

**Norwich Highways Agency Joint Committee  
Statement of Accounts 2006/07 & 2007/08**

Report by the Head of Finance

**Summary**

This report details the final position of the 2006/07 Statements of Accounts and provides an update on the 2007/08 Statement of Accounts.

The audit of the 2006-07 accounts is now complete and the Committee have received an unqualified audit opinion on the statements. The audit of the 2007-08 accounts is currently ongoing and a further report will be brought to this committee once the audit is complete.

**Recommendations**

The Norwich Highways Agency Joint Committee is requested to note the final position of the 2006-07 Statement of Accounts and the current position with the audit of the 2007-08 Statement of Accounts.

**1. Background**

- 1.1 The 2006/07 Statement of Accounts was approved by the Norwich Highways Agency Joint Committee at its meeting on 28 June 2007. At that time the Audit Commission, the Council's External Auditor, had not started examining the accounts. Their examination is now complete and the 2006/07 Statement of Accounts have been signed off.

**2. 2006-07 Statement of Accounts**

- 2.1 Following the audit, the Audit Commission have issued an unqualified audit opinion on the Statement of Accounts and a qualified value for money statement.
- 2.2 A draft version of the Audit Commission's Annual Governance Report has previously been presented to committee members via email. The purpose of this report is to bring the final Annual Governance Report (Appendix 1) and audited Statement of Accounts (Appendix 2) to the committee.
- 2.3 During the course of the audit several issues were identified and changes were required to be made to the Statement of Accounts. These changes were agreed between officers and the Audit Commission. The Annual Governance Report includes details of all the amendments made to the statements.

- 2.4 In order to improve future performance the Annual Governance Report also includes an action plan which officers at both the County Council and the City Council have agreed.
- 2.5 The 2006/07 Statement of Accounts has been published on Norfolk County Council's website [www.norfolk.gov.uk](http://www.norfolk.gov.uk) under Council Tax and Finance within the Council and Democracy section. Printed copies are also available on request.

### **3. 2007-08 Statement of Accounts**

- 3.1 A revised 2007-08 Statement of Accounts has been produced based on final statements presented to Audit Commission. These amended accounts have been passed onto the external auditors as part of the audit of the 2007/08 accounts.
- 3.2 The completion of the audit of the 2007-08 Statement of Accounts has been delayed due to available resources now working on the production of the 2009-10 Statement of Accounts. The external auditors will continue with the audit once resources become available.

### **4. Resource Implications**

- 4.1 There are no finance, staff, property or IT implications arising from this report.

### **5. Equality Impact Assessment (EqIA)**

- 5.1 The contents of this report do not directly impact on equality, in that it is not making proposals that will have an impact on equality of access or outcomes for diverse groups.

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

- 6.1 There are no implications of this report for the Crime and Disorder Act.

### **7. Conclusion**

- 7.1 The audit of the 2006-07 accounts is now complete and the Committee have received an unqualified audit opinion on the statements. The audit of the 2007-08 accounts is currently ongoing and a further report will be brought to this committee once the audit is complete.

### **8. Recommendation**

- 8.1.1 The Norwich Highways Agency Joint Committee is requested to note the final position of the 2006-07 Statement of Accounts and the current position with the audit of the 2007-08 Statement of Accounts.

## **Background Papers**

- Annual Governance Report (Appendix 1)
- Audited Norwich Highways Agency Joint Committee Statement of Accounts 2006-07 (Appendix 2)

## Officer Contact

If you have any questions about matters contained in this paper please get in touch with:

Name	Telephone Number	Email address
Harvey Bullen	01603 223330	<a href="mailto:harvey.bullen@norfolk.gov.uk">harvey.bullen@norfolk.gov.uk</a>



If you need this report in large print, audio, Braille, alternative format or in a different language please contact Hazel Eyre 0344 800 8020 or 0344 800 8011 (textphone) and we will do our best to help.

# Contents

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Norwich Highways Agency Joint Committee

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Audit 2006/07

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March 2010

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# Contents

Key messages	7
Next steps	9
Financial statements	10
Use of resources	19
Appendix 1 – Proposed auditor's report	21
Appendix 2 – Adjusted amendments to the accounts	24
Appendix 3 – Draft letter of representation	31
Appendix 4 – Value for money conclusion	34
Appendix 5 – Action Plan	36

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## Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
  - any third party.
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Ladies and Gentlemen

**2006/07 Annual Governance Report**

I am pleased to present the final version of my report on the results of my audit work for 2006/07.

A draft of the report was discussed and agreed with the Heads of Finance for Norfolk County and Norwich City Councils on 23 March 2009 and has been updated since as issues have been resolved.

The report sets out the key issues that you should consider before I complete the audit.

It asks you to:

- consider the matters raised in the report before approving the financial statements (pages 4 to 14);
- take note of the adjustments to the financial statements which are set out in this report (Appendix 2);
- approve the letter of representation on behalf of the Joint Committee before I issue my opinion and conclusion (Appendix 3); and
- agree your response to the proposed action plan (Appendix 5).

Yours faithfully

Andy Perrin  
District Auditor  
March 2010

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# Key messages

**This report summarises the findings from the 2006/07 audit which is substantially complete. It includes the messages arising from my audit of your financial statements and the results of the work I have undertaken to assess how well you use and manage your resources to deliver value for money and better and sustainable outcomes for local people.**

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Financial Statements	Results	Page
Unqualified audit opinion	Yes	7
Financial statements free from material error	No	7
Adequate internal control environment	No	9
Use of resources	Results	Page
Arrangements to secure value for money	No	14

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## Audit opinion

- 1 My work on the financial statements is substantially complete. Subject to the completion of my residual work, I propose issuing an unqualified audit opinion by 31 March 2010.

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## Financial statements

- 2 The Norwich Highways Agency Joint Committee (NHAJC) financial statements were audited for the first time this year. I did not issue my audit opinion by the deadline of 30 September 2007 due to protracted technical discussions, weaknesses in the internal control environment and unexpected difficulties with the audit process. These matters are explained in more detail in the body of this report.

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## Use of resources

- 3 I assess your arrangements to secure economy, efficiency and effectiveness in your use of resources against criteria specified by the Audit Commission. My conclusions on each of the areas are set out in Appendix 4
- 4 I have identified weaknesses in your arrangements in respect of three of the eight criteria assessed. I therefore intend to issue a qualified 'except for' conclusion on your arrangements by 31 March 2010.

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## Audit Fees

- 5 The audit fees charged to date for the 2006/07 audit are shown in Table 1. The audit fee is per an original plan which I sent to the Head of Finance for Norwich City Council in June 2008. The plan covered three years from 2006/07 to 2008/09 and was based on broad estimates, given that we had not audited any earlier financial statements of the Committee.
- 6 However, the time spent on the audit has exceeded the plan due to unexpected complications caused by protracted technical discussions, an unclear audit trail from the financial statements back to the underlying transactions of the Committee, and the inability to rely on the internal control environment. In addition some of the working papers provided were not sufficiently detailed to enable an efficient audit. As a result I will raise an additional fee of £25,326.
- 7 The plan I issued in June 2008 did not take account of the factors noted above which are likely to continue in 2007/08 and 2008/09. I will therefore review the fee for the next two years and issue a revised audit plan for 2007/08 and 2008/09 shortly after the completion of this audit.

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**Table 1      Audit Fees**

	<b>Actual</b>	<b>Proposed per original Audit and Inspection plan</b>
Audit opinion and value for money conclusion	£19,674	£19,674
Additional fee:-		
• to reflect the substantive approach	£10,326	-
• to cover additional first year issues	£15,000	-
<b>Total audit fee</b>	<b>£45,000</b>	<b>£19,674</b>

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# Next steps

**This report identifies the key messages that you should consider before I issue my financial statements opinion, value for money conclusion, and audit closure certificate. It includes only matters of governance interest that have come to my attention in performing my audit. My audit is not designed to identify all matters that might be relevant to you.**

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**8** I ask the Committee to:

- consider the matters raised in the report before approving the financial statements (pages 7 to 14);
- take note of the adjustments to the financial statements which are set out in this report (Appendix 2);
- take note of the VFM Conclusion;
- approve the letter of representation on behalf of the Joint Committee before I issue my opinion and conclusion (Appendix 3); and
- agree your response to the proposed action plan (Appendix 5).

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# Financial statements

**The Committee's financial statements and statement of internal control are important means by which the Committee accounts for its stewardship of public funds. As Committee members you have final responsibility for these statements. It is important that you consider my findings before you adopt the financial statements and the statement of internal control.**

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## Opinion on the financial statements

- 9 Subject to satisfactory clearance of outstanding matters, I plan to issue an audit report including an unqualified opinion on the financial statements. Appendix 1 contains a copy of my draft audit report.
- 10 My work is substantially complete but members should be aware that final audit work on the cash flow statement cannot be completed until we have a new set of financial statements which takes account of all the agreed audit amendments. This final set of financial statements will need to be reviewed in full.
- 11 I have considered all matters which are significant to my audit opinion, based on the work completed to date. I will provide a verbal update to Council officers on the remaining issues and on any new issues arising since this report was drafted. Should any matters arise which need to be brought to the attention of the Committee I will raise them with the Heads of Finance prior to signing my report. If the matters are of significance I will circulate an updated report to all Committee members.

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## Errors in the financial statements

- 12 I identified 40 material and non-material misstatements during the course of my audit. The financial statements are currently being adjusted by officers and the errors are shown in Appendix 2. All errors have been included unless clearly trivial in nature. I bring the errors to your attention to assist you in fulfilling your governance responsibilities. Additional commentary is provided in the following paragraphs on the most significant adjustments.

## **Incomplete transactions and balances**

- 13** The original draft statements provided for audit were materially incomplete. Officers met with the Norfolk County Council audit team in 2007 to discuss the scope of the transactions to be included in the financial statements. It was agreed, based on information at the time, that capital maintenance and capital improvement activity would be excluded from the statements. However we later determined, following consultation with the Audit Commission's technical advisory team, that these amounts should pass through the Committee's accounts in order to comply with the Statement of Recommended Practice (SoRP) for local authority accounting. Capital maintenance activity represents operating income and expenditure of the Committee and capital improvement activity represents deferred charges (as this is expenditure on assets belonging to Norfolk County Council). Officers agreed to amend the statements to include capital maintenance and capital improvement income and expenditure, and the associated balance sheet entries. This adjustment added £3.6 million (2005/06: £4.3 million) to the Committee's income and expenditure account, £1.2 million (2005/06: £1.6 million) to the balance sheet, and increased the complexity of the audit, including the need for testing of these amounts. Additional disclosure on deferred charges was also required to comply with the SoRP.
- 14** Income and expenditure were both understated by £180,000 in 2006/07 and £174,000 in 2005/06. Officers incorrectly offset the capital element of the traffic planning fee against non-employee expenditure in both years.

## **Validity of income and expenditure**

- 15** Capital maintenance income and expenditure were overstated in 2005/06 by a net total of £97,570. Norfolk County officers calculated capital maintenance expenditure based on claims made by Norwich City Council rather than actual expenditure incurred. Officers should agree all elements of the financial statements to the general ledgers of the partner authorities.

## **Cut-off between years**

- 16** Controls surrounding cut-off procedures were insufficient to prevent and detect material misstatement in the financial statements. Significant errors included the following.
- Expenditure relating to 2005/06, but not processed until 2006/07, was not accrued for in the correct year. This overstated expenditure in 2006/07 and understated it in 2005/06 by £818,000.
  - Expenditure relating to 2005/06 and 2006/07 was understated on projects where the spend exceeded the reimbursement from the County Council. Officers routinely deferred the recognition of that expenditure until the reimbursement occurred. We agreed with officers that 2006/07 expenditure be increased by £353,000 (2005/06: £55,000) in this regard.

- Accruals accounting was not sufficiently robust leading to £144,000 overstatement of expenditure in 2006/07.
- Cut-off procedures did not identify the need to defer material parking permit income which related to 2007/08. This represented a departure from the accruals concept and officers have agreed to adjust the financial statements in this regard.

### Recommendation

**R1** Design, implement and monitor controls to account for income and expenditure in the correct year. Where justifiable project expenditure exceeds contribution from the partner authorities, accrue additional contribution. Where the contribution exceeds project expenditure the excess income should be deferred or repaid to the partner authority.

### Classification of income and expenditure

- 17 Officers incorrectly classified £411,021 of contributions from Norfolk County Council as income in 2006/07. In 2005/06, Norfolk County Council paid £54,852 towards capital maintenance schemes and £356,169 towards capital improvement schemes. Officers correctly deferred this excess income as at 31 March 2006 but released it to the wrong line of the income and expenditure account in the 2006/07 financial statements.
- 18 Employee costs of £151,000 were misclassified as non-pay expenditure in the income and expenditure account. Officers allocated all of the capital maintenance costs to non-employee expenditure. However the supporting workings from Norwich City Council included employee costs of £151,000 (2005/06: £141,000). I note that the SORP does not specifically require separate disclosure of employee expenditure.
- 19 Non-employee expenditure within the income and expenditure account included £130,000 (2005/06: £432,000) which related to the repayment of surpluses back to the County Council. I agreed with officers that this expense would be better shown as an item of other operating expenditure below the net cost of services.
- 20 In addition to the matters referred to above we agreed a number of presentational changes to the accounts.

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### Material weaknesses in internal control

- 21 I have identified weaknesses in the design or operation of an internal control that might result in a material error in your financial statements. These weaknesses may be symptomatic of broader weaknesses in the control environment and are set out below.
- 22 I have not provided a comprehensive statement of all weaknesses which may exist in internal control, nor of all improvements which may be made.
- 23 Due to the issues referred to in the following paragraphs I was unable to rely on internal controls to provide audit assurance. Therefore I undertook a wholly substantive audit which is less efficient and more costly to the Committee.

## Budgetary control

- 24** Budgetary controls did not prevent or detect material misstatements in the financial statements. Budget monitoring of maintenance and improvement schemes did not identify material cut-off errors in the statements. Budget reports presented to the Committee did not include on-street parking activity which forms a material part of the financial statements.

### Recommendation

- R2** Strengthen budgetary control processes so that they are capable of identifying material misstatements. Include on-street parking operations in the monthly budget monitoring reports presented to the Committee.

## Highways maintenance and improvement schemes

- 25** Controls over the closure of Highways accounts for individual schemes, and the transfer of balances between improvement schemes were inadequate. Sixty four maintenance scheme account balances were written off to a Norwich City suspense account in 2005/06 as part of a 'clean up' exercise. Officers had been unable to validate the nature of the balances. This adjustment was not discussed with Norfolk County Council officers at the time. The gross adjustments were material but the net write off was immaterial at £37,000.
- 26** As a result of this Norwich City Council initially recognised a net gain in its books. It has subsequently agreed a refund to the County Council.

### Recommendation

- R3** Obtain written agreement from Norfolk County Council before transferring balances to Norwich City Council suspense accounts or between individual schemes. Retain appropriate working papers for such adjustments.

## Purchase orders

- 27** Internal controls over purchase orders in 2006/07 would not have prevented unauthorised purchases. Our testing identified a purchase order which had been authorised by the same officer that raised the order. We were informed that this was normal practice in 2006/07. As a result Norfolk County Council could have financed inappropriate expenditure.
- 28** We understand, but are yet to verify, that controls in this regard were improved in 2007/08.

## Car parking income

**29** Although we did not identify any material misstatements in car parking income from our detailed testing, we consider that internal controls over car parking income should be strengthened. I note in particular that:

- Norwich City financial services used data provided by parking services to update the accounting system. They placed reliance on the accuracy of this information without undertaking checks on the underlying data;
- one officer entered income journals to the general ledger and another checked income received to bank statements. However there was no cross check of these figures for internal consistency and no regular reconciliation of parking income figures in general. Securicor provide a monthly summary of parking income collected which could assist with this; and
- there was no reconciliation of parking holding codes NP1700 and NP2000 during the year, allowing uncleared balances to build up.

### Recommendation

**R4** Consider whether current internal controls over car parking income would prevent or detect material misstatement.

## Penalty charge notices (PCN)

**30** Transactions may not be reflected completely and accurately in the general ledger. Norwich City officers did not reconcile the parking Gateway system to the general ledger during 2006/07. An internal audit visit in March 2007 highlighted the fact that the upload from the Paris system to the parking Gateway system was inadequately controlled. A reconciliation of the Gateway system to the general ledger would highlight the extent to which PCN income is being written off or overruled. This would enhance the Committee's performance information. We also note that PCN's were accounted for on a cash receipts basis and suggest that the Committee consider recognising this income stream on an accruals basis with appropriate provision made for doubtful debts.

### Recommendation

**R5** Reconcile the general ledger and Gateway system monthly. Consider recognising PCN income on an accruals basis.

## Journal controls

- 31** Underlying weaknesses in controls over journal entries at Norwich City Council contributed to material misstatements in the financial statements during 2006/07. There were no authorisation procedures in place, no limits and no central file of journals. Officers were unable to locate some journals in the absence of the preparer. Journals were not sequentially pre-numbered. The accounts were materially misstated as a result of inaccurate and inappropriate journals. We are aware that Norwich City Council has recently strengthened journal procedures. Committee members should obtain assurance that appropriate controls are now in place.

### Recommendation

- R6** Review current controls over manual journal adjustments to ensure they are sufficiently robust. All journals should be approved by an officer, independent of the preparer, with sufficient knowledge and experience to determine whether the journal is valid, accurate and correctly classified.

## Norwich City Council control environment

- 32** In addition to the specific issues considered above there were additional weaknesses within Norwich City Council's internal control environment in 2006/07. These weaknesses are set out in our Annual Governance Report presented to the Norwich City Council audit committee in January 2008.

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## Letter of representation

- 33** Before I issue my opinion, auditing standards require me to obtain appropriate written representations from you and management about your financial statements and governance arrangements. Appendix 3 contains the draft letter of representation I seek to obtain from you.

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## Key areas of judgement and audit risk

- 34** In planning my audit I identified specific risks and areas of judgement that I have considered as part of my audit. My findings are set out in Table 2.

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**Table 2      Key areas of judgement and audit risk**

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Issue or risk	Finding
This is the first year that the financial statements are subject to audit. I needed to consider the risks attached to the opening balances.	Specific audit tests were undertaken on the opening balances and material audit adjustments were identified as a result.
I reported control issues with the systems used by Norwich City Council in 2006/07 and it was likely that a predominantly substantive approach would be adopted for the audit of the financial statements.	The audit approach in 2006/07 was wholly substantive.
<p>I was aware that there had been a level of disagreement regarding expenditure incurred by Norwich City Council on behalf of the Committee between the Committee members.</p> <p>The disagreements related to non-reimbursement of:</p> <ul style="list-style-type: none"><li>• the cost of repairing highways damaged by utility companies (£93,000);</li><li>• additional costs for winter maintenance in 2003/04 (£95,000); and</li><li>• administration costs that exceeded the budget (£82,000).</li></ul>	The Committee resolved these disputes in 2007/08 and they are correctly accounted for in the 2006/07 financial statements.
This is the first year in which a value for money conclusion was required. I needed to establish a baseline level of information regarding the Committee's arrangements.	A baseline has been completed. I intend to issue a qualified 'except for' conclusion on your arrangements. The reasons for this are explained on page 14.

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### Accounting practice and financial reporting

- 35** I consider the qualitative aspects of your financial reporting. Table 3 contains the issues I want to raise with you.



**Table 3      Qualitative issues**

Issue or risk	Finding
<p>One of the causes of the lengthy audit process is the complex accounting arrangements underlying the Committee's financial statements.</p> <p>Norwich City officers maintain the accounting records while Norfolk County officers prepare the financial statements.</p>	<p>The audit trail back to underlying data is unnecessarily complex and at times difficult to follow.</p> <p>The issues found as part of our audit suggest that County officers did not have sufficient access to, or knowledge of, the City's accounting records to be able to put together a materially accurate set of financial statements.</p>
<p>The Highways account codes are part of the City ledger structure. Little or no attention is paid to the balances between the Highways Committee and its partner authorities during the year.</p> <p>Officers consider spend versus income and make accounting adjustments which effectively create the balance sheet for the Highways accounts. Our work has indicated that these adjustments are not always appropriate</p>	<p>The failure to use proper intercompany accounting processes for Highways transactions puts the City Council at greater risk of incorporating errors in both its and the Highways accounts.</p>
<p>I noted that the statement of accounting policies:</p> <ul style="list-style-type: none"> <li>• included policies which were not relevant to the Committee;</li> <li>• included policies that did not represent actual practice; and</li> <li>• did not include a policy on deferred charges.</li> </ul>	<p>The statement of accounting policies declared that income and expenditure is accounted for on an accruals basis. However parking services income was recorded on a cash receipts basis.</p> <p>Officers agreed to amend the statement of accounting policies to reflect actual practice and to remove superfluous policies.</p>

Issue or risk	Finding
<p>I noted weaknesses in the Committee's statement on internal control (SIC):</p> <ul style="list-style-type: none"> <li>the SIC had not been signed by the chief executive and leading member;</li> <li>section 4.10 stated that there were no issues in Norwich City Council's SIC that were relevant to the Committee. However the City's accounts were disclaimed in 2006/07 and there were significant control weaknesses raised in the SIC which were pertinent to the Committee (eg cash receipting, business continuity etc); and</li> <li>we raised further refinements with officers which they may want to take account of in producing subsequent SICs.</li> </ul>	<p>Officers have amended section 4.10 to make reference to the underlying issues included in the Norwich City Council SIC, and included this within section 5 on significant internal control issues.</p>

Recommendation
<p><b>R7</b> Review the efficiency of the administrative and accounting arrangements for the Committee. Consider whether the responsibility for maintaining the accounting records and preparing the financial statements would be better placed with one council.</p>
<p><b>R8</b> Introduce intercompany balances between the Highways Committee and its partner authorities. Reconcile the balances monthly.</p>
<p><b>R9</b> Review accounting policies on an annual basis. Consider whether accounting policies reflect actual accounting practice and vice versa.</p>
<p><b>R10</b> Use a SORP disclosure checklist to identify missing or inaccurate disclosures.</p>
<p><b>R11</b> Take full account of the SICs of both partner authorities when devising the Committee's SIC.</p>

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# Use of resources

**I am required to conclude whether the Council put in place adequate corporate arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money (VFM) conclusion.**

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## Value for money conclusion

- 36** The Code requires us to reach a conclusion on whether we are satisfied that the Committee has proper arrangements in place for securing economy, efficiency and effectiveness in its use of resources - the value for money conclusion. In meeting this responsibility, we review evidence that is relevant to the Committee's corporate performance management and financial management arrangements across a range of criteria specified by the Audit Commission.
- 37** My conclusions for each of the criteria specified by the Audit Commission are set out in Appendix 5.
- 38** On the basis of our audit work, I propose to issue a qualified value for money conclusion. Appendix 1 contains the wording of my draft report. My proposed 'except for' qualification concludes that the Committee has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2007 except for the failure to put in place arrangements:-
- to maintain a sound system of internal control;
  - to manage its significant business risks; and
  - for managing performance against budgets

## Internal control

- 39** The Committee relied on the internal control environment of Norwich City Council, which is the host body. Norwich City Council did not meet minimum requirements for KLOE 4.2 in its use of resources (UoR) assessment for 2006/07. Our 2006/07 systems work at Norwich City Council also indicated that the control environment was weak.

## Risk management

- 40** Risk management reporting was identified as a significant control issue in the Committee's 2006/07 SIC. The Committee relied in part on the risk management arrangements in place at Norwich City Council. However risk management arrangements at Norwich City Council were assessed as below minimum standards in its 2006/07 UoR assessment.

## Managing performance against budgets

41 I found illustrative examples that proper arrangements are not in place in practice. For example:

- material errors in cut-off and incorrect accounting for accruals/deferred income were not picked up by budget monitoring which indicates arrangements are not sound; and
- the performance reports considered by the Committee do not include budget monitoring of parking services which is a material income stream.

# Appendix 1 – Proposed auditor's report

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## **Draft independent auditor's report to Members of Norwich Highways Agency Joint Committee**

### **Opinion on the financial statements**

I have audited the financial statements of Norwich Highways Agency Joint Committee for the year ended 31 March 2007 under the Audit Commission Act 1998, which comprise the Explanatory Foreword, Income and Expenditure Account, Statement of the Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them. Norwich Highways Agency Joint Committee did not prepare financial statements for the year ended 31 March 2006 and the corresponding figures are therefore unaudited.

This report is made solely to Norwich Highways Agency Joint Committee in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

### **Respective responsibilities of the Chief Finance Officer and auditors**

The Chief Finance Officer's responsibilities for preparing the financial statements in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006 are set out in the Statement of Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements present fairly the financial position of the Committee in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006.

I review whether the statement on internal control reflects compliance with CIPFA's guidance 'The statement on internal control in local government: meeting the requirements of the Accounts and Audit Regulations 2003' issued in April 2004. I report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the statement on internal control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Committee's corporate governance procedures nor its risk and control procedures.

### **Basis of audit opinion**

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing

## **Appendix 1 – Proposed auditor's report**

(UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Committee in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Committee's circumstances, consistently applied and adequately disclosed.

I planned my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error.

In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinion**

In my opinion the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006, the financial position of the Committee as at 31 March 2007 and its income and expenditure for the year then ended.

Andy Perrin  
District Auditor  
Audit Commission  
Regus House  
1010 Cambourne Business Park  
Cambourne, Cambridge  
CB23 6DP

Date

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### **Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources**

#### **Committee's responsibilities**

The Norwich Highways Agency Joint Committee is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to regularly review the adequacy and effectiveness of these arrangements.

## **Appendix 1 – Proposed auditor's report**

### **Auditor's responsibilities**

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Committee for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for other local government bodies. I report if significant matters have come to my attention which prevent me from concluding that the Committee has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Committee's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### **Conclusion**

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for other local government bodies specified by the Audit Commission and published in December 2006, I am satisfied that, in all significant respects, the Norwich Highways Agency Joint Committee made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2007 except for the failure to put in place arrangements:

- to maintain a sound system of internal control;
- to manage its significant business risks; and
- for managing its performance against budgets

### **Certificate**

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Andy Perrin  
District Auditor  
Audit Commission  
Regus House  
1010 Cambourne Business Park  
Cambourne, Cambridge  
CB23 6DP

Date

# Appendix 2 – Adjusted amendments to the accounts

The following misstatements were identified during the course of my audit and the financial statements have been adjusted by management. I bring them to your attention to assist you in fulfilling your governance responsibilities.

**Table 4 Adjustments to 2006/07**

		Income and Expenditure Account		Balance Sheet	
Adjusted misstatements	Nature of Adjustment	Dr £000s	Cr £000s	Dr £000s	Cr £000s
Non-employee Expenditure Contributions from Norfolk Income Debtors - Norwich Creditors - deferred income Cash	Capital maintenance and capital improvement transactions which were excluded from the statements presented to the Committee.  Reclassification of cash balance as the Committee holds no cash of its own.	3,689	3,278 411	1,327	1,165 162
Non-employee Expenditure Creditors Contribution from Norfolk Debtors - due from Norfolk	Transactions relating to 2006/07 not accounted for until 2007/08.	19	19	19	19
Non-employee Expenditure Creditors Contribution from Norfolk Debtors - due from Norfolk	Extrapolation of the previous error.	49	49	49	49
Income Non-employee Expenditure	Reversal of actual cut-off errors found relating to 2005/06	89	89		
Income Non-employee Expenditure	Reversal of extrapolated cut-off errors relating to 2005/06	89	89		
		Income and Expenditure Account		Balance Sheet	



## Appendix 2 – Adjusted amendments to the accounts

		Income and Expenditure Account		Balance Sheet	
Adjusted misstatements	Nature of Adjustment	Dr £000s	Cr £000s	Dr £000s	Cr £000s
Non-employee Expenditure Creditors - deferred income Debtors - Norfolk Contribution from Norfolk County	Expenditure incurred in 2006/07 had been incorrectly deferred to 2007/08. Income from Norfolk County is accrued to recognise likely reimbursement.	74	74	74	74
Non-employee Expenditure Creditors - deferred income Debtors - Norfolk Contribution from Norfolk County	Extrapolation of previous error	71	71	71	71
Non-employee Expenditure Contribution from Norfolk County	Reversal of adjustment relating to 2005/06 (see table 5 below)	28	28		
Non-employee Expenditure Contribution from Norfolk County	Reversal of adjustment relating to 2005/06 (see table 5 below)	27	27		
Income Contribution from Norwich City	Income was duplicated in the working papers pulling together the financial statements	25	25		
Non-employee expenditure Contribution from Norfolk County	The capital element of the traffic planning fee was offset against non-pay expenditure in the statement of accounts	180	180		
Income Contribution from Norfolk County	Contribution received in advance was incorrectly classified as income in 2006/07	411	411		
Contribution from Norfolk County Non-employee expenditure	Income on a capital improvement scheme was incorrectly credited to non-employee expenditure	32	32		
Debtors - prepayments Creditors - accruals	Prepayments were misclassified as accruals			19	19

## Appendix 2 – Adjusted amendments to the accounts

		Income and Expenditure Account		Balance Sheet	
Adjusted misstatements	Nature of Adjustment	Dr £000s	Cr £000s	Dr £000s	Cr £000s
Non-employee expenditure Creditors - accruals Debtors - Norfolk Contribution from Norfolk County	Accrual for audit fees charged to date and to be accrued	45	45	45	45
Non-employee expenditure Creditors - accruals Contribution from Norfolk County Debtors - Norfolk	Net understatement of capital maintenance expenditure.	63	63	63	63
Non-employee expenditure Creditors - accruals Contribution from Norfolk County Debtors - Norfolk	Extrapolation of the previous error	8	8	8	8
Non-employee expenditure Contribution from Norfolk County	Remove expenditure from 2006/07 that related to 2005/06	341	341		
Non-employee expenditure Contribution from Norfolk County	Extrapolation of the previous error	299	299		
Non-employee expenditure Employee expenditure	Employee expenditure misclassified as non-employee expenditure	151	151		
Non-employee expenditure Other operating expenditure	Change in presentation of reimbursement of surpluses to the County to below the net cost of service line	130	130		
Creditors - deferred income Debtors - Norwich Creditors - Norfolk Income - permits Surplus due to Norfolk	Being movement in deferred PCN income creditor. This affects the surplus on parking services due back to the County	18	18	196	178 18

## Appendix 2 – Adjusted amendments to the accounts

		Income and Expenditure Account		Balance Sheet	
Adjusted misstatements	Nature of Adjustment	Dr £000s	Cr £000s	Dr £000s	Cr £000s
Non-employee expenditure Prepayments Contribution from Norfolk County Debtors - Norfolk	Expenditure relating to 2007/08 incorrectly included in 2006/07	6	6	6	6
Non-employee expenditure Prepayments Contribution from Norfolk County Debtors - Norfolk	Extrapolation of the previous error	5	5	5	5
Non-employee expenditure Contribution from Norfolk County	Reversal of audit adjustment relating to 2005/06	3	3		
<b>Total adjustments</b>		<b>5,852</b>	<b>5,852</b>	<b>1,882</b>	<b>1,882</b>

**Table 5 Adjustments to 2005/06**

		Income and Expenditure Account		Balance Sheet	
Adjusted misstatements	Nature of Adjustment	Dr £000s	Cr £000s	Dr £000s	Cr £000s
Non-employee Expenditure Contributions from Norfolk Debtors - Norwich Creditors - deferred income Cash	Capital maintenance and capital improvement transactions which were excluded from the statements presented to the Committee.  Reclassification of cash balance as the Committee holds no cash of its own.	4,314	4,314	1,923	1,575 348
Non-employee Expenditure Creditors - accruals Contributions from Norfolk Debtors - Norfolk	Expenditure relating to 2005/06 was incorrectly accounted for in 2006/07	89	89	89	89

## Appendix 2 – Adjusted amendments to the accounts

		Income and Expenditure Account		Balance Sheet	
Adjusted misstatements	Nature of Adjustment	Dr £000s	Cr £000s	Dr £000s	Cr £000s
Non-employee Expenditure Creditors - accruals Contributions from Norfolk Debtors - Norfolk	Extrapolation of the previous error	89	89	89	89
Non-employee Expenditure Creditors - deferred income Debtors - Norfolk Contribution from Norfolk County	Expenditure incurred in 2005/06 had been incorrectly deferred to 2006/07. Income from Norfolk County is accrued to recognise likely reimbursement.	28	28	28	28
Non-employee Expenditure Creditors - deferred income Debtors - Norfolk Contribution from Norfolk County	Extrapolation of the previous error	27	27	27	27
Non-employee expenditure Contribution from Norfolk County	Movement in deferred income creditors incorrectly debited to non-employee expenditure	63	63		
Contribution from Norfolk County Non-employee Expenditure Debtors - Norwich Creditors - deferred income	Net errors in the recognition of capital maintenance income, expenditure and deferred income creditor.	98	98	15	15
Debtor - prepayments Creditor - accruals	Prepayment incorrectly classified as an accrual			21	21
Contribution from Norwich Non-employee Expenditure	Expenditure on works and services was duplicated in the workings used to pull together the financial statements	13	13		

## Appendix 2 – Adjusted amendments to the accounts

		Income and Expenditure Account		Balance Sheet	
Adjusted misstatements	Nature of Adjustment	Dr £000s	Cr £000s	Dr £000s	Cr £000s
Non-employee Expenditure Creditors - accruals Contribution from Norfolk County Debtors - Norfolk	Expenditure debited to 2006/07 that related to 2005/06 and accrual for related reimbursement due from Norfolk County.	341	341	341	341
Non-employee Expenditure Creditors - accruals Contribution from Norfolk County Debtors - Norfolk	Extrapolation of the previous error	299	299	299	299
Non-employee expenditure Employee expenditure	Employee expenditure misclassified as non-employee expenditure	141	141		
Non-employee expenditure Other operating expenditure	Change in presentation of reimbursement of surpluses to the County to below the net cost of service line	432	432		
Non-employee expenditure Contributions from Norfolk County Debtors - Norwich Creditors Norfolk	Reversal of capital maintenance balances written off to Norwich City suspense account and recognition of liability to Norfolk County Council	15	15	37	37
Creditors - deferred income Debtors - Norwich Creditors - Norfolk Income - permits Surplus due to Norfolk	Being movement in deferred PCN income creditor. This affects the surplus on parking services due back to the County	37	37	159 37	196

## Appendix 2 – Adjusted amendments to the accounts

		Income and Expenditure Account		Balance Sheet	
Adjusted misstatements	Nature of Adjustment	Dr £000s	Cr £000s	Dr £000s	Cr £000s
Debtors - prepayments Non-employee Expenditure Contribution from Norfolk County Creditors - deferred income	A prepayment was miscalculated	3	3	3	3
<b>Total adjustments</b>		<b>5,989</b>	<b>5,989</b>	<b>3,068</b>	<b>3,068</b>

# Appendix 3 – Draft letter of representation

Andy Perrin  
District Auditor  
Audit Commission  
Regus House  
1010 Cambourne Business Park  
Cambourne, Cambridge  
CB23 6DP

## **Norwich Highways Agency Joint Committee - Audit for the year ended 31 March 2007**

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other officers of Norfolk County Council and Norwich City Council, the following representations given to you in connection with your audit of the Joint Committee's financial statements for the year ended 31 March 2007.

### **Compliance with the statutory authorities**

I acknowledge my responsibility under the relevant statutory authorities for preparing the financial statements in accordance with the Code of Practice for Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice which present fairly the financial position and financial performance of the Joint Committee and for making accurate representations to you.

### **Supporting records**

All the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the Joint Committee have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all Committee meetings, have been made available to you.

## **Appendix 3 – Draft letter of representation**

### **Irregularities**

I acknowledge my responsibility for the design and implementation of internal control systems to prevent and detect fraud or error.

There have been no:

- irregularities involving management or employees who have significant roles in the system of internal accounting control;
- irregularities involving other employees that could have a material effect on the financial statements; or
- communications from regulatory agencies concerning non-compliance with, or deficiencies on, financial reporting practices which could have a material effect on the financial statements.

I also confirm that I have disclosed:

- my knowledge of fraud, or suspected fraud, involving either management, employees who have significant roles in internal control or others where fraud could have a material effect on the financial statements; and
- my knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

### **Law, regulations, contractual arrangements and codes of practice**

There are no instances of non-compliance with laws, regulations and codes of practice, likely to have a significant effect on the finances or operations of the Joint Committee.

The Joint Committee has complied with all aspects of contractual arrangements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

### **Contingent liabilities**

There are no other contingent liabilities, other than those that have been properly recorded and disclosed in the financial statements. In particular:

- there is no significant pending or threatened litigation, other than those already disclosed in the financial statements;
- there are no material commitments or contractual issues, other than those already disclosed in the financial statements; and
- no financial guarantees have been given to third parties.



## Appendix 3 – Draft letter of representation

### **Related party transactions**

I confirm the completeness of the information disclosed regarding the identification of related parties.

The identity of, and balances and transactions with, related parties have been properly recorded and where appropriate, adequately disclosed in the financial statements.

### **Post balance sheet events**

Since the date of approval of the financial statements by the Committee, no additional significant post balance sheet events have occurred which would require additional adjustment or disclosure in the financial statements.

The Joint Committee has no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

Signed on behalf of Norwich Highways Agency Joint Committee

I confirm that the this letter has been discussed and agreed by the Committee on [date]

Signed

Paul Brittain

Head of Finance

Norfolk County Council

Date

# Appendix 4 – Value for money conclusion

The Audit Commission has published, in accordance with the Code of Audit Practice, 12 criteria on which auditors are required to reach a conclusion on the adequacy of an audited body's arrangements for economy, efficiency and effectiveness in its use of resources.

**Table 6      Criteria**

<b>Code Criteria</b>	<b>Description</b>	<b>VFM Conclusion</b>
1	The body has put in place arrangements for setting, reviewing and implementing its strategic and operational objectives.	Adequate
2	The body has put in place channels of communication with service users and other stakeholders including partners, and there are monitoring arrangements to ensure that key messages about services are taken into account.	Adequate
3	The body has put in place arrangements for monitoring and scrutiny of performance, to identify potential variances against strategic objectives, standards and targets, for taking action where necessary, and reporting to members.	Adequate
4	The body has put in place arrangements to monitor the quality of its published performance information, and to report the results to members.	Not applicable to the Committee
5	The body has put in place arrangements to maintain a sound system of internal control.	Not adequate
6	The body has put in place arrangements to manage its significant business risks.	Not adequate
7	The body has put in place arrangements to manage and improve value for money.	Adequate
8	The body has put in place a medium-term financial strategy, budgets and a capital programme that are soundly based and designed to deliver its strategic priorities.	Not applicable to the Committee

## Appendix 4 – Value for money conclusion

<b>Code Criteria</b>	<b>Description</b>	<b>VFM Conclusion</b>
9	The body has put in place arrangements to ensure that its spending matches its available resources.	Adequate
10	The body has put in place arrangements for managing performance against budgets.	Not adequate
11	The body has put in place arrangements for the management of its asset base.	Not applicable to the Committee
12	The body has put in place arrangements that are designed to promote and ensure probity and propriety in the conduct of its business.	Adequate

---

# Appendix 5 – Action Plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
8	R1 Design, implement and monitor controls to account for income and expenditure in the correct year. Where justifiable project expenditure exceeds contribution from the partner authorities, accrue additional contribution. Where the contribution exceeds project expenditure the excess income should be deferred or repaid to the partner authority.	3	Norwich City Council	Yes	We will ensure that the City's year-end procedures are applied to the Highways transactions to properly account for income and expenditure, accruing and deferring/repaying as necessary.	Ongoing
9	R2 Strengthen budgetary control processes so that they are capable of identifying material misstatements. Include on-street parking operations in the monthly budget monitoring reports presented to the Committee.	3	Both Councils	Yes	Officers from both Councils will ensure budgetary control processes are strengthened and street parking operations are reported to the Committee.	April 2010
10	R3 Obtain written agreement from Norfolk County Council before transferring balances to Norwich City Council suspense accounts or between individual schemes. Retain appropriate working papers for such adjustments.	3	Norwich City Council	Yes	City Transportation staff to ensure appropriate authorisations obtained.	April 2010
10	R4 Consider whether current internal controls over car parking income would prevent or detect material misstatement.	2	Norwich City Council	Yes	Covered by City's Internal Audit report and action plan	November 2007

## Appendix 5 – Action Plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
11	R5 Reconcile the general ledger and Gateway system monthly. Consider recognising PCN income on an accruals basis.	1	Norwich City Council	Yes	Reconciliations are now being carried out weekly/monthly.  The impact of cash versus accruals accounting will be assessed, and if material, change in recognition will be considered.	Ongoing  March 2011
11	R6 Review current controls over manual journal adjustments to ensure they are sufficiently robust. All journals should be approved by an officer, independent of the preparer, with sufficient knowledge and experience to determine whether the journal is valid, accurate and correctly classified.	2	Norwich City Council	Yes	Journal controls have been strengthened, incorporating review by a Senior Finance Officer.	Ongoing
13	R7 Review the efficiency of the administrative and accounting arrangements for the Committee. Consider whether the responsibility for maintaining the accounting records and preparing the financial statements would be better placed with one council.	3	Both Councils	Yes	Discussions to be undertaken by both partner authorities to determine more efficient arrangements during 2010/11.  On the basis that Unitary City arrangements are in place from 1 April 2011, this would resolve the issue.	During 2010/11
14	R8 Introduce intercompany balances between the Highways Committee and its partner authorities. Reconcile the balances monthly.	2	Norwich City Council	Yes	The feasibility and resource impact of this will be explored and consideration given to introduction during the 2010/11 financial year	June 2010

## Appendix 5 – Action Plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
14	R9 Review accounting policies on an annual basis. Consider whether accounting policies reflect actual accounting practice and vice versa.	2	Norfolk County Council	Yes	A regular review is now in place and this will be conducted as a joint exercise between both partner authorities.	Ongoing
14	R10 Use a SORP disclosure checklist to identify missing or inaccurate disclosures.	2	Norfolk County Council	Yes	A review against the disclosure checklist will be added to the closing process.	Ongoing
14	R11 Take full account of the SICs of both partner authorities when devising the Committee's SIC.	2	Norfolk County Council	Yes	The Annual Governance Statements of both partner authorities will be reviewed and any matters relating to the Committee will be highlighted in the Committee's Annual Governance Statement, including any action that is planned for any significant control risks.	Ongoing

# The Audit Commission

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

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**Appendix 2**

**Norwich Highways Agency  
Joint Committee**

**Statement of Accounts  
2006-07**

**If you need this statement in large print, audio, Braille, alternative format or in a different language please contact Dawn Filtness on tel. 01603 222828 or fax 01603 222811, and we will do our best to help.**





# Contents

<b>INTRODUCTION</b>	<b>3</b>
<b>OVERVIEW OF THE NORWICH HIGHWAYS AGENCY JOINT COMMITTEE</b>	<b>4</b>
<b>EXPLANATORY FOREWORD</b>	<b>5</b>
<b>STATEMENT OF RESPONSIBILITIES</b>	<b>8</b>
<b>CERTIFICATION OF COMMITTEE RESOLUTION</b>	<b>9</b>
<b>INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NORWICH HIGHWAYS AGENCY JOINT COMMITTEE</b>	<b>10</b>
<b>STATEMENT OF INTERNAL CONTROL FOR NORWICH HIGHWAYS AGENCY JOINT COMMITTEE</b>	<b>13</b>
<b>STATEMENT OF ACCOUNTING POLICIES</b>	<b>22</b>
<b>INCOME AND EXPENDITURE ACCOUNT</b>	<b>25</b>
<b>STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE</b>	<b>26</b>
<b>STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES</b>	<b>28</b>
<b>BALANCE SHEET</b>	<b>29</b>
<b>CASH FLOW STATEMENT</b>	<b>30</b>
<b>NOTES TO THE CORE FINANCIAL STATEMENTS</b>	<b>31</b>
<b>GLOSSARY OF TERMS</b>	<b>35</b>

## Introduction

This report presents the statutory financial statements of Norwich Highways Agency Joint Committee for the period from 1 April 2006 to 31 March 2007. This is the first year that an individual statement of accounts has been prepared for the Joint Committee, and these have been prepared in accordance with the Accounts and Audit Regulations.

The form and content of this report follows the guidance laid down in the Statement of Recommended Practice (the SORP) as required by the Local Government and Housing Act 1989.

The document is divided into three main sections:

- ◆ An overview of the Norwich Highways Agency Joint Committee
- ◆ The detailed accounts and the external auditor's opinion
- ◆ Glossary of Financial Terms

The Norwich Highways Agency Joint Committee's statement of accounts is a statutory document produced to inform stakeholders of the activities of the Joint Committee. Publication of the accounts is an essential feature of public accountability, since the accounts provide the stewardship report on the use of funds raised from the public and business ratepayers.

Further information sources:

The Joint Committee's meetings, reports and minutes can be accessed via Norwich City Council's website at <http://www.norwich.gov.uk/> under Committee meetings.

## **Overview of the Norwich Highways Agency Joint Committee**

Norwich City Council and Norfolk County Council have established a Norwich Highways Agency Joint Committee to exercise a range of highways and transportation and associated functions of Norfolk County Council.

Norwich City Council and Norfolk County Council employ all the staff working for the Joint Committee, and process all financial transactions through their bank accounts. However, within the Accounts and Audit Regulations, the Norwich Highways Agency Joint Committee is a separate statutory body.

### Terms of Reference

The overall responsibilities of the Norwich Highways Agency Joint Committee are:

- ♦ To oversee the operation of the highways and traffic functions delegated to Norwich City Council by Norfolk County Council
- ♦ To exercise certain functions delegated by the County Council direct to the Joint Committee
- ♦ To advise the County Council on various highways and traffic matters in Norwich.

### Joint Committee Structure

Norwich Highways Agency Joint Committee has 10 members. Norwich City Council appoints five members (2 voting members) and Norfolk County Council also appoints five members (2 voting members). The Chairman is a County Council member and the Vice-Chairman is a Norwich City Council member.

The rules of Norwich City Council apply to the conduct and proceedings of the Joint Committee. Joint Committee meetings are held in public in accordance with Local Government legislation.

### Staff

The number of people directly employed by Norwich City Council on behalf of the Norwich Highways Agency Joint Committee as at 31 March 2007 was 38.9 full time equivalents (FTE) (44.1 at 31 March 2006). These figures include permanent, temporary, sessional and supply staff.

## Explanatory Foreword

The Norwich Highways Agency Joint Committee's statement of accounts for the 2006-07 financial year is set out on the following pages. Where possible, information on the accounts is presented as simply and clearly as possible. However, due to the technical nature of the accounts, the use of accounting terms is required in certain cases. A glossary of the meaning of these terms is provided at the end of this document to help the reader's understanding.

### The Main Accounting Statements

The accounts are set out in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice (the SORP), which defines the content and layout of the accounts.

In addition to the financial statements, the accounts also include a statement of the accounting policies, explanatory notes to the main accounting statements to inform the reader, and a glossary of financial terms. The accounting policies explain the main principles used in producing the figures in the accounts. Many of the accounting principles are specified by the SORP and this ensures that the accounts of local authorities (including Joint Committees) across the country are prepared on a consistent and comparable basis.

The main financial statements comprise:

- ◆ The Income and Expenditure Account – this shows the Norwich Highways Agency Joint Committee's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months.
- ◆ Statement of the Movement on the General Fund Balance – this reconciles the surplus/deficit on the Income and Expenditure account with the movement on the General Fund. The Norwich Highways Agency Joint Committee does not have tax raising powers and there is no surplus/deficit or any statutory accounting transactions that need to be shown in the General Fund, so there are no movements on the General Fund balance.
- ◆ Statement of Total Recognised Gains and Losses. This brings together all of the recognised gains and losses of the Norwich Highways Agency Joint Committee.
- ◆ The Balance Sheet - This statement shows the financial position of the Norwich Highways Agency Joint Committee at 31 March 2007.
- ◆ The Cash Flow Statement – This shows the Norwich Highways Agency Joint Committee's cash transactions for the year, indicating the source of the cash income received and the actual cash spent.

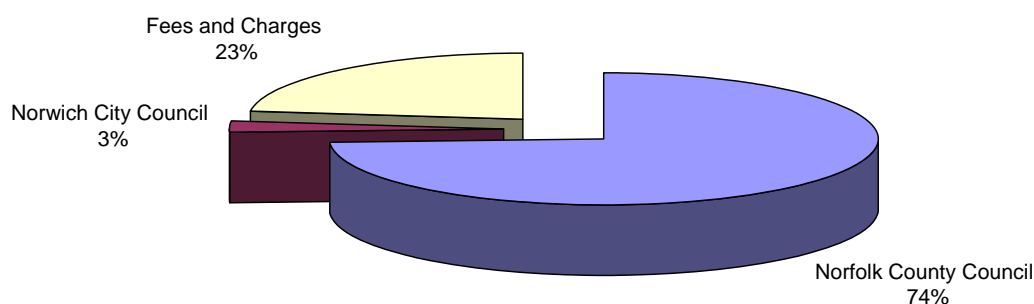
## Overview

The Norwich Highways Agency Joint Committee's expenditure is funded by income raised from fees and charges and contributions from Norwich City Council and Norfolk County Council.

The Joint Committee's actual expenditure (including surpluses to Norfolk County Council) in 2006-07 was £6,989,463 (£8,986,069 in 2005-06).

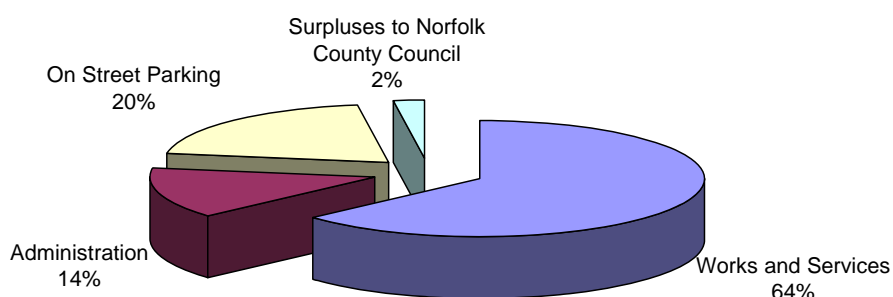
## Where does the money come from?

The chart shows all sources of income for the Norwich Highways Agency Joint Committee, including monies raised from fees and charges as included in the Income and Expenditure Account. When these sources of income are taken into account, the proportion of expenditure funded by Norwich City Council is 3%, Norfolk County Council is 74% and 23% is generated from other fees and charges.



## The spending for 2006-07 was on the following services:

Spending against the cash limited budget has been monitored regularly throughout the year, and reports have been received at each of the Joint Committee's meetings.



## **Accounting Policies**

The accounting policies adopted by the Joint Committee comply with the relevant recommended accounting practice, except where stated. The Joint Committee's policies are fully explained on pages 21 to 24.

## **Pension Contributions**

Actual pension contributions in respect of employees delivering the Joint Committee's activities have been charged to the income and expenditure account. The statutory requirements of Financial Reporting Standard 17 in respect of these staff have been complied with in the accounts of Norwich City Council or Norfolk County Council as appropriate. The underlying commitment that Norwich City Council and Norfolk County Council have in the long term to pay retirement benefits to their respective employees has been incorporated within each Council's Statement of Accounts.

## **Events after the Balance Sheet Date**

The SORP requires the Joint Committee to consider events occurring after the Balance Sheet date and up to the date the accounts are authorised for issue.

Where an event occurring after the Balance Sheet date provides evidence of conditions that existed at the Balance sheet date, this is an adjusting event and the Statement of Accounts will be updated in the light of the new information.

Where an event that occurs after the Balance Sheet date indicates that the conditions arose after the Balance Sheet date, this is a non-adjusting event and the Statement of Accounts is not adjusted, but the nature of the event and an estimate of the financial effect (if known) will be disclosed in the accounts.

## **Further Information**

Interested members of the public have a statutory right to inspect the accounts before the audit is completed. This has been advertised in the local press. The authority complies with the Freedom of Information Act 2005 requirements in responding to queries from the general public.

Further information about the financial statements and accounts is available from the Head of Finance, Mr P. D. Brittain, Norfolk County Council, County Hall, Martineau Lane, Norwich, NR1 2DW.

## Statement of Responsibilities

### The Joint Committee's Responsibilities

The Joint Committee is required:

- to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. The Joint Committee has agreed that this officer is Norfolk County Council's Head of Finance (hereafter referred to as the Director of Finance).
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- to approve the Statement of Accounts.

### The Head of Finance's Responsibilities

The Head of Finance is responsible for the preparation of the Statement of Accounts in accordance with proper practices as set out in the Chartered Institute of Public Finance and Accountancy (CIPFA) and Local Authority (Scotland) Accounts Advisory Committee (LASAAC) Code of Practice on Local Authority Accounting in Great Britain ("the Code").

In preparing this Statement of Accounts, the Head of Finance has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code.

The Head of Finance has also:

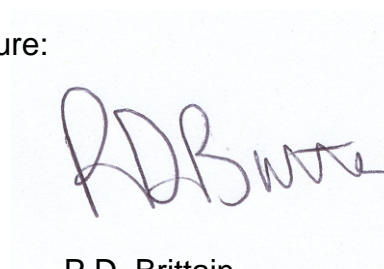
- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

### Certificate by the Head of Finance

I certify that the Statement of Accounts set out on pages 21 to 34 present fairly the financial position of the Joint Committee at the accounting date and its income and expenditure for the year ended 31 March 2007.

Date: 20<sup>th</sup> April 2010

Signature:



P.D. Brittain,  
Head of Finance

**Certification of Committee Resolution**

In accordance with the requirements of Regulation 10 of the Accounts and Audit Regulations I confirm that the Statement of Accounts was approved by a resolution of the Norwich Highways Agency Joint Committee on 28<sup>th</sup> June 2007.

Date: 28<sup>th</sup> June 2007

Signature: \_\_\_\_\_

A handwritten signature in black ink, appearing to read 'A. S. Adams', written over a horizontal line.



## **Independent Auditors' Report to the Members of Norwich Highways Agency Joint Committee**

### **Opinion on the financial statements**

I have audited the financial statements of Norwich Highways Agency Joint Committee for the year ended 31 March 2007 under the Audit Commission Act 1998, which comprise the Explanatory Foreword, Income and Expenditure Account, Statement of the Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them. Norwich Highways Agency Joint Committee did not prepare financial statements for the year ended 31 March 2006 and the corresponding figures are therefore unaudited.

This report is made solely to Norwich Highways Agency Joint Committee in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

### **Respective responsibilities of the Chief Finance Officer and auditors**

The Chief Finance Officer's responsibilities for preparing the financial statements in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006 are set out in the Statement of Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements present fairly the financial position of the Committee in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006.

I review whether the statement on internal control reflects compliance with CIPFA's guidance 'The statement on internal control in local government: meeting the requirements of the Accounts and Audit Regulations 2003' issued in April 2004. I report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the statement on internal control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Committee's corporate governance procedures nor its risk and control procedures.

### **Basis of audit opinion**

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Committee in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Committee's circumstances, consistently applied and adequately disclosed.

I planned my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error.

In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

**Opinion**

In my opinion the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006, the financial position of the Committee as at 31 March 2007 and its income and expenditure for the year then ended.

*Andy Perrin*

Andy Perrin  
District Auditor  
Audit Commission  
Regus House  
1010 Cambourne Business Park  
Cambourne, Cambridge  
CB23 6DP

Date: 20 April 2010

## **Conclusion on Arrangements for Securing Economy, Efficiency and Effectiveness in the Use of Resources**

### **Committee's responsibilities**

The Norwich Highways Agency Joint Committee is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to regularly review the adequacy and effectiveness of these arrangements.

### **Auditor's responsibilities**

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Committee for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for other local government bodies. I report if significant matters have come to my attention which prevent me from concluding that the Committee has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Committee's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### **Conclusion**

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for other local government bodies specified by the Audit Commission and published in December 2006, I am satisfied that, in all significant respects, the Norwich Highways Agency Joint Committee made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2007 except for the failure to put in place arrangements:

- to maintain a sound system of internal control;
- to manage its significant business risks; and
- for managing its performance against budgets

### **Certificate**

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

*Andy Perrin*

Andy Perrin  
District Auditor  
Audit Commission  
Regus House  
1010 Cambourne Business Park  
Cambourne, Cambridge  
CB23 6DP

Date: 20 April 2010

## **Statement of Internal Control for Norwich Highways Agency Joint Committee**

### **1. Scope Of Responsibility**

- 1.1. The Norwich Highways Agency Joint Committee (Joint Committee) is responsible for ensuring that its business is conducted in accordance with the law, appropriate standards, in accordance with corporate objectives and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.
- 1.2. The Joint 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.
- 1.3. In discharging this overall responsibility, the Joint Committee is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Joint Committee's functions and which includes arrangements for the management of risk.

### **2. The Purpose Of The System Of Internal Control**

- 2.1. The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.
- 2.2. The system of internal control is based on an ongoing process designed to
  - identify and prioritise the risks to the achievement of the Joint Committee's policies, aims and objectives,
  - evaluate the likelihood of those risks being realised and the impact should they be realised, and
  - manage them efficiently, effectively and economically.
- 2.3. The system of internal control has been in place at the Joint Committee for the year ended 31 March 2007 and up to the date of approval of the annual report and accounts.

### **3. The Internal Control Environment**

#### **3.1. General**

- 3.1.1. The key elements of the Joint Committee's internal control environment are listed in the following paragraphs.
- 3.1.2. The City Council and County Council have similar constitutions.
- 3.1.3. 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 4<sup>th</sup> July 2006. This is confirmed within "Joint Arrangements", Article 11 to the Norwich City Council constitution with similar reference in the County's constitution.

- 3.1.4. 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.
- 3.1.5. 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 Council. 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.
- 3.1.6. The Joint Committee's Terms of Reference and specification of Functions are also contained within Appendix 18 of the Norwich City Council constitution.
- 3.1.7. The staff employed by the City Council would be transferred to Norfolk County Council if the agreement were to be dissolved. Property would also be transferred to Norfolk County Council in the event of termination.
- 3.2. Objectives Establishment and Achievement Monitoring
  - 3.2.1. The overall responsibilities of the Norwich Joint Highways Agency Committee are:
    - to oversee the operation of the highways and traffic functions delegated to Norwich City Council by the County Council
    - to exercise certain functions delegated by the County Council direct to the Joint Committee
    - to advise the County Council on various highways and traffic matters in Norwich.
  - 3.2.2. The Joint Committee meets at least six times a year.
  - 3.2.3. It receives reports from officers of the County and City Councils regarding their respective areas.
- 3.3. Policies, Procedures and Prescriptions Compliance
  - 3.3.1. Norwich City Council and Norfolk County Council each have a designated Monitoring Officer, both of whom have Monitoring Officer responsibilities relating to the Joint Committee. The Monitoring Officers of Constituent authorities have Monitoring Officer responsibilities for the Joint Committee.
  - 3.3.2. It is the function of a Monitoring officer to ensure compliance with established policies, procedures, laws and regulations. If a Monitoring Officer considers that any proposal, decision or omission would give rise to unlawfulness or mal-administration, after consulting with the relevant Council's Head of Paid Service and Chief Finance Officer, a report will be made to each member of the Council. Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered. The role of the Monitoring Officer is set out within "Employees", Appendix 12 of the Norwich City Council constitution.
- 3.4. Policy and Decision-Making Facilitation

- 3.4.1. Corporate Governance is the system by which local authorities direct and control their functions and relate to their communities. In other words it is the way in which organisations manage the business, determine strategy and objectives and go about achieving these objectives. The fundamental principles are openness, integrity and accountability, together with the overarching concept of leadership.
- 3.4.2. In recognition of the need for sound corporate governance arrangements, Norfolk County Council and Norwich City Council have over the years put in place policies, systems and procedures designed to achieve this.
- 3.4.3. Norwich City Council also has a Code of Corporate Governance in place. The Joint Committee operates under this Code. Procedures are thus in place, which are followed to ensure that activity operation and decision-making are efficient, transparent and accountable to local people.
- 3.4.4. The Conduct and proceedings of meetings of the Joint Committee are governed by the rules relating to meetings of Norwich City Council Committees, as per “Council and Committee Procedure Rules”, Appendix 1 of the Norwich City Council constitution.
- 3.4.5. The rights of the public to attend meetings of the Joint Committee and raise questions are set as for Norwich City Council meetings, as per Appendix 1.
- 3.4.6. Norfolk County Council produces an Annual Business Plan, which aims to give an overview of the way it is improving its services for local people. It fits into the County Council Plan, and is informed by individual Service Plans. Norwich City Council also produces an Annual Business Plan.
- 3.4.7. The Joint Committee operates within the Terms of the Agency Agreement, and a plan of activities for the year.
- 3.5. Use of Resources and Securing Continuous Improvement.
- 3.5.1. Norfolk County Council sets most of the budgets for the service. Norwich City Council sets a relatively minor part of the service budget.
- 3.5.2. The Joint Committee receives budget-monitoring reports, covering highway maintenance and certain other agency functions.
- 3.5.3. The Committee works within the City Council’s system of financial management, outlined within Article 14 “Finance, Contracts And Legal Matters”, and expanded on within Appendix 10 “Financial Regulations and Procedures” and Appendix 11 “Standing Orders Relating to Contracts”.
- 3.5.4. Trained and experienced people deliver the services. All posts have a detailed job description and person specification. Training needs are addressed through personal development plans. The structure and general definitions of management roles are given in “Employees”, Article 12 to the Norwich City Council constitution.
- 3.5.5. The Committee constantly seeks ways to ensure the economical, effective and efficient use of resources, and for securing continuous improvement in the way in which its functions are exercised, having regard to a combination of

economy, efficiency and effectiveness as required by the Best Value duty. It does this through Internal Audit, and Best Value and Fundamental reviews, and by employing a Value for Money approach.

### 3.6. Financial Management and its Reporting

- 3.6.1. The County Council's designated Chief Finance Officer in accordance with Section 151 of the Local Government Act 1972, acts as Chief Finance Officer for the Joint Committee. However the Chief Financial Officer of each constituent authority also has reporting responsibilities.
- 3.6.2. Internal audit work is provided by the City Council's internal audit service, which operates with regard to the standards set out in the 'Code of Practice for Internal Audit in Local Government in the UK'.

### 3.7. Risk Management

- 3.7.1. Risk Management is being developed in the activities of Norwich City Council; the Joint Committee's services are included in that process.

### 3.8. Performance Monitoring

- 3.8.1. The Joint Committee receives reports and monitors performance as per 3.2.3 above.

## 4. Review Of The Effectiveness Of Internal Control

- 4.1. The Joint Committee has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control.
- 4.2. The review of the effectiveness of the system of internal control is informed by the work of:
  - the internal auditors and
  - the executive managers within the authority who have responsibility for the development and maintenance of the internal control environment, and also
  - comments made by:
    - the external auditors in their annual audit letter and other reports.
    - other review agencies.
- 4.3. Scrutiny
  - 4.3.1. In practice, reports will be brought to the Joint Committee, or the City or County may review the Joint Committee arrangements, all or in part. The means of review may be through the County Council's Cabinet, Cabinet Scrutiny Committee or Audit Committee or the City Council's Executive Committee or Scrutiny Committee.
  - 4.3.2. The role and responsibilities of the Scrutiny Committee are given in "Overview and Scrutiny Committees", Article 6 of the Norwich City Council constitution.

#### 4.4. Corporate Governance

- 4.4.1. The County and City Council's Codes of Corporate Governance are reviewed annually to reflect further corporate governance elements put in place over the previous 12 months.

#### 4.5. Standards Committee

- 4.5.1. In accordance with the provisions of Part III of the Local Government Act 2000 the Councils have established Standards Committees to support the proper conduct of the Councils' businesses by Members. The Joint Committee follows each of the appointing bodies rules regarding Members standards of behaviour.

#### 4.6. Audit Committee

- 4.6.1. The role of the Audit Committee at the City Council was fulfilled by the Scrutiny Committee during 2006-07, which provided proactive and effective leadership on audit and governance issues and champions both audit and the embedding of risk management throughout the council. From 2007-08 an Audit Committee has been formed at the City Council.

#### 4.6.2. The City Scrutiny Committee

- reviews internal audit's strategy, plan and performance,
- reviews the committee's own terms of reference to ensure they are current,
- reviews the financial statements, external auditor's opinion and reports to members, including ISA 260 and report required actions to Council,
- receives risk management reports at least quarterly to take appropriate action to ensure that corporate business risks are being actively managed, including reporting to full council at least annually,
- considers the reports of external audit and inspection agencies,
- considers the effectiveness of the Council's risk management arrangements, the control environment and associated anti fraud and anti corruption arrangements, and receive assurances that action is being taken on risk related issues identified by auditors and inspectors.
- monitor management action in response to the issues raised by external audit.

#### 4.6.3. The City Scrutiny Committee are also

- satisfied that the Councils' assurance statements, including the Statement on Internal Control, properly reflect the risk environment and any actions required to improve it.
- ensure that there are effective relationships between external and internal audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted.

- 4.7. The City's Internal Audit Section is subject to regular inspection by the Councils' external auditors.

- 4.8. Internal Audit's Annual Audit planning risk assessment includes Services covered by the Joint Committee, and includes audits of Highways functions.

- 4.9. An Annual Report is presented to the Committee covering the performance under the Agency Agreement.



- 4.10. The Committee relies on the City Council's systems of internal control. The Annual Audit Inspection Letter March 2007, covering the period 2005-06, noted that the Council's internal control framework needs strengthening and further work is necessary to develop risk management. The City's Section 151 Officer has confirmed that the significant control issues with respect to the City's 2006-07 Statement on Internal Control relevant to the Joint Committee were as set out in paragraph 5.2 below, which also contains an action plan to deal with these issues.

## 5. Significant Internal Control Issues

- 5.1. There are significant control issues identified at present, which appear below in Tables 1 and 2.

**Table 1: Joint Committee Significant Control Issues 2006-07**

Issue		Action
1	The latest estimates for On Street Income, including permits and parking fines income for 2006-07 is £105,000 compared to the estimate of £400,000.	Norfolk Audit Services has been requested to review the 2006-07 Decriminalised Parking Scheme accounts.
2	During the compilation of the 2006-07 accounts it was noted that there is scope to strengthen financial management for the Joint Committee.	A Financial Management Improvement Plan will be agreed and actioned during 2007-08.
3	Risk Management reporting to the Joint Committee needs to be strengthened.	The risk register will be reported to the Committee periodically.
4	The results of audits that are relevant to the systems and controls of the Joint Committee have not been reported in summary to the Committee.	Periodic summary reports to the Joint Committee for relevant audit work, including key findings and agreed action plans.

- 5.2. Below in Table 2 are set out the significant control issues contained within the City Council's Statement of Internal Control for 2006-07 which are considered relevant to the Joint Committee.

**Table 2: Norwich City Council's Significant Control Issues in 2006-07**

Issue	Action Taken in 2006-07	Proposed Actions 2007-08 and beyond
Statement of Accounts for 2005-06 disclaimed	<p>Financial management is a corporate priority within the Norwich Improvement Programme (approved by Executive June 2006).</p> <p>Detailed actions in the Finance Improvement Plan include:            New budget monitoring process.            Training programme for finance staff.</p>	<p>Medium Term Financial Strategy approved.</p> <p>Revised service and financial planning process.</p> <p>New purchase ordering system implemented.</p> <p>Revised structure for Financial Services.</p>
Further embedding risk management into the organisation	<p>Risk Management Strategy drafted, showing responsibilities of Members and managers.</p> <p>A section on risks and their mitigation was included in all 2007/08 service plans reported to Scrutiny in February 2007.</p>	<p>Strategy approved by Executive 30 May 2007.</p> <p>Externally-sourced assistance and training on production of risk registers will commence in June 2007 for Directors and Heads of Service.</p> <p>Using the above training and assistance, compile risk registers and consider how to include in service plans. By February 2008.</p> <p>Develop the monitoring and reporting of risks and their control. By December 2007.</p>

Issue	Action Taken in 2006-07	Proposed Actions 2007-08 and beyond
Need to ensure corporate and departmental business	Post of Emergency Planning Officer (EPO) approved	EPO appointed April 2007.

continuity if a major incident or interruption to business occurs	April 2006	EPO is currently identifying priority operational areas needing assistance with continuity plans.  Prepare a corporate business continuity plan linked to operational plans and those of Steria, CityCare and other major partners. By March 2008
The Council has reviewed and Work commenced on reviewing Procurement Strategy and 80 revised its control procedures and control environment. Most regulations, policies and procedures have now been adopted and implemented but there are some elements still to be completed.	Financial Regulations, Financial Procedures, Contract Standing Orders, and Procurement Strategy.  Work commenced on developing Oracle Purchasing, which improves control over purchasing and payment	Procurement Plan approved by Executive 30 May 2007.  Complete the review and approval of Financial Regulations, Financial Procedures and Contract Standing Orders by end September 2007.  Implement Oracle Purchasing by 1 August 2007.
More effective use of Oracle Financial System.	We have used external experts to assist with implementing a new coding structure to improve financial management and help with the preparation of year-end accounts.  They are also providing training for managers and budget holders.	Continue training programme for managers and budget holders. By end July 2007.  Create procedure manuals for finance staff. By end July 2007.
Preparation of the Statement of Internal Control (SIC) – process needed for gathering and evaluating the evidence from managers to support the SIC.	All Heads of Service completed a self-assessment questionnaire on risk and control (not just financial). The results have informed the contents of the SIC.	Follow up improvement plans to ensure that the necessary remedial actions are carried out. By March 2008.
Issue	Action Taken in 2006-07	Proposed Actions 2007-08 and beyond
Income system – need for robust controls between		Create necessary interfaces with necessary controls.

cash receipting and general ledger.		By September 2007.
Findings from outsourced audits of specific IT systems – security settings; access control.		Management should review the logical security settings for user profiles and set them to provide an optimum control framework.  Management should define an access control policy, and regularly review all user profiles. By September 2007.

Chairman

Date: 20<sup>th</sup> April 2010

Vice Chairman

Date: 20<sup>th</sup> April 2010

Chief Officer

Date: 20<sup>th</sup> April 2010

## Statement of Accounting Policies

The accounts have been prepared in accordance with the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom 2006: A Statement of Recommended Practice (SORP), the Best Value Accounting Code of Practice and guidance notes issued by CIPFA on the application of Statements of Standard Accounting Practice and Financial Reporting Standards (SSAP's and FRS's). They comply therefore with "proper accounting practice" under the terms of the Local Government and Housing Act 1989.

The accounts are prepared under the historical cost convention, except where specifically noted below.

### 1. Accounting Concepts

#### Relevance

The objective of the financial statements is to provide information about an Authority's financial performance and position that is useful for assessing the stewardship of public funds and for making economic decisions.

#### Reliability

Financial information is reliable if it can be depended on to represent faithfully what it either purports to represent or what it can be reasonably expected to represent and is free from deliberate, systematic or material error.

#### Understandability

The accounting principles on which the SORP is based include accounting concepts, treatments and terminology which require reasonable knowledge of accounting and local government, and reasonable diligence in reading the financial statements if they are to be properly understood. However all reasonable efforts have been taken in the preparation of the financial statements to ensure they are as easy to understand as possible.

#### Comparability

The information in the accounts is more useful if it can be compared with information for some other period or point in time. This depends upon consistency in the application of the accounting policies, unless it can be shown that a new policy would introduce improved accounting practices.

#### Materiality

Strict compliance with the Code of Practice, both as to disclosure and accounting principles, is not necessary where the amounts involved are not material to the fair presentation of the financial position and transactions of the authority and to the understanding of the Statement of Accounts by a reader.

#### Going Concern

A local authority's Statement of Accounts should be prepared on a going concern basis, that is, the accounts should be prepared on the assumption that the authority will continue in operational existence for the foreseeable future. This means in particular that the income and expenditure accounts and balance sheet assume no intention to curtail significantly the scale of the operation.

### Accruals

This requires the non-cash effects of transactions (debtors and creditors) to be reflected in the financial statements for the accounting period in which those effects are experienced and not in the period in which any cash is received or paid.

### Prudence

Sound stewardship of public funds calls for a prudent approach to financial management. Income should only be included to the extent that it can be realised with reasonable certainty, and proper allowances made for all known and foreseeable losses and liabilities.

### Substance over form

The accounting statements should be prepared so as to reflect the reality or substance of the transactions and activities underlying them, rather than only their formal legal character. In determining the substance of a transaction, it is necessary to identify all of the transaction's aspects and implications. A group or series of transactions that achieves or is designed to achieve an overall economic effect should be viewed as a whole.

### Primacy of Legislative Requirements

Local authorities derive their powers from statute and their financial and accounting framework is closely controlled by primary and secondary legislation. To the extent that law prescribes treatments the accounting principles outlined above may not apply in all cases. It is a fundamental principle of local authority accounting that, where specific legislative requirements and accounting principles conflict, legislative requirements shall apply.

## **2. Accruals of income and expenditure**

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received, except in the case of penalty charge notices, where these are included on a cash basis. In particular:

- ◆ Fees and charges due from customers are accounted for as income at the date Norwich Highways Joint Agency Committee provides the relevant goods or services.
- ◆ Works are charged as expenditure when they are completed
- ◆ Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- ◆ Income and expenditure are credited and debited to the relevant revenue account.

## **3. Fixed Assets and Charges to Revenue for Fixed Assets**

Norwich Highways Agency Joint Committee does not own any fixed assets. Whilst the Joint Committee has the use of land, buildings, vehicles, plant and equipment, ownership remains with Norfolk County Council or Norwich City Council. The relevant authority finances enhancements and major repairs to those assets, and an annual charge is made to the Joint Committee in respect of the use of the

asset. This charge represents the cost of depreciation and any impairment losses. The charge then forms part of the contribution from the relevant authority (i.e. Norfolk County Council or Norwich City Council), which is included within the net cost of services and has the effect of reversing it. The only exception to this is the depreciation charge for decriminalised car parking, which is not reversed and is paid to Norwich City Council.

#### **4. Deferred Charges**

Deferred charges represent expenditure that may be capitalised under statutory provisions but does not result in the creation of tangible assets. Deferred charges incurred during the year have been written off as expenditure to the revenue account in the year. The cost of the deferred charges is met by a contribution from Norfolk County Council.

#### **5. Overheads and Support Services**

Overheads and support service costs are recharged from Norfolk County Council and Norwich City Council. These are calculated in accordance with the principles of the CIPFA Best Value Accounting Code of Practice and on an equitable basis.

The Norwich Highways Agency Joint Committee also receives a charge from Norfolk County Council and Norwich City Council for costs relating to Corporate and Democratic Core. These costs are in relation to Joint Committee's status as a democratic organisation.

#### **6. Retirement Benefits**

Staff undertaking Norwich Highways Agency Joint Committee's activities are employees of either Norwich City Council or Norfolk County Council. Employees of both Councils undertaking Joint Committee activities are eligible for membership of the Local Government Pension Scheme, which is a final salary defined benefit scheme.

Both Councils' Local Government Pension Scheme employer contributions in respect of staff employed on Norwich Highways Agency Joint Committee activities are included in the Joint Committee's net cost of service.

The requirements of Financial Reporting Standard No. 17 – Retirement Benefits (FRS 17) relating to staff carrying out the Joint Committee's activities are fully reflected in the accounts of Norwich City Council and Norfolk County Council as appropriate. Those accounts reflect the underlying commitment that Norwich City Council and Norfolk County Council have in the long term to pay retirement benefits to their respective employees and to make up any shortfall in attributable net assets in the pension fund.

#### **7. Value Added Tax (VAT)**

All VAT collected is payable to HM Revenue and Customs and the income and expenditure excludes any amounts related to VAT, except where the VAT is irrecoverable. Irrecoverable VAT is included in the service revenue accounts as part of Net Cost of Services.

## Income and Expenditure Account

2005-06 £000's			2006-07 £000's
(1,821)		Total Income	(1,615)
8,591		Total Expenditure	6,841
<hr/>			<hr/>
6,770	4	Net Cost of Services	5,226
395		Surpluses payable to Norfolk County Council	148
<hr/>			<hr/>
7,165		Net Operating Expenditure	5,374
(6,929)	5	Contribution from Norfolk County Council	(5,174)
(236)	5	Contribution from Norwich City Council	(200)
<hr/>			<hr/>
0		(Surplus)/Deficit for the Year	0



## Statement of Movement on the General Fund Balance

The Income and Expenditure Account shows the Norwich Highways Agency Joint Committee's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months.

This reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.

The Joint Committee does not have tax raising powers and there is no surplus/deficit or any statutory accounting transactions that need to be shown in the General Fund, therefore the balance is zero.

2005-06		2006-07
£000s		£000s
0	(Surplus)/Deficit for the year on the Income and Expenditure Account	0
0	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	0
<hr/> 0	<b>Decrease in General Fund Balance for the Year</b>	<hr/> 0
0	General Fund Balance brought forward	0
<hr/> 0	<b>General Fund Balance carried forward</b>	<hr/> 0

# **Note of reconciling items for the Statement of Movement on the General Fund Balance**

<b>2005-06</b>		<b>2006-07</b>
<b>£000s</b>		<b>£000s</b>
Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year	0	0
<hr/>	<hr/>	<hr/>
<b>0</b>		<b>0</b>
Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year	0	0
<hr/>	<hr/>	<hr/>
<b>0</b>		<b>0</b>
Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year	0	0
<hr/>	<hr/>	<hr/>
<b>0</b>		<b>0</b>
<hr/>		<hr/>
<b>0</b>	<b>Net additional amount required to be credited to the General Fund balance for the year</b>	<b>0</b>
<hr/>		<hr/>

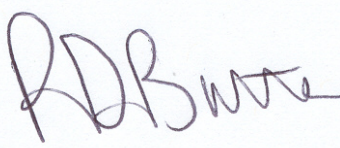
## Statement of Total Recognised Gains and Losses

This statement brings together all the gains and losses of Norwich Highways Agency Joint Committee for the year and shows the aggregate increase in its net worth.

<b>2005-06</b> <b>£000s</b>		<b>2006-07</b> <b>£000s</b>
0	(Surplus)/Deficit for the year on the Income and Expenditure Account	0
0	Other (gains)/losses	0
<hr/> 0 <hr/>	Total recognised (gains)/losses for the year	<hr/> 0 <hr/>

**Balance Sheet**

<b>31 March 2006</b>		<b>Note</b>		<b>31 March 2007</b>	
<b>£000s</b>				<b>£000s</b>	<b>£000s</b>
			<b>Current Assets</b>		
0			Stocks	0	
3,292	9		Debtors	2,021	
0			Cash and Bank	0	
<b>3,292</b>			<b>Total Assets</b>		<b>2,021</b>
			<b>Current Liabilities</b>		
(3,292)	9		Creditors	(2,021)	
<b>0</b>			<b>Total assets less current liabilities</b>		<b>0</b>
0			Long Term Liabilities	0	
<b>0</b>			<b>Total Assets less liabilities</b>		<b>0</b>



P. D. Brittain

Head of Finance (Norfolk County Council)

Date: 20<sup>th</sup> April 2010

## Cash Flow Statement

31 March 2006 £000s	Note		31 March 2007 £000s
<hr/> 0	12	Net Revenue Activities Net Cash Flow	<hr/> 0
<hr/> 0		Net (increase)/decrease in cash	<hr/> 0

## Notes To The Core Financial Statements

### 1. Publicity

Section 5 of the Local Government Act 1986 requires Norwich Highways Agency Joint Committee to maintain a separate account of expenditure on publicity. In 2006-07 Norwich Highways Agency Joint Committee spent £20,160 (£14,745 in 2005-06) on publicity. A breakdown of the publicity expenditure between staff recruitment and other advertising and public relations activities was unavailable.

### 2. Overheads and Support Services

The Income and Expenditure Account includes a charge for Overheads and Support Services that are provided by central departments of Norwich City Council and Norfolk County Council to Norwich Highways Agency Joint Committee. There is also a charge for costs relating to Corporate and Democratic Core. Information on these charges is available within Norwich City Council and Norfolk County Council's Statements of Accounts.

### 3. Audit Costs

Norwich Highways Agency Joint Committee incurred fees relating to external audit and inspection, the amount for 2006-07 was £45,000.

### 4. Objective Analysis of Income and Expenditure

	Highways / Traffic	On Street Parking	Section 74, Street Closure Notices & Licences	Skips & Scaffolding Licences & Permits	Other	Total
	£'000's	£'000's	£'000's	£'000's	£'000's	£'000's
Income		(1,537)	(25)	(53)		(1,615)
Works and Services	4,424					4,424
Administration	812		113	15	46	986
On Street Parking		1,431				1,431
<b>TOTAL 2006-07</b>	<b>5,236</b>	<b>(106)</b>	<b>88</b>	<b>(38)</b>	<b>46</b>	<b>5,226</b>
TOTAL 2005-06	7,071	(378)	87	(10)	0	6,770

The expenditure above reflects payments made to third party suppliers, Norfolk County Council and Norwich City Council.

Administration costs include corporate and democratic core costs of £16,977 in 2006-07 (£29,633 in 2005-06).

## **5. Norwich City Council and Norfolk County Council Contributions**

Norfolk County Council made a contribution to Norwich Highways Agency Joint Committee of £5,174,594 in 2006-07 (£6,928,911 in 2005-06). £1,952,562 was for revenue expenditure, the remaining £3,222,032 was for capital expenditure. (£1,973,044 and £4,955,867 respectively in 2005-06).

Norwich City Council made a contribution to Norwich Highways Agency Joint Committee for revenue expenditure of £199,917 in 2006-07 (£235,849 in 2005-06), which results in Norwich Highways Agency Joint Committee having neither a surplus nor a deficit.

## **6. Members Allowances and Employee Emoluments**

Norwich Highways Agency Joint Committee does not pay members' allowances directly. Norwich City Council and Norfolk County Council pay these. The Chair of Norwich Highways Agency Joint Committee is entitled to a Special Responsibility Allowance, which is paid by Norfolk County Council. This amount paid by the County Council in 2006-07 in respect of this allowance was £4,959 (£4,092 in 2005-06)

The SORP requires disclosure of employees' whose remuneration, excluding pension contributions, exceeds £50,000. In 2006-07 there were none.

## **7. Related Party Transactions**

Norwich Highways Agency Joint Committee is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence Norwich Highways Agency Joint Committee or to be controlled or influenced by Norwich Highways Agency Joint Committee. Disclosure of these transactions allows readers to assess the extent to which Norwich Highways Agency Joint Committee might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with Norwich Highways Agency Joint Committee. These include:

Norfolk County Council and Norwich City Council – material transactions with both Councils are disclosed elsewhere in the accounts.

Members of Norwich Highways Agency Joint Committee – have direct control over the committee's financial and operating policies. The Norwich Highways Agency Joint Committee wrote to all members requesting details of any related party transactions. There are no disclosures.

Officers – Norwich Highways Agency Joint Committee wrote to all Chief Officers requesting details of any related party transactions. There are no disclosures.

## **8. Retirement Benefits**

Staff employed by Norwich City and Norfolk County Council in undertaking the Joint Committee's activities can participate in the Local Government Pension Scheme, a defined benefit statutory scheme, administered by Norfolk County Council. This is a funded scheme, meaning that the Councils and staff pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

The Fund's Actuary based on triennial actuarial valuations determines employer's contribution rates. The last review was at 31<sup>st</sup> March 2004. Under Pension Fund Regulations contribution rates are set to meet the overall liabilities of the Fund. The rates arising from the next review based on information at 31<sup>st</sup> March 2007 will be implemented from 1<sup>st</sup> April 2008.

In 2006-07 Norwich Highways Agency Joint Committee's expenditure includes employer's contribution of £124,484, representing 13.7% of employees pensionable pay (£106,540 in 2005-06 representing 15.1% of employees pensionable pay). This has been paid into the Norfolk Pension Fund.

## 9. Debtors

Details of money owed to the Joint Committee are:

	31 March 2006	31 March 2007
	£000s	£000s
Norwich City Council	2,134	1,560
Norfolk County Council	968	413
Prepayments and accrued income	190	48
	<b>3,292</b>	<b>2,021</b>

## 10. Creditors

Details of money owed by the Joint Committee are:

	31 March 2006	31 March 2007
	£000s	£000s
Due to Norwich City Council	95	95
Due to Norfolk County Council	432	217
Accruals and deferred income	2,765	1,709
	<b>3,292</b>	<b>2,021</b>

## 11. Deferred Charges

Expenditure on deferred charges in 2006-07 totalled £1,034,000 (£3,195,000 in 2005-06). This relates to capital improvement schemes, e.g. local safety, cycling, pedestrian and speed management. The total amount has been written off to revenue during the year. The Norwich Highways Agency Joint Committee received a contribution from Norfolk County Council to cover the cost of these deferred charges during the year.



## 11. Notes Relating to the Cash Flow Statement

1. Reconciliation of net surplus/deficit on the Income and Expenditure Account to the Revenue Activities net cash flow

	<b>2005-06</b> <b>£000s</b>	<b>2006-07</b> <b>£000s</b>
Income and Expenditure (Surplus)/Deficit	0	0
Movement in Debtors	1,093	(1,271)
Movement in Creditors	(1,093)	1,271
<b>Net inflow/(outflow) on revenue activities</b>	<b>0</b>	<b>0</b>

## 12. Authorised for Issue

In accordance with the requirements of the SORP, the Statement of Accounts reflects events after the Balance Sheet date up to the date the accounts were authorised for issue.

The Statement of Accounts was authorised for issue by the Head of Finance on 20<sup>th</sup> April 2010.

## **Glossary of Terms**

### **ACCOUNTS AND AUDIT REGULATIONS**

These are government regulations which make provision for the production and audit of the accounts of a number of different organisations. These organisations are defined in the Regulations.

### **ACCRUAL ACCOUNTING**

The inclusion of income and expenditure in the accounts for the period in which they are earned or incurred, rather than the period in which the cash is received or bills paid.

### **ASSET**

An item owned by Norwich Highways Agency Joint Committee, or that they have use of to support their activities, which has a value, for example cash.

### **BUDGET**

The statement of Norwich Highways Agency Joint Committee expressed in financial terms usually for the current forthcoming financial year.

### **CAPITAL EXPENDITURE**

Expenditure on the acquisition of a fixed asset which lasts normally for more than one year or expenditure which adds to the life or value of an existing fixed asset.

### **CREDITORS**

Amounts owed by Norwich Highways Agency Joint Committee for goods and services provided for which payment has not been made at the end of the financial year.

### **DEBTORS**

Sums of money due to Norwich Highways Agency Joint Committee but not received at the end of the financial year.

### **DEPRECIATION**

The measure of the wearing out, consumption, or other reduction in the useful economic life of fixed asset.

### **OUTTURN**

The actual amount spent in the financial year.

### **RESERVES**

A reserve is an amount set aside for a specific purpose in one financial year and carried forward to meet expenditure in future years.

### **REVENUE EXPENDITURE AND INCOME**

Day to Day expenses, mainly salaries and wages, and general running expenses. Charges for goods and services.

### **VALUE ADDED TAX (VAT)**

A tax on consumer expenditure which is collected on business transactions at each stage in the supply, but which is ultimately borne the final customer.