

ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny
DATE	25 th June, 2015
DIRECTOR	Corporate Governance
TITLE OF REPORT	ALEO Governance – Outstanding issues
REPORT NUMBER	CG/15/85
CHECKLIST COMPLETED	Yes

1. PURPOSE OF REPORT

To address outstanding audit recommendations in relation to Arms' Length External Organisations (ALEOs) and an outstanding remit to review Service Level Agreements (SLAs) with tier 2 ALEOs.

2. RECOMMENDATION(S)

It is recommended that the Committee –

- (1) Agrees that arrangements have been put in place to meet the two outstanding audit recommendations in relation to scrutiny of ALEO performance and risk management; and
- (2) Notes the ongoing work in relation to the review of SLAs with tier 2 ALEOs and that a further report will be submitted to the next meeting.

3. FINANCIAL IMPLICATIONS

There are no additional financial implications from undertaking the procedures identified in this report.

4. OTHER IMPLICATIONS

There are no other implications of significance arising from this report, although the procedures will provide added security and assurance to the Councils' scrutiny of ALEOs as well as added transparency to their operation.

5. BACKGROUND/MAIN ISSUES

- (1) The Audit and Risk Committee of 16 April 2013 (article 7 of the minute of meeting refers) approved a number of recommendations in relation to the governance of ALEOs, two of which have remained on the list of outstanding recommendations. These required the

Council (a) to put in place consistent reporting arrangements for the scrutiny of ALEOs and (b) to ensure that ALEOs established risk management processes and frameworks and establish its own risk register to identify, assess and manage the key risks associated with funding individual ALEOs and the services they provide.

- (2) The Committee at its meeting of 26 February 2015 (Article 19 of the minute of meeting refers) considered an audit report on tier 2 ALEOs and instructed a report back in two cycles on the review of Service Level Agreements with each tier 2 ALEO.
- (3) In respect of the recommendation that consistent reporting arrangements be put in place for the scrutiny of ALEOs, members will be aware that a governance hub was established with the intention of applying similar scrutiny criteria to each ALEO. Whilst it did meet, its performance was not consistent and some ALEO reporting took place outwith the process. As reported to the previous meeting by update, a full review of the scrutiny of tier 1 ALEOs was undertaken earlier this year. As agreed at the previous meeting, this was circulated to members, but is appended to this report for ease of reference.
- (4) Officers of the governance hub have prepared data sets which will allow scrutiny of the performance of ALEOs in a consistent manner. The first meetings with the four main ALEOs will be held on 15 and 17 June, with minutes being submitted to this meeting to provide the necessary assurance on each ALEO's system of risk management, the extent to which it meets both its own strategic objectives and those of the Single Outcome Agreement, and the extent and effectiveness of its risk management framework and financial monitoring arrangements, etc. Any requirement to review and revise each operating agreement will therefore be identified during this scrutiny process.
- (5) Steps are being taken to ensure that each ALEO is subject to a risk assessment and recorded in the relevant service risk register. Part of this process will require an evaluation of the current strength of controls and mitigation in respect of the Council's risk exposure, which each ALEO poses. The range of potential risk factors include health and safety, financial stewardship, equalities and the protection of assets. Evaluation of controls will cover SLAs, leases, audit arrangements and legislative compliance.
- (6) In respect of the review of SLAs for tier 2 ALEOs, a schedule is being prepared which details each ALEO, its tier and the current status of the SLA e.g. is an SLA in place, how current is it, does it require to be updated. The Schedule will be submitted to the next Committee meeting, along with proposed timescales for the reviews. Due to the number of organisations involved, this will

represent a considerable amount of work and the timescales will be prioritised. In the meantime, officers have commenced reviews of the two ALEOs specifically requested by Committee at its meeting in February, namely Aberdeen Performing Arts and Aberdeen International Youth Festival.

6. IMPACT

Corporate – By putting in place arrangements to scrutinise ALEOs which will allow the consideration of standardised data sets, the performance of those bodies can be more readily understood and their performance against the relevant strands of the Single Outcome Agreement and the Council’s own strategic objectives measured more easily. This is in line with the aspirational elements of Aberdeen – the Smarter City.

Control of risk will provide assurance to both the ALEO itself and to the Council that mitigation measures are in place, and the governance elements of funding will be strengthened.

Public – There is general public interest in the services delivered by ALEOs to the customer in particular and open and transparent scrutiny of performance will provide reassurance that the requirements of each Service Level Agreement are being met.

7. MANAGEMENT OF RISK

This report is essentially about the management of risk associated with ALEOs (both to themselves and to the Council), recommendations made by Internal Audit to address these and the measures put in place to provide the necessary assurance.

8. BACKGROUND PAPERS

None

9. REPORT AUTHOR DETAILS

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