance of appropriate officers at its meetings?	Officer Input & Interviews with Committee Members	Mostly. Improvement has been evident during 2014/15, but members identified occasions when the appropriate officers had not been present.	-
<b>Internal Control</b>			
23. Does the committee consider the findings of the annual review of the effectiveness of the system of internal control including the review of the effectiveness of the system of internal audit?	Officers		✓
24. Does the committee have responsibility for review and approval of the Annual Governance Statement and does it consider it separately from the accounts?	Officers	Review, but approval is reserved to Council. In 2014/15 it was reported with the accounts. This is under review.	X
25. Does the committee consider how meaningful the Annual Governance Statement is?	Officer Input & Interviews with Committee Members	Members reflected that meaningful consideration had been given to the AGS, as part of the Annual Accounts, but there is some lack of clarity about these as separate documents.	-
26. Does the committee satisfy itself that the system of internal control has operated effectively throughout the reporting period?	Officers	The Committee receives assurance through the statement of internal control and the individual audit reviews. However, a broad overview of the system of internal control and systematic review of each aspect of the system is pending the completion of an Assurance Map by PWC.	-
27. Has the committee considered how it integrates with other committees that may have responsibility for risk management?	Officer Input & Interviews with Committee Members	Yes. The system of risk management explores this and members have been trained on their role re risk management.	✓
28. Has the committee or the full council adopted managing the risk of fraud – actions to counter fraud and corruption?	Officers		✓

29. Does the committee ensure that actions to counter fraud and corruption are being implemented?	Officer Input & Interviews with Committee Members	There have been relatively recent audits on the arrangements for the detection and prevention of fraud and agreed recommendations are followed up. An action outstanding for officers to report annually on arrangements for the prevention and detection of fraud.	✓
30. Is the committee made aware of the role of risk management in the preparation of the annual internal audit plan?	Officers		✓
31. Does the committee review the authority's strategic risk register at least annually?	Officers		✓
32. Does the committee monitor how the authority assesses its risk?	Officer Input & Interviews with Committee Members	This is now more systematically reported through analysis of the system of risk management.	✓
33. Do the committee's terms of reference include oversight of the risk management process?	Officers		✓
<b>Financial Reporting &amp; Regulatory Matters</b>			
34. Is the committee's role in the consideration and / or approval of the annual accounts clearly defined?	Officers	The Committee's role is to "consider" the accounts. Approval is reserved for Council. <i>(This has now changed in 2015)</i>	X
35. Does the committee consider specifically: <ul style="list-style-type: none"> <li>• the suitability of accounting policies and treatments</li> <li>• major judgements made</li> <li>• large write offs</li> <li>• changes in accounting treatment</li> <li>• the reasonableness of accounting estimates</li> <li>• the narrative aspects of reporting</li> </ul>	Officers	These are included within the annual accounts.	✓
36. Is a committee meeting scheduled to receive the external auditor's report to those charged with governance including a discussion of proposed adjustments to the accounts and other issues arising from	Officers	The Committee meetings are scheduled for this purpose. The report to "those charged with governance" is included in	✓

the audit?		the reporting schedule.	
37. Does the committee review management's letter of representation?	Officers	This was done in 2014/15.	✓
38. Does the committee annually review the accounting policies of the authority?	Officers	Not explicitly, although these are referred to within reporting on the annual accounts and members have the opportunity to ask questions.	-
39. Does the committee gain an understanding of management's procedures for preparing the authority's annual accounts?	Interviews with Committee Members	The Corporate Accounting Manager reports to the Committee advising of the arrangements for preparation of the accounts. In addition, training has been held for all Committee members during 2014/15.	✓
40. Does the committee have a mechanism to keep it aware of topical legal and regulatory issues, for example by receiving circulars and through training?	Officer Input & Interviews with Committee Members	Nationally reports are now reported when published. The Information Bulletin exists for other issues. Whilst this is not actively used, members did not feel that significant issues were not being reported.	-
<b>Internal Audit</b>			
41. Does the committee approve annually and in detail the internal audit strategic and annual plans including consideration of whether the scope of internal audit work addresses the authority's significant risks?	Officers		✓
42. Does internal audit have an appropriate reporting line to the audit committee?	Officers		✓
43. Does the committee receive periodic reports from the internal audit service including an annual report from the head of internal audit?	Officers		✓
44. Are follow up audits by internal audit monitored by the committee and does the audit committee consider the adequacy of implementation of recommendations?	Officers	Follow up on agreed recommendations are undertaken and reported by Internal Audit.	✓

45. Does the committee hold periodic private discussions with the head of internal audit?	Officers	Yes, this was done for the first time during 2014/15.	✓
46. Is there appropriate co-operation between internal and external auditors?	Officers	Both the Head of Internal Audit and the lead auditor from External Audit reported that there was appropriate co-operation. As there are new arrangements for Internal Audit during 2014/15 this will be kept under review.	✓
47. Does the committee review the adequacy of internal audit staffing and other resources?	Officers	During 2014/15 the Committee receives performance metrics which cover aspects of the internal audit process. This will require to be reviewed for the new Internal Audit arrangements.	✓
48. Has the committee evaluated whether its internal audit service complies with the CIPFA code of practice for internal audit in local government in the UK?	Officers	The Committee has not formally considered this, but External audit give assurances on internal audit each year as part of their annual audit plan and annual audit report.	X
49. Are internal audit performance measures monitored by the audit committee?	Officers	Yes, from February 2014	✓
50. Has the audit committee considered the information it wishes to receive from internal audit?	Interviews with Committee Members	Members expressed a desire to meet in early course with the Head of Internal Audit to discuss the reporting needs of the Committee.	✓
<b>External Audit</b>			
51. Do the external auditors present and discuss their audit plans and strategy with the committee (recognising the statutory duties of external audit)?	Officers		✓
52. Does the committee hold private periodic discussions with the external auditor?	Officers	Planned for June 2015.	✓

53. Does the committee review the external auditor's annual report to those charged with governance?	Officers		✓
54. Does the committee ensure that officers are monitoring action taken to implement external audit recommendations?	Officers	During 2014/15 all recommendations were included within the follow up monitoring undertaken through Internal Audit.	✓
55. Are reports on the work of external audit and other inspection agencies presented to audit committee?	Officers	This was put in place during 2014/15.	✓
56. Does the committee assess the performance of external audit?	Officers	Performance reporting was requested in February 2014, and External Audit now report regularly on the status of their agreed annual plan. In addition, Audit Scotland request councils to complete a questionnaire on the performance of the auditor every 2-3 years. This is brought together for all LG auditors and the outcome shared with each council.	-
57. Does the committee consider and approve the external audit fee?	Officers		✓
<b>Administration Agenda Management</b>			
58. Does the committee have a designated secretary from committee / member services?	Officers		✓
59. Are agenda papers circulated in advance of meetings to allow adequate preparation by committee members?	Officers		✓
60. Are outline agendas planned one year ahead to cover issues on a cyclical basis?	Officers	Agendas are now planned 3 cycles in advance. Outstanding issues remain in the business statement until discharged.	-
61. Are inputs for any other business formally requested in advance from committee members, relevant officers, internal and external audit?	Officers	There is no "Other Business" mechanism other than raising a motion. However, an informal session is now held at the conclusion of each Committee meeting	-

		for members and officers to raise any issues which are pertinent to the business of the committee.	
<b>Papers</b>			
62. Do reports to the committee communicate relevant information at the right frequency, time and in a format that is effective?	Interviews with Committee Members	Members were, on the whole, content but there was some discussion on the length of some reports.	✓
63. Does the committee issue guidelines and / or a proforma concerning the format and content of the papers to be presented?	Officers	Both internal and external audit have their own formats.	✓
<b>Actions Arising</b>			
64. Are minutes prepared and circulated promptly to the appropriate people?	Officers		✓
65. Is a report on matters arising made and minuted at the committee's next meeting?	Officers		✓
66. Do action points indicate who is to perform what and by when?	Officers	Whilst the minute does not always include dates, the Business Statement does.	✓

APPENDIX B

Title of Report	Lead Officer	7 <sup>th</sup> May 2014	26 <sup>th</sup> Jun 2014	23 <sup>rd</sup> Sept 2014	25 <sup>th</sup> Sept 2014 (Special)	20 <sup>th</sup> Nov 2015	26 <sup>th</sup> Feb 2015
<b>Risk Management</b>							
Risk Management Strategy 2015	N Buck						✓
System of Risk Management (Skills)	N Buck	✓					
System of Risk Management (System)	N Buck		✓				
System of Risk Management (Structure)	N Buck			✓			
System of Risk Management (Strategy)	N Buck						✓
Forward Electronic Registration – Incident Report	N Buck			✓			
Risk Register – Social Care & Wellbeing	L Taylor					✓	
Risk Register – Education & Children’s Services	G Gorman						✓
<b>Internal Audit</b>							
Supply & Delivery of Internal Audit Services	M Murchie			✓		✓	✓
Internal Audit Progress Report & Performance	D Brown	✓	✓	✓		✓	✓
Internal Audit Follow Up	D Brown	✓	✓	✓		✓	✓
Internal Audit Annual Report	D Brown		✓				
Internal Audit Plan 2015/16	D Hughes						✓
Internal Audit Charter	D Hughes						✓
ICT Third Party Management	D Brown	✓					
ICT – Project Nevis	D Brown / P Fleming	✓	✓				
ICT Governance	D Brown		✓				
ICT Security	D Brown		✓	✓			
ICT Disaster Recovery	D Brown						✓
ICT Asset Management	D Brown						✓
Regeneration	D Brown / P Leonard	✓	✓				
Continuous Financial Controls	D Brown		✓				✓
Road Reinstatement by Utility Contracts	D Brown		✓				
Aberdeen Western Peripheral Route	D Brown		✓				
Private Sector Housing	D Brown		✓				
Building Services – Phase 2 Follow Up	D Brown		✓				
Community Centres	D Brown		✓				
Stakeholder Engagement & Consultation	D Brown		✓				
Sourcing & Management of Agency Staff	D Brown		✓				



Social Care & Wellbeing Contracts	L Taylor		✓				
Self Directed Support	D Brown			✓			
Complaints Handling Procedure	D Brown			✓			
Structures, Flooding & Coastal Risk Management	D Brown			✓			
School Councils	D Brown			✓			
Car Parking	D Brown			✓			
Compliance with Public Records Act	D Brown					✓	
Compliance with Laws & Regulations	D Brown					✓	
Fraud Governance - Housing Tenancy & Scottish Welfare Fund	D Brown / W Connell					✓	✓
Transport Contracts Within Education & Social Work	D Brown					✓	
Procurement Controls Outwith Pecos	D Brown					✓	
Devolved School Management - Phase 1	D Brown					✓	
Care First Budgetary Control Process	D Brown						✓
Care Users - Service Reviews	D Brown						✓
ALEO Tier 2 Review	D Brown						✓
Aberdeen International Youth Festival	D Brown						✓
<b>External Audit (Non-Accounts)</b>							
Assurance & Improvement Plan Update	S Boyle	✓	✓	✓			
External Audit Performance Indicators	A MacDonald		✓				
External Audit Progress & Performance	A MacDonald			✓		✓	✓
Arm's Length External Organisations - Targeted Follow Up	A MacDonald		✓				
Major Capital Investment in Councils	A MacDonald						✓
<b>Other External Inspection &amp; Regulation</b>							
Information Commissioner - Follow Up	P Fleming	✓*	✓	✓		✓	
Office of the Surveillance Commissioner - Findings and Action Plan	F Smith			✓			
Transport Commissioner - Fleet Follow Up	M Riley						✓*
<b>Annual Accounts</b>							
Internal Controls Management Letter & Interim Report on the 2013/14 Audit	A MacDonald		✓				
Draft Statement of Accounts & Annual Governance Statement	J Belford		✓*				
Communication of Audit Matters to Those Charged with Governance in Terms of ISA 260	A MacDonald			✓*	✓		
Report on the 2013/14 Audit	S Boyle					✓	
Annual Accounts 2014/15 - Action Plan and Key Dates	J Belford						✓

<b>Audit Scotland – National Reports</b>							
Managing Early Departures from the Scottish Public Sector	M Murchie	✓					
Welfare Reform Update	M Murchie	✓					
Maintaining Scotland's Roads	M Murchie	✓					
Housing in Scotland	M Murchie	✓					
Charging for Services: Are You Getting it Right?	M Murchie	✓					
Local Government Overview	M Murchie		✓				
Modern Apprenticeships	M Murchie		✓				
Procurement in Councils	M Murchie		✓				
Reshaping Care	M Murchie		✓				
Self Directed Support	M Murchie			✓			
School Education	M Murchie			✓			
National Fraud Initiative	M Murchie			✓			
Community Planning – Turning Ambition into Action	M Murchie						✓
<b>Health &amp; Safety</b>							
Corporate Health & Safety Committee Reporting Arrangements	K Rennie					✓	✓
Minute of Meeting of the Corporate Health & Safety Committee of 29 <sup>th</sup> August 2014	K Rennie						✓
Health & Safety Assurance	M Agnew						✓
<b>Fraud, Corruption, Bribery and Whistleblowing</b>							
Matters Under Investigation	M Murchie	✓					
Whistleblowing Policy – Scottish Parliament Petition	R MacBeath					✓	
<b>Committee Development</b>							
Elected Member Development	A McQuarrie / K Rennie	✓	✓	✓		✓	✓
Self-Evaluation of the Committee	M Murchie	✓	✓	✓		✓	✓
<b>Other Reports</b>							
Service & Corporate Induction	A McQuarrie		✓				
Data Protection Monitoring	F Smith			✓		✓	✓

\* Late paper.

ABERDEEN CITY COUNCIL

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COMMITTEE	Audit, Risk and Scrutiny
DATE	25 June 2015
DIRECTOR	Angela Scott
TITLE OF REPORT	Corporate Governance Risk Register
REPORT NUMBER:	CG/15/80
CHECKLIST RECEIVED	Yes

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1. PURPOSE OF REPORT

To present the Committee with a register of risks with potential to impact the operation of the functions and services carried out by the Corporate Governance Service.

2. RECOMMENDATION(S)

The Committee are asked to:

- (i) Note the content of the Corporate Governance Risk Register and the status of controls and mitigation in place to manage risks. (Appendix 1)
- (ii) Note that the content of the register will be kept under regular review by the service's Senior Management Team.
- (iii) Note that the Risk Register will be reported twice each year to the Finance Policy and Resources Committee as part of the regular service performance reporting process.

3. FINANCIAL IMPLICATIONS

There are no specific financial implications arising from the report. However, the proper identification, assessment and management of risks impacting our operations reduces both the likelihood of financial loss occurring and the impact of reducing resources on the delivery of essential services to communities.

4. OTHER IMPLICATIONS

There are no other implications specifically arising from this report.

5. BACKGROUND/MAIN ISSUES

The Committee resolved on 23 September 2014 to receive at successive meetings risk registers reflecting the identification and assessment of operational risks impacting services across the new Council structure. The Corporate Governance Risk Register is the last in the current series of reports to be presented to the Committee in support of that resolution.

The Corporate Governance service directs a broad range of strategic functions including finance, legal and democratic, I.T. procurement and human resources, on behalf of the Council. The directorate also manages a number of essential services to our citizens and communities including customer services, the Regional Communications Centre and the delivery of the revenues and benefits services.

A comprehensive engagement and consultation process has taken place with senior managers across Corporate Governance in order to effectively identify and capture the breadth of risks with potential to impact those functions and services.

## 6. IMPACT

Corporate – Risk Registers form an important component of the system of risk management, notably in the structure of the system. The system of risk management impacts on all aspects of decision making across the Council. The Local Code of Corporate Governance tasks councils with six principles. Principle 4 requires that councils maintain transparent, informed decision-making which is subject to effective scrutiny and the management of risk. The various components of the system are regularly reported to the Committee with details of current practice and planned improvements.

Public – The report is designed for information purposes and no Equalities and Human Rights Impact Assessment has been prepared.

Services are required to carry out regular reporting of performance to committees. Corporate Governance undertakes to report our own performance to the Finance Policy and Resources Committee on a quarterly basis, along with a biannual service risk register update. In addition, the Audit, Risk and Scrutiny Committee will receive service risk registers on a rolling cycle, as part of the Council's overall risk management assurance framework. The Strategic Risk Register represents the highest level of assessment of risk to the Council and will be reported to the Committee annually.

## 7. MANAGEMENT OF RISK

The report details information on the Corporate Governance Service's risk profile.

## 8. BACKGROUND PAPERS

None

## 9. REPORT AUTHOR DETAILS

Neil Buck  
Performance and Risk Manager  
[nebuck@aberdeencity.gov.uk](mailto:nebuck@aberdeencity.gov.uk)  
01224 522408

## 10. REPORT

- 10.1 The Risk Management Strategy which was approved by the Committee in February, requires that all services prepare and maintain a register of operational risks which identify both threats and opportunities with the potential to present and impact on the management of functions and delivery of services. Each identified risk will include a description, named owner, and an evaluation of causes, impact and likelihood of occurrence. Risks are managed through the application of controls and mitigation which are designed to bring threats to a tolerable level and in the case of opportunity risks, to enhance the likelihood and impact of occurrence.
- 10.2 The risks contained in the appended register have been identified and assessed through analysis of the service's functions, services and dependencies. Some risks detail the potential impacts of threats which could arise in any area of the Directorate such as workforce planning, health and safety, or business continuity. Other risks reflect specific threats to the effectiveness of our business, including the delivery of certain IT functions.
- 10.3 The component teams of Corporate Governance will maintain registers of risks which reflect operations at lower levels of business than those reflected in the appended service risk register. These risks will be subject to a similar review regime at the team level. Where a risk at this level appears to be developing and a threat may be realised, managers may escalate such risks to the service register where a higher level of control can be authorised. Similarly, when threats recede as part of this process, the risk may be de-escalated to the team level.
- 10.4 The register is a dynamic document and will be subject to regular review. As risks become controlled, they will be removed from the active review regime and new or emerging risks will be added, to ensure the service continues to monitor the operational environment and identify and manage risks to our success.

# Corporate Governance Operational Risk Register



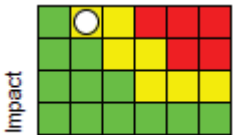
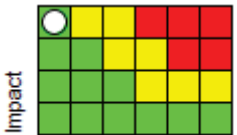
Title	Current Risk Profile
Corporate Governance Operational Risk Profile	

Title		Risk Factors	Potential Impact	Current Risk Matrix	Residual Risk Matrix
<p><b>The absence of a statutory duty to hold Business Continuity Plans compromises the quality and reliability of the Plans and the testing of them.</b></p> <p><b>Drivers</b></p> <p>Business Continuity Management is not given sufficient priority across the directorate's management structure in service and post incident or disruption planning.</p>		<p>Inadequate disaster recovery planning and business continuity arrangements across the range of Corporate Governance business critical functions.</p> <p>Business Continuity Plans are not tested regularly or subject to timely review</p>	<p>The Service suffers a breakdown in key systems (IT, Financial, HR, Legal and Commercial and Procurement.</p> <p>Potential for serious harm / loss of life to members of the community.</p> <p>Inability to collect income or make required payments.</p> <p>Litigation.</p> <p>Prosecution.</p> <p>Reputational damage</p>		
<b>Description</b>	The Council is bound by legislation and in its role as a corporate body as a public service provider. Effective disaster recovery and business continuity arrangements are essential to ensure business as usual is possible at the earliest point following a critical incident			Low	Very Low
<b>Internal Controls</b>	Internal audit arrangements covering business continuity planning. BCPs are now in place regarding all of the Directorate's critical functions.			Very serious	Very serious
<b>Mitigating Actions</b>	<p>The Council has a Business Continuity Policy document. This also contains a template to assist Services to produce Business Continuity Plans for critical functions.</p> <p>Critical functions have been agreed by CMT based on one or more of the following criteria being met. Functions which have a significant impact on:</p> <ol style="list-style-type: none"> <li>1. Human welfare or the environment</li> <li>2. The finances of the Council</li> <li>3. The Council's statutory obligations</li> <li>4. The Council's reputation</li> <li>5. The Council's ability to respond to emergencies</li> </ol> <p>Rigorous testing regime to support continuing fit for purpose. Non-critical BCPs to be reported to Committee and review regime for critical BCPs to be devised.</p>				
<b>Assigned To</b>	Martin Allan	<b>Latest Note Date</b>	20 May 2015	<b>Latest Note</b>	Risk re-scoped and incorporated into revised CG Operational Risk Register 20/05/15.

Title		Risk Factors	Potential Impact	Current Risk Matrix	Residual Risk Matrix
<b>Absence of effectively maintained and managed Contracts Register</b>		Absence of effectively maintained contracts register. Contract expirations not properly managed. Poor contractor relationship management. Poor contract management skills. Absence of effective health surveillance scrutiny.	Costs become prohibitive. Emergency sourcing of additional support required. Inability to support essential services. Censure by regulatory bodies. Reduced pool of tenderers.		
<b>Drivers</b>					
Insufficient resources are directed at the preparation and maintenance of a contracts register. Failure to understand the significance for effective contracts management.					
<b>Description</b>	Significant proportion of the service's resources are bound up in contractual activity. The service and Council are at risk of exposure to financial loss, legal challenge and reputational damage.		Significant	Very Low	
<b>Internal Controls</b>	Contract Register regularly updated. Standing Orders for Contracts & Procurement in place with defined authorisation levels.		Very serious	Very serious	
<b>Mitigating Actions</b>	Contracts Register being updated for completion 15/16. Updated Procurement Standing Orders, Guidance Documents and Templates, which will include contract management procedures. Additional training for all identified staff involved in Procurement at any level within Services. (PACE, Procurement Achieving Commercial Excellence – programme of work to introduce a hybrid Business Model for Procurement).				
<b>Assigned To</b>	Craig Innes	<b>Latest Note Date</b>	21 May 2015	<b>Latest Note</b>	Risk identified for Operational Risk Register May 2015.



Title		Risk Factors	Potential Impact	Current Risk Matrix	Residual Risk Matrix
<b>Risk that financial stewardship is not robust or organisational transformation and innovation is hindered by finance capability.</b>		Skills deficit. Workforce attrition. Inability to support transformational change. The Finance Service does not innovate or adapt to the needs of new organisational requirements. Skills sets do not meet new requirements. Organisational resistance to transformation.	The service and organisation does not meet legislative and stewardship requirements and customer needs. The ability of the service to meet its objectives is negatively impacted.		
Drivers					
Inadequate controls or systems to enable finance to meet stewardship requirements and be responsive to external change impacting the organisation.					
Description	Service failures can lead to inability to provide core services and to carry out key functions. The Council is undergoing a programme of transformational change. Finance needs to provide services adequate to support those changes.			Low	Very Low
Internal Controls	Internal audit of key financial systems.			Serious	Serious
Mitigating Actions	Reinforce performance management and resource management. Implement workforce planning requirements for core finance functions.				
Assigned To	Steve Whyte	Latest Note Date	28 May 2015	Latest Note	Residual risk added in as very low - serious per J Hashmi which means the risk has reached residual status..

Title	Risk Factors	Potential Impact	Current Risk Matrix	Residual Risk Matrix	
<b>Risk that essential overnight system back-up arrangements are unsuccessful.</b>	Poor internal and external ICT processes. Driver: No back up is available or tested.	Systems failure			
<b>Drivers</b>			Lack of understanding or appreciation of the cost of back up failure. Insufficient resources applied to securing and testing fit for purpose back up arrangements.	Likelihood	Likelihood
<b>Description</b>			Serious impact on the delivery of services and core functions if failure occurs.		Very Low
<b>Internal Controls</b>	Robust back-up monitoring arrangements Ad-hoc test recovery of systems		Very serious	Very serious	
<b>Mitigating Actions</b>	Full audit of backup arrangements for all systems. Annual test restore of critical systems. Test recoveries of specific Novell storage.				
<b>Assigned To</b>	Sandra Massey	<b>Latest Note Date</b>	10 Mar 2015	<b>Latest Note</b>	Mitigating actions reviewed with risk owner 6/3/15

Title		Risk Factors	Potential Impact	Current Risk Matrix	Residual Risk Matrix
<b>Risk of major business IT systems failure</b>		Virus attack - inadequate protection in terms of firewall and other barriers to the internal systems. Systems are unsupported. Systems are no longer fit for purpose. Risk of systems failure and communication network failure due to power fluctuations. Loss of data due to inadequate backup facility or procedure. poorly trained, poorly skilled IT staff that lack sufficient knowledge. Poor IT management practices and lack of proper processes for storage and and back up of data in all areas of business. Lack of facilities and keeping IT systems in poor environments.	Poor customer experience. Poor staff experience. Poor use of resources. Customers are unable to access the customer service centre. Staff may not get paid on time. The Council is unable to complete its financial duties or manage its budget. Suppliers may not get paid. The Council is unable to manage its contracts and suppliers. The Council is unable to manage its workforce.		
<b>Drivers</b>					
Absence of a Council wide IT strategy and supporting governance resources and expertise to manage the full life cycle of IT systems.					
<b>Description</b>	Corporate Governance business systems are critical to the provision of services and the performance of statutory functions.			Low	Very Low
<b>Internal Controls</b>	Robust and customer-led governance structures. Adoption of an enterprise approach to the whole IT eco-system. A full contracts register with a forward plan of contract expiry and renewal. Business continuity plans and disaster recovering. Customer-led business systems reviews. Adoption of best practice security controls. Training and development for all staff in IT operations.			Very serious	Very serious
<b>Mitigating Actions</b>	Understanding the customer needs and reviewing these systematically. Ensure total cost of ownership. Sound contract and supplier management. Best practice change controls. Best practice life cycle management.				
<b>Assigned To</b>	Simon Haston	<b>Latest Note Date</b>	10 Mar 2015	<b>Latest Note</b>	Risk scoped to replace previous systems failure risk around poor security and operational arrangements.

Title		Risk Factors	Potential Impact	Current Risk Matrix	Residual Risk Matrix
<b>Risk that software licensing agreements are infringed</b>		Driver: No resources or controls are in place to manage software.  Poor or inadequate monitoring of license agreements. Single point of failure re "Software Librarian".	Financial implications Poor relationship with providers Legal challenge		
<b>Drivers</b>					
Failure to appreciate the necessity for software management controls to prevent exposure to legal challenge and financial penalty.					
<b>Description</b>	Monitoring software licensing compliance offers protection for continuing effective service delivery.			Very Low	Almost Impossible
<b>Internal Controls</b>	Robust monitoring of licensing arrangements. Good liaison with software providers. Dedicated role of Software Librarian to ensure accurate record keeping of software licences.			Serious	Serious
<b>Mitigating Actions</b>	Desktop Lockdown controls to block unauthorised downloading of unlicensed software. Integrate purchasing records with licencing records within Asset Register. Review of licenses being undertaken as laptops built for Smarter Working. ICT Management to review contingency for single point of failure. Procurement of the integrated service management tool.				
<b>Assigned To</b>	Sandra Massey	<b>Latest Note Date</b>	04 Jul 2014	<b>Latest Note</b>	Software Librarian in post. This mitigating action moved to internal control.

Title		Risk Factors	Potential Impact	Current Risk Matrix	Residual Risk Matrix
<b>Risk that transition to new data centre leads to failure of Council systems.</b>		Resources not available at the tight time to manage transition effectively.	Operational timescales for successor datacentre implementation are impacted negatively.		
<b>Drivers</b>					
No resources or programme management approaches are adopted.					
<b>Description</b>	Risk refers to the transition ATOS provision to new datacentre provision following the end of the ATOS contract.			Low	Almost Impossible
<b>Internal Controls</b>	ATOS have allocated a transition manager and issued a draft exit plan for ACC review and approval by end of June.			Very serious	Very serious
<b>Mitigating Actions</b>	A Business Case to resource transition has been issued for consultation with the final date for response 28/5/15. Following assimilation of the response this will now be progressed.				
<b>Assigned To</b>	Simon Haston	<b>Latest Note Date</b>	28 May 2015	<b>Latest Note</b>	Risk mitigating actions , controls and notes updated 28/5/15.

Title		Risk Factors	Potential Impact	Current Risk Matrix	Residual Risk Matrix
<b>Risk that workforce planning, recruitment, retention, training and development do not support the improvement agenda</b>		Inadequate arrangements for linking workforce planning to business need. Knowledge capture processes not in place or implemented. Recruitment processes inadequate in terms of skills match. Training approaches not matched to business need. Poor employee development opportunities.	Poor service delivery standards. Inability to retain key staff. Excessive use of agency / consultancy resources. Council not seen as employer of first choice.		
<b>Drivers</b> Poor workforce planning leaves the service exposed to under-resourced delivery arrangements and inability to forward plan.					
<b>Description</b>	Workforce planning impacts directly across the service with notable dependencies in Customer Services Operations, IT, Finance (inc Revenues and Benefits), Legal & Democratic Services, Human Resources and Commercial and Procurement.			Low	Very Low
<b>Internal Controls</b>	PBB Workforce Stream; Workforce Planning Strategy. Service Workforce Plans			Serious	Serious
<b>Mitigating Actions</b>	Effective implementation of the Workforce Plan across all parts of the Service.				
<b>Assigned To</b>	Ewan Sutherland	<b>Latest Note Date</b>	21 May 2015	<b>Latest Note</b>	Risk included in operational risk register May 2015.

Title		Risk Factors	Potential Impact	Current Risk Matrix	Residual Risk Matrix
<p><b>Risk that Health, Safety and Wellbeing incidents including cases of ill health, are not recorded, reported, reviewed and monitored and that areas for improvement are not identified and implemented.</b></p> <p><b>Drivers</b></p> <p>Failure to conduct post incident evaluations and to embed incident and health surveillance results in inability to develop improvements and minimise risk exposure.</p>		<p>Incidents and work related ill health are not reported.</p> <p>Identified improvements resulting from lessons learned are not identified and implemented.</p> <p>The electronic accident / incident / absence recording and reporting system is not comprehensively used.</p> <p>Realistic targets are not set.</p> <p>Actions to prevent a reoccurrence are not implemented.</p> <p>Compliance is not monitored.</p> <p>The 'Plan, Do, Check, Act' approach based on known and potential significant risk is not adopted.</p>	<p>Non – compliance with HSE legislation / guidance, initiatives and corporate Health and Safety policy.</p> <p>Increased costs to the organisation relating to employee absence.</p> <p>Criminal prosecution resulting in fines or imprisonment.</p> <p>Reputational damage.</p> <p>Compensation claims</p> <p>Attendance levels impacting service delivery.</p>		
<b>Description</b>	To improve the health, Safety and Wellbeing culture, it is important that available recording, reporting and monitoring mechanisms are enforced and that post incident activity includes lessons learnt and effective improvements.			Significant	Very Low
<b>Internal Controls</b>	Audit of H&S processes effectiveness - management assurance.			Serious	Serious
<b>Mitigating Actions</b>	<p>Investigation of all accidents and incidents, recording, reporting, reviewing and learning lessons.</p> <p>Review of related risk assessments.</p> <p>Discuss findings and identified improvements at Corporate Health and Safety Committee.</p> <p>Use of and further development of of electronic reporting and recording accident system to assist in analysis and ability to access days lost and related costs.</p> <p>H&amp;S trends highlighted at Directorate H&amp;S Group and at SMT.</p> <p>Processes and compliance monitored through audits and management assurance.</p> <p>Implementation of Maximising Attendance Improvement Plan for Corporate Governance including implementation of target reduction, evidenced through performance indicators.</p> <p>Creating a Directorate that is 'H&amp;S risk intelligent.'</p>				
<b>Assigned To</b>	Mary Agnew	<b>Latest Note Date</b>	29 May 2015	<b>Latest Note</b>	Risk re-scoped in discussion with risk owner.

Title		Risk Factors	Potential Impact	Current Risk Matrix	Residual Risk Matrix
<b>Risk of the Council losing its representation within National Collective Bargaining arrangements through the SLGP not being able to secure an agreement with COSLA on these arrangements.</b>		Negotiations between the SLGP and COSLA over the cost of participation in collective bargaining are not successful.	The Council experiences loss of influence in national collective bargaining, leading to exposure to potentially disadvantageous terms in national pay awards.		
<b>Drivers</b>					
Poor negotiation between the SLGP and COSLA exposes the Council to high cost or loss of influence in collective bargaining.					
<b>Description</b>	The Council ended its membership of COSLA on 31 March 2015. The risk reflects that that we are currently bound contractually in collective bargaining and require to ensure the new arrangements through the SLGP retain a negotiating place in national collective bargaining so that the Council's position is safeguarded as far as possible.			Significant	Very Low
<b>Internal Controls</b>				Serious	Serious
<b>Mitigating Actions</b>	Proceed through SLGP to negotiate a cost-effective solution.				
<b>Assigned To</b>	Ewan Sutherland	<b>Latest Note Date</b>	10 Jun 2015	<b>Latest Note</b>	Risk scoped in discussion with HR Manager.



## ABERDEEN CITY COUNCIL

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COMMITTEE	Audit, Risk & Scrutiny
DATE	25 <sup>th</sup> June 2015
DIRECTOR	Angela Scott
TITLE OF REPORT	Outstanding Internal Audit Recommendations

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1. PURPOSE OF REPORT

To update Audit, Risk and Scrutiny Committee Members on the progress on implementing Internal Audit recommendations included within reports previously approved by the Committee.

2. RECOMMENDATION(S)

Members are asked to consider this report and request actions or explanations as appropriate.

3. FINANCIAL IMPLICATIONS

There are no financial implications other than those associated with the implementation of the recommendations which will be undertaken and financed by the Services.

4. OTHER IMPLICATIONS

This report does not have any direct links with the following: legal, resource, personnel, property, equipment, sustainability and environmental, health and safety and/or policy implications and other risks.

5. BACKGROUND/MAIN ISSUES

See Appendix A for summary of overdue internal audit recommendations and explanations for progress and revised timescale for implementation.

6. IMPACT

Corporate – Internal Audit supports the Local Outcome, set in both the Single Outcome Agreement and the Interim Business Plan, that “Our public services are high quality, continually improving, efficient and responsive to local people’s needs.”

7. MANAGEMENT OF RISK

There are no identified material risks which would result from the approval of the recommendations in this report. The actions and recommendations contained in the report are a response to identified risks and are designed to mitigate these.

8. BACKGROUND PAPERS

None

9. REPORT AUTHOR DETAILS

Martin Murchie  
[mmurchie@aberdeencity.gov.uk](mailto:mmurchie@aberdeencity.gov.uk)  
(01224) 522008

## Summary Findings - recommendations from Internal Audit

The table below summarises the internal audit reports where recommendations were due for implementation prior to 15<sup>th</sup> June 2015.

The total due at 15<sup>th</sup> June 2015 includes those recommendations that were open as of our last report at 28<sup>th</sup> February 2015 and those due to be implemented in the period between the 28<sup>th</sup> February 2015 and 15<sup>th</sup> June 2015.

The 'open' recommendations are all those recommendations with an original target implementation date prior to 15<sup>th</sup> June 2015. This includes those recommendations where a revised target date for implementation has been communicated to Committee. Please refer to Appendix A for a detailed listing of all open recommendations.

	<b>Date Issued</b>	<b>Total Due</b>	<b>Closed</b>	<b>Open</b>
AIYF	Feb 15	4	4	0
ICT Governance	May 14	1	0	1
Community Centres*	Apr 14	2	2	0
Complaints Handling	Sept 14	1	0	1
Compliance With Laws & Regs	Nov 14	1	0	1
Fraud Governance	Nov 14	1	1	0
ICT Disaster Recovery	Feb 15	2	1	1
ICT Asset Management	Feb 15	6	6	0
Care First Budget Control	Feb 15	4	2	2
<b>Total</b>		<b>22</b>	<b>16</b>	<b>6</b>
<b>Percentage</b>			<b>73%</b>	<b>27%</b>

*\*In relation to the conduct of PVG checks, the Committee is invited to consider whether the position reported below satisfies the recommendation.*

## Recommended for Removal

<u>Report Title</u>	<u>Date Issued</u>	<u>Finding Title</u>	<u>Recommendation</u>	<u>Update</u>	<u>Responsible Officer</u>	<u>Original Due Date</u>	<u>Revised date</u>	<u>Risk Rating</u>
Community Centres		Protecting Vulnerable Groups (PVG) - control operating weakness	The Council should make a choice as to whether they take on responsibility for carrying out PVG checks and appropriate resource should be allocated to do this. Alternatively, if the Council decides to allow management committees to process PVG checks through an external organisation, appropriate governance arrangements should be put in place to give the Council assurance that all necessary PVG checks have been carried out. The agreed upon process should be clarified and clearly communicated to all management committees of leased community centres.	<p>The Council is not carrying out all PVG checks and could not insist on doing so without changing contracts.</p> <p>The Council does require Community Centres to describe and evidence the process they undertake for undertaking PVGs.</p> <p>This position will be revisited when SLAs are reviewed in future.</p>	Head of Human Resources and Organisational Development, Legal Manager, and Service Manager Sport & Communities	31-Mar-15	The committee is invited to consider whether this reported position satisfies the recommendation.	High

## Outstanding Internal Audit Recommendations

## Appendix A

<u>Report Title</u>	<u>Date Issued</u>	<u>Finding Title</u>	<u>Recommendation</u>	<u>Update</u>	<u>Responsible Officer</u>	<u>Original Due Date</u>	<u>Revised date</u>	<u>Risk Rating</u>
CareFirst	Feb-15	Monitoring and forecasting - operating effectiveness	Management will ensure that going forward the commitment reports are being appropriately distributed to the relevant budget holders on a monthly basis.	Steps will be put in place to ensure that this happens	Paul Dixon (Finance Partner)	31/05/2015		Medium
CareFirst	Feb-15	Authorisation rights	1. Authorisation rights across the department should be reviewed and assessed for appropriateness. A central register should be maintained to ensure there is on-going clarity over authorisation rights.	Authorisation rights are currently under review. Final decisions are pending developments in the integration of Health & Social Care.	Trevor Gillespie (Team Manager – Performance Management) Service Managers	31-Mar-15		Low
ICT Governance	May-15	Develop a comprehensive ICT strategy - control design deficiency	The strategy will include the commitment to implementing an Enterprise Architecture governance framework and have the support of the corporate management team. Including this commitment in the ICT strategy would reduce this risk to a low rating.	Following the appointment of new Head of Service, IT and Transformation Service in May, a broader review of all relevant strategies has commenced with revision over the next 3-6 months. Revised date of March 2016 to allow time for all relevant stage approvals.	Head of Customer Service and Performance	31-Mar-15	31-Mar-16	Medium

ICT Disaster Recovery	Feb-15	Getronics DR responsibilities need to be more actively controlled	Telephony DR processes will be updated and tested, with the support of Getronics, as per their contractual arrangements	Contractual arrangements for DR ended March 2015 and tender for new arrangements is due to end July 2015. This will be done with the winning supplier.	Sandra Massey, IT Manager	31-May-15	31-Dec-15	Low
Complaints Handling	Sep-14	Lessons learned - control effectiveness	Officers responsible for investigating and responding to complaints should be provided with access to Covalent. Procedures should be updated to emphasise the importance of lessons learned and confirm that officers responsible for investigating and responding to complaints are required to complete this field. Training should reinforce these points. Exception reports highlighting all upheld or partially upheld complaints without lessons learned should be produced and sent to Heads of Service on a monthly basis. Heads of Service should be assigned responsibility for chasing the completion of this field where appropriate	This recommendation has been implemented with the exception of the inclusion of "Lessons Learned" exception reports for Heads of Service, for which a procedure has now been identified. This will be fully implemented in July 2015.	Lucy McKenzie Project Executive	31-Dec-14	31-Jul-15	Medium

<p>Compliance with Laws and Regulations</p>	<p>Nov-14</p>	<p>Training for staff – Control design deficiency</p>	<ul style="list-style-type: none"> <li>· Legal Services will, in conjunction with Human Resources (HR) and the Services, perform a risk assessment to identify those laws and regulations for which breaches would have a significant impact on the Council.</li> <li>· HR, in conjunction with Legal Services and the Services, will compile a list of all training which addresses the laws and regulations identified in the risk assessment. Where gaps in available training materials exist, additional training will be developed.</li> <li>· HR, in conjunction with Legal Services and the Services, will assess the level of training required for each role. This exercise is already underway by HR but will now include any additional training identified in the risk assessment.</li> <li>· The output of the risk assessment and newly created training material will be used by the Services to update job profiles, ensuring staff have an understanding of the mandatory training required.</li> <li>· Completion of mandatory training for staff will be monitored and an appropriate process implemented for escalating issues with non-completion. Consideration should be given to including an annual sign off on the Your HR system which would be approved by line management during the performances management process.</li> </ul>	<p>This is a substantial area of work. The task is currently being scoped and consideration of a revised timescale is dependent upon this.</p>	<ul style="list-style-type: none"> <li>a) Head of Legal Service</li> <li>b) Jeff Capstick, HR Manager</li> <li>c) Members of Corporate Management Team</li> </ul>	<p>31-Mar-15</p>	<p>tbc</p>	<p>Medium</p>
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