

**NORFOLK AUDIT SERVICES AND  
NORWICH CITY COUNCIL AUDIT AND CONSULTANCY SERVICES  
JOINT ANNUAL REPORT 2007/08  
ON THE NORWICH HIGHWAYS AGENCY JOINT COMMITTEE**

**Joint Report by Norfolk County Council Chief Internal Auditor and  
Norwich City Council Audit Manager**

This Committee Report summarises the internal audit work carried out in 2007-08, reports on internal audit performance, provides assurance that financial, non-financial controls and risk management arrangements exist and are effective and provides details of the relevant sections of the 2008-09 internal audit plan.

**1 Introduction**

- 1.1 The Norwich Highways Agency Joint Committee (NHAJC) oversees the operation of the Norwich Highways Agency, within which Norwich City Council acts as agent in delivering highways functions on behalf of Norfolk County Council.
- 1.2 The Accounts and Audit (Amendment) Regulations 2006 require government bodies to maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with proper practices in relation to internal control. The Regulations also require an annual review by the body of the effectiveness of its system of internal audit. This report fulfils that requirement.
- 1.3 Norfolk Audit Services Services (NAS) and Norwich City Council Audit and Consultancy Services are jointly responsible for internal audit of the NHAJC. NAS internal audit responsibilities cover the governance, control and risks relating to the County Council's role as commissioner, whereas the City Council role covers the City's role as agent.
- 1.4 Internal audit's role is to ensure that there is :
  - compliance with the Norwich City Council Financial Regulations and departmental rules and procedures.

- compliance with the Highways Agency Agreement and any supporting guidance.

Where such compliance does not exist, they make recommendations to ensure that proper controls are in place. Some audits carried out are based on the perceived risk to the Committee, whilst others are requested by the Committee.

- 1.5 The Internal Audit Annual Report is attached.

## **2 Internal Audit Annual Report**

- 2.1 One audit was carried out during 2007-08 of the Highways Agency Agreement, which showed that, in the opinion of internal audit, the adequacy and effectiveness of internal control and risk management for the Agreement are acceptable.
- 2.2 Audit plans for 2008-09 for Norfolk County Council, Planning and Transportation department have been agreed with the Director of Planning and Transportation, Norfolk County Council. Audit plans have also been agreed for Norwich City Council with the Strategic Director of Regeneration and Development, Norwich City Council.

## **3 Ongoing Maintenance of Internal Controls**

- 3.1 The ongoing maintenance of controls for the Highways Agency Agreement rests with the Director of Planning and Transportation, Norfolk County Council and the Strategic Director of Regeneration and Development, Norwich City Council who will monitor their controls and ensure that policies, procedures and documents are kept up to date.

## **4 Risk Management**

- 4.1 This report has fully taken into account any relevant issues arising from the policy and strategy for risk management of Norwich City Council, as relied upon by the Committee.

## **5 Conclusion**

- 5.1 The Committee should note that based on the audits carried out for 2007-08, internal controls and risk management are adequate and effective.
- 5.2 The Committee should note that the systems of internal audit are adequate and effective during 2007-08 for the purpose of the latest regulations.
- 5.3 Internal Audit opinion is based upon:

- final reports issued in the year
  - the results of other work carried out by internal audit
- 5.4 The Committee should note that the respective audit plans for 2008-09 has been agreed with the Director of Planning and Transportation, Norfolk County Council, Strategic Director of Regeneration and Development, Norwich City Council.

## **6 Section 17 Crime and Disorder Act**

- 6.1 Internal Audit work is planned in order to cover the higher risk areas including where weaknesses in controls might increase the risk of theft, fraud or corruption. An action plan is agreed for any weaknesses that are identified during audits. Audits help to prevent, detect and investigate possible fraud.
- 6.2 Internal Audit work continues to evolve to cover all areas of risk as well as traditional financial audit.
- 6.3 Under section 17 of the Crime and Disorder Act the Councils have a statutory general duty to take account of the crime and disorder implications of all of its work down to a local level, and do all that it reasonably can to prevent crime and disorder in Norfolk.

## **7 Alternative Options**

- 7.1 There are no alternative options for the Committee to consider.

## **8 Recommendation**

- 8.1 It is recommended that the Committee should:
- Note the Internal Audit Annual Report for 2007-08 and the key message :  
  
Based on an analysis of the audit work carried out and reports issued, Internal Audit can assure Committee that, the adequacy and effectiveness of internal control and risk management during 2007-08 was acceptable.
  - Note that the systems of internal audit are adequate and effective during 2007-08 for the purpose of the latest regulations.
  - Note the content of the 2008-09 audit plan from the Internal Audit Annual Report.
  - Internal audit work continues to evolve to cover all areas of risk as well as traditional financial audit. Audit planning is partly based

upon risk assessments and therefore internal audit is auditing higher risk areas.

Adrian Thompson  
Chief Internal Auditor, Norfolk County Council  
(01603) 222784  
Email: [adrian.thompson@norfolk.gov.uk](mailto:adrian.thompson@norfolk.gov.uk)

Steve Dowson  
Audit Manager, Norwich City Council  
(01603) 212575  
Email: [stevedowson@norwich.gov.uk](mailto:stevedowson@norwich.gov.uk)

**If you need this report in large print, audio, Braille, alternative format or in a different language please contact Adrian Thompson on telephone 01603 222784 or fax 01603 222781 and we will do our best to help.**



**NORWICH HIGHWAYS AGENCY JOINT COMMITTEE  
INTERNAL AUDIT ANNUAL REPORT  
2007-08**

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## **1. Introduction**

- 1.1 The Norwich Highways Agency Joint Committee (NHAJC) oversees the operation of the Norwich Highways Agency, within which Norwich City Council acts as agent in delivering highways functions on behalf of Norfolk County Council.
- 1.2 The Local Government (Accounts and Audit) (Amendment) Regulations 2006 require government bodies to maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with proper practices in relation to internal control. The Regulations also require an annual review by the body of the effectiveness of its system of internal audit. This report fulfils that requirement.
- 1.3 Norfolk Audit Services Services (NAS) and Norwich City Council Audit and Consultancy Services are jointly responsible for internal audit of the NHAJC. NAS internal audit responsibilities cover the governance, control and risks relating to the County Council's role as commissioner, whereas the City Council role covers the City's role as agent.
- 1.4 Internal audit's role is to ensure that there is :
  - compliance with the Norwich City Council Financial Regulations and departmental rules and procedures.
  - compliance with the Highways Agency Agreement and any supporting guidance.

Where such compliance does not exist, they make recommendations to ensure that proper controls are in place. Some audits carried out are based on the perceived risk to the Committee, whilst others are requested by the Committee.

- 1.5 NAS and Norwich City Council Audit and Consultancy Services and produce an annual report for the Norwich Highways Agency Joint Committee. The Internal Audit Annual Audit Report details the overall opinion on internal control and risk management of the Committee and details the level of audit coverage for the Committee for the year in question. This report details the audit work carried out and the opinion given to individual audits from April 2007 to March 2008.
- 1.6 During the year to March 2008, internal audit reported detailed reports on every audit including where necessary, an audit opinion and an agreed action plan.

## **2. Audit Opinion Explanation**

- 2.1 Each internal audit team has their specific process of auditing and arriving at an audit opinion.
- 2.2 The NAS overall audit opinion is based on work undertaken during the year. Each report has one of two possible grades, which are explained in the table below:

<b>Opinion</b>	<b>Assessment of internal control</b>	<b>Action required from the recipient – as agreed with the auditors</b>
Acceptable	Few or no weaknesses, mostly insignificant	Remedial action required within six months
Key issues that need to be addressed	A number of weaknesses, mostly significant or one or more major weaknesses	Remedial action required immediately or within six months

- 2.3 Norwich City Audit and Consultancy Services categorise findings into :

- issues relevant to the Annual Governance Statement
- action required to improve internal control
- action required to improve the service.

### **3. Key messages**

- 3.1 Our combined overall opinion on internal control:

Based on an analysis of the audit work carried out and reports issued, Internal Audit can assure the Committee that the adequacy and effectiveness of internal control and risk management for the Committee during 2007-08 was acceptable.

- 3.2 The combined audit coverage:

The work of Internal audit continues to evolve to cover all areas of the Committee. Some audits are carried out based on the perceived risk to the Committee, whilst others may be requested by the Committee.

- 3.3 The combined key messages to note from the year are:

- The Committee's systems of internal audit were effective during 2007-08 for the purposes of the latest regulations.
- The work of Internal Audit continues to evolve to cover all areas of risk as well as traditional financial audit. Audit planning is partly based upon risk assessments and therefore internal audit is auditing higher risk areas.

## **4 Committee Internal Audit Work**

4.1 Details of audits performed in 2007-08 are given below:

- Charging for On-Street Parking and Decriminalised Parking Enforcement
- Highways Agency Agreement

4.2 It is considered that this provides a reasonable basis to draw a representative opinion as a sufficient amount of work has been completed.

## **5 2008-09 Audit Plan**

5.1 A follow up audit Charging for On-Street Parking and Decriminalised Parking Enforcement is planned for 2008-09.

## **6 Review of effectiveness of systems of internal audit**

6.1 The Accounts and Audit (Amendment) (England) Regulations 2006 require the effectiveness of its systems of internal audit to be reviewed annually. There is currently no guidance or good practice available for meeting this requirement. Informal advice from CIPFA and discussions with other local authorities provided various options for reviewing the effectiveness of the system of internal audit.

6.2 The elements of the Norwich Highways Agency Agreement systems of internal audit and the assurance on their effectiveness is derived as follows:

- Internal audit – the annual plan and work of internal audit

The results of internal audit work for 2007-08 have been summarised in section four. A review of NAS compliance to the new Code of Practice 2006 confirmed that it was satisfactory except for a few minor areas where action plans have been agreed.

- Management processes of checking, reconciliation's, supervisions and controls

The NAS and Norwich City Council Audit and Consultancy Services annual internal audit plans include both Councils' main systems on a rotational basis and our opinion on these is Acceptable (section three).

## **7 Working with the Audit Commission**

7.1 NAS and Norwich City Council Audit and Consultancy Services have very good working relationships with the Audit Commission and their work is planned and co-ordinated to maximise the benefit of all audits to the Committee.



## **8 Responsibilities in relation to fraud**

- 8.1 Internal Audit risk based audit planning includes work that will help prevent, detect, investigate and prosecute fraud risks. Based upon the work carried out this financial year, the internal controls and risk management relating to fraud are considered to be adequate and effective for the Highways Agency Agreement and the Committee.

Adrian Thompson  
Chief Internal Auditor  
01603 222784  
Email: [adrian.thompson@norfolk.gov.uk](mailto:adrian.thompson@norfolk.gov.uk)

Steve Dowson  
Audit Manager, Norwich City Council  
(01603) 212575  
Email: [stevedowson@norwich.gov.uk](mailto:stevedowson@norwich.gov.uk)

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