

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