



SCRUTINY & AUDIT COMMITTEE – 16 MAY 2013

GOVERNANCE STATEMENT

1. Recommendation

- 1.1 **It is recommended that the Committee approve the Governance Statement as attached to this report.**

2. Discussion

- 2.1 Aberdeenshire Council is committed to improving standards of financial accounting and the transparency of reporting, for the benefit of all users of financial information. This commitment is based on proper accounting practice set by the Code of Practice on Local Authority Accounting in the United Kingdom.
- 2.2 The Code sets out the required financial statements and accompanying disclosure notes to the annual accounts. Unlike the rest of the UK, Scottish authorities are not required by legislation to carry out an annual review of the effectiveness of their system of internal control. However, there is an obligation to include within the Statement of Accounts, as a minimum, a statement on the system of internal financial controls.
- 2.3 Aberdeenshire Council has chosen, as a matter of best practice, to publish a wider-ranging Governance Statement (previously referred to as the Statement of Assurance) on the adoption of a local code of corporate governance and how it has complied with such a code. The Statement incorporates the Chief Internal Auditor's Internal Financial Control Statement. This is included as a separate report on today's agenda.
- 2.4 The Governance Statement is attached for the Committee to consider and comment upon. It is intended to be a short statement outlining the main areas of consideration.
- 2.5 The Statement highlights key issues, main actions taken, and weaknesses identified.
- 2.6 The Monitoring Officer within Corporate Services has been consulted and is in agreement with the terms of this report.

3. Financial, Equalities and Staffing Implications

- 3.1 There are no specific implications arising from this report. An equality impact assessment is not required as Committee is asked to consider the contents of the Governance Statement and there will be no differential impact, as a result of this report, on people with protected characteristics.

Alan Wood
Head of Finance

GOVERNANCE STATEMENT

Aberdeenshire Council has a responsibility for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used appropriately.

In discharging this responsibility, councillors and senior officers put in place proper governance arrangements for the stewardship of Aberdeenshire Council's resources. Aberdeenshire Council has adopted a Code of Corporate Governance which ensures as far as possible the accountability and probity of officers of the Council. The Code is consistent with the principles and reflects the requirements of the CIPFA/SOLACE Framework Corporate Governance in Local Government: A Keystone for Community Governance. A copy of the code is on the Council's website at www.aberdeenshire.gov.uk.

The Code covers four key areas: Community Focus, Service Delivery, Structures and Processes, and Risk Management and Internal Control. The Director of Corporate Services has been given responsibility for overseeing the implementation and monitoring of the operation of the code, reviewing the code in practice and reporting annually to the Policy & Resources Committee on compliance with the code and any changes that may be necessary to maintain it and ensure its effectiveness in practice.

The Council's Code of Corporate Governance and the related systems of internal financial control provide reasonable, not absolute, assurance that objectives will be met. Aberdeenshire Council adheres to the principles of openness, integrity and accountability and takes all reasonable steps to ensure assets are safeguarded, transactions are authorised and properly recorded, procedures are practical and adhered to and that material errors are either prevented or detected within a timely period, and corrective action taken.

The system of corporate governance and internal financial control is based on a framework of financial regulations, management information, and a system of responsibility, delegation and accountability. Progressive development of the system is undertaken by managers within the Council. In particular, the system includes:-

- Performance management
- Comprehensive financial management systems
- Periodic and annual financial reports
- Targets set for financial and other performance
- Clearly defined capital expenditure guidelines
- Formal project management disciplines
- Communication of financial information to Strategic Management Team and Committees
- Periodic review of all financial procedures

The effectiveness of the corporate governance and internal control procedures is informed by:-

- Feedback from councillors and committees carrying out their scrutiny role
- The work of the managers within the Council
- The work of Internal Audit
- The work of External Audit
- Work undertaken by external review bodies including Her Majesty's Inspectors
- Customer and stakeholder feedback.

Significant progress has been made in respect of risk management. Risk registers are now fully embedded in all services in a consistent format, and these are subject to regular monitoring and review. Further work is ongoing to consider, test and evaluate operational risks.

Aberdeenshire Council's Chief Internal Auditor has been given the responsibility to review independently, and report to the Scrutiny and Audit Committee annually on the adequacy and effectiveness of the code and the extent of compliance with it. On the basis of the report of the Chief Internal Auditor arising from his review of the Council's corporate governance arrangements, we are satisfied that the arrangements provide assurance, are adequate and are operating effectively.

In addition, Aberdeenshire Council is working towards completing the 35 Action Points arising from the External Auditors report on the 2011/12 audit. The Action Plan was reported to Scrutiny & Audit Committee on 20 March 2013, and highlighted 12 Action Points as 'Green', 15 as 'amber' and 8 as 'red'. The Council recognises the importance of this Action Plan, and has reacted positively and constructively in implementing the Planned Management Actions

The Chief Internal Auditor reports that, in his opinion, based on his evaluation of the control environment, reasonable assurance can be placed upon the adequacy and effectiveness of the Council's control system in the year to 31 March 2013.

Whilst this opinion gives the Council assurance, Internal Audit reports do highlight areas where improvements can be made, and these areas will be reviewed in order that best practice can be achieved in all areas of activity.

In preparing this Statement, account has also been taken of the organisations supported directly by Aberdeenshire Council within the Consolidated Group accounts. Aberdeenshire Council assumes responsibility for the proper financial controls and effective governance procedures for these organisations.

These have been reviewed by the Head of Finance. No areas of concern have been identified.

Signed:

Councillor Jim Gifford, Leader of the Council
Colin Mackenzie, Chief Executive
On behalf of the Councillors and Officers of Aberdeenshire Council
Dated