

Annual Governance Statement 2019/20

1. SCOPE OF RESPONSIBILITY

- 1.1. North Norfolk District Council (NNDC) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for and used economically, efficiently, effectively and equitably. NNDC also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2. In discharging this requirement, NNDC is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
- 1.3. NNDC has approved and adopted a Local Code of Corporate Governance, and this has been updated for the 2019/20 financial year based on the development of the new '*Delivering Good Governance in Local Government: Framework*' (CIPFA/Solace, 2016) ('the Framework') which was introduced in 2016/17. A copy of the Council's current Local Code can be accessed on our website [here](#). This statement demonstrates how NNDC has complied with the Framework and also supports the requirement of the Accounts and Audit (England) Regulations 2015 in relation to the approval (Part 2 regulation 6) and publication (Part 3 regulation 10) of an Annual Governance Statement (AGS), prepared in accordance with proper practices in relation to internal control and is reviewed annually or more frequently as required. In addition, NNDC's framework for delivering good Corporate Governance is embedded within its Constitution, policies and procedures.

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

- 2.1. The governance framework comprises the systems, processes, culture and values by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to appropriate, cost-effective service delivery.
- 2.2. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood and impact should those risks be realised and to manage those risks efficiently, effectively and economically.
- 2.3. The governance framework has been in place at NNDC for the year ended 31 March 2020 and up to the date of approval of the statement of accounts.

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3. THE GOVERNANCE FRAMEWORK – THE SEVEN CORE PRINCIPLES

- 3.1. The Council's governance framework is derived from the following core principles as per the new CIPFA/SOLACE 2016 Framework which is based upon the 7 core principles of the International Framework for Corporate Governance in the Public Sector as follows;
- A - Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of the law;
 - B – Ensuring openness and comprehensive stakeholder engagement;
 - C – Defining outcomes in terms of sustainable economic, social and environmental benefits;
 - D – Determining the interventions necessary to optimise the achievement of the intended outcomes;
 - E – Developing the entity's capacity, including the capability of its leadership and the individuals within it;
 - F – Managing risks and performance through robust internal control and strong public financial management and;
 - G – Implementing good practices in transparency, reporting and audit to deliver effective accountability.
- 3.2. Revisions were required to the Council's Local Code of Corporate Governance in 2016/17 to ensure it reflected the changing context of the Council and that it was consistent with the principles and recommendations of the new CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government' (2016) and the supporting guidance notes for English authorities. This Annual Governance Statement explains how the Council has complied with the terms of the new CIPFA/SOLACE Framework (2016) for the year ended 31 March 2020 and should be read in conjunction with the Council's updated Local Code of Corporate Governance (2019/20) which is attached to this document as Appendix 1 and sets out the framework and key principles, which are required to be complied with, to demonstrate effective governance.
- 3.3. The Local Code of Corporate Governance highlights how good governance supports the Council and demonstrates what we aim to achieve by following the seven core principles, along with the tools we use to support our compliance. It goes further to identify the behaviours and actions that can demonstrate our compliance with the code, how we put this into practice and the source documents, policies, procedures and frameworks that enable us to evidence compliance.
- 3.4. If there are any areas which require strengthening, these are highlighted within the Annual Governance Statement as part of the Action Plan within Section 5.

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4. REVIEW OF EFFECTIVENESS

- 4.1. NNDC annually reviews the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by managers within the Council who have responsibility for the development and maintenance of the governance environment, the work of the internal auditors and from comments made by the external auditors and other inspection agencies.
- 4.2. Reviews have taken place both during the year and at year end, and cover the following:
- 4.2.1. The Cabinet is responsible for considering overall financial and performance management and receives comprehensive reports on a quarterly basis. It is also responsible for key decisions and for initiating corrective action where appropriate while the Governance, Risk and Audit Committee (GRAC) consider in relation to corporate risk and internal control issues.
 - 4.2.2. The Monitoring Officer has a duty to monitor and review the operation of the Constitution to ensure its aims and principles are given full effect. In addition, the Constitution Working Party is in place to review the constitution and make recommendations to Full Council as appropriate.
 - 4.2.3. The Council has a Scrutiny Committee which can establish 'task and finish' groups, to look at particular issues in depth, taking evidence from internal and external sources, before making recommendations to the Cabinet. Scrutiny can "call-in" a decisions of the Cabinet which are yet to be implemented, to enable it to consider whether the decision is appropriate. In addition, the Scrutiny Committee can exercise its scrutiny role in respect of any Cabinet function, regardless of service area or functional responsibility, and will conduct regular performance monitoring of all services, with particular attention to areas identified as under-performing.
 - 4.2.4. The Local Government and Public Involvement in Health Act 2007 include powers to enable Councillors to formally champion local issues where problems have arisen in their ward. North Norfolk has embedded the "Councillor Call for Action" which allows Councillors to ask for discussion at Overview and Scrutiny Committee on issues where other methods of resolution by the District Member have been exhausted.
 - 4.2.5. The development of the procurement function across the public sector has led to the establishment of a number of framework agreements for purchasing where the detailed work on price and quantity with suppliers has already been carried out. Contracts for supply are only established when goods, works or services are called off under the agreement.
 - 4.2.6. The Council has now embedded the electronic procurement system (Delta) which will help improve the transparency of the Council's procurement processes and further support the audit trail for decision making. The Procurement Strategy is due to be updated during

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the 2020/21 financial year and this will include any changes that may be required to the Council's Contract Standing Orders as appropriate.

- 4.2.7. The Equality Framework builds on the work already undertaken in this area. It is based on three levels of “developing, achieving and excellent”.
- 4.2.8. The Standards and Conduct provisions of the Localism Act 2011 came into force on 1st July 2012. The authority has appointed an Independent Person pursuant to the Act and has decided to have a Standards Committee (which is now not mandatory).
- 4.2.9. The Governance, Risk and Audit Committee (GRAC) met five times during the year to provide independent assurance to the Council in relation to the effectiveness of the risk management framework and internal control environment. The Committee received regular reports on, internal control and governance matters in accordance with its agreed work programme. During the year 16 (12 in 2018/19) internal audit assignments were completed delivered over 192 days (168 days in 2018/19), a reasonable audit opinion was given for the year overall. Of the audit reviews planned for the year 16 out of the 16 were completed as initially intended.
- 4.2.10. The Accounts and Audit Regulations 2015 require that “a relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”. The conclusions of the internal audit enable an opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control to be provided. In addition, Internal Audit can undertake fraud investigation and proactive fraud detection work which includes reviewing the control environment in areas where fraud or irregularity has occurred. All significant weaknesses in the control environment identified by Internal Audit are reported to senior management and the GRAC. There have been no urgent (priority one) recommendations raised in the current financial year which is an extremely positive position to be in and also reflects last year's position. It is also important to note that substantial assurance (the highest level of assurance that can be achieved) was concluded in 4 out of 16 audits which represents 25% of the audits completed (6 out of 12 (50%) for 2018/19) covering the following areas:
- Coastal Management
 - Accountancy Services
 - Leisure
 - Key Controls Assurance
- 4.2.11. Internal Audit also carry out regular reviews of the status of implementation of Internal Audit recommendations. There has been a slight increase in the number of recommendations (44) raised as the result of audit reviews compared to the previous year (40). At 31 March

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2020 a total of 12 recommendations were overdue compared with only 1 as at March 2019. In relation to prior year recommendations 7 remain outstanding from 2018/19, 6 from 2017/18 and 1 dating back to 2010/11 in relation to Section 106 agreements.

- 4.2.12. It should also be noted that the internal audit contract consortium either met or exceeded all but two of its performance indicators for the year (10 out of 11 in 2018/19).
 - 4.2.13. The Council's Strategic Leadership Team (SLT) requested that an assurance piece of work be conducted this year on the Council's Project Management Framework to ensure it complied with best practice and supported the Council's emerging Corporate Plan moving forwards. This position statement was delivered during 2019/20 and some of the learning from this review is incorporated into the action plan below.
 - 4.2.14. The External Auditor's Annual Audit Letter is considered by the GRAC and SLT.
 - 4.2.15. The Governance, Risk and Audit Committee (GRAC) and SLT monitor and also continually review corporate risks and ensure that actions are being taken to effectively manage the Council's highest risks. Risk training has been provided to all Members during the 2019/20 financial year and the Risk Management Framework and Policy was updated and approved by GRAC at their meeting June. The new policy includes consideration of the Council's risk appetite for the first time, the Risk Management audit was also completed during the year and received a 'reasonable' rating.
 - 4.2.16. The Council continues to review its treasury management arrangements in line with best practice and in response to regular updates and advice from the Council's Treasury advisors, Arlingclose, who also provide training to both officers and Members on treasury management related issues.
 - 4.2.17. Key officers complete an annual Self-Assessment Assurance Statement which identifies non-compliance in a number of areas including procedures, risk and control, financial management and procurement. Any significant areas of non-compliance will either be taken account of in service plans or if corporate included in the AGS action plan. In line with CIPFA best practice the process this year has been expanded to include asking managers to consider and comment on any significant issues which have been caused by the COVID-19 pandemic or of the impact has identified any areas of weakness in governance. There has been a significant increase in Delegated Decisions as a result of the crisis, particularly though the Gold reporting group as would be expected during a crisis situation, however there is a standing report on the Cabinet agenda to report on these instances. It will be important to move this decision making back to the traditional channels as part of the recovery process as soon as feasible to regularise the processes again. A COVID specific risk register has been developed and shared with Members and SLT and it is also covered on the Corporate Risk Register.
- 4.3. The year-end review of the governance and the control environment arrangements by SLT included:

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- 4.3.1. Obtaining assurances from the Chief Executive and Heads of Service that key elements of the control framework were in place during the year in their departments.
- 4.3.2. The statement itself was considered and signed off by SLT and is supported by them as an accurate reflection of the governance arrangements in place for the year.
- 4.3.3. Obtaining assurances from other senior management, including the Monitoring Officer that internal control and corporate governance arrangements in these essential areas were in place throughout the year.
- 4.3.4. Reviewing any high level audit recommendations that remained outstanding at the year end and taking appropriate action if necessary (although as mentioned above none were issued for 2019/20).
- 4.3.5. Reviewing external inspection reports received by the Council during the year, the opinion of the Head of Internal Audit in her annual report to management and an evaluation of management information in key areas to identify any indications that the control environment may not be sound.
- 4.3.6. Reviewing the updated Local Code of Corporate Governance.
- 4.4. The GRAC received assurances from the Head of Internal Audit that standards of internal control, corporate governance arrangements and systems of risk management were all operating to an adequate standard, with a reasonable assurance being concluded.
- 4.5. The GRAC review the effectiveness of the governance framework as part of an annual review of the Local Code of Corporate Governance, and an improvement plan to address weaknesses and ensure continuous improvement of the system is in place.
- 4.6. Following the Council elections in May 2019 a comprehensive Member training and induction programme has been delivered. It will however be essential for the proper and efficient operation of the Council that appropriate priority is given ongoing and continued Member development, training and capability over the course of the next 3 years.
- 4.7. In terms of gaining assurance on risks associated with delivering services through third parties, the formal partnership known as Coastal Partnership East between NNDC, Great Yarmouth Borough Council and East Suffolk (Waveney and Suffolk Coastal District Council partnership) has now been in place for three years. This new approach is considered the best way for these Councils to address the challenges that are common to the whole coastline of Norfolk and Suffolk. By collaborating, rather than competing with one another for resources, we will be far better able to:

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- Retain and recruit staff;
- Broaden the scope of works that we can undertake;
- Share experiences, lessons and new techniques;
- Prepare joint schemes and projects (achieving economies of scale) and;
- Explore new and innovative approaches to adaptation as well as coast protection.

- 4.7 Coastal Partnership East formed by bringing together the coastal management resources and expertise from North Norfolk District Council, Great Yarmouth Borough Council, Suffolk Coastal District Council and Waveney District Council. The Partnership works along the 220km of coastline across Norfolk and Suffolk. This new approach is seen an appropriate way of capitalising on our strengths and building resilience for the future.
- 4.8 A Section 113 Agreement was made between each authority which means that staff remain employed through their respective authorities and the management of each frontage remains with each Council, however, the shared resources of the Partnership are able to flex across local authority boundaries to enable all to benefit from a more resilient resource and skills base. The partnership is overseen by a Board comprising of relevant Member Portfolio holders/Committee Chairs which is supported by an Operational (senior) Officer Group, both of which meet on a quarterly basis.
- 4.9 The manager for Coastal Partnership East is included as part of the Council's annual Self Assurance process.

5. GOVERNANCE ISSUES

- 5.1. The Council was the subject of two police investigations relating to issues arising during the 2019/20 financial year as follows:
- Investigation undertaken by Cambridgeshire Constabulary in the period July 2020 –March 2021 in relation to a “whistle-blower” allegation into a breach of internal controls by members of the senior leadership team relating to a procurement matter in May 2019; and
 - Investigation undertaken by Norfolk Constabulary in November / December 2019 into the loss of £1,000 of cash from the digital mailroom. Internal Audit investigations and additional reviews in respect of these issues have subsequently identified a number of areas for improvement.
- 5.2. These issues have been highlighted by the external auditors EY (Ernst & Young LLP) within their Audit Results Report and include a number of recommendations to improve governance arrangements. The District Council welcomes the commentary and supporting recommendations as to

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the corporate processes and governance arrangements operated during 2019/20. As a learning organisation, with an aim of continuous improvement, it should however be noted that the EY commentary refers to a specific period in time and the Council believes that action has already been taken to address each of the matters raised as recommendations.

- 5.3. Following from the review of the Annual Governance Statement for 2019/20 and the Self-Assessment Assurance Statements the following actions have been identified. There are still some Internal Audit recommendations not being implemented in accordance with the original timescales and this is an action that will continue to be monitored.

Action	Officer(s)	Target Date
All service plans need to be re-aligned to the new Corporate Plan and Delivery Plan for 2020/21 to ensure corporate objectives are met and delivered. The service planning timetable needs to be updated and communicated to the wider organisation to ensure updates are completed in a timely manner and can feed into the budget setting cycle	SLT/Operational Management Team (OMT)	31 October 2020
All performance targets need to be re-aligned where appropriate to the new Corporate Plan and Delivery Plan for 2020/21 to ensure corporate objectives are met and delivered. This should include consideration of any impacts of the COVID-19 pandemic and be recorded and monitored through the new InPhase system	SLT/Operational Management Team (OMT)	31 October 2020
Update the Performance Management Framework to reflect the new performance and service planning improvements	Policy & Performance Management Officer	31 October 2020
Undertake a review of the Corporate Plan and Delivery Plan priorities and objectives in light of the COVID-19 pandemic and the changed financial context	SLT/Cabinet	31 August 2020

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Review Terms of Reference and operation of Employment and Appeals Committee based on learning and experience during 2019	Head of Human Resources	31 December 2020
The appraisal process should be reviewed to ensure that it remains fit for purpose for the organisation. This should be supported by an updated People Strategy	Head of Human Resources	31 August 2020
Review and update the Equality and Diversity Policy	To be confirmed	31 December 2020
Update corporate policies where required to reflect new management structure	Policy & Performance Management Officer	31 March 2021
Implementation of Internal Audit Recommendations	SLT	31 March 2021
Review and implement the requirements from the new CIPFA code of Financial Management	Head of Finance and Assets	31 March 2022 (required completion date for implementation)
Undertake team based training for SLT to develop the capabilities of the team and to enable us to respond successfully to changing legal and policy demands as well as economic, political and environmental changes	SLT/HR Manager	31 December 2020
Implement actions and recommendations from the various audit position statements undertaken during 2019/20 in respect of project management	SLT	31 December 2020
Review the Member Officer Protocol	Head of Legal	31 December 2020
Engage with Members on the new Member Code of Conduct currently being consulted upon	Head of Legal	31 December 2020
Update the current IT Strategy and combine with the Digital Strategy	Head of Business Transformation and IT	31 March 2021

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6. CERTIFICATION

- 6.1. To the best of our knowledge, the governance arrangements, as defined above, have been effectively operating during the year with the exception of those areas identified above. We propose over the coming year to take steps to address the above matters to further enhance our governance arrangement. We are satisfied that these steps will address the need for improvements that were identified during the review of effectiveness and will monitor their implementation and operation as part of our next annual review.



Leader of the Council:

Cllr Sarah Bütikofer



Chief Executive

Mr Steve Blatch