

BACKGROUND

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.

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).

A copy of the Code may be obtained from the Head of Governance and Law, Kilmory, Lochgilphead, PA31 8RT.

THE GOVERNANCE FRAMEWORK

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 Council 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 Council 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; and
- Engaging with local people and other stakeholders to ensure robust public accountability.

GOVERNANCE ROLES AND RESPONSIBILITIES

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 Executive Director of Customer Services as Monitoring Officer has responsibility for:

- Overseeing the implementation of the Code of Corporate Governance and monitoring its operation; and
- Reporting annually to the Council on compliance with the Code and any changes required to maintain it and ensure its effectiveness.

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.

AUDIT SCOTLAND STATUTORY REPORT

The Council was the subject of statutory report by the Controller of Audit during 2013-14. The report considered the effectiveness of councillor to councillor and councillor to officer

working relationships. The Accounts Commission considered the statutory report and its findings can be summarised as follows:

- Serious concern about substantial risks to the council caused by the instability of elected member leadership.
- The quality of leadership of the council has been inadequate.
- Elected members need to achieve a more effective balance between focusing on local issues and priorities and the longer term strategic objectives of the council.
- The role of Monitoring Officer needs to be afforded trust and respect and members must have confidence in the comprehensiveness of information provided by officers.
- The council's current political management arrangements are not fit for purpose.
- Elected members and officers must work together to ensure fuller use of training and of external support.

The council accepted the statutory report and agreed an action plan addressing the matters raised in the report. Good progress is being made with the action plan with progress being in line with agreed timescales. There is improved political stability and leadership. Revised political management arrangements are in place and a programme of training and development days for councillors is being delivered.

INTERNAL FINANCIAL CONTROL

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.

- Dunbartonshire and Argyll and Bute Valuation Board
- Strathclyde Partnership for Transport
- Strathclyde Concessionary Travel Scheme Joint Committee

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.

The system of internal financial 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 officers within the Council and the above named bodies. In particular the system includes:

- Comprehensive budgeting systems;
- Regular reviews by the Council and the above named bodies of periodic and annual financial reports which indicate financial performance against forecast;
- Setting targets to measure financial and other performance;
- The preparation of regular financial reports which indicate actual expenditure against forecast;
- Clearly defined capital expenditure guidelines;
- Project management disciplines;
- Guidance relating to financial processes, procedures and regulations; and

- An effective Internal Audit Section.

RISK MANAGEMENT

The Council's Risk Management and Business Continuity Strategies continued to be developed in 2013-14. Regular updates on risk management were submitted to the Audit Committee. A detailed review of the Strategic Risk Register was undertaken during 2013-14. Operational Risk Registers were reviewed and updated on a regular basis. A separate internal audit of risk management was carried out during the year.

INTERNAL AUDIT

Argyll and Bute Council and the above named bodies have internal audit functions, which operate 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, with annual internal audit plans prepared based on that analysis. The Council's and the named bodies' Audit Committees endorse the analysis of risk and internal audit plans.

The Chief Internal Auditor provides the Audit Committee with an annual report on internal audit activity in the Council. Staffing levels and time spent addressing the new Public Sector Internal Audit substantially reduced the time spent on internal audits and the scope of the audit plan was revised with some audits carried forward to 2014-15. The annual report includes an independent opinion on the adequacy and effectiveness of the Council's systems of governance and internal control and concludes that systems for internal control were effective during 2013-14 with no identified material weaknesses.

The Chairman and Vice Chairman are independent lay members of the Audit Committee.

During 2013-14 the Council assessed its internal audit function against the new Public Sector Internal Audit Standards. Arising from that an action plan was prepared to address improvement in relation to internal audit. Good progress is being made with this plan.

ISSUES FOR FURTHER DEVELOPMENT

The review of governance and internal control has identified the following areas for consideration during 2013-14, particularly in the context of continuous improvement within the Council:

- Development of delivery plans for the single outcome agreement (SOA) and ensuring this is reflected in council priorities.
- Ensuring resources and budget are aligned to support council priorities and SOA delivery plans.
- Ongoing development of performance management and improving performance scrutiny.
- Further development of risk management to ensure risk management and business continuity are embedded within the council.
- Ensuring the internal audit function is fully resourced and work is planned to ensure the 2014-15 audit plan is delivered and that further improvements in the development of internal audit are achieved.

- The action plan prepared in response to the Audit Scotland Statutory report continues to be delivered timeously.

ASSURANCE

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 incorporated into our Group Accounts;
- External review and inspection reports; and
- Recommendations from the Audit Committee.

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 2013-14 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.

Cllr Dick Walsh
Leader

Sally Loudon
Chief Executive

Bruce West
Head of Strategic Finance