

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