

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; ensuring effective counter fraud and anti-corruption arrangements are developed and maintained;
- 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 and incorporating good governance arrangements in respect of partnerships and other joint working.

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 FOLLOW-UP AUDIT

The Council was the subject of follow-up audit by the Controller of Audit during 2014-15.

The follow-up audit considered the actions taken by the Council in response to the issues highlighted in the statutory report in 2013-14 and concluded that the Council had responded constructively to the Accounts Commission findings on the 2013-14 statutory report and was making progress with improvement work. It was, however, too early to assess the effectiveness of the actions and plans being implemented.

The original action plan developed in response to the statutory report in 2013-14 consisted of 33 actions, 30 of which have been completed and 3 are on track for completion in line with the timescales set.

In response to the follow up audit in April 2014, and an internal review of the action plan, a further 10 actions were developed and agreed at Council in September 2014. 3 these additional actions have been completed, in line with the designated timescales, with all others on track.

In particular, the follow-up audit found that the leadership and political dynamics of the council were more stable but the situation remained fragile. The risk to the council had been reduced but there were difficult circumstances ahead and tough decisions to be made that will prove challenging to political management and ongoing stability.

The new political management arrangements provide a foundation for improved governance. The council needed to ensure councillors and officers have a shared understanding in practice about the roles and responsibilities as well as effective links within and across the new arrangements to ensure they meet their potential.

Scrutiny still needed to improve and the Council needed the continued commitment and engagement of councillors in the work of the Performance Review and Scrutiny Committee and the Audit Committee, in order to ensure that these Committees continue to make a more effective contribution to governance and accountability. The role of senior management was also crucial.

There has been good attendance and participation of members of the Audit Committee during 2014/15 and considerable progress made in developing effectiveness and participation at the Performance Review and Scrutiny Committee, over the same, period through training/development sessions having taken place, in particular, a joint training session with the Audit Committee. The Chair of the Performance Review and Scrutiny Committee is an independent lay person.

A best value follow up audit is being carried out in 2015 which will assess the extent to which political management arrangements support effective decision making, the effectiveness of the council's scrutiny arrangements and whether roles and relationships, including those between members and officers, facilitate the effective delivery of council business.

Following on from an Internal Audit report on Land and Asset disposal arrangements which offered a limited level of assurance, Audit Scotland have undertaken some targeted work and have invited the Council to complete a Best Value 2 template to demonstrate how Asset Management is discharged within the Council. The template and supporting evidence has been returned and feedback is awaited from Audit Scotland. They have indicated that this exercise is not linked to any other audit work that is currently being conducted within the Council but that the findings may be taken into account when reaching a conclusion on the Best Value 2 Report.

INTERNAL FINANCIAL CONTROL

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.

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

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.

This review also covers the other bodies whose activities are incorporated into our Group Accounts and reliance is placed on the formal audit opinion contained in the financial statements of each individual body.

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

RISK MANAGEMENT

The Council's Risk Management and Business Continuity Strategies continued to be developed in 2014-15. The Chief Executive presented an annual report on Audit and Risk Management to the Audit Committee. The Strategic Risk Register was also reviewed and agreed by the Policy and Resources committee. Operational Risk Registers are reviewed and updated on a regular basis. Results from the annual CIPFA benchmarking exercise highlighted continued improvement with an overall Embedded and Integrated rating.

INTERNAL AUDIT

Argyll and Bute Council and the above named bodies have internal audit functions, which operate to Public Sector Internal Audit Standards (PSIAS). 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. 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 although a number of the areas reviewed provided a limited level of assurance, overall, systems for internal control were satisfactory during 2014-15.

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

During 2014-15 the Council successfully recruited a permanent Chief Internal Auditor and the service was fully resourced throughout the year. The Internal Audit service also addressed all outstanding Public Sector Internal Audit Standard compliance action points within its development plan during 14/15.

ISSUES FOR FURTHER DEVELOPMENT

The annual review of governance and internal control for 14/15 has identified the undernoted areas for noting and other areas for further consideration during 2015-16, particularly in the context of continuous improvement within the Council

- During 2014-15 the Council received 1276 FOI requests of which 1189 (93.2%) were responded to within the required timescale. The Council received 26 requests for review (2%).
- Internal Audit presented a number of reports with a limited level of assurance during the year. Management have accepted 100% of recommendations and have a robust follow-up system to track actions arising ensuring timely implementation.
- An action plan is in place to address Audit Scotland's report in relation to the Alcohol and Drugs Partnership and continues to be implemented.

During 2014/15 to create a new Counter Fraud Investigation Team (CFIT) in order to prevent and detect fraud in relation to the Council Tax Reduction Scheme (CTRS) and to fulfil the residual responsibilities in relation to Single Fraud Investigation Service (SFIS). The proposed CFIT is located within Revenues and Benefits in Customer Services but will work closely with Internal Audit and provide investigative resource for any corporate fraud issues.

- Development of delivery plans for the single outcome agreement (SOA) and ensuring this is reflected in council priorities.
- Local Scrutiny Plan 15/16 take cognisance of issues identified within the 2013/16 Assurance and Improvement Plan (AIP). The plan is based on a shared risk assessment undertaken by the local area network (LAN) and draws on a range of evidence with the aim of determining any scrutiny activity required and focusing this in the most proportionate way. The Council will be subject to a range of risk based and nationally driven scrutiny activity, the risk based scrutiny specifically relates to Audit Scotland Best Value follow up work. All other scrutiny arises from national scrutiny programmes.

Appendix 1

- Ensuring resources and budget are aligned to support council priorities and SOA delivery plans, the service choices programme has been set up to address these issues and identify options and proposals going forward in a period of significantly reduced resources.
- 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 2015-16 audit plan is delivered and that further improvements in the development of internal audit are achieved.
- Ensuring we are well placed to address any requirements arising from the implementation of the Community Empowerment Bill.
- Ensuring good governance and scrutiny arrangements are in place in respect our Health and Social Care Partnership.
- The actions being taken by the Council in response to the Audit Scotland Statutory report and follow-up audit continues to improve governance arrangements within the Council.
- Any actions brought out by the Audit Scotland assessment of how Asset Management is discharged within the Council will be addressed during 15/16.

ASSURANCE

The annual 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 2014-15 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

Steve Barrett
Interim Head of Strategic Finance