

# Annual Governance Statement 2020/21

## 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 2020/21 financial year based on the '*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. 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 2021 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 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. 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.
- 3.3. 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.

### 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:

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- 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 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" 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 the 2021/22 financial year and this will include any changes that may be required to the Council's Contract Standing Orders as appropriate. Following a number of recent audit recommendations regarding procurement Full Council have also approved a number of updates and improvements to the Constitution following the meeting on 21 July 2021.
- 4.2.7. 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).
- 4.2.8. The Governance, Risk and Audit Committee (GRAC) met six 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.

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- 4.2.9. The original Internal Audit plan was approved at the GRAC meeting held 24 March 2020. As the Covid-19 pandemic forced the UK into lockdown at the end of March 2020, the internal audit team revised the Internal Audit plan with senior management to ensure that coverage more accurately reflected the key risks facing the Council at that time and that Officers were able to focus on the immediate response to the Covid-19 pandemic.
- 4.2.10. The revised 2020/21 Internal Audit Plan was approved by the Governance Risk and Audit Committee on 4 August 2020. A reduction of 59 days was agreed, and the plan split into five key themes to provide adequate coverage over the Governance, Risk Management and Control framework informing this opinion.
- 4.2.11. Following on from the agreement to revise the plan, 9 (16 in 2019/20) internal audit assignments were completed and delivered over 129 days (192 days in 2019/20), and a reasonable audit opinion was given for the year overall. Of the 9 completed 8 resulted in a positive grading.
- 4.2.12. A 'No Assurance' grading was raised within the Cromer Sports Hub assurance report. At the request of GRAC, given that the authority resolved not to proceed with this project in August 2019 despite having incurred some significant costs, an audit was carried out to evaluate this project in depth and provide recommendations to assist with the lessons learnt process, ultimately feeding into the new risk management framework and approach.
- 4.2.13. The Council has set up a Corporate Delivery Unit (CDU) designed to provide strategic and corporate oversight and advice on projects taken forward by the Council. They are responsible for ensuring the recommendations raised within the Cromer Sports Hub report and an earlier positioning report on project management are addressed and have been working on the following in response to the findings raised;
- The project management framework has been revised to take audit recommendations into account and is now agreed;
  - Project governance arrangements have been strengthened with the CDU providing Assistant Directors with support in setting up or maintaining Project Boards;
  - A Business Case template has been designed. Project Initiation Documents and Business Cases are to be scrutinised by the CDU and;
  - Project risks are being uploaded to the InPhase system by project managers for reporting.
- 4.2.14. A recommendation is contained within the Action Plan below to ensure that these improvements become embedded across the Council.
- 4.2.15. 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

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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. It is also important to note that substantial assurance (the highest level of assurance that can be achieved) was concluded in 3 out of 9 audits which represents 33% of the audits completed (4 out of 16 (25%) for 2019/20) covering the following areas:

- Accounts payable
- Council tax and NNDR
- Payroll and HR

- 4.2.16. Internal Audit also carry out regular reviews of the status of implementation of Internal Audit recommendations. There has been a significant decrease in the number of recommendations (27) raised as the result of audit reviews in 2020/21 compared to the previous year (44) although as mentioned above the number of audit days has also been reduced due to Covid. There are however 30 historical recommendations overdue at the year-end (26 in 2019/20) and this in part has been due to organisational capacity being limited due to the Council's actions in co-ordinating the local response to COVID.
- 4.2.17. 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 (9 out of 11 in 2019/20).
- 4.2.18. In addition to the 9 formal audit assignments completed as detailed above, 3 position statements were provided during the year, these related to Contract Standing Order Exemptions, Coronavirus Response and Recovery Review and Procurement and Contract Management. As outlined above, Full Council have already approved a number of updates and improvements to the Constitution following the meeting on 21 July 2021 in relation to the procurement audits.
- 4.2.19. The External Auditor's Annual Audit Letter is considered by the GRAC and CLT.
- 4.2.20. The Governance, Risk and Audit Committee (GRAC) and the Corporate Leadership Team (CLT) monitor and also continually review corporate risks and ensure that actions are being taken to effectively manage the Council's highest risks.
- 4.2.21. 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.
- 4.2.22. 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

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account of in service plans or if corporate included in the AGS action plan. As with last year and in line with CIPFA best practice the process 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. Initially there was a significant increase in Delegated Decisions as a result of the crisis, particularly through 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 CLT 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 CLT included:
- 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 CLT 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 were operating effectively within their areas of responsibility 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.
  - 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.

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- 4.6. 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 has now been in place for four years. This 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:
- 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 was formed by bringing together the coastal management resources and expertise from North Norfolk District Council, Great Yarmouth Borough Council and East Councils. The Partnership works along the 220km of coastline across Norfolk and Suffolk. This 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 the three authorities 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. Following from the review of the Annual Governance Statement for 2020/21 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.

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Action	Officer(s)	Target Date
Improve the transparency and efficiency of the procurement exemption process	Director For Resources	31 July 2021
Team Plans to be reviewed along with performance measures to ensure they continue to support corporate priorities and reflect the new management structure	CLT/MT	31 October 2021
Review and update Whistle Blowing Policy	Internal Audit	31 October 2021
Review Terms of Reference and operation of Employment and Appeals Committee	HR Manager	31 December 2021
Implement the requirements from the new CIPFA code of Financial Management	Chief Technical Accountant	31 December 2021 (31 March 2022 required completion date for implementation)
Undertake team based training for CLT and MT 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	CLT/HR Manager	31 December 2021
Employee Code of Conduct policy to be reviewed in respect of recent corporate learning	CLT/HR Manager	31 December 2021
Review Business Continuity (BC) arrangements for service areas post management restructure and the top level BC arrangements corporately	CLT/MT	31 March 2022
Implementation of Internal Audit Recommendations	CLT/Management Team (MT)	31 March 2022
Ensure that the governance improvements raised as part of the Project Management Positioning Paper and Cromer Sports Hub review become embedded across the Council as part of the work of the CDU	CLT/MT	31 March 2022
Review and update IT Strategy and combine with Digital Strategy	Assistant Director for Organisational Resources	31 March 2022



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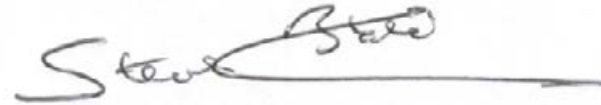
### 6. CERTIFICATION

- 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**