

Aberdeen Heat and Power (AHP)

Sector	Combined Heat and Power
Level of ACC Control	The Council is the sole guarantor of the company
ACC Funding 2018-19	AHP receives grant funding on a project by project basis
Function	Commissioning

The Hub requested assurance in the following areas:-

1. Governance

1.1 Assurance on existing approach towards Data Protection – Aberdeen Heat and Power (AHP) confirmed that they do not currently have a Data Protection Policy but GDPR will compel the Board to approve a policy to comply with these requirements.

1.2 Assurance on General Data Protection Regulation (GDPR) preparations – AHP noted that their Office Administrator and Accountant had received GDPR training and they reported on compliance requirements to the Board on 16 February 2018. AHP appended a copy of this report and minute extract from the meeting in which the Board agreed to set up an implementation taskforce to conduct a data audit; draft procedures; and deliver staff training. The Board agreed that the scope of the data audit should at minimum cover the following areas:-

- Payroll data
- Director data
- Personnel data
- Customer data
- Supplier data
- Heat usage data
- Maintenance information

The Board tasked the Chief Executive Officer to update the risk register accordingly and designated him as the responsible officer for implementation and compliance. The Board remitted responsibility to the Policy and Operations Sub Group to develop and AHP's approach.

1.3 Assurance on GDPR training – AHP sourced an external provider to deliver GDPR training and following this, a programme is being developed to identify relevant information and measures to ensure compliance.

1.4 Assurance on GDPR readiness – AHP advised they had adopted a proactive approach to ensure readiness for GDPR. They explained that following the externally sourced training, a programme had been developed to identify relevant information; in addition to the resource and measures required to ensure compliance. They highlighted that the Policy and Operations Sub-Group would have oversight of this programme. AHP also explained that the organisation had a significant number of dealings with the Council with respect to data held on tenants for implementation of heating systems and confirmed they would ask the Council for a statement of assurance that the Council would be compliant with GDPR by May 2018.

1.5 Assurance on Succession Planning – AHP advised that the Board and Policy and Operations Sub-Group had discussed succession planning on a more regular basis recently as the Chief Executive Officer planned to retire later in the year. AHP appended a letter dated 8 February 2018 that was sent to the Council's Head of Land and Property Assets to provide assurance that a succession plan would be developed to ensure good governance and business continuity. The letter also outlined a proposed recruitment and handover process and the key skills and experience required to support the company. AHP noted the important role the Board would play in this process and explained that a re-familiarisation and training programme would be arranged to ensure the Board could provide senior staff with appropriate support and oversight. AHP confirmed that interviews for the post of Chief Executive Officer were due to take place in April 2018.

Governance Assessment – The Hub received legal advice from the Legal-Governance Team which highlighted that AHP did not appear to have a formal Data Protection Policy in place and therefore it had been difficult to ascertain how they complied with existing legislation and how they would be compliant with GDPR in such a short timescale. The Hub noted that AHP had demonstrated its awareness of the steps required to implement GDPR but to date, a number of key actions like a review of procedures and an information audit had not been undertaken. The legal advice also identified that AHP had installed an IT server which allowed central storage of data and this was linked to external drives and a cloud based storage facility for system security. AHP may need to consider its contractual relationships with providers of external drives and cloud based system and assess whether some aspect of an Information Sharing Agreement was required. The Hub noted that GDPR was appropriately listed as a risk on AHP's risk register.

The Hub agreed to score AHP as **High Risk** due to the administrative and regulatory demands of implementing GDPR which would involve significant systematic and

procedural change in addition to the higher costs and risks of a data breach, particularly given that AHP did not appear to have a Data Protection Policy in place. The Hub noted that this risk rating would be reviewed at the Hub's next meeting upon receipt of a Board approved policy that complied with the requirements of GDPR.

With regards to succession planning, the Hub was advised by AHP's Service Lead that a recruitment process was being arranged to replace the current Chief Executive Officer (CEO) with a new CEO and a Project Manager to take account of the level of expertise and experience needed to fulfil the duties currently carried out by the CEO. The Hub took the view that there was a **Medium Risk** of recruitment failure due to the challenging conditions in the local job market and the specialist heat and power sector that AHP operated within. As such, the Hub recommended that further mitigation should be added to the risk register to take account of recruitment failure and the Hub agreed to request an update on this at its next meeting.

2. Risk Management

2.1 Assurance that the Board takes risk into account at Board meetings – AHP provided a copy of its Board agenda for 16 February 2018 which included an item on the risk register and they confirmed that risk was a standing item. AHP also provided a copy of their risk register which was updated on a regular basis and treated as a living document. The biggest risk for AHP following mitigation was Accidental Damage to Underground Piping.

Risk Management Assessment – The Hub agreed that AHP's risk register was robust and appropriately presented, although members highlighted that further mitigation was recommended for the succession planning risk. The Hub welcomed the expansion of the mitigation section for the risk of Accidental Damage to Underground Piping, as AHP had begun to mark out routes of underground piping in soft ground areas in line with markings for gas pipes and would share this information with the Council.

Overall, based on the assurance provided, AHP's risk management approach was assessed as **Low Risk**.

3. Financial Management

3.1 Assurance on Management Trading Accounts – AHP provided a copy of its December 2017 trading accounts that had firstly been considered by the Policy and Operations Sub-Group and then by the Board on 16 February 2018.

3.2 Assurance on Financial Procedures and Scheme of Delegation – AHP referred to the Accounting and Tendering Procedures which had been presented to the Hub on 1 November 2017 and advised that the scheme of delegation to officers was covered within these procedures.

3.3 Assurance that the Board considers financial implications when taking decisions – To provide assurance, AHP provided a copy of a report to the Policy and Operations Sub-Group on the Provision of District Heating to Blocks Within Stewart Park and Hilton Courts which contained a Financial Issues section that covered expected capital costs and source(s) of capital funding. AHP explained that a standard form of reporting was adopted for all capital projects in which detailed feasibility studies were prepared to outline financial implications to the Board. They noted that these reports received scrutiny from the Development Sub-Group in the first instance before being presented to the Board for final approval.

3.4 Assurance that financial performance is scrutinised by the Board – AHP confirmed that financial performance was a standing item on Board and Policy and Operations Sub Group agendas and provided a copy of the Board agenda from 16 February 2018 which had a section on Finance, including an item on the Monthly Management Accounts.

3.5 Assurance on Business Planning – AHP provided a copy of its Business Plan 2015-2020.

3.6 Assurance on Internal Audit - AHP explained that as a small organisation with limited resource only three internal audits were planned for 2018, of which the audit on Procurement and Tendering Procedures had been completed and approved by the Board. The internal audit was carried out by the Chair of the Policy and Operations Sub-Group. AHP provided a copy of its Internal Audit Programme which included an audit on succession planning.

3.7 Assurance on External Audit – AHP advised that its external auditors, Anderson, Anderson and Brown LLP had audited its accounts and financial statements for 2016-17 and no audit improvement areas had been identified. This report was considered at AHP's Annual General Meeting in November 2017 and they appended a copy of the external audit report to provide additional assurance.

Financial Management Assessment – The Hub assessed AHP's accounts to be satisfactory in terms of presentation and performance. The Hub welcomed AHP's planned review of financial procedures following a Hub recommendation and noted that a scheme of delegation may not be essential for AHP as they only had two full time staff. In reference to the Business Plan, the Hub noted that the plan would remain in effect until 2020 but that financial projections were only recorded up to 31 March 2018. Following the consultation period, AHP advised that the Board sets

budgets for the next two financial years during each cycle which are then reviewed annually. They confirmed that the budgets for 2018-19 & 2019-20 are due to be considered by the Board in May, and added that budget planning takes place from December onwards and goes through a number of re-iterative steps with Policy and Operation Sub Group involvement before final approval by the Board.

Overall, based on the assurance provided, AHP's financial management was assessed as **Low-Medium Risk**.

4. Future Oversight Arrangements – Overall, the Hub assessed AHP to be **Medium Risk** to the Council. This was largely based on AHP's high risk score for GDPR implementation and compliance. The Hub also highlighted that succession planning was a key risk due to the challenging local job market; the specialist heat and power sector that AHP operated within and the limited resource available to the company as it only employed two full time staff. The Hub also identified a number of other areas where there were gaps in assurance that the Hub would ask AHP to provide information on at its next meeting, particularly in relation to business planning. In comparison to the level of risk assigned to AHP at the Hub's last meeting, there was a negative movement in risk rating from the low risk score reported to the Audit, Risk and Scrutiny Committee on 23 November 2017.

Assurance Standard – May 2018	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