

## ABERDEEN CITY COUNCIL

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COMMITTEE: Education, Culture & Sport  
DATE: 30 January 2014  
DIRECTOR: Gayle Gorman  
TITLE OF REPORT: Sport Aberdeen – Audit Report  
REPORT NUMBER: ECS/14/009

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### 1. PURPOSE OF REPORT

The Council's Urgent Business Committee considered a report by the Director of Education, Culture and Sport on 11 July which highlighted a number of issues in regard to Sport Aberdeen, its business plan and performance reporting.

Amongst other things, the Committee instructed: "internal audit to undertake an immediate comprehensive audit of Sport Aberdeen covering:- governance, scrutiny processes, financial systems and processes, adherence to the funding and services agreement, staffing arrangements and other appropriate audit areas"; and "officers to report back to an appropriate committee on the outcome of the audit and performance reports", subject to this being submitted to the Education, Culture and Sport Committee in the first instance and the Audit and Risk Committee thereafter.

This report brings to the attention of the Education, Culture and Sport Committee the outcome of the internal audit review.

### 2. RECOMMENDATION(S)

It is recommended that the Committee:

- Note the content of the internal audit report.

### 3. FINANCIAL IMPLICATIONS

The level of financial support from Aberdeen City Council to Sport Aberdeen in 2013/14 was £5,423,116. The usual manner for disbursing this funding is quarterly in advance.

The internal audit report identifies a number of risks associated with the management of these public funds and makes recommendations for a range of improvements.

This report also links to the Council's Following the Public Pound Guidance.

#### **4. OTHER IMPLICATIONS**

##### Legal Implications

The relationship between Aberdeen City Council and Sport Aberdeen is governed through a range of legal documents. These documents cover the roles and responsibilities of each organisation.

The audit reaffirms a previous audit agreed action (Audit and Risk 4 June 2013) that "Management will ensure that in revising the specification of services, the deliverable outcomes required are stated in such a way that they are specific, measurable, attainable and time-bounded (SMART).

#### **5. BACKGROUND/MAIN ISSUES**

##### **5.1 Sport Aberdeen**

Sport Aberdeen was set up in 2010, to deliver some of the Council's sports facilities and sports development services. Sport Aberdeen is wholly owned by the Council, and is run by a Board of Directors. Sport Aberdeen is core funded by the Council, and therefore needs to meet the conditions attached to the grant funding (as set out in the funding agreement) and the arrangement between Sport Aberdeen and the Aberdeen City Council falls under the remit of the Council's Following the Public Pound Guidance.

##### **5.2 Background to Internal Audit**

In March 2013, the Council's Culture and Sport Sub Committee considered a report which advised members that Sport Aberdeen had an outstanding requirement relating to the Funding and Service Provision Agreement with the Council, the Council's Local Code of Practice for the Funding of External Bodies, and Following the Public Pound. The report highlighted the fact that non-compliance had resulted in officers not having authority to authorise the first quarterly grant payment for 2013/14. The Sub Committee resolved to

- (i) agree to provide additional time for Sport Aberdeen to produce its business plan for 2013/14; the additional time would require Sport Aberdeen to provide its draft business plan to the Council by 31 March 2013, with a view to it being approved by the Council by 31 May 2013 (in line with the process as set out in the Funding and Services Agreement); and

- (ii) to authorise officers to progress the Council's budgeted grant payments to Sport Aberdeen for the first quarter of 2013/14 in line with the Funding and Services Agreement, noting that this is contrary to the Council's Local Code of Practice for Funding External Bodies and Following the Public Pound and the reporting requirements as set out in the Funding and Services Agreement between Aberdeen City Council and Sport Aberdeen.

While the draft business plan was provided by Sport Aberdeen to the Council by 31 March 2013, it was not of a standard where Council officers could recommend its approval by 31 May 2013. The Council's Urgent Business Committee considered a report on this matter on 11 July which highlighted a number of issues in regard to Sport Aberdeen, its business plan and performance reporting. Amongst other things, the Committee instructed "internal audit to undertake an immediate comprehensive audit of Sport Aberdeen covering:- governance, scrutiny processes, financial system and processes, adherence to the funding and services agreement, staffing arrangements and other appropriate audit areas." This committee also provided authorisation for officers to process the following quarterly grant payment to Sport Aberdeen.

The attached audit covers a review of certain aspects of the:

- 2013/14 financial planning process, including business case preparation;, and
- Certain aspects of governance in relation to the business case and financial processes in place.

### **5.3 Context**

Overall during 2013/14 Sport Aberdeen were undergoing a period of change and transformation, therefore it is recognised that this was a period in time where arrangements at Sport Aberdeen were challenging and complex. In addition, Aberdeen City Council was in the process of reviewing its relationships with Arm's Length Organisations and establishing suitable governance and scrutiny arrangements.

### **5.4 Key findings**

The internal audit identified a number of areas where controls could be further strengthened, both within Sport Aberdeen and also within the Council. It is recognised within the report and the management responses, that this review represented a point in time and that to date a number of significant improvements have been discussed and agreed between Sport Aberdeen and the Council. It is also acknowledged that Sport Aberdeen was aware of where certain control improvements were required and its management team and Board have already addressed the majority of these during the last 6 months.

Key findings were:

- The scrutiny and approval of the 2013/14 budget did not reflect best practice. This budget was “tabled” at the Finance and Resources Sub Committee on 15 March 2013. In tabling the budget on the day it does not afford the members of the Finance and Resources Sub Committee with suitable time to review the budget and the accompanying assumptions in advance of the meeting.
- A proposition to increase income targets by 5% over the Sport Aberdeen Centres, Pools, Indoor Sport Centres, and a 10% increase in Income at the Golf Courses operated by Sport Aberdeen could not be supported by detailed plans outlining how this would be achieved.
- Internal audit performed a sample review on some of the key assumptions used in the 2013/14 budget and, where applicable, the 2014/15 and 2015/16 budgets. A number of instances were noted whereby the assumptions made by management and documented in the business plan were not subsequently incorporated into the detailed budget accurately or where the budget assumptions could not be supported by evidence.
- The business plan across the 3 years, recognising a forward looking plan contains less certainty, should still contain greater information on the future risks and challenges facing Sport Aberdeen, and in particular where scenarios can be considered and costed these should be reflected so a full financial position can be considered.
- The timetable in place within Sport Aberdeen to construct and approve the Business Plan should allow sufficient time for the Council as core funders to contribute and challenge as appropriate prior to the final business plan being approved.
- The Funding and Service Agreement needs updated to clearly articulate the information the Council requires and inclusion of key performance metrics to allow the Council to actively monitor the performance of Sport Aberdeen, as well as clearly set out what Sport Aberdeen responsibilities are, and how the relationship will be governed and managed by both parties.

## **5.5 Management Response**

Sport Aberdeen and the Council have worked closely together and the report reflects management comments from both organisations. Management comments are detailed and reflect planned future practices as well as commentary on the arrangements in place during the Internal Audit review. Both parties are fully committed to continuing to work

together in an open and transparent manner, under a revised Council Funding and Service Agreement.

## **6. IMPACT**

Corporate – This report relates to ‘Aberdeen – the Smarter City’

- We will work with our partners to seek to reduce the levels of inequality in the city.
- We will enhance the physical and emotional wellbeing of all our citizens by offering support and activities which promote independence, resilience, confidence and self-esteem.
- Working with our third, public and private sector partners, we will provide opportunities for lifelong learning which will develop knowledge, skills and attributes of our citizens to enable them to meet the changing demands of the 21<sup>st</sup> century.
- We will embrace the distinctive pride the people of Aberdeen take in their city and work with them to enhance the sense of well-being here, building strong communities which look out for, and look after one another.

This report also relates to the Combined Community Plan and Single Outcome Agreement as follows:

- Children and young people access positive learning environments and develop their skills, confidence and self esteem to the fullest potential
- Children, young people and their families/carers are involved in decisions that affect them. Their voices heard and they play an active and responsible role in their communities
- Children and young people actively participate in their communities and have optimum involvement in decision making
- All children, young people and their families have access to high quality services when required and services provide timely, proportionate and appropriate response that meeting the needs of children and young people within Getting it Right for Every Child, (GIRFEC) requirements
- Improve the quality of life in our most deprived areas
- Citizens are increasingly more active in their communities regardless of age, gender, sexual orientation, ethnic origin, where they live, disability or faith/religion/belief and contribute to ‘active citizenship’
- Develop pathways to participation which enhance the diversity of local representation at and engagement with regional, national and international arts, heritage and sporting events
- Our public services are consistently high quality, continually improving, efficient and responsive to local people’s needs

## **7. MANAGEMENT OF RISK**

The internal audit report identifies a number of serious risk items and provides recommendations about how these risks can be minimised. The

management responses from both Sport Aberdeen and Aberdeen City Council officers confirm that both organisations support the recommendations and intend to action them.

## **8. BACKGROUND PAPERS**

11 July 2013, Urgent Business Committee, "Sport Aberdeen"

8 March 2013, Culture and Sport Sub Committee, "Sport Aberdeen Grant Payments".

## **9. REPORT AUTHOR DETAILS**

Gayle Gorman  
Director of Education, Culture and Sport  
[ggorman@aberdeencity.gov.uk](mailto:ggorman@aberdeencity.gov.uk)  
01224 523458