

## Annual Governance Statement 2017/18

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### 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 and effectively. 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 overall responsibility, NNDC is responsible for putting in place proper arrangements for the governance of its affairs, 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 2017/18 financial year based on the development of the new '*Delivering Good Governance in Local Government: Framework*' (CIPFA/Solace, 2016) ('the Framework') which was introduced last year. A copy of the Council's current Local Code is on our website at [www.northnorfolk.org](http://www.northnorfolk.org) or can be obtained from the Head of Finance and Assets at the Council Offices, Holt Road, Cromer. 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 and processes, and 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.

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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 2018 and up to the date of approval of the statement of accounts.

### **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

G – Implementing good practices in transparency, reporting and audit to deliver effective accountability

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- 3.2. 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 not fully achieving policies, aims and objectives and therefore provides a reasonable rather than 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 NNDC policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
- 3.3. Revisions were required to the Council's Local Code of Corporate Governance last year 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 2018 and should be read in conjunction with the Council's updated Local Code of Corporate Governance (2017/18) which is attached to this document as Appendix 1 which sets out the framework and key principles, which are required to be complied with, to demonstrate effective governance.
- 3.4. 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.
- 3.5. 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.

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- 4.2. Both during the year and at year end, reviews have taken place. In year review mechanisms include:
- 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 in relation to 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". This 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 introduced a new electronic procurement system (Delta) this year to help improve the transparency of the Council's procurement process and to further support the audit trail for decision making. Further work will be undertaken in relation to the Contract

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Standing Orders within the Constitution to ensure this system becomes thoroughly embedded within the Council's procurement practices.

- 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). The Committee has received a number of items during the year including reports detailing complaints received by the Monitoring Officer and the status of such complaints. It has held one full hearing in relation to a parish complaint.
- 4.2.9. The Governance, Risk and Audit Committee (GRAC) met four 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 18 (17 in 2016/17) internal audit assignments were completed delivered over 193 days (179 days in 2016/17), a reasonable audit opinion was given for the year. All reviews were completed as planned in the year with 17 audits and 1 cross authority review covering HR and payroll.
- 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) recommendation raised in the current financial year which is an extremely positive position to be in. It is also important to note that substantial assurance (the highest level of assurance that can be achieved) was concluded in 7 out of 17 audits which represents over 40% of the audits completed and covers the following areas:

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- Performance Management, Corporate Policy and Business Planning;
- Building Control;
- Accountancy Services;
- Income;
- Beach Huts;
- Risk Management; and
- Revenues and Benefits IT Application.

- 4.2.11. Internal Audit also carry out regular reviews of the status of implementation of Internal Audit recommendations. During the year there has been a drop in the number of recommendations raised as the result of audit reviews, compared to the previous year. There were 18 Priority 2 recommendations raised during the year. At 31 March 2018 6 out of 9 actions due for implementation by that date had been completed, leaving 3 still to be addressed compared with 4 at March 2017. For these outstanding recommendations revised implementation dates have been agreed between Internal Audit and Officers and will be followed up during 2018/19.
- 4.2.12. It should also be noted that, not only did the internal audit contract consortium either meet or exceed all of its performance indicators for the year, but of the 17 audits undertaken where an opinion was issued, 7 (5 in 2016/17) were given the highest assurance level possible (substantial assurance) representing 41% of the audits undertaken, indicating a very positive direction of travel.
- 4.2.13. As part of the audit work completed back in 2016/17 a high level advisory review was undertaken in relation to the implementation of a Senior Information Risk Officer (SIRO) role. The objective of the review was to help provide support and advice regarding the implementation of an appropriate SIRO framework. The audit suggested actions to implement the role of the Senior Information Risk Officer and relevant supporting roles, including training and this action plan has been progressed during the new financial year and formed part of the action plan included within last years AGS. This role has been allocated to the Corporate Director and joint Head of Paid Service (Nick Baker) and this role has been supported by the development of a SIRO role description and the implementation of a Information Risk Policy, both of which were approved at the CLT meeting held on 29 January 2018.

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- 4.2.14. The External Auditor's Annual Audit Letter is considered by the GRAC and the Risk Management Board (RMB).
  - 4.2.15. The RMB monitor and also continually review corporate risks and ensure that actions are being taken to effectively manage the Council's highest risks.
  - 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. During the year training was provided to Members on treasury management by the Council's advisors.
  - 4.2.17. Management Team (Heads of Service and CLT) 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.
- 4.3. The year-end review of the governance and the control environment arrangements by the RMB included:
- 4.3.1. Obtaining assurances from Directors 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 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 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 2017/18).

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- 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. 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 just over a year. 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:
- 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)
  - 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, Gt. Yarmouth Borough Council, Suffolk Coastal District Council and Waveney District Council. The Partnership works along the 220km of coastline
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across Norfolk and Suffolk. Our coastal team has a reputation that is the envy of many local authorities and 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.

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### 5. GOVERNANCE ISSUES

- 5.1. Following from the review of the Annual Governance Statement for 2017/18 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. The further development and implementation of the SIRO role, couple with the new Information Risk Policy, will further help to strengthen governance arrangements.

Action	Officer	Target Date
Implementation of Internal Audit Recommendations	Management Team (All Heads of Service and CLT)	31 March 2019
To review the implementation of the requirements under GDPR	Management Team (All Heads of Service and CLT)	31 March 2019
To undertake Member/officer training as required following the recent update of the Whistleblowing Policy	Head of Legal Services	31 March 2019
To update the Procurement Strategy and the Contract Standing Orders as appropriate	Head of Finance and Assets	31 March 2019
To arrange budget and finance training for Members and the Extended Managers group in the run up to the Medium Term Financial Plan and budget process for 2019/2020	Head of Legal Services/ Head of Finance and Assets	31 December 2018
Work towards the development of the new Corporate Plan following the elections in May 2019	Management Team (All Heads of Service and CLT)	31 March 2019

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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:**

Corporate Directors and Heads of Paid Service:

**Cllr John Lee**



**Mr Nick Baker**



**Mr Steve Blatch**

