



ANNUAL GOVERNANCE STATEMENT 2020/21

1. Executive Summary

North Devon Council is responsible 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 economically, efficiently and effectively. In discharging this overall responsibility the council 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.

The Council must exercise corporate governance which is consistent with the principles of the CIPFA/SoLACE Framework “Delivering Good Governance in Local Government 2016” (“The Framework”). This Annual Governance Statement (AGS) explains how the council complies with the framework and also meets the requirements of the Accounts and Audit Regulations in relation to the publication of a statement on internal control.

The Council is committed to address governance issues and to keep arrangements under review, and has sound evidence to the effect that there is a system of governance in place which meets the principles of the Framework and is fit for purpose.

The Council’s perspective has been informed by an Internal Audit of the governance arrangements, carried out in July 2021 by the Devon Audit Partnership, which has provided a reasonable assurance that the arrangements for governance are sound, whilst highlighting some issues, non-compliance and scope for improvement. Key concerns identified are referred to in this statement, and in Appendix A, which comprises an assessment of how the CIPFA principles are met, where governance can be seen in action, and the assurance received and the issues identified.

2. The purpose of the governance framework

Confidence in public sector governance is of critical importance, given the huge investments by taxpayers in local services and the need to ensure that resources are not wasted. This Annual Governance Statement is to help provide that confidence by formally recognising, recording and publishing the council’s governance arrangements.

The Framework requires local authorities to be responsible for ensuring that:-

- Their business is conducted in accordance with all relevant laws and regulations
- Public money is safeguarded and properly accounted for

- Resources are used economically, efficiently and effectively to achieve agreed priorities which benefit local people.

The governance framework has been in place at North Devon Council for the year ended 31 March 2021, and up to the date of approval of the annual report and statement of accounts.

Our governance framework derives from core principles in the Framework. They are:

- a) Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of 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 entities capacity, including the capability of its leadership and the individuals within it,
- f) Managing risks and performance through robust internal controls and strong public financial management,
- g) Implementing good practices in transparency, reporting and audit to deliver effective accountability.

CIPFA has also recommended that, in addition to the normal content of the Annual Governance Statement, councils should make specific comment about the impact of the Covid-19 pandemic on its governance arrangements. These comments have been incorporated into a further core principle (h) which is under the heading “Operational and Governance matters due to the Covid 19 pandemic.”

The authority’s financial management arrangements conform with the governance requirements of the CIPFA “*Statement on the Role of the Chief Financial Officer in Local Government*” (2016) as set out in the Application Note to the Framework.

3. Key Elements of the Council’s Governance Framework

3.1 Council and Strategy and Resources Committee

- Set the budget, strategies and the corporate objectives
- Receive performance reports

3.2 Governance Committee

- Oversight of ethics and governance issues
- Dealing with complaints
- Receiving audit reports
- Risk Management
- Receiving performance reports
- Holding Strategy and Resources Committee to account
- Considering service plans

3.4 Senior Management Team

- Receiving performance reports
- Managing behaviours
- Dealing with health and safety issues
- Risk Management

3.5 Corporate Risk Group

- Identifying corporate risks and reporting

3.6 Statutory Officers

- Ensuring that the Council acts properly and lawfully

3.7 Internal Audit

4. How we comply with the framework

In conjunction with Internal Audit, compliance with the Framework in meeting the principles, where governance can be seen in action, and the assurance received and issued identified, have been assessed in detail and are exhibited in full in Appendix A. This statement, therefore, should be read alongside the assessment.

Under the headings below, the actions recommended by the assessment are highlighted.

Principle A - Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

These actions have been recommended:

- Training as to the new members' Code of Conduct should be provided by the Head of Governance
- The register of the Members' interests should be up-dated
- A review of the complaints procedure should be undertaken
- More staff surveys should be undertaken to assess staff wellbeing
- An Annual Equality Report should be produced
- The constitution should be up-dated to reflect the changes in the governance structure of the Council

Principle B - Ensuring openness and comprehensive stakeholder engagement

These actions have been recommended:

- Report more clearly how the Council budget is being spent
- Remove information from the Council's website which is no longer applicable
- Up-date the statistics concerning Freedom of Information requests

- Review the conclusions from the follow-up Peer Review
- Consider the need for a Communications and Engagement Strategy

Principle C - Defining outcomes in terms of sustainable economic, social and environmental benefits

These are the recommended actions:

- Review and up-date the Corporate Plan and Council priorities
- Progress the recommendations within the Devon Districts Procurement Strategy 2019-2022, and update the Procurement Sustainability Strategy
- Consider how to provide more summary information on Council performance, Performance and Financial Management

Principle D – Determining the interventions necessary to optimise the achievement of the intended outcomes

This recommended action emerges:

- Rationalise the number of performance indicators so that they constitute the core indicators which monitor and report on performance

Principle E - Developing the entities capacity, including the capability of its leadership and the individuals within it

The assessment did not highlight any recommended actions, but it did identify that a new structure of senior management responsibilities was in the process of being created. A lack of capacity at senior management level has been identified in Local Government Association reviews, with several senior manager posts being vacant over a significant period.

The process is now complete, and the following Heads of Service are all in post from 1st September 2021:

- Head of Paid Service/Chief Executive
- Director of Resources and Deputy Chief Executive
- Head of Customer Focus
- Head of Environmental Enhancement
- Head of Governance
- Head of Organisational Development
- Head of Place and Regeneration
- Head of Planning, Housing and Health
- Head of Programme Management and Performance

Principle F - Managing risks and performance through robust internal controls and strong public financial management

In summary, the following has emerged:

- Internal audit reported on Risk Management in December 2020, the report providing a Reasonable Assurance, although there are some recommendations which remain to be implemented. The audit programme has included a review of the majority of the core financial systems used by the Council, with no significant issues being identified.
- The external auditors have provided an unqualified opinion on the Council's financial statements for 2019-20
- Internal audit has provided an overall "Reasonable Assurance" that there are generally sound systems of governance, risk management and control in place across the Council
- A limited assurance for Cyber Security has been provided by Devon Audit Partnership in March 2021, with an action plan in place to address the weaknesses identified
- Internal Audit has recommended an Action Plan for the Council to undertake a compliance assessment against the new Financial Management Code, as required by CIPFA

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

The assessment at Appendix A highlights that the implementation of good practices in transparency is evidenced by the Annual Governance Statement itself, which is discussed by the Governance Committee and subsequently Full Council. Audit recommendations are reported to the Governance Committee, and progress towards completion is tracked and reported. Performance monitoring reports are considered by the Strategy and Resources Committee and then Full Council. External audits are undertaken every year and evidenced through the Annual Audit Letter.

Principle H – Operational and Governance matters due to the Covid 19 pandemic

An internal audit report has been conducted in relation to safe staff operations during Covid 19, and this provided a Reasonable Assurance that staff were properly supported during the emergency. Regular Senior Management Team meetings were held to co-ordinate the response to the pandemic, and regular staff briefings given to keep staff up to date with developments. Risk assessments were carried out in all

business areas, new risks were assessed, and mitigating action applied where necessary.

5 Evaluation of the Effectiveness of Governance

5.1 Background

The Council has conducted its annual review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by

- the work of council officers who have responsibility for the development and maintenance of governance environment
- the annual report of internal audit, and
- comments made by the external auditors and other review agencies and inspectorates
- assurance work completed during the year and up until the point that this Annual Governance Statement is approved.

The main processes that have been relied upon by North Devon Council in reviewing and maintaining the effectiveness of the system of internal control are highlighted below.

5.2 Internal Audit

Internal Audit is responsible for objectively reviewing the Council's internal systems of control with a view to reporting on and making recommendations to management with regard to their effectiveness for managing business risk and achieving the organisation's objectives

Internal Audit reviews are designed to assess the effectiveness of the internal controls on which the council relies for managing risk. There is an annual risk-based internal audit plan approved by the Governance Committee. During the year Internal Audit has undertaken a number of audits, the recommendations from which have been reported to SMT on a regular basis.

All outstanding Audit actions that are contained within the Internal Audit Reports are contained within a report that is presented to the Governance Committee. The Governance Committee takes an active role in ensuring actions are completed.

The effectiveness of Internal Audit in carrying out this function is assessed by the Governance Committee.

The service is provided through an external supplier, the Devon Audit Partnership, enabling access to a wide variety of skills and specialist practitioners. The Internal Auditors have stated that there a generally sound system of governance, risk management and control in place.

5.3 External Audit

The Council has appointed Grant Thornton as its external auditors.

The Audit findings for North Devon District Council for the year ended 31st March 2020 were that no material errors or adjustments to the financial statements were identified, and no adjustments were identified that resulted in an adjustment to the Council's Comprehensive Income and Expenditure Statement. The headline conclusion was that NDDC has proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

5.4 Other external agencies

The **Local Government and Social Care Ombudsman** (LGSCO) has publicly available records in respect of complaints received about each council. For 2020/2021, it appears that 7 complaints were received in relation to NDDC, with the largest number (4) coming from the Planning area, whilst 2 involved housing, and one involved environmental services. In the preceding four years the numbers were 17, 25, 23, and 23 respectively.

Only two of the complaints were upheld after a detailed investigation.

The LGSCO has pointed out that some care should be taken in comparing the figures with those from previous years, as the Ombudsman did not accept new complaints and did not investigate existing cases between March and June 2020, because of Covid 19. This clearly reduced the number of complaints it received and decided.

The **LGA Peer Review** which took place in 2016 has been referenced in previous Annual Governance Statements. The Council undertook a further Peer Challenge in November 2019, and a report as to the outcomes was received in February 2020, but the onset of the Covid-19 pandemic has interrupted the reporting-back process and progress in implementing the recommendations. However, the recent appointment of new Heads of Service has addressed the perceived lack of capacity at senior management level.

5.5 Statutory Officers (i.e. Head of Paid Service, Chief Financial Officer, and Monitoring Officer)

No formal reports have been made by any statutory officer.

5.6 Senior Management Team

The Senior Management Team meets each week to develop policy issues and also considers internal control issues, including risk management, performance management, compliances, efficiency and value for money, and financial management.

During the year all external and internal audit reports are considered by the Senior Management Team before agreement of the recommendations. This ensures that any action that stems from them is properly integrated into the Council's activity.

The Senior Management Team reviews and updates the Corporate Risk Register, supported by the Corporate Risk Management Group.

The Council's performance is reviewed quarterly. The Senior Management Team are the first step in the chain of monitoring and action that culminates in Strategy and

Resources Committee decisions on the Performance and Financial Management Report.

Senior Management Team exercise control over all appointments and any staffing changes, including direct replacements have to be supported by business cases and approved by the Team.

All members of Senior Management Team have responsibility for maintaining a system of sound internal controls and management processes within their area of responsibility, and for reviewing their effectiveness. Each has completed an **Assurance Statement** for their area confirming that a sound system of internal control has been in place throughout the financial year, and identifying any areas that are less robust.

The composition of the Senior Management Team has been enhanced, from 1st September 2021, to address the perceived lack of capacity at senior level. The Team now comprises the Chief Executive, the Deputy Chief Executive, and seven Heads of Service.

5.7 Health and Safety

There are established risk assessment and incident reporting processes. These are supported by framework risk assessments for 'office work', 'office work at home' 'site visits', 'driving at work', and 'attendance at exhibitions'. In addition there is information on a wide range of subjects available.

Following the onset of the Covid-19 pandemic, and the Government guidance for members of staff to work from home, wherever possible, both general and specific risk assessments have been issued to manage the return to work of those who have not been attending the workplace during the pandemic.

The Senior Management Team and the Council's Health Safety, and Welfare Committee (a joint staff/Member/management committee) has met during the year and received incidence statistics with notes of trends and actions taken. These meetings support the Health and Safety Advisor's introduction of improvements and updates to guidance or practices to mitigate risks/incidence issues.

There are reports to the Chief Executive and the Senior Management Team when issues arise.

5.8 Information Management and Security

The Council holds a great deal of information and personal data to support the delivery of services. The security of that information is of paramount importance. The Information Management Group monitors compliance with the Information Security, Email, Internet and Data Protection Policies. It has responsibility for ensuring that procedures are in place to reinforce the policies and for ensuring that specific training and guidance is provided at all levels within the Council. It reports to the Senior Management Team as issues arise. No major issues have been identified.

Both the spirit and the letter of the General Data Protection Regulation have been fully implemented by the Council. Data Protection Champions have been appointed for each service area and these meet with the Data Protection Officer when issues arise. Training of all staff and Councillors has been undertaken and the Data Protection Officer is proactive in dealing with issues and concerns. All breaches are dealt with in

accordance with the law and relevant guidance and the Data Protection Officer ensures that any changes that are highlighted by breaches are introduced. In the Data Protection Officer's absence, two other senior officers are briefed to deal with any emergency data protection issues arising.

6. Accountability and Action Plans

North Devon Council has reviewed its governance arrangements under the auspices of this Annual Governance Statement, and in doing so it has been valuably informed by Devon Audit Partnership's audit of the governance arrangements.

Whilst the Council is very pleased to note the audit opinion of "reasonable assurance" that there is a generally sound system of governance, risk management and control in place, the Council is committed to ensuring the continuous improvement of the corporate governance arrangements. This can be achieved by continual assessment and by addressing the action points which have been highlighted

We have been advised on the implications of the result of the review of the effectiveness of the governance framework to address weaknesses and ensure continuous improvement of the system is in place.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed:

Councillor David Worden
Leader

Ken Miles
Chief Executive