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ADDITIONAL CIRCULATION



To: Councillor Flynn, Convener; Councillor Yuill, Vice Convener; Councillor Crockett, the Lord Provost; Councillor Donnelly, the Depute Provost; and Councillors Allard, Bell, Cooke, Jackie Dunbar, Duncan, Graham, Lumsden, Avril MacKenzie, McLellan, Reynolds, Samarai, Sellar and Townson.

Town House,
ABERDEEN 20 November 2017

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, 23 NOVEMBER 2017 at 2.00 pm.**

FRASER BELL
HEAD OF LEGAL AND DEMOCRATIC SERVICES

BUSINESS

FINANCE, PERFORMANCE RISK AND SERVICE WIDE ISSUES

Performance and Improvement

7.5 ALEO Assurance Hub - CG/17/138 (Pages 3 - 54)

Should you require any further information about this agenda, please contact Karen Finch, tel 01224 522723 or email kfinch@aberdeencity.gov.uk

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SUBMISSION OF LATE REPORT

NAME OF COMMITTEE : Audit, Risk and Scrutiny Committee

DATE OF COMMITTEE : 23 November 2017

TITLE OF REPORT : ALEO Assurance Hub

Please explain why this report is late.

The first Assurance Hub Meeting was held on 1 November 2017. The recommendations were issued to each of the ALEOs and they have provided comments back against the recommendations. These had to be revised prior to issuing the report to the Committee.

Please explain:

- **why this report must be submitted to the next meeting of the Council/Committee; and**
- **why it cannot be submitted to a meeting of the Council/Committee at a later date.**

The report must be presented at this meeting otherwise the recommendations contained within it will be out of date. This would lead to actions potentially not being implemented prior to the next ALEO Assurance Hub meeting.

Director Fraser Bell

Date 17/10/17

The following section must be completed by the Convener where a report must be submitted less than three clear days¹ before a meeting of the Council/Committee.

By law, an item of business must be open to inspection by members of the public for at least three clear days before a meeting.

An item of business not open to inspection for three clear days may be considered at a meeting only by reason of special circumstances, which shall be specified in the minutes, and where the Convener is of the opinion that the item should be considered as a matter of urgency.

Please explain why you are of the opinion that the item should be considered as a matter of urgency.

Convener Ian Yuill Vice Convener

Date 17/10/17

Please note that under Standing Order 12.9, the Head of Legal and Democratic Services may refuse to allow any item of business on to the agenda or may withdraw any item of business from an agenda, following consultation with the Convener and Vice Convener.

¹ For example if a letter is posted on Monday advising of a meeting on Friday, it gives 3 clear days notice (i.e. Tuesday, Wednesday, Thursday). Saturday, Sunday and public holidays are included within the definition of Clear Days.

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ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny
DATE	23 November 2017
REPORT TITLE	ALEO Assurance
REPORT NUMBER	CG/17/138
DIRECTOR/HOS	Fraser Bell – Head of Legal and Democratic Services
REPORT AUTHOR	Iain Robertson

1. PURPOSE OF REPORT

- 1.1 To provide an update on the Arm's Length External Organisation (ALEO) Assurance Hub meetings of 1 November and 9 November 2017 and to outline the Hub's level of assurance on the six ALEOs within its remit and future oversight arrangements.
- 1.2 To provide an update on Audit Scotland's ongoing Performance Review of ALEOs including their visit to Aberdeen on 1 November 2017.

2. RECOMMENDATION(S)

It is recommended that the Committee:

- (a) Note the level of assurance provided by each ALEO on risk management, financial management and governance;
- (b) Note the future oversight arrangements for each ALEO and to further note that this had been predicated on the level of risk to the Council and the level of assurance provided by the ALEO;
- (c) Instruct the Head of Commercial and Procurement Services to discuss with ALEOs, during the ongoing review of Service Level Agreements, the possibility of holding Board meetings in public where appropriate ;
- (d) Instruct the Head of Commercial and Procurement Services to discuss with ALEOs, during the ongoing review of Service Level Agreements, internal audit arrangements or, where appropriate, the undertaking of audit needs assessments;

- (e) Note that Assurance Hub officers will discuss any outstanding issues with representatives of each ALEO view a view to improving the assessment ratings at the next Hub meeting; and
- (f) Note the update on the Audit Scotland Performance Review of ALEOs.

3. BACKGROUND/MAIN ISSUES

ALEO Assurance Hub Meetings of 1 and 9 November 2017

- 3.1 At its meeting on 27 June 2017, the Audit, Risk and Scrutiny Committee agreed to adopt the Assurance Hub model as the Council's system of oversight for ALEOs in areas of risk management, financial management and governance. On 26 September 2017 the Committee approved the ALEO Assurance Framework including the Hub's terms of reference.
- 3.2 The Hub has adopted a proportionate and risk based approach. It receives assurance from ALEOs through exception reporting which allows it to assess the level of risk an ALEO poses to the Council. The reporting is based on the degree of assurance provided on each ALEO's financial; risk management and governance arrangements. The exception report template is attached as **Appendix A**.
- 3.3 The membership of the Hub consists of officers representing Performance and Risk; Finance; and Democratic Services. ALEO Service Leads attended the Hub meeting on 1 November 2017 as advisers and Internal Audit and Audit Scotland as observers.
- 3.4 The ALEOs included within the Hub's remit are:
 - (a) Aberdeen Heat and Power;
 - (b) Aberdeen Performing Arts;
 - (c) Aberdeen Sports Village;
 - (d) Bon Accord Care;
 - (e) Garthdee Alpine Sports; and
 - (f) Sport Aberdeen.
- 3.5 The Hub's assessment of each ALEO has been attached as **Appendices B – G**. The Committee should also note that the Hub reviewed the Internal Audit report on ALEO Management of Services presented to Committee on 26 September 2017 and the Barclay Report which may have significant financial implications for charitable ALEOs in terms of ongoing relief from non-domestic rates. A report on the Barclay Review of non-domestic rates will be presented to the Finance, Policy and Resources Committee on 1 December 2017.
- 3.6 The Hub also conducted a scan of the strategic environment to proactively gauge if strategic risks could be anticipated in areas such as health and safety; procurement; and human resources that may have implications for all ALEOs in the medium term. Issues covered included the provisions of the Gender Representation on Public Boards (Scotland) Bill which is currently progressing through the Scottish Parliament; and implications relating to the

UK's decision to leave the EU as a significant number of UK regulations were derived from EU directives.

- 3.7 Following the first meeting of the Assurance Hub, the Hub noted that the new arrangements for receiving assurance from ALEOs provided a more efficient and effective approach in comparison to previous oversight arrangements. Officers also agreed that the standard of responses from ALEOs could be more consistent. To encourage best practice ahead of future Assurance Hub meetings, a template for best practice will be circulated amongst ALEOs for reference. The Hub's operation will continue to be monitored on an ongoing basis to ensure it remains efficient, productive and able to fulfil its purpose to provide assurance on ALEO governance to the Committee.
- 3.8 During the first Hub cycle, two ALEOs submitted their exception reports after the reporting deadline. A lack of capacity at Garthdee Alpine Sports over the October school holidays resulted in their late submission of information requested. Secondly, Aberdeen Sports Village's submission was late following a contention that they are not a Council ALEO and should not be required to report to the Hub or a Council committee. It should be noted that there is no legal or national definition of an ALEO and responsibility for designating ALEO status rests with local authorities. As set out in the Terms of Reference approved by Audit, Risk and Scrutiny Committee, the Council has approved the definition adopted by Audit Scotland which defines ALEOs as '*companies, charities and other bodies that are separate from the Council but subject to its control or influence*'.
- 3.9 The list of ALEOs subject to the Assurance Hub will be reviewed by the Head of Legal and Democratic Services in 2018 as part of the annual review of the Assurance Hub's Terms of Reference. In the meantime, Council officers will continue to work collaboratively with ALEOs balancing their status as separate legal entities against the Council's requirement for assurance to help safeguard the Council's credit rating and to comply with the Following the Public Pound guidance.
- 3.10 The Committee should note that the Hub is one strand in a wider strategy on ALEO governance which includes ALEOs reporting financial information to the Finance, Policy and Resources Committee and service performance to the relevant Council committee. ALEOs also receive Council support with strategic and business planning through their participation in the ALEO Strategic Partnership. These individual components form the ALEO Assurance Framework.
- 3.11 The accounts of Aberdeen Sports Village; Bon Accord Care; and Sport Aberdeen are within the Council's group accounts and these will be reported to the next Finance, Policy and Resources Committee on 1 December 2017 to provide additional assurance with regards to the Council's bond issue.
- 3.12 Legal officers within Commercial and Procurement Services continue to review ALEO Service Level Agreements which aim to give effect to the ALEO Assurance Framework.

Update on the Audit Scotland Performance Review of ALEOs

- 3.13 Audit Scotland has selected Aberdeen City Council to be part of their sample on how Councils monitor the way in which ALEOs achieve Council objectives and demonstrate value for money. The Performance Audit will also review the Council's governance arrangements in relation to ALEOs as well as how ALEOs report performance to the Council.
- 3.14 Audit Scotland have advised that they are interested in the Council's use of Bon Accord Care given the recent rise of social care ALEOs as well as a wider audit of sport and culture ALEOs to enable them to monitor performance trends across Scotland. They have also outlined their intent to review the Council's rationale for establishing Aberdeen Heat and Power as they are interested in the development of ALEOs with commercial remits.
- 3.15 Audit Scotland conducted on-site work in Aberdeen on 31 October and 1 November 2017 where they met with key representatives involved in the oversight of ALEOs including elected members; finance, risk and governance officers and representatives from the Integration Joint Board and Aberdeen City Health and Social Care Partnership.
- 3.16 The Performance Review report is due to be presented to the Accounts Commission and published in May 2018.

4. FINANCIAL IMPLICATIONS

- 4.1 There are no direct financial implications arising from this report.
- 4.2 The role of the Hub is to ensure that good governance and scrutiny of the Council's ALEOs provides an assurance that risks, including financial ones are identified and managed. One of the Hub's primary functions is to ensure that the Council is able to follow the public pound as outlined in Accounts Commission guidance.

5. LEGAL IMPLICATIONS

- 5.1 A review of ALEO service level agreements is currently being undertaken by solicitors within Commercial and Procurement Services. The introduction of a new approach to monitoring ALEOs will be taken into consideration during this review.
- 5.2 A number of ALEOs have questioned their status as Council ALEOs and this may have legal and contractual implications for the Council. Agreement on ALEO status will be subject to discussions due to take place between the Council and external organisations during the ongoing review of service level agreements.
- 5.3 The Hub will support the Council's governance with regards to the bonds on the London Stock Exchange in that it will identify any projects and/or initiatives

that could influence investment decisions of the bond holders or the Council's credit rating and ensure that the appropriate governance is put in place.

6. MANAGEMENT OF RISK

- 6.1 **Financial Risk** – The Hub will mitigate financial risk by putting in place monitoring arrangements that assess systems of financial management, propriety of expenditure and compliance with following the public pound guidance.
- 6.2 **Employee Risk** – No significant risk.
- 6.3 **Customer/Citizen Risk** – The Hub will mitigate risk to customers and citizens by helping to ensure that risks were being managed appropriately in line with statutory requirements and industry standards to ensure ALEOs can continue to operate safely and responsibly within local communities.
- 6.4 **Environmental Risk** – No significant risk.
- 6.5 **Technological Risk** – No significant risk.
- 6.6 **Legal Risk** – There is a legal risk of external organisations determining they are not Council ALEOs and of this leading to non-co-operation or dispute. The Council intends to review ALEO service level agreements to ensure they remain relevant, fit for purpose, take account of recent legislative and regulatory change and provide for agreement on the question of ALEO status.
- 6.7 **Reputational Risk** – Whilst aspects of service delivery have been assigned to various ALEOs, the responsibility for statutory service provision remains with the Council. Discretionary services also carry an element of reputational risk through association. It is therefore important that the relationship between the Council and ALEOs is managed effectively.

7. IMPACT SECTION

Economy

Council ALEOs contribute to the local economy through employment and the provision of services. The terms of reference provide the Assurance Hub with the authority to scrutinise areas of corporate governance to ensure ALEOs can continue to operate effectively within the local economy.

People

No significant equalities implications have been identified. An Equality and Human Rights Impact Assessment has been completed and submitted to the Council's Equalities team.

Place

No significant implications on place have been identified.

Technology

No significant implications on technology have been identified.

8. BACKGROUND PAPERS

CG/17/073 – ALEO Operating Model, Audit, Risk and Scrutiny Committee, 27 June 2017

CG/17/108 – ALEO Assurance Hub: Terms of Reference, 26 September 2017

9. APPENDICES

Appendix A: ALEO Assurance Hub Exception Report Template
Appendices B-G: ALEO Assurance Hub Reports

10. REPORT AUTHOR DETAILS

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ALEO Assurance Hub Exception Report Template

Governance

Good governance and the transparency of decision making are important for the Boards of ALEOs. As ALEOs provide services to the public, there is an expectation that those who sit on Boards will be competent in performing the duties they undertake. When services were formerly provided by the Council, there was a public accessibility to papers and meetings which is usually not reflected in ALEO Board meetings. This has led to calls by the Scottish Parliament for greater transparency of, and user involvement in, decision making.

The following requires to be completed/updated and submitted to ACC as requested prior to each Assurance Hub Meeting.

Constitutional Documents

Have any of your constitutional documents been changed in the last 12 months? If so, in which areas?
<i>Why is this requested?</i>
<i>It is important that the Council is aware of any amendments to your constitutional documents given the impact this could have on decision making.</i>
ALEOs to complete

Competencies

Please give details of methods used to identify competencies required for Board members, with an explanation of how skills gaps are identified and addressed and how skills are kept up to date.
<i>Why is this requested?</i>
<i>There is an expectation that decisions on services delivered to the public will be taken by individuals with appropriate skills who will receive training as appropriate and who will receive regular refresher training to keep up to date with the changing environment of operations.</i>

ALEOs to complete

Board Composition

Does the composition of your Board reflect the variety of users of the services you are responsible for? Is gender balance an issue, are special interest groups or communities/users represented?

Why is this requested?

The Council is seeking reassurance that ALEO Boards are not liable to challenge over gender balance, and that the views of users in the community, particularly groups with protected characteristics, are taken into account.

ALEOs to complete

Council Officer Attendance

Are Council officers entitled to attend Board meetings and contribute or in an observer capacity?

Why is this requested?

ALEOs provide public services and your operations have an impact on the Council's Group Accounts and may have a potential impact on the Bond. The Council needs assured that officers can raise matters with the Board if this is necessary.

ALEOs to complete

Transparency of Decision Making

Are any Board decisions taken in public? Are agendas publically available, and are these issued in good time to allow for reports to be read and understood? Are Board members given option appraisals and full details of financial implications and risk when determining any matter?

Why is this requested?

Councils are under a statutory obligation to make as many reports as possible public, and to discuss and take decisions on those reports publicly. The Scottish Parliament has criticised the practice of ALEO Boards to discuss in private what would once have been matters open to the public and this area will be under greater public scrutiny in the coming years.

ALEOs to complete

RISK MANAGEMENT

ALEOs need to manage risks as part of their day to day operations and as part of forward planning and development. Aberdeen City Council bears some risk as a result of those decisions and requires assurance that ALEOs are managing their own risks appropriately.

The following requires to be completed/updated and submitted to ACC as requested prior to each Assurance Hub Meeting.

Risk Strategy or Policy

Please provide a copy of your risk policy document unless it has been provided to the Hub within the last 12 months.

Why is this requested?

It is important that the Council understands your approach to risk management. For example, the level of risk you are prepared to tolerate as an organisation within different categories of risk.

ALEOs to complete

Top ten risks

Please detail your top 10 risks as stated on your risk register.

Why is this requested?

We need to know that you have a proper understanding of the risks facing your organisation within the context of the current and future operating environments. Your top most significant risks will give us a picture of the pressures and challenges you face and how these are being addressed.

ALEOs to complete

Risk Controls (mitigation)

Are controls (mitigation) being properly applied to your top risks?

Why is this requested?

We need to know how effective your risk controls are. For example, if you need to roll-out training for something, how is this progressing? Controls become effective when actions needed to address them are completed. We need evidence that these actions are being completed

ALEOs to complete

Business Continuity

What arrangements are in place to ensure business can resume quickly following disruption of service?

Why is this requested?

Your organisation provides public services. In times of disruption, due to natural or unnatural events which disrupt the delivery of service, what arrangements are in place to mitigate the effects of disruption and to resume effective service operations as quickly as possible?

ALEOs to complete

Risk Assurance

What assurance is in place that risk management is effective?

Why is this requested?

Assurance is the process by which the board will be confident that their risks are being adequately controlled. For example, how frequently is the risk register reviewed and reported to the board? How frequently does internal and external audit activity take place to provide assurance on the effectiveness of risk controls? What independent or third party assessment is received by the board to provide assurance about the effectiveness of risk management activity?

ALEOs to complete

FINANCE

The Hub shall provide oversight of ALEOs financial governance, financial management and accounting practices and financial performance to ensure compliance with the Following the Public Pound guidance.

Sound financial management and transparency of financial decision making are important for the Boards of ALEOs. ALEO's form part of the Aberdeen City Council Group and as such their financial performance is reported as part of the Council's Group accounts. Furthermore, it is the intention that ALEO's financial performance will be included in the Council's quarterly financial reporting as part of its Bond governance framework.

The following requires to be completed/updated and submitted to ACC as requested prior to each Assurance Hub Meeting.

Financial Reporting

1. Please provide a copy of the latest set of management accounts that have been considered by your Board.

Why is this requested?

It is important that the Council understands your current financial position and is able to be assured by the robustness of financial reporting at Board level.

ALEOs to complete

2. Please provide a copy of the latest set of published audited accounts if they have not previously been presented to the Hub.

Why is this requested?

It is important that the Council understands your current financial position and is able to be assured by the reporting of audited accounts.

ALEOs to complete

Financial Management

1. Are there financial procedures and a scheme of delegation in place that sets out the relevant features for financial control? Have these documents been reviewed by the Board within the last 12 months?

Please provide a copy of your financial procedures and scheme of delegation unless they have been provided to the Hub within the last 12 months.

Why is this requested?

Having clearly documented procedures and an approved scheme of delegation provides a sound basis for financial governance and we need to know that you have these procedures and schemes in place and review them on a regular basis. The Council will be assured by the robustness of such processes.

ALEOs to complete

2. Do Board papers give due consideration to the financial and other implications of decisions, e.g. do all reports have a 'Financial Implications' section?

Please provide relevant documentary evidence to confirm the above unless such has been provided to the Hub within the last 12 months.

Why is this requested?

Clearly highlighting the financial implications of Board decisions within Board reports is an essential pre-requisite for transparent and good financial management practises and The Council will be assured by the robustness of such processes.

ALEOs to complete

<p>3. Is there regular and detailed discussion on financial performance at management and Board level? Please provide relevant documentary evidence to confirm the above unless such has been provided to the Hub within the last 12 months.</p>
<p><i>Why is this requested?</i></p> <p><i>Having discussion and challenge between Board members and the management team around financial performance and the scrutiny thereon demonstrates effective financial management of the organisation. The Council will be assured by the robustness of such processes.</i></p>
<p>ALEOs to complete</p>

<p>Business Planning</p>
<p>Please provide a copy of your business plan document unless it has been provided to the Hub within the last 12 months. Does the business plan document the financial risks, and do these include potential reductions in core funding from the Council?</p>
<p><i>Why is this requested?</i></p> <p><i>Forward planning and recognition of risks as part of that planning is an essential characteristic of effective financial management and sight of the business plan will provide assurance on the robustness of those processes.</i></p>
<p>ALEOs to complete</p>

Internal Audit

Do you have an agreed internal audit programme of work that has not previously been provided to the Hub?

Has any internal audit work been completed during the review period and have management accepted the recommendations?

Have management implemented high risk recommendations within agreed timescales?

Has the Board reviewed and sought suitable assurances about matters and recommendations from internal audit including ensuring recommendations are implemented?

Please provide relevant documentary evidence to confirm the above.

Why is this requested?

It is important that the Council is able to be assured that internal audit work in relation to the performance of its ALEOs is carried out and that agreed audit recommendations are acted upon in a timeous manner. The Council will be assured by the robustness of the processes for the ALEO Board to consider such reports.

ALEOs to complete

External Audit

Has the External Auditor reported to the Board during the review period and have management accepted any recommendations?

If the annual accounts were reported to the Board in this period were there any audit adjustments and was a clean audit certificate issued?

Has the Board considered any outstanding audit improvement actions in the review period?

Please provide relevant documentary evidence to confirm the above.

Why is this requested?

It is important that the Council is able to be assured that external audit recommendations are considered by the Board and acted upon in a timeous manner. The Council will be assured by the robustness of the processes for the ALEO Board to consider such reports.

ALEOs to complete

Assurance Standard and Risk

In order to ensure proper and robust review of how Governance, Risk Management and Financial Management is approached within your organisation, your responses will be reviewed and provided a risk rating which directly reflects the level of comfort that the Assurance Hub has in the organisation's approach to these areas. Standards and risk ratings are given as detailed below:

Assurance Standard	Risk Rating
Unambiguous responses demonstrating clear understanding and comprehensive ability to fulfil ACC requirements, giving full detail as how these are achieved.	Very Low
Responses provide evidence of good understanding and compliance although limited detail provided for some areas.	Low
Responses provide some indication of understanding and compliance.	Medium
Minimal or poor responses providing little evidence of understanding or compliance.	High
Nil or inadequate responses with little or no understanding of requirement or evidence of compliance.	Very High

Sport Aberdeen

Sector	Sport and Leisure
Level of ACC Control/Influence	ACC is the sole guarantor of the company
ACC Funding 2017-18	£5,458,903
Service Designate	Education and Children's Services

The Hub requested assurance in the following areas:-

1. Governance Assurance Received

- 1.1 Recent changes made to Constitutional Documents – Sport Aberdeen (SA)** confirmed that there had been a minor alteration to the Company's Articles of Association to enable a further two trustees to be appointed to the Board. This alteration was approved by the Finance, Policy and Resources Committee on 19 April 2016.
- 1.2 Methods used to review Board competencies and identify skills gaps –** SA advised that the selection of Board members was determined by two different processes. The first was driven by the Board who would pinpoint a skills gap and conduct an open recruitment process to identify an individual based on role and skill specification. The second process rests with the Council's political groups who nominate a Councillor to serve as a Director. Sport Aberdeen provided a recent Trustee recruitment advert which outlined role and person specification and a skills matrix of the Board excluding elected members.
- 1.3 Composition of the Board and gender representation –** SA explained that Board members are recruited based on their ability to meet the role specification criteria in order to recruit the best candidate. They provided an overview of their recruitment processes which encourages applicants from a wide cross section of society, and whilst SA recognise that women are underrepresented on the Board they do not consider they have gender balance issues and would welcome the recruitment of female directors when vacancies arise. They noted that in June 2017, the Council appointed three male Councillors to the Board. SA further advised that the Board is fully cognisant of its responsibilities as per the Equalities Act 2010 and are supportive of the Company's work in this area.

- 1.4 Council representation at Board meetings** – SA confirmed that Council officers had been and continue to be welcome to attend Board meetings in an observational capacity. They note that it's the Chairman's expectation that officers be of requisite seniority and have the necessary expertise in order to observe. The current Service Lead to SA is the Head of Policy, Performance and Resources within the Education and Children's Services Directorate.
- 1.5 Transparency of Board decision making** – SA confirmed that meetings are not publicly advertised but that if given good reason, the Board may be minded to allow members of the public to observe meetings. The Board has agreed that as an independent company it should take decisions in a closed environment due to commercial sensitivity. SA explained that details and papers from meetings are provided to the Council to ensure awareness of SA operations and governance. They advised that minutes and Board papers are available on request as part of their Model Publication Scheme under FOI legislation.

Governance Assessment – The Hub noted that SA's constitutional documents were up to date and SA had provided detailed information on the Board's skills matrix and welcomed that Council officers could attend Board meetings in an observational capacity. Officers further noted that SA, like all other City Council ALEOs held Board and Committee meetings in private to protect commercial interests and consider confidential business; however the Hub agreed that providing public access to Board meetings should be considered by ALEOs during the ongoing review of SLAs. Overall the Hub found SA governance arrangements to be **very low risk**.

2 Risk Management Assurance Received

- 2.1 Risk management strategy or policy** – SA presented their Risk Management Strategy and Strategic Risk Register for the Hub's consideration.
- 2.2 Maintenance of risk register and identification of biggest risks** - SA noted that their risk register was reviewed monthly by the Director of Business Development and then by the Senior Management Team before being reported to the Corporate Governance Committee on a bi-monthly basis. The possible implications of the Barclay Review on non-domestic rate relief was scored as SA's biggest risk.
- 2.3 Mitigation of risk** – SA documented the control measures which aimed to reduce, mitigate or manage the level of risk for each risk on their register. SA advised that a number of risks were not within the control of SA, such as risks

relating to annual grant settlements and contract negotiations with the Council.

2.4 Business continuity planning – SA explained that they had developed a detailed Business Continuity Plan for headquarter operations which covered areas such as Finance, HR, ICT and operational service delivery. The plan had identified business critical functions and minimum levels of service and considered business interruption caused by:-

- Loss of access to workplace
- Loss of access to work systems such as ICT and communications
- Loss of access to staff and other resource

The plan set out detailed arrangements that would be taken in each case.

In terms of venue based operations, the business continuity arrangements are covered in site-specific emergency action plans and include plans for managing eventualities such as:-

- Disorderly behaviour
- Outbreak of fire
- Serious injury
- Bomb threats

SA confirmed that business continuity arrangements are tested monthly for every relevant member of staff as part of nationally required competency based training and testing.

2.5 How the Board receives assurance on the organisation's management of risk – SA reiterated that their risk register was a live document and continually reviewed by the Senior Management Team and formally reviewed by the Corporate Governance Committee on a bi-annual basis. SA noted that further assurance on risk management was provided by internal and external auditors and an agreed audit plan was in place for 2017-18 which would cover:-

- Cash handling
- Staff performance and training and development
- Business Continuity Management
- Programme Management and Partnerships

Risk Management Assessment – The Hub agreed that SA had provided comprehensive assurance on risk management arrangements and noted that their Risk Strategy was robust and resembled the Council's approach. The risk register was in an appropriate format and clear evidence had been provided that it was treated as a living document. The Hub welcomed the prominence of the Barclay Review and the care and repair of ageing facilities as evidence of satisfactory risk

identification practice and officers agreed that risk controls were practical and realistic.

The Hub found SA's Business Continuity Plan to be comprehensive and subject to regular review and highlighted that they may wish to look at civil contingency planning at a future meeting. Overall the Hub found SA's risk management arrangements to be robust and clear plans and processes were in place to mitigate risk and escalate risk to the Board. The Hub assessed SA's risk management arrangements to be **very low risk**.

3 Financial Management Assurance Received

- 3.1 Quarterly management trading accounts** – SA provided a copy of their latest management trading accounts which had been presented to the SA Board.
- 3.2 Annual audited accounts** - SA provided a copy of their annual audited accounts prepared by Johnston Carmichael LLP which had been presented to SA's AGM on 13 September 2017.
- 3.3 Financial procedures and scheme of delegation** – SA provided copies of their Financial Procedures and Scheme of Delegation which were reported to the Corporate Governance Committee on an intermittent basis.
- 3.4 Discussion of financial management and performance at Board level** – SA confirmed that their Board report template includes a Financial Implications section to inform decision making and SA provided a copy of their business report template as well as a sample standing agenda for the Corporate Governance Committee. SA advised that financial management was a standing item on the Corporate Governance Committee on a bi-monthly basis and was presented to the Board quarterly.
- 3.5 Business Planning** – SA advised that the Business Plan is a rolling three year plan that is updated annually and was last presented to Council officers in February 2017. SA added that the plan takes account of potential reductions in core funding from the Council and revisions are made by SA following Council budget meetings.
- 3.6 Internal Audit** – SA confirmed that it had retained an independent internal auditor and they had been assisting SA in the development of a three year Audit Needs Assessment on all aspects of company business. SA provided copies of 2016-17 internal audit reports.
- 3.7 External Audit** - SA highlighted that for the seventh consecutive year the company had received a clean audit certificate and no adjustments had been

made to draft accounts by Johnston Carmichael LLP. SA noted that their Annual Management Letter included three points: two recommendations which had been accepted; and accounting guidance that had been agreed.

Financial Management Assessment – The Hub was satisfied that SA accounts had been presented in a suitable format and found no significant risk relating to cash flow; reserves or the manageability of pension fund deficits. Officers agreed that SA's Financial procedure and Scheme of Delegation were extensive and of good quality. SA had provided clear evidence that the Board considered financial implications when making decisions at meetings through the provision of the Board Report Template and minutes.

The Hub was also satisfied that business planning had taken account of possible reductions in core funding and noted that at future meetings they may request further detail on high level business assumptions over a three year period to take account of staff pay awards. Officers agreed that SA's internal audit arrangements were robust as they had commissioned an independent internal auditor that had prepared an Internal Audit Needs Assessment. The Hub received further assurance from SA as they had been issued a clean audit certificate from their external auditors. Overall the Hub assessed SA's financial management arrangements to be **low risk**.

- 4 Future Oversight Arrangements** – The Hub took the view that SA had presented assurance that provided unambiguous responses that demonstrated clear understanding and comprehensive ability to fulfil ACC requirements and provided full detail on how these were achieved. The Hub also considered the level of annual funding SA received from the Council; the Council's position as sole guarantor of the company; and SA's position within Group accounts. Following which, the Hub agreed that SA was **very low risk** to the Council and would request that they report to the Hub on a six monthly basis.

Assurance Standard	Risk Rating
Unambiguous responses demonstrating clear understanding and comprehensive ability to fulfil ACC requirements, giving full detail as how these are achieved.	Very Low
Responses provide evidence of good understanding and compliance although limited detail provided for some areas.	Low
Responses provide some indication of understanding and compliance.	Medium
Minimal or poor responses providing little evidence of understanding or compliance.	High
Nil or inadequate responses with little or no understanding of requirement or evidence of compliance.	Very High

Aberdeen Sports Village

Sector	Sport and Leisure
Level of ACC Control/Influence	50% Joint Venture with the University of Aberdeen
ACC Funding 2017-18	£1.013m
Service Designate	Education and Children's Services

The Hub requested assurance in the following areas:-

1. Governance Assurance

- 1.1 Recent changes made to Constitutional Documents – Aberdeen Sports Village (ASV)** confirmed that no changes had been made to their constitutional documents in the last 12 months.
- 1.2 Methods used to review Board competencies and identify skills gaps –** ASV provided a copy of the Board Skills Matrix which was reviewed annually and a copy of a letter sent to the Council dated December 2016 which proposed to reduce the number of University and Council appointed Directors from four to two members in order to accommodate Directors with expertise in business development and professional sport.
- 1.3 Composition of the Board and gender representation–** ASV advised that Board composition was set out in the Joint Venture Agreement and consists of eight members: four appointments from both the Council and the University. ASV noted that the Board currently comprised four men, two women and two vacancies, with each Partner having three in place.
- 1.4 Council representation at Board meetings –** ASV advised that Council officers were not entitled to observe Board meetings as per the requirements of the Joint Venture Agreement. ASV highlighted that Council and University officers were entitled and encouraged to attend quarterly Joint Partnership meetings with senior officers from ASV.
- 1.5 Transparency of Board decision making –** ASV explained that Board meetings and papers were not accessible to the public and noted that the Board pack was shared with Council officers after each meeting.

Governance Assessment – The Hub noted with interest ASV’s proposal to reduce the number of Council directors from four to two in order to accommodate directors with desirable expertise; and were advised by the ASV’s Service Lead (Euan Couperwhite, Head of Policy, Performance and Resources) that they had intimated their intention to recruit more women to the Board which the Hub welcomed.

The Hub noted that ASV did not allow Council officers to attend ASV Board meetings and although they recognised that this was a provision with the Joint Venture Agreement, officers took the view that as a major shareholder in the company, the Council should be able to be represented at Board meetings where appropriate to ensure its interests were being considered. The Hub appreciated that City Councillors appointed to the Board served in the capacity as ASV Directors and not Councillors representing Aberdeen City Council. Based on the assurance provided, the Hub assessed ASV’s governance arrangements to be **low risk**.

2. Risk Management Assurance

2.1 Risk management strategy or policy – ASV provided a copy of their Risk Identification, Prompt List and Categories document.

2.2 Maintenance of risk register and identification of biggest risks - ASV provided a copy of their risk register and appended a presentation that was made to the Board in September 2017 which outlined a changing approach to risk by the company including revised categorisation and levels of responsibility for risk management. Amongst the highest risks to the company were possible reductions in core funding and unavailability of capital funding for further investment.

2.3 Mitigation of risk – ASV provided a copy of their risk register and risk identification document which outlined the controls and ownership in place to mitigate risk. ASV noted that audit and risk is a standing item at Board meetings and members are requested to input, challenge and scrutinise the risk register and control measures. ASV added that a revised approach to risk management was agreed at the September 2017 Board meeting to strengthen these arrangements.

2.4 Business continuity planning – ASV confirmed that they had developed a business continuity policy but did not present the policy to the Hub to provide additional assurance.

2.5 How the Board receives assurance on the organisation’s management of risk – ASV have taken steps recently to provide additional assurance to the Board on its management of risk. They highlighted that a new approach to risk

was outlined at the Board meeting in September 2017 and the risk register would now be presented to the Board for scrutiny on a quarterly rather than annual basis.

Risk Management Assessment – The Hub noted that ASV were introducing a revised risk management framework which would include quarterly reporting of the risk register to the Board which was welcomed as good practice. The Hub was assured that ASV had strong risk identification measures in place and items the Hub expected to see such as the implications of the Barclay Review; the economic downturn; and health and safety were listed prominently in the risk register.

The Hub agreed that they would request further detail on the development of controls to mitigate risk; the risk scoring process; and the business continuity planning at its next meeting but otherwise was satisfied that ASV were moving in the right direction and based on the assurance provided, assessed risk management to be **low risk**.

3. Financial Management Assurance

3.1 Quarterly management trading accounts – ASV provided a copy of their latest quarterly management trading accounts which had been presented to the Board in September 2017.

3.2 Annual audited accounts - ASV provided a copy of their 2015-16 audited accounts as their 2016-17 annual accounts were in the process of being audited and no issues had been identified thus far. The Hub noted that ASV's financial year mirrored the University's academic year and this accounted for the 2016-17 audited accounts not being available.

3.3 Financial procedures and scheme of delegation – ASV provided a copy of their Financial Regulations which had been revised in October 2016.

3.4 Discussion of financial management and performance at Board level – ASV advised that depending on the relevancy of the Board report, the Board would be made aware of financial implications and associated risks; and provided options appraisals and business cases for consideration. ASV confirmed that financial performance of the company was a standing item at Board meetings.

3.5 Business Planning – ASV provided an update on business planning for 2017-18 which had been presented to the Board on 9 June 2017. The report set out financial performance and challenges; as well as forecasting and

assumptions. ASV explained that a re-forecast would be prepared in January 2018 to gauge the out-turn to 31 July 2018.

3.6 Internal Audit – ASV advised that a three year internal audit programme had been agreed at the ASV Board meeting in September 2017 and Management would update the Board on progress and timelines at each meeting.

3.7 External Audit - ASV explained that annual accounts for 2015-16 had been prepared by KPMG and a clean audit certificate had been provided. The 2016-17 accounts were currently being audited by KPMG and would be presented to the Board in December 2017. ASV highlighted that no issues had been reported on 2016-17 accounts to date. Subsequent to the meeting, ASV confirmed that the audit clearance meeting had been held with KPMG and no issues had been noted.

Financial Management Assessment – The Hub agreed that ASV’s management trading accounts were presented appropriately with performance on forecast and actual position included. Subsequent to the meeting, ASV has also stated that the regular Board reports would also compare performance against the budget. The Hub appreciated that the 2016-17 accounts were still being audited due to ASV’s alignment with the University’s academic year and welcomed the assurance provided that no issues with regards to current accounts had been identified thus far.

The Hub agreed that ASV’s set of financial regulations were robust having been reviewed in October 2016 but would like further assurance on how financial implications were reported to the Board and additional detail on business planning. The Hub noted that a three year internal audit programme had been agreed and would like to review a sample of internal audit reports to provide assurance in this area. The Hub further noted that ASV had received a clean audit certificate for 2015-16 accounts from KPMG and agreed to request audit recommendations and management responses for 2016-17 accounts after they had been presented to the Board.

Overall the Hub agreed that there were additional documents which ASV should be in a position to present to the Hub to provide the necessary assurance at a future meeting. Taking the assurance provided as a whole into account, the Hub assessed ASV’s financial management to be **low risk** as they had provided evidence that robust processes were in place and had submitted documentation of good quality. Subsequent to the meeting, some of the documentation referred to above was submitted by ASV.

4. Future Oversight Arrangements- The Hub agreed that ASV had presented assurance which provided evidence of good understanding and compliance

although further detail on finance and risk management would be requested at future meetings to provide additional assurance to the Committee. The Hub also considered the level of annual funding ASV received from Aberdeen City Council; the Council's 50% share in the company with the University of Aberdeen; and ASV's position within Group Accounts and agreed that ASV was **low risk** to the Council. The Hub will request that ASV report to the Hub's next meeting in February 2018.

Assurance Standard	Risk Rating
Unambiguous responses demonstrating clear understanding and comprehensive ability to fulfil ACC requirements, giving full detail as how these are achieved.	Very Low
Responses provide evidence of good understanding and compliance although limited detail provided for some areas.	Low
Responses provide some indication of understanding and compliance.	Medium
Minimal or poor responses providing little evidence of understanding or compliance.	High
Nil or inadequate responses with little or no understanding of requirement or evidence of compliance.	Very High

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Bon Accord Care

Sector	Health and Social Care
Level of ACC Control/Influence	ACC is the sole shareholder of both Bon Accord Care Ltd and Bon Accord Support Services Ltd
ACC Funding 2017-18	£26.3m
Service Designate	Aberdeen City Health and Social Care Partnership

The Hub requested assurance in the following areas:-

1. Governance Assurance Received

1.1 Recent changes made to Constitutional Documents – Bon Accord Care (BAC) confirmed that no constitutional changes had been made in the past 12 months.

1.2 Methods used to review Board competencies and identify skills gaps - Membership of the BAC Board has remained the same since inception. A training plan is currently under development which will cover:-

- Finance
- Social Care
- Occupational Therapy and service delivery
- Social Housing and Local Government
- Independent Boards
- Operating in the commercial sector
- Operating in the third sector
- Operating in the public sector

1.3 Composition of the Board and gender representation – The BAC Board is comprised of seven members: five men and two women.

1.4 Council representation at Board meetings – BAC advised that a Health and Social Care Partnership officer nominated by the Chief Finance Officer is eligible to attend BAC Board meetings and receive Board papers.

1.5 Transparency of Board decision making – Board meetings are not held in public and agendas are not publically available. BAC noted that information can be requested by the public through the accessibility section of their website.

Governance Assessment - The Hub noted that membership of the BAC Board had not changed since inception and BAC's Service Lead (Alex Stephen, Chief Finance Officer, ACHSCP) advised that the Board had an appropriate balance of local and professional members with the right mix of expertise. Based on the assurance provided, the Hub was satisfied that BAC's governance arrangements posed a **low risk** to the Council.

2. Risk Management Assurance Received

2.1 Risk management strategy or policy – BAC submitted a copy of their Risk Management Policy.

2.2 Maintenance of risk register and identification of biggest risks - BAC submitted their risk register as at 24 October 2017.

2.3 Mitigation of risk – BAC noted that the risk register outlined their approach towards the mitigation of risk and documented controls in place for each risk. BAC also attached a Board report to demonstrate how the Board would take account of risk implications.

2.4 Business continuity planning – BAC provided a copy of their Business Continuity Plan.

2.5 How the Board receives assurance on the organisation's management of risk – BAC advised that risk was a standing item on the Board agenda which the Managing Director reported on. BAC explained that a Risk Management Committee had been established which monitored the risk register and the company's management of risk. BAC confirmed that members of the Committee had a broad range of skills, knowledge and experience to scrutinise the management of risk and provide assurance to the Board.

Risk Management Assessment – The Hub noted that a risk strategy was in place which would provide a good framework for risk management but highlighted that further links should be made within the Strategy to items on the risk register. Following the meeting, BAC confirmed that PESTLE and SWOT analyses completed within the Strategic Plan were reflected within the Risk Register. Officers welcomed the development of a Business Continuity Plan and agreed to request further detail on testing and how it would work in practice at a future meeting.

Overall the Hub agreed that BAC was moving in the right direction and therefore assessed BAC to be **low risk** in this area.

3. Financial Management Assurance Received

- 3.1 Quarterly management trading accounts** – BAC provided a copy of their latest Management Trading Accounts which had been presented to the BAC Board.
- 3.2 Annual audited accounts** - BAC provided a copy of their annual audited accounts and letter of representation which had been prepared by Johnston Carmichael LLP.
- 3.3 Financial procedures and scheme of delegation** – BAC provided a copy of their Financial Procedures policy.
- 3.4 Discussion of financial management and performance at Board level** – BAC provided copies of Board papers and minutes which outlined the process they had adopted for informing the Board of risk and how financial implications were taken into account to inform decision making.
- 3.5 Business Planning** – BAC provided a copy of their Strategic Plan.
- 3.6 Internal Audit** – BAC adhere to the International Organisation for Standardisation ISO9001 processes for their internal audit function. These processes are based on seven quality management principles which are:-
- Customer focus
 - Leadership
 - Engagement of people
 - Process approach
 - Improvement
 - Evidence based decision making
 - Relationship management
- 3.7 External Audit** - BAC's external auditors are Johnston Carmichael LLP and they audit their annual accounts. BAC are also monitored externally by industry regulators such as the Care Inspectorate; and by bodies such as the Scottish Fire and Rescue Service and the Environmental Health Officer.

Financial Management Assessment – The Hub agreed that management trading accounts and audited annual accounts were in a satisfactory format and noted that the negative reserves position was due entirely to the pension fund IFRS adjustments, and that there was no cash flow issue. The Hub noted that BAC financial reports to the Board provided information on financial implications but recommended that all Board reports include a financial implications section with the Board Report Template to inform decision making. The Hub was satisfied that BAC's business planning had included plans to incorporate annual reductions in core funding.

Officers took account of an Internal Audit recommendation from 9 March 2016 that ALEOs should require to have an internal audit service in place and noted that BAC was in the process of applying for ISO9001 accreditation which accepted peer review as a satisfactory way of providing an internal audit function. The Hub also recognised that BAC was subject to extensive external audit; regulatory and inspection requirements. Following consideration, the Hub agreed that it would be prudent to request more information from BAC on how they conduct peer reviews as part of their internal audit arrangements and whether they had plans to develop an Internal Audit Needs Assessment which would adhere to best practice. Overall the Hub assessed BAC's financial management to be **low-medium risk**.

- 4. Future Oversight Arrangements** - The Hub took the view that BAC had presented assurance that provided evidence of good understanding and compliance although limited detail at this stage had been provided in areas of risk management and the internal audit arrangements. The Hub also considered the level of annual funding BAC received from the Council via the Aberdeen City Health and Social Care Partnership; the Council's position as the sole shareholder in the company; and BAC's position within Group Accounts. Following which, the Hub agreed that BAC was a **low-medium risk** to the Council and will request BAC to report to the Hub's next meeting February 2018. The Hub agreed to tailor its oversight at this meeting to receive further assurance on risk management and internal audit arrangements.

Assurance Standard	Risk Rating
Unambiguous responses demonstrating clear understanding and comprehensive ability to fulfil ACC requirements, giving full detail as how these are achieved.	Very Low
Responses provide evidence of good understanding and compliance although limited detail provided for some areas.	Low
Responses provide some indication of understanding and compliance.	Medium
Minimal or poor responses providing little evidence of understanding or compliance.	High
Nil or inadequate responses with little or no understanding of requirement or evidence of compliance.	Very High

Aberdeen Heat and Power

Sector	Combined Heat and Power
Level of ACC Control/Influence	ACC is the sole guarantor of the company
ACC Funding 2017-18	AHP receives grant funding on a project by project basis
Service Designate	Communities, Housing and Infrastructure

The Hub requested assurance in the following areas:-

1. Governance Assurance Received

1.1 Recent changes made to Constitutional Documents – Aberdeen Heat and Power (AHP) confirmed that no changes had been made to their constitutional documents in the last 12 months.

1.2 Methods used to review Board competencies and identify skills gaps - AHP provided a copy of their Director Appointments Procedure that provided an overview of how prospective external directors are assessed against a skills specification criteria and thereafter interviewed. AHP noted that elected members were nominated by Council to serve as Directors on the Board. AHP confirmed that all Board members undergo the same induction training.

1.3 Composition of the Board and gender representation– AHP confirmed that there was a gender balance on the Board and the Council had nominated one male and one female Councillor to serve on the Board in June 2017. AHP also highlighted that there were opportunities for community groups to be represented on the Board and noted that multi-storey community groups had previously been represented on the Board.

1.4 Council representation at Board meetings – AHP advised that nominated Council officers from Energy and Housing are welcome to attend Board and Developmental Sub Group meetings and are encouraged to actively participate in meetings.

1.5 Transparency of Board decision making – AHP confirmed that Board papers, meetings and minutes are not publicly accessible. AHP advised that to provide additional assurance to Council, all Board and sub-group papers are cascaded to relevant elected members and Council officers.

Governance Assessment – The Hub noted that AHP’s constitutional documents had not been amended over the previous 12 months and was satisfied with the process of how AHP identified skill and competency gaps amongst Board members and how new directors were recruited. The Hub particularly welcomed AHP’s openness to appoint community representatives to the Board as this would promote transparency. The Hub noted that meetings and papers were not accessible to the public for reasons of commercial sensitivity. Overall, based on the assurance provided, the Hub assessed AHP’s governance arrangements to be **very low risk**.

2. Risk Management Assurance Received

- 2.1 Risk management strategy or policy** – AHP provided a copy of their risk register which was treated as a living document and reviewed regularly by the Board and sub-groups. The register documented the controls in place to mitigate identified risks and used the RAG traffic light system.
- 2.2 Maintenance of risk register and identification of biggest risks** - AHP identified rising maintenance costs; utility interruption; security and safety of energy centres compromised; and personnel succession as the company’s biggest risks.
- 2.3 Mitigation of risk** – AHP reiterated that controls to mitigate risk had been included in their risk register and they provided the minute of their Policy and Operations Sub-Group from 26 September 2017 to evidence that risk and mitigation were fully discussed by the sub-group.
- 2.4 Business continuity planning** – AHP submitted a recently reviewed copy of their Business Continuity Plan.
- 2.5 How the Board receives assurance on the organisation’s management of risk** – AHP advised that the risk register was reviewed regularly by the Board and sub-groups and highlighted that internal audit processes were in place. AHP added that specialist external bodies had been commissioned to provide support on legal; financial; HR; health and safety; and technical issues. This specialist support provided guidance to management and the Board which informed decision making and helped to minimise risk to the company.

Risk Management Assessment – The Hub took the view that AHP’s approach towards risk management was comprehensive based on the assurance provided. The Hub found that the risk register was in a suitable format and a satisfactory approach towards risk identification had been adopted, with reasonable controls in place to mitigate risk. The Hub welcomed AHP’s provision of Board minutes to provide additional assurance that risk was satisfactorily considered at meetings.

Officers noted that AHP's risk register referred to the Council's bond issue as projects were financed from the Council's Housing Capital Programme and AHP's Service Lead (Mai Muhammad, Energy Manager) advised that AHP financed new equipment from Scottish Government loans and explained that some pieces of equipment cost in excess of £1m. The Hub noted that AHP and all other ALEOs were due to receive training on the Council's bond issue and this would help to mitigate risk in this area. The Hub also welcomed AHP's identification of risk in relation to disturbing underground pipes during works and it was an area the Hub may consider reviewing in greater detail at a future meeting to assess the level and likelihood of risk; as well as controls in place to mitigate risk. Overall, based on the assurance provided, AHP's risk management approach was assessed as **low risk**.

3. Financial Management Assurance Received

- 3.1 Quarterly management trading accounts –** AHP provided their management trading accounts as at August 2017.
- 3.2 Annual audited accounts -** AHP provided their audited annual accounts prepared by Anderson, Anderson and Brown LLP for AHP and its wholly owned subsidiary District Energy Aberdeen Limited.
- 3.3 Financial procedures and scheme of delegation –** AHP provided a copy of their financial procedures. AHP highlighted that there was a governance section within the financial procedures that set out delegated roles for the Development Sub-Group in relation to capital projects and the Policy and Operations Sub-Group for financials controls; whilst noting that overall responsibility for financial management and governance rested with the AHP Board.
- 3.4 Discussion of financial management and performance at Board level –** AHP advised that all reports to the Board take account of financial implications to inform decision making. AHP provided copies of recent minutes and reports to the Board on revisions to the Business Plan and Budget to provide additional assurance on how the Board exercised financial control over the company and how it considered financial implications and risk. AHP explained that management trading accounts were presented on a monthly basis to the Policy and Operations Sub-Group and was a standing item on Board agendas.
- 3.5 Business Planning –** AHP had provided a copy of their Five Year Business Plan and noted that it was a living document in which updates on risk and financial projections were regularly reported to sub-groups and the Board.

3.6 Internal Audit – AHP provided copies of its 2016-17 internal audit outcomes and its 2017-18 internal audit plan. AHP explained that as per their financial procedures, the Policy and Operations Sub-Group had delegated responsibility for the internal audit function and confirmed that all 2016-17 internal audit recommendations had been implemented timeously.

3.7 External Audit - AHP provided copies of their audited annual accounts prepared by Anderson, Anderson and Brown (AA&B) LLP and a copy of the report AA&B prepared for the Board which issued AHP and DEAL with clean audit certificates. AHP advised that no recommendations for improvement had been made by AA&B for either AHP or DEAL accounts.

Financial Management Assessment – The Hub assessed AHP’s management trading accounts and audited annual accounts to be satisfactory and agreed to request further information on reserves policy at a future Hub meeting. The Hub was assured that day to day financial procedures were reviewed on a regular basis as AHP had provided a recently reviewed copy of their Financial Procedures but officers agreed to request additional information on whether AHP had an overarching set of financial regulations and if they had an approved scheme of delegation.

The Hub noted that AHP had previously submitted its five year business plan to the Governance Hub and agreed to request an update on business planning and whether targets set out in the Business Plan were being met at a future meeting. The Hub also agreed to request copies of recent internal audit reports to provide additional assurance in this area. Overall, based on the assurance provided, AHP’s financial management was assessed as **low-medium risk**.

4. Future Oversight Arrangements - The Hub found that AHP had presented assurance that provided evidence of good understanding and compliance although further detail would be requested at a future meeting on items such as AHP’s reserves policy; business planning; and internal audit arrangements. The Hub also took into account the level of funding that had been provided to AHP on a project by project basis by the Council; and the Council’s position as the sole guarantor of the company. Overall, the Hub assessed AHP to be **low risk** to the Council and will request that AHP report to the Hub’s next meeting in February 2018 which would focus on items such as reserves policy; business planning; and internal audit arrangements to provide further assurance to the Committee.

Assurance Standard	Risk Rating
Unambiguous responses demonstrating clear understanding and comprehensive ability to fulfil ACC requirements, giving full detail as how these are achieved.	Very Low
Responses provide evidence of good understanding and compliance although limited detail provided for some areas.	Low
Responses provide some indication of understanding and compliance.	Medium
Minimal or poor responses providing little evidence of understanding or compliance.	High
Nil or inadequate responses with little or no understanding of requirement or evidence of compliance.	Very High

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Aberdeen Performing Arts

Sector	Arts, Theatre and Culture
Level of ACC Control/Influence	ACC is one of 13 subscriber guarantors of the company
ACC Funding 2017-18	£0.975m
Service Designate	Education and Children's Services

The Hub requested assurance in the following areas:-

1. Governance Assurance Received

- 1.1 Recent changes made to Constitutional Documents – Aberdeen Performing Arts (APA) confirmed that no changes had been made to constitutional documents in the last 12 months.**
- 1.2 Methods used to review Board competencies and identify skills gaps -** APA advised that they had developed a Board recruitment procedure and they provided training to maintain and develop Board competency as required. APA added that an evaluation of Board skills and competencies took place during an annual appraisal process.
- 1.3 Composition of the Board and gender representation –** APA explained that gender balance was not an issue on the Board. The Council nominated four female Councillors in June 2017 to serve as directors on the Board. APA highlighted that Board membership reflected the variety of APA service users but they would continue to seek a more diverse membership.
- 1.4 Council representation at Board meetings –** APA confirmed that Council officers are welcome to attend APA Board meetings.
- 1.5 Transparency of Board decision making –** APA confirmed that Board papers, meetings and minutes are not publicly accessible. APA advised that they operate and govern themselves as a registered charity and are seeking a legal definition of an ALEO.

Governance Assessment – The Hub was satisfied with APA's governance arrangements and welcomed APA's efforts to broaden the profile of Board membership to include young people and those with additional needs. APA's Service Lead (Fiona Clark, Acting Culture Service Manager) advised that APA may wish to

reduce the number of Council Directors from four to three members to accommodate members with specialist expertise and/or representation from equalities groups. The Hub noted that this would be subject to discussion, along with APA's status as an ALEO during the ongoing review of service level agreements.

The Hub had no concerns about gender balance on the APA Board and was satisfied that Council officers could attend and actively participate in meetings as this provided assurance that Council interests were being represented in a meeting that was not accessible to the public. Taking all this into account, the Hub assessed APA's governance arrangements to be **low risk**.

2. Risk Management Assurance Received

2.1 Risk management strategy or policy – APA provided a copy of their risk register.

2.2 Maintenance of risk register and identification of biggest risks - APA identified the following as their biggest risks:-

- Reduction in public funding
- Poor governance
- Declining attendances
- Health and safety breaches
- Loss of trading revenue
- Loss of key personnel
- Deteriorating fabric of buildings
- Economic downturn
- Poor management

2.3 Mitigation of risk – APA provided a copy of their risk register from April 2017 which outlined the controls in place to mitigate and manage risk.

2.4 Business continuity planning – APA advised that draft Business Continuity Plan was currently being finalised and would be submitted to the Board In February 2018 for approval.

2.5 How the Board receives assurance on the organisation's management of risk – APA explained that the Board reviews the risk register bi-annually and external audit provides additional assurance by reviewing risk management arrangements on an annual basis.

Risk Management Assessment – The Hub noted that APA had submitted their risk register dated April 2017 and that an updated version would be considered in

October, but this version could not be sent until approved by the Board. Subsequent to the meeting, APA confirmed that a revised risk register was considered by two sub committees, on 30th October and 3rd November, at which three risks had been added, and that this would be sent to the Council following approval by the Board. The Hub noted that reductions in core funding from the Council and Creative Scotland; and declining attendances were APA's biggest risks and controls had been set out within the register to mitigate these risks. However officers would also have expected to see the implications of the Music Hall development to be prominently referenced in the register. APA confirmed after the meeting that the revised risk register referred to above now included the implications of the Barclay Review and two other risks and that the Music Hall development had its own risk register, which had not been requested by the Council.

The Hub noted that a Business Continuity Plan was currently being developed by APA but officers made reference to a previous Governance Hub minute from 10 May 2016 in which APA representatives had explained that business continuity planning would be developed by Management and the Board during 2016. With this being case, the Hub had expected to have been provided greater assurance on progress. Overall, based on the assurance provided, but particularly because of the delay in finalising the Business Continuity Plan, the Hub assessed APA's risk management arrangements to be **medium risk** to the Council.

3. Financial Management Assurance Received

3.1 Quarterly management trading accounts – APA provided a copy of their management trading accounts for the six months to 30 September 2017.

3.2 Annual audited accounts - APA provided a copy of their audited annual accounts for the financial year ending 31 March 2016. APA's Service Lead explained that the 2016-17 audited accounts would be presented to APA's AGM in November 2017.

3.3 Financial procedures and scheme of delegation – APA provided a copy of their financial procedures which had last been reviewed in 2015 and were scheduled for review in 2018. APA confirmed that there was no formal scheme of delegation from the Board to officers in place, but, following the meeting, explained that they believed that the arrangements were sufficient.

3.4 Discussion of financial management and performance at Board level – APA advised that the Finance Report was a standing item on APA Board agendas; and management trading accounts were reviewed by the Leadership Team on a monthly basis.

- 3.5 Business Planning** – APA advised that their Business Plan had been reviewed by the Education and Children’s Services Committee on 14 September 2017.
- 3.6 Internal Audit** – APA advised that they did not engage the ongoing services of one particular firm to carry out a rolling formal internal audit service as this could not be justified in terms of time and cost. APA further explained that there was no formal arrangement for determining internal audit priorities; their approach had been to carry out an interactive process involving the Board, Management and staff to identify potential audit areas and thereafter prepare a recommendation to the Board or relevant sub-committee. APA provided a list of recent and future internal audits and this included a health and safety audit; payroll audit and a Music Hall renovation project audit. APA provided a copy of their revised Health and Safety Policy to provide additional assurance that recommendations of the recent health and safety internal audit had been adopted.
- 3.7 External Audit** - APA advised that the annual audited accounts for 2016-17 had been audited by Scott-Moncrieff and they confirmed that no audit adjustments had been made and APA had been issued with a clean audit certificate. APA provided a copy of the Annual Management Report prepared by external audit to provide additional assurance in this area.

Financial Assessment – The Hub was satisfied that APA’s management trading accounts and audited annual accounts had been presented in an appropriate format. The Hub assessed APA’s financial regulations to be robust but would recommend that APA consider developing a formal scheme of delegation from the Board to officers to provide additional assurance on financial governance. The Hub appreciated that APA had presented their annual Business Plan to the Education and Children’s Services Committee on 14 September 2017 and that senior officers had made themselves available to answer questions from elected members on past performance and future plans.

The Hub noted that APA did not commission an ongoing internal audit service but did so on an as required basis following consultation with the Board, Management and staff. Officers welcomed APA’s provision of recently concluded, ongoing and scheduled internal audits and agreed that this may be an area that the Hub would request additional information on at a future meeting. The Hub also took note of APA’s clean audit certificate for their 2015-16 accounts and agreed to request that the 2016-17 accounts with External Auditor’s letter to Management be presented to the Hub’s next meeting. Overall, based on the assurance provided, the Hub assessed APA’s financial management to be **low risk**.

- 4. Future Oversight Arrangements** - The Hub took the view that APA had presented assurance that provided evidence of good understanding and compliance in terms of their governance arrangements and financial management; and assessed that their management of risk provided some indication of understanding and compliance but work was not finalised in relation to business continuity planning. The Hub also took into account the level of annual funding APA received from the Council; and the Council's position as one of thirteen subscriber guarantors of the organisation. Following which, the Hub assessed that APA was **low/medium risk** to the Council and will request APA to report further assurance on risk management to the Hub's next meeting in February 2018.

Assurance Standard	Risk Rating
Unambiguous responses demonstrating clear understanding and comprehensive ability to fulfil ACC requirements, giving full detail as how these are achieved.	Very Low
Responses provide evidence of good understanding and compliance although limited detail provided for some areas.	Low
Responses provide some indication of understanding and compliance.	Medium
Minimal or poor responses providing little evidence of understanding or compliance.	High
Nil or inadequate responses with little or no understanding of requirement or evidence of compliance.	Very High

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Garthdee Alpine Sports

Sector	Sport and Leisure
Level of ACC Control/Influence	ACC is a guarantor of the company and is represented on the Board along with four partner organisations
ACC Funding 2017-18	£255,361
Service Designate	Education and Children's Services

The Hub requested assurance in the following areas:-

1. Governance Assurance

1.1 Recent changes made to Constitutional Documents – Garthdee Alpine Sports (GAS) confirmed that no changes had been made to their constitutional documents within the last 12 months.

1.2 Methods used to review Board competencies and identify skills gaps - GAS provided a copy of a skills matrix which outlined competencies of Board members in a number of areas ranging from fundraising, knowledge of snowsports industry and health and safety.

1.3 Composition of the Board and gender representation – GAS advised that gender balance and representation of community groups had been considered by the Board and no problem had been identified.

1.4 Council representation at Board meetings – GAS identified the Council Board member but provided no information on whether Council officers had the right to attend meetings or receive Board papers.

1.5 Transparency of Board decision making – GAS advised that Board meetings and papers were not accessible to the public.

Governance Assessment – The Hub welcomed GAS's efforts to recruit community representatives onto the Board but identified areas of concern such as GAS providing no assurance that Council officers were entitled to attend Board meetings and no overview of Board composition or gender representation. The Hub noted that GAS was a tier 2 organisation with a very small number of full time staff who could provide administrative support and this may have had an impact on the level of detail that GAS had been able to provide. Based on the assurance provided, the Hub agreed that GAS's governance arrangements posed a **medium risk** to the Council.

2. Risk Management Assurance

- 2.1 Risk management strategy or policy** – GAS provided copies of their Risk Assessment of the Aberdeen Snowsports Centre; Task Risk Assessments; Health and Safety Policy Statement; and First Aid Need Risk Assessment.
- 2.2 Maintenance of risk register and identification of biggest risks** - GAS provided a copy of their business risk register which identified their biggest risks as (1) lack of raw materials for the snow slope; (2) employment dispute; (3) incident and accidents; (4) breach of disciplinary process; and (5) marketing and competition from other sports.
- 2.3 Mitigation of risk** – GAS provided a copy of their business risk register which outlined the controls, interventions and actions in place to mitigate identified risks.
- 2.4 Business continuity planning** – GAS did not provide a copy of the Business Continuity Plan but explained that their risk register and risk assessments highlighted appropriate business continuity planning.
- 2.5 How the Board receives assurance on the organisation’s management of risk** – GAS explained that their risk register and risk assessments set out reporting arrangements to the Board.

Risk Management Assessment – The Hub noted that a number of the risk documents provided were standard templates but did not provide sufficient detail of controls in place to mitigate risk. The Hub noted that most risk documents related to health and safety which was reasonable considering the nature of the business. Officers expected to have been provided assurance on PVG checks as GAS worked with children and young people on a regular basis. Subsequent to the meeting, GAS confirmed that a PVG check is undertaken on each employee prior to appointment and certificates awaited prior to appointment. This was audited as part of an annual assessment of the company by Snowsports Scotland. In addition, annual reviews of the lifts and equipment were undertaken by a specialist contractor as a requirement of the company’s insurance cover.

The Hub noted that risk identification was not as robust as it could have been and had expected to see greater detail in relation to safety arrangements and the potential for legal challenge following any incident. The Hub did not receive assurance on business continuity planning. Officers took the view that GAS’s lack of capacity had impacted on the level of detail within their submission.

The Hub was concerned that there may be a lack of expertise in formal risk management within GAS to enable the company to provide assurance to the Council

and based on the assurance provided, assessed GAS to be **medium-high risk** in this area.

3. Financial Management Assurance

3.1 Quarterly management trading accounts – GAS provided a copy of a Finance Report with quarterly accounts which were presented to the GAS Board in August 2017.

3.2 Annual audited accounts - GAS presented a copy of their 2015-16 audited annual accounts prepared by Hall Morrice LLP. GAS confirmed that 2016-17 annual accounts were currently being audited.

3.3 Financial procedures and scheme of delegation – GAS submitted no financial procedures or scheme of delegation from the Board to officers.

3.4 Discussion of financial management and performance at Board level – GAS provided copies of agendas and minutes from Board meetings of 31 May and 31 August 2017 to provide assurance that financial management, performance and implications were being considered by the Board.

3.5 Business Planning – GAS advised that no updates had been made to their Business Plan since it had been presented to the Education and Children's Services Committee on 8 September 2016.

3.6 Internal Audit – GAS provided a copy of an internal audit report prepared by Aberdeen City Council's internal auditors.

3.7 External Audit - GAS confirmed that 2016-17 annual accounts were currently being audited.

Financial Management Assessment – The Hub agreed that management trading accounts were in an acceptable format but would suggest that additional assurance would be provided if the report also included the full year budget and a forecast out-turn for the year to demonstrate if the budget position was likely to be achieved. Officers had also expected to have been provided with a copy of the External Audit Management report which would outline audit recommendations for improvement, the Management response and the report thereon to the Board. The Hub noted that 2016-17 annual accounts were currently being audited and would request to see these accounts at its next meeting. The Hub did not receive assurance on the development of financial procedures or a standard board report template which would cover financial implications as these had not been provided within the submission. (GAS has submitted additional documentation following the meeting).

Officers noted that GAS's Strategic Business Plan had been presented to the Education and Children's Services Committee on 8 September 2016 and further noted that the Council's internal auditors had been auditing GAS during 2017 and a report on their findings had been presented to the Audit, Risk and Scrutiny Committee on 26 September 2017 and would also be submitted to the Education and Children's Services Committee on 16 November 2017. Based on the assurance provided, the Hub assessed GAS to be **medium risk** in terms of financial management.

4. Future Oversight Arrangements

The Hub took the view that GAS had provided assurance that indicated some understanding and compliance but there were a number of significant areas particularly within risk and financial management in which the Hub would need to receive further assurance in order to provide the requisite level of comfort to the Audit, Risk and Scrutiny Committee.

The Hub agreed that during the next cycle, additional documentation would be requested to support statements made within the exception reports. The Hub acknowledged that GAS was a small company with a limited number of full time administrative staff and based on the information provided the Hub took the view that a lack of resource and capacity particularly over school holiday periods had contributed towards the provision of information that did not allow the Hub to be fully assured of their governance arrangements during this cycle. The Hub took account of GAS's status as a tier 2 ALEO; the level of annual funding it received from the Council; and the Council's position as a guarantor of the company and assessed GAS to be **medium risk** to the Council. The Hub will request GAS to report further assurance to the Hub's next meeting in February 2018.

Assurance Standard	Risk Rating
Unambiguous responses demonstrating clear understanding and comprehensive ability to fulfil ACC requirements, giving full detail as how these are achieved.	Very Low
Responses provide evidence of good understanding and compliance although limited detail provided for some areas.	Low
Responses provide some indication of understanding and compliance.	Medium
Minimal or poor responses providing little evidence of understanding or compliance.	High

Nil or inadequate responses with little or no understanding of requirement or evidence of compliance.

Very High

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