

APPENDIX 3

DRAFT STATEMENT OF GOVERNANCE AND INTERNAL CONTROL 2009 - 2010

1. Background

- 1.1 Argyll and Bute Council conducts its business in accordance with the law and proper standards. The Council has a duty to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to the economic, efficient and effective use of public money.
- 1.2 In discharging these responsibilities, the Council has put in place proper arrangements for the governance of its affairs and the stewardship of the resources at its disposal. The Council has approved and adopted a Local Code of Corporate Governance, which is consistent with the principles and reflects the requirements of the CIPFA/SOLACE Framework Note for Scottish Authorities – Delivering Good Governance in Local Government (2007).
- 1.3 A copy of the Code may be obtained from the Head of Governance and Law, Kilmory, Lochgilphead, PA31 8RT.

2. The Governance Framework

- 2.1 The Code of Corporate Governance details how the Council will demonstrate compliance with the fundamental principles of Corporate Governance for public sector bodies to the following six headings:
 - Focusing on the purpose of the Authority and on outcomes for the community, and creating and implementing a vision for the local area;
 - Members and officers working together to achieve a common purpose with clearly defined functions and roles;
 - Promoting values for the Authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
 - Taking informed and transparent decisions which are subject to effective scrutiny, and managing risk;
 - Developing the capacity and capability of members and officers to be effective;
 - Engaging with local people and other stakeholders to ensure robust public accountability.

3. Governance Roles and Responsibilities

- 3.1 Argyll and Bute Council has put in place appropriate management and reporting arrangements to enable it to satisfy itself that its approach to corporate governance is adequate and effective in practice. The Director of Customer Services as Monitoring Officer has responsibility for:
 - Overseeing the implementation of the Code of Corporate Governance and monitoring its operation;
 - Reporting annually to the Council on compliance with the Code and any changes required to maintain it and ensure its effectiveness
- 3.2 Account has been taken of the results of reviews of internal control that have been carried out within each Council Service. Specific responsibilities are assigned to the Head of Strategic Finance to ensure that public funds are properly accounted for.

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4. Internal Financial Control

4.1 In ensuring that an effective system of internal financial control is maintained and operated in connection with the resources concerned this 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

4.2 The system of internal financial 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.

4.3 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.

5. Risk Management

5.1 The Council's Risk Management and Business Continuity Strategy continues to be developed and the Governance and Risk Manager has reported regularly to the Audit Committee to assist in their assessment of internal control, risk and governance arrangements.

6. Internal Audit

6.1 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 Council's and the named bodies' Audit Committees endorse the analysis of risk and the internal audit plans.

The Internal Audit Manager provides the Audit Committee with an annual 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 governance and internal control.

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7. Issues for Further Development

7.1 The review of governance and internal control has identified the following areas for further development, particularly in the context of the new management structure within the Council:

- The continued development of performance management throughout the Council, by means of Pyramid, the Council's performance management system;
- Introduce Best Value 2 including development of the Public Service Improvement Service self assessment processes;
- The risk management framework and business continuity strategy will continue to be developed and embedded within the Council;
- The development of asset management including consideration of funding the investment required for schools, roads and other assets, and the embedding of this revised approach to capital planning based around business cases and gateway reviews;
- Action the corporate governance improvement plan and embed good governance arrangements within the Council, partnerships and joint working arrangements.

8. Assurance

8.1 The review of the effectiveness of the system of governance and internal financial control is informed by:

- The work of Officers within the Council;
- The work of Internal Audit as described above;
- The work of External Audit;
- The Statements of Governance and/or Internal Control provided by the bodies mentioned at paragraph 4.1;
- External review and inspection reports; and
- Recommendations from the Audit Committee.

8.2 It is the Council's view that the systems for governance and internal control are operating effectively within Argyll and Bute Council and the aforementioned bodies during 2009 - 2010 and that there are no significant weaknesses. This assurance is limited, however, to the work undertaken during the year and the evidence available at the time of preparing this statement.

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