

**Aberdeen Heat and Power (AHP)**

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

**The Hub requested assurance in the following areas:-**

**1. Governance**

**1.1 Assurance on General Data Protection Regulation (GDPR) compliance –**  
Aberdeen Heat and Power (AHP) advised that the Policy and Operations Sub Group and the Board had been working on GDPR compliance and had taken a number of steps to comply with the new regulations:-

- AHP administrative staff had attended a GDPR awareness session on 16 January 2018 delivered by the Aberdeen and Grampian Chamber of Commerce. The information learned at this session has informed AHP's approach towards data protection;
- Training is being rolled out to all staff within the company who handle data;
- A data audit has been carried out to map all data held by the organisation. The conclusion of the audit was that all information held by AHP was business critical and the company was required to hold this information on a secure basis. AHP have also developed an action plan to record the type of data it holds; the risk of loss (in terms of likelihood and impact); and what action needs to be taken;
- AHP have updated all relevant policies, procedures and systems to take account of GDPR, including IT security measures and are developing a data usage code of practice, with expectations on how third parties should handle AHP data; and
- GDPR compliance has been added to the risk register and following mitigation has been assessed as a low risk to the organisation.

- 1.2 GDPR Assessment** - The Hub received legal advice that AHP had demonstrated awareness of the steps they needed to take to become GDPR compliant, including knowledge of the Information Commissioner Office's 12 step plan. However, AHP's response focussed on the preparation of plans rather than implementation of them. Pending further assurance, particularly a revised Data Protection policy, the Hub agreed to maintain a **High Risk** rating which it last reported to Committee in May 2018.
- 1.3 Assurance on Succession Planning** – AHP informed the Hub during its previous submission that its Chief Executive Officer (CEO) would leave the organisation on 10 August 2018 and a recruitment process was underway to identify his successor, they also advised that a new Project Manager post had been created. AHP confirmed that both posts had now been filled following a competitive recruitment process and the new CEO had taken up post on 11 June 2018 which allowed for a two-month handover period before the current CEO retired on 10 August 2018. AHP explained that new staff would be provided with induction and hands on training to enable them to fulfil the requirements of their respective posts.
- 1.4 Succession Planning Assessment** – The Hub noted that the assurance provided by AHP was in response to the Hub's initial inquiry on succession planning, following which a Medium Risk rating was reported to Committee in May 2018. The Hub assessed succession planning as Medium Risk due to the risk of recruitment failure owing to challenging local job market conditions and the specialist heat and power sector which AHP operated in. The Hub welcomed that AHP had recruited a new CEO and Project Manager and endorsed the two-month handover period as good practice. The Hub agreed that successful completion of the recruitment process had also demonstrated the robustness of AHP's Succession Plan. Based on this assurance, AHP's succession planning was assessed as **Low Risk**. This is an improvement from the Medium Risk previously reported to Committee in May 2018.

## **2 Risk Management**

- 2.1 Assurance on risk controls (mitigation)** – AHP presented its risk register as at June 2018. The highest risk to the organisation following mitigation was Damage to Underground Piping which had been assessed as medium risk.
- 2.2 Risk Management Assessment** - The Hub agreed that the formatting of the risk register was appropriate, and the Hub took reasonable assurance from AHP's identification of risk. The Hub noted that the controls AHP had developed around succession planning had mitigated risk to the organisation

as AHP had successfully recruited a new Chief Executive Officer and a two-month handover period had taken place between June – August 2018.

The Hub further noted that AHP had scored GDPR compliance to be low risk to the organisation, whilst the Hub had assessed GDPR to be high risk for AHP. The Hub was mindful that AHP, as a small organisation processed lower volumes of data than other ALEOs and AHP had assessed risk in proportion to the size of the organisation. However, the Hub agreed to request additional information ahead of its next meeting on the controls AHP had put in place to manage and mitigate GDPR risk to provide reasonable assurance to Committee.

Overall, based on the assurance provided, AHP's risk management approach was assessed as **Low-Medium Risk**. This is a slight increase from the Low Risk last reported to Committee in May 2018.

### **3 Financial Management**

- 3.1 Assurance on Management Trading Accounts** – AHP provided a copy of its management trading accounts as at 30 April 2018.
- 3.2 Assurance on Scheme of Delegation** – AHP explained that as a small company almost all expenditure was approved directly by the Board. All other significant decisions or expenditure would be approved by the Policy and Operations Sub Group.
- 3.3 Assurance on the financial reporting process** – AHP advised that Management had taken account of the Hub's recommendation to develop a Board report template which would cover financial implications and risk. AHP explained that this proposal has been discussed by the Board, though no decision on adoption had yet been taken.
- 3.4 Assurance on Financial Planning** – AHP provided a copy of its budgets for 2018-19 and 2019-20 following a request from the Hub at its previous meeting in March 2018. These budget assumptions would now be added to the company's five-year Business Plan 2015-2020.
- 3.5 Assurance on Internal Audit** – AHP provided copies of the three internal audit reports that were presented to the Board during 2017-18 which covered (1) Procurement and Tendering Procedures; (2) Staff Succession Planning and Recruitment; and (3) Security and Safety at Energy Centres. AHP also appended its internal audit plan for 2018-19 which included audits of AHP's

approach towards (1) GDPR; (2) Business Continuity Planning; and (3) Staff Induction Training.

- 3.6 Assurance on External Audit** – AHP advised that External Audit had recently conducted an annual financial audit in which no notable issues had been identified and no improvement actions had been recommended. The final accounts were due to be approved by the Board in August 2018.
- 3.7 Financial Management Assessment** – The Hub noted that AHP had generated lower than expected income in the year to date and agreed to request further information on whether this could be attributed to less demand for heat and power due to increasing temperatures during Spring and Summer. The Hub also agreed to follow up on how AHP calculated financial assumptions within its Business Plan which budgeted for higher electricity prices.

The Hub took great assurance that External Audit had issued AHP with a clean audit certificate for its Year-End accounts and was satisfied with the formatting and content of Internal Audit reports which were proportionate to the size of the organisation. The Hub agreed that it would continue to recommend the development of a Scheme of Delegation and insertion of a Financial Implications section within the Board report template as examples of good practice and resolved to follow up on these inquiries ahead of its next meeting to provide reasonable assurance to Committee.

Overall, based on the assurance provided, AHP's financial management was assessed as **Low-Medium Risk**. The level of risk has remained unchanged since the Hub last reported to Committee in May 2018.

- 4 Overall Assessment** - The Hub agreed to request additional assurance ahead of its next meeting on GDPR compliance and the steps AHP planned to take to enhance its financial reporting process through the adoption of a Scheme of Delegation and the inclusion of a Financial Implications section within its Board report template. However, the Hub also welcomed that AHP had received a clean audit certificate from External Audit and was satisfied with the effectiveness of its Succession Plan and its successful recruitment process. Overall, based on the assurance provided, the Hub assessed AHP to be **Low-Medium Risk** to the Council. This is a slight improvement from the Medium Risk rating which had been reported to Committee on 8 May 2018.

<b>Assurance Standard – September 2018</b>	<b>Risk Rating</b>
Unambiguous responses demonstrating clear understanding and comprehensive ability to fulfil ACC requirements, giving full detail as how these are achieved.	<b>Very Low</b>
Responses provide evidence of good understanding and compliance although limited detail provided for some areas	<b>Low</b>
Responses provide some indication of understanding and compliance	<b>Medium</b>
Minimal or poor responses providing little evidence of understanding or compliance.	<b>High</b>
Nil or inadequate responses with little or no understanding of requirement or evidence of compliance.	<b>Very High</b>