



## Governance & Audit Committee 10th March 2021

### Annual Governance Statement 2019/20

#### Purpose of report

To present to Members the unaudited Annual Governance Statement 2019/20 for East Northamptonshire Council.

#### Attachment(s)

Appendix 1: Unaudited Annual Governance Statement 2019/20

#### 1. Background

- 1.1. East Northamptonshire Council has approved and adopted a local Code of Corporate Governance (published on the website), which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. These principles are based upon Nolan's seven principles of public life: selflessness, integrity, objectivity, accountability, openness, honesty and leadership.
- 1.2. The Annual Governance Statement (AGS) is produced every year and confirms how the Council complies with the Code of Corporate Governance and also meets the requirements of the Accounts and Audit (England) Regulations 2015, regulation 6(1b), which requires all relevant bodies to prepare an annual governance statement.
- 1.3. Usually, the AGS is presented as part of the annual Statement of Accounts. However, due to the delays in the final sign off of the 2018/19 accounts and the outbreak of COVID-19, it has not been possible to present the AGS before this date or with the 2019/20 accounts.
- 1.4. The AGS has been prepared following consultation with Corporate Management Team and discussion within the Governance and Audit Working Party. It is a statement made by the Chief Executive and the Leader of the Council.
- 1.5. As the 2019/20 AGS is now complete and a stand alone document, it is presented to the Committee to note, before being included within the 2019/20 Statement of Accounts and audited by EY in due course.

#### 2. Annual Governance Statement 2019/20

- 2.1. The AGS is at **Appendix 1**. It covers the Council's governance framework, a review of effectiveness of this framework and identifies significant governance issues.
- 2.2. The significant governance issues identified in 2019/20 (see section 5 of the AGS) are:
  - Local Government Reorganisation in Northamptonshire
  - Asset Management
  - CCTV Systems
  - IT and Cyber Security
  - General Data Protection Regulations (GDPR)

2.3. Additionally, although the first national lockdown in response to the COVID-19 pandemic came into force on 23<sup>rd</sup> March 2020 (and therefore only occurred for nine days in the 2019/20 financial year), the impact on governance arrangements was and continues to be so great, that additional disclosures are required specifically for this emergency. Details of the Council's response to COVID-19 are therefore detailed in section 6 of the AGS.

### **3. Equality and Diversity Implications**

3.1. There are no equality and diversity implications arising.

### **4. Privacy Implications**

4.1. There are no privacy implications arising from this report.

### **5. Health Implications**

5.1. There are no health implications arising directly from this report.

### **6. Legal Implications**

6.1. Under the Accounts and Audit (England) Regulations 2015, regulation 6(1b) the Council is legally required to produce an Annual Governance Statement.

### **7. Risk Management**

7.1. There are no significant risks arising from this report.

### **8. Resource and Financial Implications**

8.1. There are no financial implications arising directly from this report.

### **9. Constitutional Implications**

9.1. There are no constitutional implications arising from this report.

### **10. Implications for our Customers**

10.1. There are no customer service implications arising from this report.

### **11. Corporate Outcomes**

11.1. This report links to the following Corporate Outcomes:

#### **Effective Management**

*Ensuring robust risk management and governance arrangements are in place to manage and minimise risks the council is exposed to.*

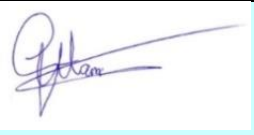
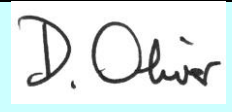
#### **Good Value for Money**

*Ensuring good governance arrangements are in place to deliver services that have regard to economy, efficiency and effectiveness.*

## 12. Recommendation

- 12.1 The Committee is recommended to note the unaudited Annual Governance Statement 2019/20, in preparation for its inclusion within the 2019/20 Statement of Accounts.

*(Reason: To ensure the council complies with the Accounts and Audit (England) Regulations 2015 by producing an Annual Governance Statement).*

<b>Legal</b>	Power: Accounts and Audit (England) Regulations 2015				
	Other considerations:				
<b>Background Papers:</b>					
<b>Person Originating Report:</b> Amy Eyles, Finance Manager ☎ 01832 742087 ✉ aeyles@east-northamptonshire.gov.uk					
<b>Date: 23/02/2021</b>					
<b>CFO</b> 01/03/21		<b>MO</b>		<b>CX</b> 01/03/21	

## EAST NORTHAMPTONSHIRE COUNCIL ANNUAL GOVERNANCE STATEMENT 2019/20

### 1 Scope of Responsibility

East Northamptonshire Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively. East Northamptonshire Council 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.

In discharging this overall responsibility, East Northamptonshire 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 and incorporates the system of internal control.

East Northamptonshire Council has approved and adopted a local code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. These principles are based upon Nolan's seven principles of public life: selflessness, integrity, objectivity, accountability, openness, honesty and leadership. A copy of the authority's code is on our website at [Code of Governance](#) or can be obtained from the council's Democratic Services. This code has gone through a process of review and was updated during 2019/20, being presented to the Governance and Audit Committee on 24<sup>th</sup> July 2019 and ratified by Full Council on 14<sup>th</sup> October 2019. This statement is our Annual Governance Statement and explains how East Northamptonshire Council has complied with the Code and also meets the requirements of the Accounts and Audit (England) Regulations 2015, regulation 6(1b), which requires all relevant bodies to prepare an annual governance statement.

### 2 The Purpose of the Governance Framework

The governance framework comprises the systems and processes, culture and values by which the authority is directed and controlled and the activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

The budgetary process continues to challenge the value for money and performance of all services to deliver a robust and sustainable budget. Councillors work jointly with officers via a range of committees to scrutinise the process and help shape the financial future of the Council.

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 on-going process designed to identify and prioritise the risks to the achievement of East Northamptonshire Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at East Northamptonshire Council for the year ended 31 March 2020 and up to the date of approval of the Statement of Accounts.

### 3 The Governance Framework

#### *Communicating the Authority's vision*

East Northamptonshire Council communicates its vision and objectives through the Council's Corporate Plan. The Corporate Plan 2016 - 2019 approved by Council in December 2015 sets out the Council's key priorities and the outcomes it intended to achieve over the period. This document is available on the Council's website. The plan was developed in consultation with strategic partners and sets out how the Council works with its communities to sustain a thriving district.

Usually the plan is updated every four years; however, due to Local Government Reorganisation in Northamptonshire, the Council committed to fully implementing key legacy projects already under way in the District under this Corporate Plan rather than revising it for East Northamptonshire's final two years. Therefore, the Corporate Plan 2016-19 remains the basis of the Council's strategic direction for the year 2019/20.

The following table sets out the outcomes the council is committed to:

	A good quality of life where the district will be:	Priority outcomes
Improvements for the community	Prosperous	<b>Regeneration and economic development</b>
	Sustainable	<b>Sustainable development</b> High quality built environment
	Clean	Effective management of waste Clean streets
	Healthy	High levels of participation in active recreation Improved housing Good public health
	Safe	Low levels of crime and anti-social behaviour
	Council services which provide good value for money	<b>Financial stability</b> Good value for money
	Effective processes	High quality service delivery
Effective partnership working		Strong strategic partnerships
Effective management		Committed staff Good use of resources Legal compliance
How we learn and grow	Knowledge of our customers and communities	Customer and community insight
	Councillors and staff with the right knowledge, skills and behaviours	Continuous development Appropriate behaviours

The Council monitors and assesses its achievement of the outcomes through business planning, project management and performance management processes which link the Corporate Plan to Service Plans, Team Plans and individual Performance and Development Reviews.

On a quarterly basis the outcomes of performance and financial management processes are reported to the Finance and Performance Sub-Committee. Internal Audit and other governance process outcomes are reported to the Governance and Audit Committee.

### **Translating the vision**

The council uses various media to communicate with its stakeholders, such as:

- Council Website
- Local Media
- Corporate Leaflets
- Consultation
- Reports & public documents
- Displays, exhibitions & road shows
- "In House" newsletter for employees
- Social Media (Twitter, Facebook, LinkedIn)
- ENCircle (quarterly council newsletter)
- E-newsletter
- Enterprising East Northants literature including the Business Charter (supporting local businesses)
- Local business networks, events and one to one meetings
- Meetings with Town and Parish Councils

## ***Quality of service***

The Corporate Plan sets out how the Council plans to achieve its priorities and outcomes. The Medium Term Financial Strategy demonstrates how it is providing value for money and making the best use of resources.

Residents of East Northamptonshire who have volunteered as participants in the Northamptonshire Residents Panel (a joint venture between Northamptonshire County Council, Northampton Borough Council and East Northamptonshire Council) take part in a consultation process to give feedback on the council's services. East Northamptonshire residents from the Panel were surveyed and consulted during 2019/20 on their perceptions of district-level issues within the area. The survey was also open to other residents via the Council's website to ensure an open and accessible forum for residents to share their views. The survey was advertised in local publications (Nene Valley News and ENCircle) and publicised on social media. Paper versions of the survey were also available to those with no access to the online version of the survey. This work is extremely useful and helps inform the future direction and priorities of the Council.

## ***Roles and responsibilities***

The Council's Constitution sets out the roles and responsibilities of each committee and includes an extensive scheme of delegation that is reviewed regularly. All Councillors meet together at Full Council meetings which are open to the public apart from the consideration of confidential items. There were 8 meetings held in this financial year.

The Constitution clearly defines the roles and responsibilities of the statutory officers (Chief Executive, Chief Finance Officer (S151 Officer) and Monitoring Officer), Councillors and council officers and the codes and protocols under which they must operate.

The Council's scheme of delegation identifies those who have powers to make decisions on behalf of the Council. The scheme has been reviewed to take account of constitutional changes and changes to the management structure.

The Chief Executive is designated as the Head of Paid Service. The constitution documents the roles and responsibilities of this role and is supplemented by an up to date job description.

The Executive Director (Monitoring Officer) was the Council's Monitoring Officer (MO) up until 8 September 2019. From 9 September 2019 to 1 November 2019 the Council employed an Interim Monitoring Officer before a permanent Monitoring Officer was appointed and in post from 2 November 2019. The post holder is employed by Kettering Borough Council, and then fulfils the MO role for East Northamptonshire Council. The role of Monitoring Officer has a statutory responsibility to ensure the legality of transactions, activities and arrangements the council enters into, ensuring compliance with relevant laws and regulations, internal policies and procedures.

The Executive Director (Resources and Commercial)/(S151 Officer) has a statutory responsibility to ensure that the Council's financial affairs are properly undertaken and that the Council is suitably safeguarded from loss. The authority's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016).

Reports to Committees are scrutinised by the three Statutory Officers (or their deputies where appropriate) before being presented.

Internal Audit is responsible for independently and objectively reviewing the Council's internal systems of control with a view to reporting on and making recommendations to improve the effectiveness of managing risk.

LGSS Internal Audit delivers this role to the council and makes a positive contribution to the Council's control framework. The Authority's assurance arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2019) and the Public Sector Internal Audit Standards (PSIAS).

The Governance and Audit Committee is considered to be "Those Charged with Governance" and receives reports from both the External Auditor and Internal Audit.

## ***Standards of behaviour***

The Constitution is available to all staff through the intranet and to the public on the Council's website. It contains clear Codes of Conduct for both Councillors and Officers and a protocol for Councillor/Officer relations, as well as supplementary guidance in relation to the Councillor's role in regulatory processes such as Planning and Licensing.

The Knowledge, Skills and Behaviours (KSB) framework outlines the Council's expectations of officers. This is a core framework introduced to all staff at induction and embedded within the appraisal process for continual development and improvement.

The Performance and Development Review (PDR) process is in place to support employees across the organisation. Through this, along with regular line management meetings and team meetings, employees are updated and reminded about the standards of behaviour expected by the Council, receive performance appraisals and discuss training needs.

## ***Decision making***

The Council has a committee system structure in place and therefore does not have an executive or require an Overview and Scrutiny Committee. The Council's Constitution clearly shows how decisions of the Council have to be made. Agendas, reports and minutes are available on the Council's website for public inspection in accordance with the relevant legislative requirements.

The Councillor Induction Programme was undertaken after the last elections and additional training has been delivered since. Training in 2019/20 included Licensing and Good Governance for the Governance and Audit Committee. Individual training is also organised when Councillors join specific committees such as Licensing, Planning Management and Joint Standards Complaints Committee.

Where complex decisions are required, e.g. on cyber security, Councillor-led working parties have been set up or seminars have been held to facilitate understanding by Councillors.

The Council uses a standard committee report template that contains sections which identify clearly sections which cover implications around risk management, financial, legal, health, equalities, constitutional and customer service impacts, as well as links to corporate outcomes. This allows the Council to demonstrate that it is meeting all relevant legislation and guidance and provides consistency for Councillors when providing challenge and scrutiny. This was updated in 2018/19 to include privacy impact implications in recognition of changes in legislation around General Data Protection Regulations (GDPR).

The Council has a web page with links to reports of officer decisions made under the Scheme of Delegation which was implemented following the 'Openness of Local Government Bodies Regulations 2014'. Where officer decisions are made under the Scheme of Delegation, for Committees, these are reported next to the minutes for that Committee.

## ***Counter Fraud & Risk Management***

The Council has a risk management framework, including a system to record risks, controls and assurance, which forms a comprehensive risk register. Risks are formally reviewed on a quarterly basis through the performance clinics within the

performance management framework. The risk management process is overseen by the Finance Manager, who ensures the content and categorisation of risks is regularly reviewed. An annual risk review meeting is carried out by each service area as well as Corporate Management Team (CMT) and is continually monitored to identify new/increased risks and to set out management strategies.

During 2018/19 the Council embarked on developing an Enterprise Centre. In December 2018 a parcel of land was purchased for this project, and building work started on the site in June 2019. The Centre was opened on 1<sup>st</sup> July 2020. This represented a new area of risk for the council, being its largest capital build project in its existence. Additional due diligence was completed, alongside the procurement of specialist external consultants with significant experience of building enterprise centres to support ENC officers with the project. Current projections forecast the build to be underspent (subject to the final account being received from the constructors as per the contract in July 2021).

In 2016/17 Council approved the ICT Strategy which aimed to:

- Make our ICT infrastructure simpler, more reliable and secure
- Focus resources on business improvement
- Integrate ICT with other service areas
- Simplify management processes and decision-making within the ICT Service
- Adopt common processes and improve efficiency in shared service arrangements with Borough Council of Wellingborough
- Save money

The strategy involves migrating most of the existing ICT infrastructure, such as servers, to an external data centre as well as some existing software systems to external providers. This work started in 2017/18 and has continued through 2018/19 and 2019/20, culminating in the replacement of the Council's Network Provision Contract and its data storage server in 2020. This in itself has created some risk and disruption to business continuity, which was closely monitored and reported to CMT.

As part of the continuous improvement of its performance management process, information about significant risks and key projects is included in the quarterly performance clinics for discussion with Heads of Service and CMT. Risk is also a key consideration of individual working parties.. A risk management report is presented to the Governance and Audit Committee on a quarterly basis. The Committee also invites Heads of Service to meetings to review various risks in more detail.

The Council has a Corporate Counter Fraud Strategy in place. It is based on a series of comprehensive and inter-related procedures designed to deter, frustrate, or take effective action against any attempted fraudulent or corrupt acts affecting the council.

The Corporate Framework for counter fraud requires a whole range of high level component parts, if it is to contribute to the council having an effective counter-fraud strategy, and the key elements are:-

- Having a Counter Fraud Strategy in place which outlines the council's aims, expectations and procedures
- Councillor support and codes of conduct for Councillors and Officers
- Confidential Reporting code i.e. "Whistleblowing" policy
- Complaints Procedures
- Procedural Rules for staffing (including recruitment and disciplinary), financial and procurement matters
- Sound internal control systems, procedures and reliable records
- Effective internal audit arrangements
- Professional Fraud Investigators
- Commitment to ensure compliance with external standards
- Induction and training, clear responsibilities, accountabilities and standards
- Counter Fraud baseline/benchmarking.



The Council monitors feedback and complaints from the public, including those made to the Local Government Ombudsman. The Council also has in place procedures for dealing with Freedom of Information requests as these increase the transparency of council activities. There are procedures in place for consideration of complaints where Councillors may have breached their Code of Conduct

### ***Other arrangements***

The Council recognises the importance of transparency in its activities in promoting public confidence in the organisation and in facilitating public scrutiny. The Council has complied with changes in guidance that have increased the level of information about its activities which is

made available on the website, including items of spending over £500. Please see the Council's website at <https://www.east-northamptonshire.gov.uk/transparency> for more information.

## **4 Review of Effectiveness**

East Northamptonshire Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control. This review is informed by the work of the executive managers within the authority, who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates, together with consideration by the Governance and Audit Committee.

The main processes that have been relied upon by the Council in reviewing and maintaining the effectiveness of the system of internal control are identified in this section of the Annual Governance Statement.

### ***The Council's Corporate Management Team (CMT)***

CMT consists of the Chief Executive, the Monitoring Officer, the Executive Director (Resources and Commercial) (Section 151 Officer) and Heads of Service. They meet weekly and provide a forum for overall planning, performance monitoring and decision making in connection with council services. CMT provides a management core to enable direction and control. All significant business proposals are brought to CMT for consideration and approval, and service plans are scrutinised individually to ensure they contribute to the delivery of the corporate outcomes. A formal project approval process exists where all significant projects are recorded and progress is regularly reported.

The Annual Governance Statement and, in particular, any recommendations arising through its preparation and review are reviewed by CMT, thereby assisting with the continued improvement in the council's internal control, risk management and governance arrangements.

CMT is assigned responsibility for the planning and delivery of specific services in accordance with the council's business priorities. In doing so it has a responsibility to ensure that services provide good value for money and council resources are safeguarded from loss and damage.

The Council's Constitution places much of the responsibility for internal control on its Chief Executive, the Monitoring Officer and Chief Finance Officer, though in practice this is largely delegated to the Heads of Service. Therefore, annually the Heads of Service are required to certify a 'Senior Management Assurance Statement'. This statement requires explicit confirmation that, as the senior managers within the Council responsible for the delivery of services, they have done so in accordance with the Council's policies, procedures and practices, which underpin the internal control framework. Where exceptions exist, there is a requirement to disclose these so that consideration can be given to the overall impact they may have on the effectiveness of the Council's internal control environment and the preparation of the Annual Governance Statement.

Heads of Service are also required to review and identify any emerging risks that may threaten service delivery. These are reflected on the risk register or audit plan. Significant issues are incorporated into an action plan.

## ***Scrutiny at East Northamptonshire Council***

The Scrutiny Committee was disbanded at Annual Council in May 2018 as part of the process of streamlining the Council's activities in preparation for the anticipated transition to a North Northamptonshire Unitary Council. This decision also recognised that the majority of future policy and service development activity would take place on a North Northamptonshire basis.

Any service development activity prior to the start of the new unitary council would be undertaken on a cross-council basis, building on existing shared service arrangements, and monitored by the new Transformation Committee. This Committee also monitors any internal transformation work this council carries out.

Monitoring of Performance Reports was transferred to the renamed Finance and Performance Sub Committee whilst provision was made for the completion of any outstanding Scrutiny projects. Where appropriate, any recommendations arising from these reviews would be reported to Policy and Resources Committee.

There remains provision within the Constitution for Councillors to raise issues relating to the remit of any Committee or the Council via questions or motions under Part 4.1 (Procedure Rules) of the Constitution and for appropriate responses/action to be agreed at the relevant meeting.

## ***Governance and Audit Committee***

The Governance and Audit Committee's terms of reference include the agreement of the final accounts together with consideration of Internal and External Audit Reports and any other external agency reports, such as those by the Local Government Ombudsman. The other key areas which are considered by the Committee include risk management and internal control, ethics and probity plus consideration of significant changes to the Constitution.

Members of the Governance and Audit Committee received training during 2019/20 on Good Governance from CIPFA (via online learning).

An Annual Report of the Governance and Audit Committee was published in September 2020 which summarised the work undertaken by the Committee during 2019/20 and reviewed its effectiveness.

## ***East Northamptonshire Joint Standards Committee***

The Council established the East Northamptonshire Joint Standards Complaints Committee in 2012 as part of its arrangements to meet the requirements of the Localism Act 2011. The Committee has seven East Northamptonshire Councillors and seven Town and Parish Councillors, who together advise on complaints against Councillors in respect of the Councillor Code of Conduct. The Committee can also grant dispensation to Councillors to take part in Council business in certain circumstances where legislation would otherwise prevent this.

The Committee meets 3 times a year to formally review the effectiveness of the complaints procedure and Councillor Code of Conduct. Panels are drawn from the Committee to hear complaints and appeals when necessary.

The Council also appoints an Independent Person (and Reserve) to advise the Monitoring Officer and Committee at various points in the assessment of complaints.

The key roles and functions of the Committee are to promote and maintain high standards of conduct of Councillors, ensuring they observe the Councillor Code of Conduct, to provide training on the application of the Code and to deal with any reports from the Monitoring Officer. The Board has responsibilities for the corporate governance of the 41 Town and Parish Councils in the District and for providing advice and training to their Councillors on governance matters. The Committee proposed changes to the Procedure for the Assessment of Complaints (Part 9 of the Constitution) in 2018/19 and also reviewed its activities against the recommendations of the Committee for Standards in Public Life report on Local Government Ethical Standards published in 2019.

The Council has facilitated the publication of Councillors' registers of interest on its website for ENC and all town and parish councils, together with a list of Codes of Conduct that have been adopted.

## **Internal Audit**

Internal Audit is responsible for independently and objectively reviewing the Council's systems of internal control with a view to providing assurance on their effectiveness in managing the risks to achievement of key council aims and objectives. Internal Audit reports on and makes recommendations to council management with regard to their effectiveness in managing business risk. Internal Audit reviews are completed in accordance with the approved annual internal audit plan. This is a programme of reviews designed to assess the effectiveness of the internal controls on which the Council relies for managing key risks. The programme is created after consideration of the controls in place and risks facing the Council, with input from CMT and Councillors. Changes to the agreed programme are approved by the Governance and Audit Committee.

The Annual Internal Audit Report for 2019/20 states that the Head of Internal Audit's opinion is that *"Satisfactory Assurance can be given over the adequacy and effectiveness of the council's control environment for 2019/20. Whilst, generally, the control environment in many key areas has been found to be operating well during the year, the overall opinion is impacted by an area of limited assurance identified in respect of asset management and delays in implementation of a number of recommendations relating to previously identified areas of limited assurance. This control environment comprises of the system of internal control, governance arrangements and risk management. This remains consistent with the overall opinion given in recent years."*

It represents the middle of the five levels of assurance within the model adopted by LGSS.

The outcome of audits of the Council's key financial systems has been strong, with the majority of assurance opinions being of Substantial Assurance, the highest rating given, for design of controls and compliance with them. In addition to the asset management audit, only one other audit received Limited Assurance, which was in relation to temporary workers. However all of the recommendations raised in relation to temporary workers have now been implemented by the Council, with the exception of one low priority recommendation.

All audit recommendations are presented by the Head of Internal Audit to the Governance and Audit Committee, which monitors their implementation by the Council. These include specific action plans and details by senior officers on how these will be addressed. During 2019/20 and into 2020/21, there were a number of outstanding audit recommendations. To ensure effective delivery and scrutiny of these items, an independent working group of the Governance and Audit Committee has been established that focuses on these key areas to drive forward progress and understand any potential issues. The main focus of this working group has been the ICT Cyber Security and Asset Management recommendations. These two areas are highlighted within the 'Significant Governance Issues' section below.

A detailed self-assessment against the PSIAS is carried out annually by the Head of Internal Audit. The outcome of the assessment for 2018/19 was that the activities of the Internal Audit service are in general conformance with the Standards.

In 2019/20, LGSS have delivered 100% of the agreed assignments within the audit plan (this includes one assignment that was agreed would be concluded in 2020/21 due to pressures resulting from the COVID-19 pandemic).

## **External Audit**

External Audit is responsible for providing an opinion on the council's financial statements and also includes a Value for Money conclusion. At the time of publication of the 2019/20 Annual Governance Statement, the audit opinion for the year ended 31 March 2019 had not been issued due to delays in the audit process however the audit work is substantially completed.

## **Section 151 Officer and Monitoring Officer**

The Council's Section 151 Officer and Monitoring Officer acknowledges and has demonstrated active management of his responsibilities for governance, including maintaining his continuous professional development requirements.

## **Other Mechanisms or Sources of Assurance**

A number of other external sources of assurance exist that demonstrate good management and support the overall good governance of the Council, such as the Annual Report by the Local Government Ombudsman on the outcome of complaints referred to them, which is reported to the Governance and Audit Committee.

## **Financial Management Arrangements**

The Council continues to deliver its objectives with fewer resources and through new mechanisms for delivery. The Council believes that it is therefore even more important to ensure that strong governance continues throughout the organisation.

The Council's MTFs covers a five-year period. Such an approach to financial planning provides the platform by which the council can look to deliver public services in accordance with local priorities. Following the Local Government Settlement and as part of the budget setting process for 2019/20, the MTFs was presented to Council on 4 March 2019. Councillors have up-to-date financial information about the current and medium-term outlook, for decision making purposes. At the point the MTFs was approved, the formal decision regarding Local Government Reorganisation in Northamptonshire had not been made by the Secretary of State, therefore it was prepared on the basis of the council continuing in its current form (see section below regarding North Northamptonshire Council).

The Council has a set of Financial Procedure Rules and Contract Procedure Rules within its Constitution which govern the way in which financial matters are conducted. The Contract Procedure Rules were updated during 2014/15 following changes arising from The Public Contract Regulations (2015), and were reviewed and further strengthened in October 2018. The Financial Procedure Rules underwent considerable review during 2014/15 and were updated in March 2019.

The financial statements have been prepared on a going concern basis. The Council believes that the functions and services delivered by the Council will continue in operational existence for the financial year 2020/21. From 1<sup>st</sup> April 2021, East Northamptonshire Council will no longer exist but all of its functions will transfer into North Northamptonshire Council following Local Government Reorganisation in Northamptonshire; see section below.

***CIPFA Financial Management Code***

CIPFA published a Financial Management Code (FM Code) in October 2019, to be fully implemented in 2021/22. The FM Code requires authorities to demonstrate that the processes they have in place satisfy the principles of good financial management. The requirements of the code fall outside the existence of East Northamptonshire Council, and therefore its implications will be assessed by the new North Northamptonshire Council.

**5 Significant Governance Issues**

The Council has considered the outcomes of the risk management and assurance processes referred to in this Governance Statement. The following items below have been identified as 'Significant Governance Issues' by the Council's Corporate Management Team. Where considered appropriate, action plans have been developed to address weaknesses.

***Local Government Reorganisation in Northamptonshire***

In August 2018, the Council was party to a proposal submitted to the Ministry of Housing Communities and Local Government on behalf of all the principal councils in the county (with the exception of Corby Borough Council) in regards to Local Government Reorganisation in Northamptonshire. On 14<sup>th</sup> May 2019, the Secretary of State for Housing, Communities and Local Government confirmed that two new unitary authorities will be created, one for West Northamptonshire and one for North Northamptonshire, of which this Council will become part. During 2019/20, Councillors, CMT and other officers have been involved in a number of discussions, working groups and baselining activities associated with this reform. This process is governed by separate arrangements spanning all the Councils affected, that have been reviewed and approved by the Council.

The confirmation of the creation of North Northamptonshire Council with a vesting date of 1 April 2021 is likely to increase the risk of turnover in key posts and require additional time from existing staff. Any vacancies will be reviewed within the context of opportunities to change structures or share service responsibilities to meet the demands of transformation and transition to the new unitary Council.

***Asset Management***

An Internal Audit report was presented to the Governance and Audit Committee on 29 January 2020 which highlighted 13 high priority and 11 medium priority recommendations to address a number of risks across the Council's asset management framework. Due to the significance of its findings, the full audit report and detailed action plan to address the control weaknesses was published alongside the internal audit report and monitoring against progress is completed through the Governance and Audit Working Party which reports directly into the Governance and Audit Committee. Progress has been made towards full implementation of the recommendations, and this work will continue through 2020/21 and into North Northamptonshire Council.

***CCTV Systems***

During 2019/20, it was identified that the Council required a CCTV policy to provide the framework for installing and operating CCTV systems within its own buildings and other properties owned by the Council. This was a new area of responsibility for the Head of Service at the end of March 2020, who raised this as an area of concern within his own Assurance Statement as he felt he was unable to fully assess all of the associated risks at 31 March 2020. However, since that date, the Head of Service has successfully led a full review of CCTV use by the Council which resulted in the creation of a formal policy that complies with data protection legislation. This was presented and approved by the Policy and Resources Committee on 13 July 2020, mitigating this risk.

## ***IT and Cyber Security***

A Cyber Security Audit in 2018/19 highlighted a number of issues relating to IT security which have already been dealt with or are in hand. Significant progress has been made since the audit was undertaken in March 2019. The audit recognized this vast improvement and the quality of the roadmap to complete the remaining works. All of the recommendations have actions associated with them linked to specific officers. A detailed action plan is in place, progress against this plan is monitored through the Governance and Audit Working Party and is subject to ongoing Internal Audit review and follow up work into 2020/21.

## ***General Data Protection Regulations (GDPR)***

During 2018/19, the Council received six recommendations in regards to implementing the requirements of GDPR (along with a number of related work streams, such as paperless working and ICT Strategy implementation). Due to resourcing issues, the work to complete the recommendations was not fully undertaken in 2019/20. However, during 2020/21 the recommendations have been actioned, and a follow up audit was completed in January 2021 which gave the Council a 'good' assurance rating in this area.

During 2019/20, Internal Audit made a number of other recommendations to further improve the internal control systems in place across the council. Those recommendations were implemented during 2020/21.

The Council is committed to taking steps to address the outstanding matters to further enhance 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 the final annual review of East Northamptonshire Council covering 2020/21 before the vesting day of North Northamptonshire Council on 1 April 2021.

## **6 COVID-19 Pandemic**

The Annual Governance Statement assesses the governance in place during 2019/20. The first period of lockdown due to Coronavirus was announced on 23<sup>rd</sup> March 2020. The major part of the year was therefore unaffected by the emergency. The conclusion as to whether the Council's governance arrangements were fit for purpose reflects normal operations up to that date. However, the emergency, despite the relatively short period of the 2019/20 financial year which it covers, is of such significance it is necessary to include this in the Annual Governance Statement.

As part of the initial response to the pandemic in terms of its own operations, the Council took the following action:

- Rolling out the provision of laptops and remote access for all users, including incorporating access to certain software remotely
- Accelerated rollout of new mobile phones to staff
- Accelerated rollout of video technology – MS Teams
- Construction of a twice-weekly situational reporting mechanism, where the statutory functions of the Council were documented, identified as critical/business as usual/low priority and ranked twice a week as to their current ability to be delivered, capturing any risks or issues for these functions including staffing capacity. This was fed back to CMT twice weekly to identify areas where additional resources were required.
- Creation of a dedicated COVID-19 page on the intranet
- Creation of a Risk Assessment Working Group to develop all of the COVID-19 risk assessments required for the Council's buildings and staff to ensure adequate controls in place for safety

A small number of committee meetings were postponed to allow the Council time to set up a virtual meeting solution through MS Teams; however, from 6<sup>th</sup> May 2020 a full calendar of meetings has taken place, including the Annual General Meeting on 13<sup>th</sup> May 2020.

Due to the pandemic, the Government announced that all local by-elections and other polls would be postponed until 6<sup>th</sup> May 2021. This included the elections for the new North Northamptonshire Council.

The Council is also involved in front line service provision to respond to the pandemic. For instance, the Council is part of the countywide Chief Housing Officers Group, which widened its membership to include colleagues in social care, the NHS and public health to address areas including:

- Rough sleepers, including mental health and drug and alcohol abuse
- Accommodation for key workers, hospital patients and prisoners being discharged
- Working with voluntary organisations e.g. food provision for rough sleepers and those in hotels

The Council also operates the East Northamptonshire Community Resilience Hub, which has coordinated support for vulnerable residents within the District following referrals from the central hub operated by Northamptonshire County Council.

The Council as a billing authority is also responsible for the administration of Central Government grants to support businesses within the District. To this end, the Council has received significant sums to pass over to businesses, and additional funding from Central Government in the form of non-ring-fenced and ring-fenced grants. These have been reported to Members through the Finance and Performance Committees held since the start of the pandemic, and monitoring against them is reported through the Council's existing financial processes.

Reports on the pandemic and its associated risks to the Council were given to the Governance and Audit Committee at its meetings on 29 July 2020 and 23 September 2020.

## 7 Conclusion

### ***Declaration***

We have been advised on the implications of the result of the review of the effectiveness of the Council's governance framework.

The overall assessment is that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. We are satisfied that there are appropriate plans in place to address any weaknesses and ensure continuous improvement in the system of internal control.

Signed: ***David Oliver***

Signed: ***Cllr Steven North***

Date: 23 February 2021

Date: 23 February 2021

**David Oliver**  
Chief Executive

**Cllr. Steven North**  
Leader of the council

**Leader and Chief Executive on behalf of East Northamptonshire Council.**