

Norwich Joint Highways Agency Committee

26 June 2008

Item: 7

Annual Governance Statement, 2007-08 (Replaces Statement on Internal Control)

A Report by the Chief Internal Auditor

This report introduces the proposed draft Annual Governance Statement for 2007-08. The Governance Statement provides assurance that the organisation's governance framework is adequate and effective and replaces the previous 'Statement on Internal Control'.

1 Introduction and background

- 1.1 The Accounts and Audit (Amendment) (England) Regulations 2006 require the reporting of an Annual Governance Statement for 2007-08. The Governance Statement provides assurance that the organisation's governance framework is adequate and effective.
- 1.2 For several years the City Council has reported a 'Statement on Internal Control' (SIC) as part of its Annual Statement of Accounts. The Leader and Chief Executive signed that statement. The Norwich Joint Highways Agency Committee first reported a SIC for 2006-07.
- 1.3 From 2007-08, the requirement was first to review the City Council's existing Code of Corporate Governance and then to report an Annual Governance Statement. This statement will need to be signed by the Chairman and Director.
- 1.4 Guidance for the review of the City Council's existing Code and for the preparation, review and reporting of the new statement has been issued by CIPFA and SOLACE and has been provided to the Chairman of the Committee.
- 1.5 The Committee received a report introducing the Annual Governance Statement in November 2007.
- 1.6 This report introduces a proposed draft statement based on the information available at this time. A final version will be presented to the Accounts Approval Sub Committee in June 2008.

- 1.7 The City Council is urged by the CIPFA SOLACE guidance to test the current governance structures against the principles in the new published Framework by:
- Firstly reviewing existing governance arrangements against the framework
 - developing and maintaining an up-to-date local code of governance, including arrangements for ensuring its ongoing application and effectiveness
 - annually preparing a governance statement in order to report publicly on the extent to which we comply with our own code on an annual basis, including how we have monitored the effectiveness of the governance arrangements in the year, and on any planned changes in the coming period.
- 1.8 The Head of Legal and Democratic Services and Head of Finance have considered the approach to these requirements.
- 1.9 This report presents the outcomes of the review of the effectiveness of the Code of Corporate Governance against the Framework as appropriate to the Highways Agency Agreement.

2 The Code of Corporate Governance

- 2.1 The City Council has a Code but is revising it in line with the CIPFA/SOLACE recommended Code of Corporate Governance in July 2006.
- 2.2 The Head of Legal and Democratic Services has considered the new guidance to determine if:
- there are any changes required to the Council's existing Code of Corporate Governance; and
 - there are any changes in the arrangements for ensuring its ongoing application and effectiveness.

3 The Proposed new Annual Governance Statement

- 3.1 Once the new Code, based on the CIPFA/SOLACE Framework has been adopted by the City Council we are comfortable that, from a review of the key elements and processes that comprise the authority's governance arrangements, as included in the draft statement in Appendix A, there appear to be no significant shortcomings in current arrangements.
- 3.2 Much of the evidence that was gathered to support the previous Statement on Internal Control is relevant to the new Annual Governance Statement. The evidence has been gathered, reviewed

and reported by the County Council's Internal Audit section as agreed by the Committee.

4 The Annual Review of Effectiveness of Governance

- 4.1 Once the City Council's Code of Governance has been reviewed, the Framework requires that the Council should undertake regular, at least annual, reviews of its governance arrangements to ensure continuing compliance with best practice as set out in the framework. It is important that such reviews are reported on both within the City Council by this Committee and externally.
- 4.2 The results of the review have been reported to the Chief Officer and then reported to the Committee.

5 Partnerships

- 5.1 Beyond the partnership between the City and County Council set out in the Highways Agency Agreement there are no additional partnerships that require reviewing.
- 5.2 Effective Corporate Governance arrangements help to deter crime, or increase the likelihood of detection through making crime difficult, increasing the risks of detection and prosecution and reducing rewards from crime.

6 Recommendation

- 6.1 The Committee should note:
- the above requirements for an annual governance statement and support the annual review
 - that the City Council's Code of Corporate Governance is being reviewed and will be considered adequate
 - that Chief Officers recognise the 'corporate ownership' of its governance requirements.

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Appendix A

The Proposed template for the Annual Governance Statement required for 2007-08

Please note that items marked in bold with an asterisk will be completed in the final statement and are included here for information only.

Annual Governance Statement

2007-08

Scope of responsibility

The Norwich Joint Highways Agency Committee 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. The Norwich Joint Highways Agency Committee 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, the Norwich Joint Highways Agency Committee is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

The City Council has since 1 April 1974, acted as agent of the County Council for various highways and traffic functions. Norwich Joint Highways Agency Agreement was established under the Local Government Act 1972, the Local Government Act 2000, and the Highways Act 1980. The current Agency Agreement is dated 4th July 2006. This is confirmed within "Joint Arrangements", Article 11 to the Norwich City Council constitution with a similar reference in the County's constitution.

The Joint Committee consists of two Norfolk County and two Norwich City Councillors. It is advised and supported by three Norfolk County and three Norwich City Advisory Councillors.

Norwich City Council is the lead authority, and the Joint Committee's activities are undertaken through the offices of the City Council. Norwich City Council's Statement on Internal Control is in its Statement of Accounts publication. The draft programme of works is drawn up by Norwich City Council, and has to be approved by Norfolk County. A "Description of Joint Arrangements" is given in Appendix 18 of the Norwich City Council constitution, with a similar reference in the County's constitution.

The Joint Committee's Terms of Reference and specification of Functions are also contained within Appendix 18 of the Norwich City Council constitution.

Norwich City Council is in the process of approving a Code of Corporate Governance and this Annual Governance Statement demonstrates how the principles have been fulfilled. The new code will be consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*.

[A copy of the existing Code is on their website at www.norwich.gov.uk or can be obtained from [*...].]This statement explains how the authority has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

The purpose of the governance framework

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

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 Committee's 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.

The governance framework has been in place at Norwich Joint Highways Agency Committee for the year ended 31 March 2008 and up to the date of approval of the statement of accounts.

The key elements of the systems and processes that comprise the Committee's governance arrangements include arrangements for:	
<ul style="list-style-type: none"> Identifying and communicating the Committee's vision of its purpose and intended outcomes for citizens and service users. 	<p>The Norwich Area Transport Strategy NATS Plan links to Government guidance and the draft Regional Spatial Strategy. It:</p> <ul style="list-style-type: none"> Recognises the Norwich Area as a centre where growth will be focused. Supports the Norwich Area as a sustainable community,

	<p>complementing development by measures to provide a high quality urban experience.</p> <ul style="list-style-type: none"> • Supports Norwich's role as a Regional Interchange Centre • Promotes travel choice <p>The City Council and County Council each have Corporate Plans. The Plans are available electronically on the City Council and Norfolk County Council's websites.</p>
<ul style="list-style-type: none"> • Reviewing the authority's vision and its implications for the authority's governance arrangements. 	<p>The Norwich Area Transport Strategy was reviewed in 2004 and sets out a transportation strategy for Norwich until 2012.</p> <p>The City Council reviewed its Corporate Plan in March 2008.</p> <p>To ensure Norfolk County Council is always working in the best interests of the people of Norfolk it reviews its vision and the County Council Plan annually.</p> <p>Agendas and minutes for all County Council meetings, including The Norfolk Norwich Joint Highways Agency Committee, are accessible on the Norwich City Council and Norfolk County Council websites.</p>
<ul style="list-style-type: none"> • Measuring the quality of services for users, for ensuring they are delivered in accordance with the authority's objectives and for ensuring that they represent the best use of resources. 	<p>The Committee measures the performance against the Highways Agency Agreement.</p> <p>Performance monitoring is reported to the Committee at its bi-monthly meetings.</p> <p>In order to measure the quality of services we provide in trying to achieve our objectives, the City Council and County Council produces performance indicators. Each objective in each Council's Plan has an expected outcome for people in Norfolk, and each of these has one or</p>

	<p>more associated Performance Indicators from the new National Indicator Set (NIS). Using the NIS is a useful way of seeing if we have improved and to compare Norfolk County Council to other councils providing the same or similar services.</p> <p>Current year performance for Norwich City and for Norfolk County Council are published on their websites.</p>
<ul style="list-style-type: none"> Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication. 	<p>The Committee's terms of reference appear at Appendix 18 of the City Council's Constitution. The Highways Agency Agreement also sets out the arrangements. A service level agreement is being prepared.</p> <p>Norwich City Council has a constitution which sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these efficient, transparent and accountable to local people. The law requires us to have some of these processes, whilst others are a matter for the Council to choose. The Constitution is reviewed by the Constitution Working Party led by the Head of Legal and Democratic Services.</p> <p>The Constitution can be found on the City Council website.</p>
<ul style="list-style-type: none"> Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff. 	<p>Norwich City Council's Constitution includes codes of conduct for both members and staff. Our Corporate HR department produces a HR Practises Manual in which there is also a code of conduct for staff.</p> <p>The Constitution can be found on Norwich City's website.</p>
<ul style="list-style-type: none"> Reviewing and updating standing orders, standing financial instructions, a scheme of 	<p>The Highways Agency Agreement sets out the arrangements for the function</p>

<p>delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks.</p>	<p>which is hosted by the City Council.</p> <p>Norwich City Council produces both Financial Procedures and Financial Regulations. The Financial Regulations form part of the Constitution and are required to be reviewed annually to ensure they incorporate the latest changes. The Head of Legal and Democratic Services is responsible for updating the Financial Regulations and the accompanying procedures and then taking them to the Executive for approval.</p> <p>The Standing Orders, Scheme of Delegation and Financial Regulations were all reviewed during 2007-08.</p>
<ul style="list-style-type: none"> • Undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities. 	<p>Norwich City set up an Audit Committee in June 2007. That committee receives reports, which would include work undertaken on functions supporting the Highways Agency agreement.</p> <p>Norfolk County Council set up an Audit Committee in October 2005.</p> <p>The main purposes of both Audit committees is to provide proactive and effective leadership on audit and governance issues and champion both audit and the embedding of risk management throughout the council and to review the effectiveness of the system of internal control.</p> <p>The Audit Committees receive reports on the adequacy of risk management and internal control and the scope includes Norfolk Norwich Joint Highways Agency Committee functions.</p> <p>The minutes and agendas from its quarterly meetings are available to everyone on Norfolk County Council's website. There is also general information on the website about the</p>

	<p>Audit Committee, including which councillors sit on the committee.</p> <p>A summary of internal audit work relating to the Committee is being reported to the June meeting in 2008.</p> <p>Agendas and minutes for the Norfolk Norwich Joint Highways Agency Committee, are accessible on Norwich City Council's website and are available for everyone to look at.</p>
<ul style="list-style-type: none"> Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful. 	<p>The Head of Legal and Democratic Services is given the duty of being the Monitoring Officer for Norwich City Council. This means that they are responsible for ensuring compliance with relevant laws and regulations. A protocol covering the role and functions of a Monitoring Officer is contained within the Constitution.</p> <p>The Constitution is available on the City Council's website.</p>
<ul style="list-style-type: none"> Whistle-blowing and for receiving and investigating complaints from the public. 	<p>Whenever a member of the public contacts the Council to either complain or praise the council the contact will be dealt with in accordance with our Complaints & Compliments Policy and procedures. Both of these are available on the City Council website.</p> <p>Norwich City Council and Norfolk County Council operates an Anti Fraud & Corruption Strategy which is linked to our Whistle blowing policy. These are internal policies which all staff are expected to follow.</p>
<ul style="list-style-type: none"> Identifying the development needs of members and senior officers in relation to their 	<p>The Chairman and Vice Chairman attend 'Business Meetings' to monitor the performance of the Highways</p>

<p>strategic roles, supported by appropriate training.</p>	<p>Agency Agreement.</p> <p>Members of the Committee have received reports for information on the introduction of this Annual Governance Statement.</p> <p>Council members have generic induction training when they are appointed.</p> <p>Within the council there is a Democratic Services Officer who is part of the Democratic Services team.</p> <p>It is their job to look after the pastoral needs of the County Councillors, arranging training, keeping an updated register of interests, and also a hospitality register. They arrange travel and conference attendance and also deal and resolve IT queries for Members.</p>
<ul style="list-style-type: none"> Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation 	<p>The Norwich Area Transport Strategy Plan sets out the aims and objectives and includes consultation.</p> <p>Norwich City Council publishes its 'Citizen' magazine monthly.</p> <p>Norfolk County Council publish several magazines for members of the public. Your Norfolk magazine is delivered to every household in Norfolk whereas Norfolk Matters magazine is specifically for members, partners and stakeholders. Both are available electronically on our website.</p> <p>Each Council's website contains a variety of useful information, including latest news, and allows users to sign up for email updates. Users can access online services such as the Norfolk Consultation Finder. This is a website dedicated to current consultations and also members of the public to easily participate in the council's activities.</p>

<ul style="list-style-type: none"> • Incorporating good governance arrangements in respect of partnerships and other group working as identified by the audit commission's report on the governance of partnerships, and reflecting these in the authority's overall governance arrangements. 	<p>Beyond the City and County Council there are no direct partnerships that the Committee has entered into.</p> <p>Norwich City Council operates within a range of partnerships - the key ones are the City of Norwich Partnership (the local strategic partnership), and the Norfolk County Strategic Partnership which is administered by Norfolk County Council. The City of Norwich Partnership (CoNP) has been developed with strong leadership by the council and its role, structure and effectiveness was reviewed during 2006/07 using the Aspire 2 Perform toolkit. New arrangements have now been introduced: it has a governance framework and terms of reference, and an improvement plan for partnership arrangements has been developed.</p> <p>In line with this review of CoNP, the council has introduced a partnership governance policy to identify all partnerships it is involved in and ensure effective governance arrangements are in place, relating to processes, procedures and policies which address accountability, probity and audit. Responsibility for advising and implementing this policy at officer level lies with the council's partnership manager and the portfolio holder for finance & policy is the member champion for partnership working.</p>
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Review of effectiveness

The Norwich Joint Highways Agency Committee has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control. The review of effectiveness 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 Chief Internal Auditor's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

The process that has been applied in maintaining and reviewing the effectiveness of the governance framework:

The Authority & the Executive

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| <ul style="list-style-type: none"> • Statutory roles of Council's Monitoring Officer and Section 151 Officer to ensure internal control procedures are efficient and effective and are being complied with on a routine basis to ensure legality and sound financial standing. • Risk Management policies and procedures are in place to ensure that the risks facing the authority in achieving its objectives are evaluated, regularly reviewed and mitigation strategies developed. These arrangements are approved and reviewed by Cabinet following advice from the Chief Executive and all Chief Officers. • Provision of effective, efficient and responsive systems of financial management. • Delivery of services by trained, skilled and experienced personnel. | <ul style="list-style-type: none"> • The Committee has, where appropriate, received the full range of professional officer advice to enable them to carry out their functions effectively and in compliance with statutory requirements. • The Committee have a risk register. • The embedding of risk management in to business activity is continuing. Strong action is being taken throughout the Council to ensure Risk management is fully embedded. • An embedding risk management plan has been reported to the County Council's Audit Committee and is being implemented. • Corporate and departmental risk registers, including the Highways Agency work, are in place and being used as a management tool. Insurance policies and funds are in place and are regularly reviewed at least annually to ensure the Council is adequately safeguarded. • The financial management of the function is administered through the Highways Agency Agreement. The Business meetings monitor the results. • The City Council operates an Appraisal scheme and the service is managed by experienced and qualified officers. |
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<ul style="list-style-type: none"> Performance monitoring processes are in place to measure progress against objectives and to provide for remedial action where appropriate. 	<ul style="list-style-type: none"> Regular reports on Performance Indicators are presented to the Chief Officers and the Business meetings.
The Audit Committee/Overview and Scrutiny Committee/Risk Management Committee	
<ul style="list-style-type: none"> The audit and scrutiny function is carried out and developed through the Cabinet Scrutiny Committee, the Audit Committee. 	<ul style="list-style-type: none"> The Cabinet Scrutiny Committee, the Audit Committee have continued to carry out reviews across a wide range of topics.
The Standards Committee	
<ul style="list-style-type: none"> The role of the Standards Committee is to promote and maintain high standards of conduct by councillors and co-opted members. 	<ul style="list-style-type: none"> The Committee met during 2007-8. Its business included the revised Code of Conduct.
Internal Audit	
<ul style="list-style-type: none"> Internal Audit provide independent and objective assurances across the whole range of the authority's financial and non-financial activities 	<ul style="list-style-type: none"> A report of internal audit work regarding the Highways Agency is being reported to the Committee in June 2008. The External Auditor is able to place reliance on the work of the City Council's Internal Audit team and, at the County Norfolk Audit Services, and has assessed that Internal Audit provides an effective service overall. The audit teams are continuing to develop their work programme such that resources are allocated based on a systematic assessment of all areas of risk facing the Council in carrying out its functions.
Other explicit review/assurance mechanisms	
<ul style="list-style-type: none"> External Audit provide a further source of assurance by reviewing 	<ul style="list-style-type: none"> The Audit Commission has not yet issued an Annual Audit and

<p>and reporting upon the Council's internal control processes and any other matters relevant to their statutory functions and codes of practice.</p> <ul style="list-style-type: none"> Codes of practice are issued by external bodies in respect of Council services and processes, with which the Council is expected to comply. Reviews by external agencies and inspectorates, which would encompass most major services, and other specific external evaluations, for example, the Local Government Ombudsman and Health & Safety inspectorates. 	<p>Inspection Letter or Governance Report for the Committee for 2006-07. When these reports are available they will be reported to the Committee.</p> <ul style="list-style-type: none"> The City and County Council has adopted the CIPFA Treasury Management in Public Services Code from November 2002. The Council has implemented the Accounts and Audit Regulations 2003 and is implementing the amendments made in the 2006 regulations. The City's Internal Audit Team and NAS have implemented the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2003 and are implementing the 2006 code. The Department for Transport has an interest in the CIVITAS programme.
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We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Significant governance issues

The action plans for all the Significant issues raised in the 2006-07 Statement on Internal Control have been completed, except for strengthening of financial management for the Committee. A financial management improvement plan is being developed with a completion target of 31 August 2008.

The Service Level Agreement, recommended in the internal audit report on the Highways Agency Agreement issued during 2007-08, that will support the Highways Agency Agreement is being drafted.

Signed: Leading Member

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Vice Chairman

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and Chief Officer

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