

This statement is given in respect of the statement of accounts for Argyll and Bute Council for the financial year ended 31 March 2009. The statement also covers the other bodies whose activities are incorporated into our Group Accounts, i.e.

- Strathclyde Joint Police board
- Strathclyde Fire and Rescue Joint Board
- Dunbartonshire and Argyll & Bute Valuation Board
- Strathclyde Partnership for Transport
- Strathclyde Concessionary Travel Scheme Joint Committee

With respect to Argyll & Bute Council and the above named bodies I acknowledge my responsibility for ensuring that an effective system of internal financial control is maintained and operated in connection with the resources concerned.

The system of internal control can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.

The system of internal control is based on a framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management supervision, and a system of delegation and accountability. Development and maintenance of the system is undertaken by managers within the Council and the above named bodies. In particular the system includes:

- comprehensive budgeting systems with an annual budget which is reviewed and agreed by the Council and the above named bodies;
- regular reviews by the Council and the above named bodies of periodic and annual financial reports which indicate financial performance against the forecasts;
- setting targets to measure financial and other performance; and
- the preparation of regular financial reports which indicate actual expenditure against the forecasts.

Argyll and Bute Council and the above named bodies have an internal audit function, which operates to standards defined in the Chartered Institute of Public Finance and Accountancy's Code of Practice for Internal Audit in Local Government in the United Kingdom. The work of internal audit is informed by an analysis of the risk to which the Council and the above named bodies are exposed, and annual internal audit plans are based on the analysis. The Audit Committees of the above named bodies and this Council endorse the analysis of risk and the internal audit plans. At least annually, the Internal Audit Manager provides the Audit Committee with a report on internal audit activity in the Council. The report includes the Internal Audit Manager's independent opinion on the adequacy and effectiveness of the Council's systems of internal control.

My review of the effectiveness of the system of internal financial control is informed by the work of:

- Directors and managers within the Council;
- Internal Audit as described above;
- External audit in their annual audit letter and other reports; and
- Statements of Internal Control provided by the above named bodies.

The following areas have been identified for further development by the Council:

- Implementation of the Council Improvement Plan approved in January 2009;
- Development of the Planning and Performance Management Framework including improved alignment of budgets and priorities, implementation of performance scorecards and embedding risk management;
- Implementation of the action plan on the Best Value Review of Strategic Finance which will further improve financial management and reporting;
- Improvements to arrangements for Asset Management including capital planning and monitoring;
- Improvement to project management based around use of Prince2 principles and a business case gateway approach;

- The ongoing development in accordance with the Code of Practice – Following the Public Pound;

In summary, the year-end outturn has resulted in a generally satisfactory position and Internal Audit's Annual Report and the Assurance Statements received from the named bodies, allow me to take comfort, that other than as outlined above, that reasonable assurance can be placed on the adequacy and effectiveness of the Council's Internal Control System,

Bruce West
Head of Strategic Finance
17 June 2009