

**Report to** Audit committee  
20 September 2016  
**Report of** Head of internal audit, LGSS  
**Subject** Annual governance statement 2015-16

**Item**

**5**

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**Purpose**

To review and approve the final audited version of the annual governance statement for 2015-16.

**Recommendation**

To approve the annual governance statement for 2015-16.

**Corporate and service priorities**

The report helps to meet the corporate priority “Value for money services”.

**Financial implications**

None directly.

**Ward/s:** All wards

**Cabinet member:** Councillor Stonard – Resources and business liaison

**Contact officers**

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**Background documents**

None

## **Report**

### **Background**

1. One of the requirements in the Accounts and Audit Regulations 2015 is for the reporting of an annual governance statement (AGS). It provides assurance that the council's governance framework is adequate and effective.
2. The draft AGS was considered by the corporate leadership team, and then presented to the audit committee.
3. It accompanies the draft statement of accounts, and may subsequently be amended following review by the external auditor (EY).
4. At its meeting on 28 June 2016 the audit committee approved the draft AGS, which was also authorised by the leader of the council and the chief executive.
5. EY have now completed their review and have asked that the governance statement be updated to reflect the outcome of the audit of the 2015-16 accounts.
6. The Accounts and Audit Regulations 2015 require that the AGS are approved by the audit committee.

### **Annual governance statement update**

7. There have been some minor updates to the draft AGS which have been incorporated into the final version being presented today.
  - The AGS references legislation which is relevant to the governance framework. The title, and date, of the legislation has been amended where it has been superseded.
  - The AGS references sources of assurance, such as membership of committees, which help to provide good governance. This has been updated following feedback from the audit committee at the June meeting.
  - Governance self-assessment surveys are completed to help map and evidence sources of assurance within the council, plus highlight any control weaknesses and opportunities for improvement. Recognising the significant partnerships maintained with the council, these have been also been completed by LGSS and NPS Norwich. The surveys were completed after the draft AGS was approved, and the partners have stated that controls are operating effectively.
8. The updated annual governance statement for 2015-16 is appended to this report, and highlights the changes from the draft version.

# Annual Governance Statement 2015-16

## 1. Scope of responsibility

- 1.1. Norwich City Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Norwich City Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2. In discharging this overall responsibility, Norwich City Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.
- 1.3. Norwich City Council has approved and adopted a code of governance which is consistent with the principles of the CIPFA/ SOLACE Framework *Delivering Good Governance in Local Government*. The code forms appendix 19 of the council's constitution which is on the council website at [www.norwich.gov.uk](http://www.norwich.gov.uk).
- 1.4. This statement explains how Norwich City Council has complied with the principles of the code and also meets the requirements of regulation ~~4(3)~~ 6 (1) of the Accounts and Audit Regulations 2015~~4~~ which requires all relevant bodies to prepare an annual governance statement.
- 1.5. In April 2012 the council transferred the ICT and finance functions to LGSS, a public sector partnership between Northamptonshire and Cambridgeshire county councils. The arrangement is covered by a service level agreement.
- 1.6. Under the arrangement, some of the roles which the annual governance statement refers to are now carried out by officers from LGSS, as follows:
  - An appropriately qualified and experienced finance officer at LGSS is the council's chief finance officer and s151 officer.
  - The LGSS ~~chief internal auditor~~~~head of audit and risk~~ is responsible for internal audit and reports to audit committee. The fraud team that was based at City Hall, dealing primarily with benefits fraud, transferred to the Department for Work and Pensions' Single Fraud Investigation Service (SFIS) on 1 April 2015. Counter fraud work required by the council is referred to the LGSS counter fraud team working to the LGSS head of audit.

## **2. The purpose of the governance framework**

- 2.1. The governance framework comprises the systems and processes, and culture and values, by which the council is directed and controlled and its activities through which it accounts to, engages with, and leads its communities. It enables the council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.
- 2.2. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Norwich City Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.
- 2.3. The governance framework has been in place at Norwich City Council for the year ended 31 March 2016 and up to the date of the approval of this statement.

### **3. The governance framework**

The council's Code of Governance recognises that effective governance is achieved through the following core principles:

- Focusing on the purpose of the council and on outcomes for the community and creating and implementing a vision for the local area.
- Members and officers working together to achieve a common purpose with clearly defined functions and roles.
- Promoting values for the council and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
- Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.
- Developing the capacity and capability of members and officers to be effective.
- Engaging with local people and other stakeholders to ensure robust public accountability.

The following is a brief description of the key elements of the systems and processes that comprise the council's governance arrangements:

#### **Identifying and communicating the council's vision of its purpose and intended outcomes for citizens and service users:**

- The council has a clear vision of what it is trying to achieve, as set out in its corporate plan 2015-2020, which forms the council's overarching policy framework.
- The changing pace council blueprint (operating model) has been developed as a guide for how Norwich City Council designs services and structures to deliver the vision and priorities within its corporate plan in a way that proactively addresses the financial pressures and changing policy and legislative environment it faces.
- The Norwich Locality Board was established with its key objectives to promote collaborative and new ways of working, and identify opportunities for cost savings and efficiencies through joint service redesign, shared provision and better co-ordination of public service delivery. Membership of the board includes representatives from the county council, police, probation, and representatives of the voluntary and business sectors.
- Details of all the above, together with any committee reports referred to in this statement, can be found on the council website at [www.norwich.gov.uk](http://www.norwich.gov.uk)

#### **Reviewing the council's vision and its implications for the council's governance arrangements:**

- The corporate plan sets out the city council's strategic direction including its vision, mission and priorities. A new corporate plan 2015-2020 was approved by council on 17 February 2015.
- The corporate plan was developed through a number of methods including:
- Analysing information on levels of need in the city such as looking at demographics, strengths, opportunities, inequalities and challenges.

- Assessing the current environment the council operates in, including the national and local economic climate and policy and legislation for local government.
- Looking at the potential future factors that may impact on Norwich and the council e.g. economic, social, environmental etc.
- Discussions with councillors including an all councillor workshop.
- Specific discussions with partner organisations
- Assessing the future resourcing likely to be available to deliver a new corporate plan.
- Formal review by scrutiny and cabinet.
- In line with the approach used previously a consultation was carried out on the draft corporate plan framework for 2015-2020 with citizens and organisations. Based on the results of the consultation no further changes were proposed.
- The medium term financial strategy (MTFS) is presented to council on an annual basis to support the budget papers and the corporate plan. The MTFS sets out the level of savings that need to be achieved in the coming and each of the following four years. Savings plans and income generation targets are developed to achieve the budget requirement set out in the MTFS. An annual consultation on the budget is also undertaken. The delivery of the corporate priorities is managed through service plans for each service area and monitored through the council's performance management and reporting system.
- Service plans are reviewed every year in line with the changes to the corporate plan priorities and in accordance with the development of the budget to ensure the necessary resources are in place for their delivery.
- The corporate plan 2015-2020 also links closely to the council's risk management strategy and corporate risk register. The council has a comprehensive approach to risk management which ensures all strategic risks are appropriately identified, managed and mitigated against.

#### **Translating the vision into objectives for the authority and its partnerships:**

- The council's five priorities are to make Norwich a safe, clean and low carbon city; a prosperous and vibrant city; a fair city; a healthy city with good housing; and to provide value for money services.
- The corporate plan is underpinned by a range of strategic and operational plans, which set out in more detail how the council's vision and priorities will be delivered. These plans contain more specific targets, which are allocated to teams, contractors, partners and employees to deliver.

#### **Measuring the quality of services for users, ensuring they are delivered in accordance with the council's objectives and ensuring that they represent the best use of resources and value for money:**

- Performance management in the council is based on corporate plan priorities supported by a strategic management framework. The plan has a number of priorities and key performance measures and the service and team planning process is designed to explicitly reflect these priorities. The corporate plan is underpinned by service plans which set out how the top priorities will be delivered, and by operational delivery plans which set out practical steps and performance measures for all teams. Portfolio holders have been brought into the

service planning process, and are required to sign off service plans with the relevant service managers.

- The council uses an electronic performance management system which supports the performance management regime by holding high level indicators, risks and actions used to deliver the 2015-2020 corporate plan and supporting plans (service plans). Each service has a high level dashboard charting progress against their service plan priorities. Dashboards showing performance for each cabinet portfolio are also produced for portfolio holders. This approach is used to strengthen performance reporting processes to the cabinet, scrutiny, corporate leadership team and all managers. Performance is reported monthly to portfolio holders, quarterly to cabinet and twice-yearly to scrutiny.
- The council is a member of HouseMark, which is the main benchmarking organisation for social housing. Norwich is a major subscriber and also a member of HouseMark clubs dealing with welfare reform and ASB issues comparing and shaping good practice. The council is also a founder / board member of ARCH (Association of Retained Council Housing) which promotes council housing and shares good practice through the exchange of ideas and seminars. The council also has active tenancy scrutiny and involvement panels which enable tenants to be involved with contract monitoring and procurement.
- A summary of the overall performance of the council in 2015-16 is included in the narrative report to the statement of accounts for the year ending 31 March 2016.

**Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication in respect of the council and partnership arrangements:**

- The council's constitution sets out how the council operates, and contains separate articles and appendices covering executive, non-executive, scrutiny and officer functions. In addition, there are separate appendices covering the scheme of delegations to officers, the protocol for member/officer working arrangements, and protocols for the chief finance officer and monitoring officer.
- There is also an agreed protocol between the leader and chief executive officer covering their working arrangements following the appointment of a new leader.
- The council has a corporate governance framework for working in partnerships, with significant partnerships and joint ventures such as those with LGSS and NPS Norwich being covered by service level agreements.

**Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff:**

- Under the Localism Act 2011 the new standards regime, including the members' code of conduct, was adopted by council on 19 June 2012.
- There is a separate code of conduct for employees, which is supported by HR policies and procedures. New employees are given a copy of the code of conduct and other key policies, and there are regular reminders regarding compliance with the policies. Employees are required to confirm that they have read the code of conduct and other key policies; if they do not their access to IT systems can be revoked.

**Reviewing the effectiveness of the authority's decision-making framework, including delegation arrangements, decision making in partnerships and robustness of data quality:**

- The council's decision making framework is set out in the council's constitution including an effective scheme of delegation. The council's constitution is kept under continuous review in line with best practice, with a clear review plan, supported by a corporate governance group consisting of the executive head of business relationship management and democracy, monitoring officer, chief finance officer (section 151 officer), head of HR and learning and local LGSS audit manager. There is also a cross-party constitution working party - where major changes are proposed by the corporate governance group these are considered by the constitution working party before being recommended to council for approval.
- Decision making arrangements in partnerships are guided by the council's comprehensive corporate governance framework and toolkit for partnership working which ensures that effective governance and risk management arrangements are in place. In line with this, all key partnerships have been identified and are included in the council's partnership register. The governance arrangements for key partnerships are kept under regular review and the results are reported to cabinet annually, together with an assessment of the effectiveness of the council's involvement in partnerships.
- The council has a data quality policy that sets out the council's approach for maintaining data quality.

**Reviewing the effectiveness of the framework for identifying and managing risks and demonstrating clear accountability:**

- The council has a risk management policy and a risk management strategy, which have been approved by cabinet and are available to all staff via citynet (the council's intranet). The council's corporate risk register is the result of continued review by managers, corporate leadership team and audit committee of the key risks that may have an impact on achieving the council's objectives. Each risk shows the owner and the key controls in place to minimise any impact on the council and its provision of services to stakeholders. Individual projects and partnerships are also subject to risk assessments.
- Ensuring effective counter-fraud and anti-corruption arrangements are developed and maintained.



- The council has an anti-fraud and corruption strategy which is available on its intranet and website, and which all staff are required to confirm they have read.
- Under the partnership and delegation agreement, in 2015-16 LGSS provided a dedicated fraud team to investigate all alleged frauds perpetrated against the council. The team includes a qualified financial investigator who has the power to initiate recovery proceedings under the Proceeds of Crime Act. As part of the restructuring of the wider LGSS internal audit function a new fraud team has been set up to provide a counter fraud service to all LGSS clients. The council fully participates in the Cabinet Office's regular national fraud initiatives (NFI) and regularly reports the results to audit committee.

### **Ensuring effective management of change and transformation:**

- Change and transformation within the council is managed through the council's transformation programme guided by its changing pace blueprint (operating model) to ensure the council meets its savings targets while continuing to improve services wherever possible. This approach is supported by a range of tools such as the council's organisational change toolkit to ensure staffing changes are carried out effectively, and its project management toolkit to ensure the effective delivery of projects.
- The transformation programme is kept under regular review by the corporate leadership team and business management group (involving all the heads of service) with regular briefings for the leader and portfolio holders and major change proposals being formally approved by Cabinet and Council as appropriate. There is also a cross party working group which discusses and informs change options on a cross-party basis prior to them reaching the formal proposal stage.
- The council has received significant external recognition for its approach to managing change, transformation and organisational improvement.
- The council won the Gold Award for 'Council of the Year' in the Improvement and Efficiency Awards 2014 and the 'Most Improved Council Award' in the Local Government Chronicle (LGC) awards 2014. It was also a finalist in the Municipal Journal's 'Best Achieving Council' award 2015 and in the LGC 'Council of the Year' award 2016.

### **Ensuring the council's financial management arrangements conform to the governance requirements of the *CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010)*:**

- The role of the chief finance officer (CFO) and the finance function are sourced through a partnership and delegation agreement with LGSS, a public sector shared services organisation. The governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010) are embedded within the agreement and performance against these requirements is regularly monitored to ensure compliance. The council and LGSS work together to continually improve financial management practices and processes to deliver sound financial governance.

**Ensuring the council's assurance arrangements conform to the governance requirements of the *CIPFA Statement on the Role of the Head of Internal Audit (2010)*:**

- In line with the partnership and delegation agreement, the internal audit for 2015-16 was provided by LGSS internal audit and is led by a professionally qualified head of internal audit in accordance with the CIPFA Statement on the Role of the Head of Internal Audit in Public Service Organisations (2010) and the Code of Practice for Internal Audit in Local Government.

**Ensuring effective arrangements are in place for the discharge of the monitoring officer function.**

- The monitoring officer is a statutory appointment under section 5 of the Local Government and Housing Act 1989. The current responsibilities of the monitoring officer's and the deputy monitoring officer's roles rest with nominated officers at nplaw, the council's shared legal service. They undertake to discharge their statutory responsibilities with a positive determination and in a manner that enhances the overall reputation of the council. In doing so they will also safeguard, so far as is possible, members and officers whilst acting in their official capacities, from legal difficulties and/or criminal sanctions.
- It is important that members and officers work together to promote good governance within the council. The monitoring officer plays a key role in this and it is vital therefore, that members and officers work with the monitoring officer to enable them to discharge their statutory responsibilities and other duties (as set out in article 12 of the council's constitution).
- There are working arrangements and understandings in place between the monitoring officer, members and the corporate leadership team which are designed to ensure the effective discharge of the council's business and functions. These arrangements are detailed in the *monitoring officer protocol*, which currently forms appendix 9B of the council's constitution.

**Ensuring effective arrangements are in place for the discharge of the head of paid service function:**

- The role of head of paid service is defined in the Local Government and Housing Act 1989. In Norwich City Council it is assigned to the chief executive as set out in appendix 8 of the constitution and all necessary powers are delegated to her to fulfil the statutory role. Article 12 of the constitution requires the head of paid service to determine and publicise a description of the overall departmental structure of the Council showing the management structure and deployment of officers.
- The head of paid service, despite having all the necessary authority to take delegated staffing decisions, has chosen to exercise her discretion on a number of occasions and has reported to cabinet on changes to the senior management structure or on significant changes to the organisation's structure as an aid to transparency. These proposals are discussed at the corporate leadership team and proposed to cabinet. All cabinet papers are circulated to all members. The senior management structure is currently under review and the most recent proposals were presented to Cabinet on June 8 2016. The council's senior management structure is set out in appendix 17 of the constitution and publicised on the council's web site.

- The council is also required to provide the head of paid service with staff, accommodation and other resources sufficient to enable the performance of the function. In Norwich city council, the annual budget proposed to council by cabinet, prepared by officers, seeks to align the provision of council resources with the delivery of the corporate plan. In this manner, the head of paid service is ensuring that the council is fulfilling its duty. During the year, any proposals that are made to significantly alter the manner of service delivery, to reduce or enhance a service, sets out the staffing and resource implications for that proposal. This is standardised in committee report formats to ensure that all relevant matters are considered when proposals are made. All cabinet papers are subject to scrutiny.
- A review (or appraisal) of the chief executive's performance is undertaken each year. The process is managed by an independent individual and takes account of the views of the Leader, cabinet and each opposition leader about how the chief executive has discharged all of her functions in relation to the role. There are also informal opportunities throughout the year for the adequacy of the chief executives performance to be discussed e.g. at weekly leader meetings and monthly meetings of group leaders.

**Undertaking the core functions of an audit committee, as identified in CIPFA's *Audit Committees – Practical Guidance for Local Authorities*:**

- The council has an audit committee with terms of reference and supporting procedure rules covering internal and external audit, risk management, annual statement of accounts, corporate governance and internal control arrangements, and anti-fraud and corruption arrangements. The terms of reference were reviewed in March 2014 in line with the latest CIPFA guidance and can be found in article 17 of the council's constitution.

**Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful:**

- The monitoring officer is responsible for advising whether decisions of the cabinet are in accordance with the policy and budget framework.
- In relation to an executive function, the monitoring officer and chief finance officer had responsibility in 2015-16 for ensuring that all proposals, decisions and actions incurring expenditure were lawful.
- Corporate policies and strategies, which are subject to regular review, are available on the council intranet. Employees are required to confirm that they have read key policies relating to conduct, security and certain personnel matters.
- Managers within the council are responsible for putting in place systems of control to ensure compliance with policies, procedures, laws and regulations. This is a key control and as such each year heads of service are asked to conduct a self-assessment of the systems of internal control within their services and highlight actions intended to address any areas for improvement.
- In addition, for the first time this year, key partners of the council who manage council budgets have also been asked to complete external assurance statements. Both LGSS and NPS Norwich have provided assurance, across a range of governance areas, to support the AGS. These will be included in the final AGS.

## **Whistleblowing and for receiving and investigating complaints from the public**

- The council has a whistleblowing policy which is accessible via the intranet and council website. It is one of the key policies which staff are required to read and confirm via the workforce system. For the public there is also a complaints procedure which can be accessed via the council website, plus an online form for reporting all types of suspected fraud.

## **Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training**

- The cross-party councillors' development group sets the strategic and policy direction for all aspects of councillor development which includes:
- promoting the development of members
- developing, monitoring and evaluating the councillors training and development programme
- supporting and encouraging councillors in maintaining the charter for member development, including personal development planning.
- A full programme of training and development has been agreed by the group including a monthly schedule of both training sessions and briefings.
- Managers have a portfolio of learning and development available to them which is designed to develop their skills and to support achievement of the organisation's priorities. The Changing PACE values provide the overarching framework for development and include behaviours expected from all employees. There is an employee performance review which provides individual and team objectives and through which learning and development needs for all employees and managers are identified. A corporate learning and development plan is created to support employees in line with current and future needs.

## **Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation**

- The council is part of *Your Voice*, a partnership of local organisations which enables anyone to sign up and have their say on services through consultations, surveys, focus groups and workshops, to name a few.
- The council's *Customer first* guidance for staff is intended to ensure that everything the council produces and sends out is easy for everyone to understand. It is supported by the *Communications strategy* and *Communications handbook* which helps staff to deal with communications issues.
- Residents are informed about the council's activities at all times. This is done through *Citizen*, the quarterly magazine for residents; work with the local media; the council website; social media and other channels. Council tenants also receive their own magazine, *TLC*, focusing on issues affecting them.
- Tenants have a range of ways to be involved and these are detailed on the tenant involvement page of the council website. There is a clear framework with formal group structures for tenants and leaseholders, including seven active tenant and resident associations.

- In addition, a range of other options allows tenants to be involved at a level that suits them. These consist of the 1,200 tenant and leaseholder TalkBack panel used for surveys and focus groups, tenant inspectors, involvement in estate walkabouts and mystery shoppers. Proactive work by the tenant involvement team means that events and road shows are regularly held to encourage more tenants to be involved or simply give their views on services they receive.
- Any public consultations that are planned for the year are included in service plans. All consultations are co-ordinated by the council's business management group and reviewed on a quarterly basis.
- Information on current and closed consultations, including reports and minutes, is available on the council website.

**Enhancing the accountability for service delivery and effectiveness of other public service providers (in England this includes powers granted to local authorities under the Health and Social Care Act 2012 and the Police Reform and Social Responsibility Act 2011)**

- The council's scrutiny committee through its work programme regularly carries out work that involves reviewing the performance and effectiveness of other public service providers as well as the council. A member of the council's scrutiny committee is a member of the Norfolk health scrutiny committee and provides regular updates on their work to the council's scrutiny committee.
- The council's [Deputy](#) Leader is also a member of the Norfolk Health and Wellbeing Board and inputs into the progression of the Norfolk Health and Wellbeing Strategy.
- The Norwich Locality Board also has a role in overseeing the delivery of health outcomes in the city as part of the Healthy Norwich programme and there is a progress update on this at each meeting.
- The council's portfolio holder with responsibility for community safety is a member of the police and crime panel, and a member of the council's scrutiny committee is a member of the Norfolk community safety scrutiny committee and provides regular updates on their work to the council's scrutiny committee. The council's chief executive also chairs the Norfolk Community Safety Partnership.
- The council's Locality Board involving key public service providers and other key partners in the city also looks at areas of concern for the city eg the effects of national policy change or changes in approach from local service providers and opportunities for joint service redesign, shared provision and better co-ordination of public service delivery. Membership of the board includes representatives from the county council, police, probation, and representatives of the voluntary and business sectors.

**Incorporating good governance arrangements in respect of partnerships and other joint working and reflecting these in the council's overall governance arrangements**

- The council demonstrates a strong commitment to working in partnership with other agencies to deliver priority outcomes and ensure that this partnership activity provides value for money and added value.
- All key partnerships have been identified and are included in the partnership register. A corporate governance framework and toolkit has been developed for

use by all key partnerships, to ensure that effective governance and risk management arrangements are in place.

- The governance arrangements for key partnerships are kept under review and the results are reported to cabinet annually, together with an assessment of the effectiveness of the council's involvement in partnerships

### **Risk management and business continuity**

- The council's risk management policy was updated, approved by Cabinet in January 2016 and is available to all staff via the intranet.
- Key corporate risks that may impact on the council's priorities have been identified and included in the corporate risk register, which is kept under review and updated as necessary by the corporate leadership team and reported to audit committee and cabinet.
- Service risks are included in service plans and are reviewed by departmental management teams. Any risks that are considered to be of a corporate nature are escalated to the corporate leadership team for possible inclusion in the corporate risk register.
- The council has implemented a performance management system which includes risk management, which enables corporate and service risks to be recorded and monitored by management.
- The council has a corporate business continuity plan for the effective management of business continuity issues, in order to ensure the continued delivery of services. Both business continuity and the management of major contracts are included in the corporate risk register. An updated business continuity policy and framework was approved by Cabinet on 25 June 2014.

## **4. Review of effectiveness**

- 4.1. Norwich City Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive heads within the council who have responsibility for the development and maintenance of the governance environment, the LGSS head of audit and risk's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.
- 4.2. The following is a brief description of the roles and processes that have been applied in evaluating the effectiveness of the governance framework:

### **The council and cabinet**

- In February 2015 the council approved the new corporate plan 2015-2020, which is reviewed each year in line with the medium term financial strategy and in parallel to the development of the budget for the following year to ensure the necessary resources are in place for its delivery.
- In February 2016 the council agreed that a review of the corporate plan would be undertaken within six months to consider the need to reflect any changes in national financing arrangements to both general and housing revenue funds. The balance between the corporate plan and resources available is anticipated to shift over the coming years bringing significant challenges for the Council. As a result the Council's Cabinet approved on June 8 2016 the initiation of a process to:

- Work with partners in the public, private, voluntary and community sectors to develop a new city vision
- Develop a revised corporate plan, priorities and performance measures which reflects the council's part in supporting that vision
- Determine a new blue print or operating model to guide how the council works in future which reflects available resources
- The cabinet approves the medium term financial strategy which provides the financial structure for the policy and budget framework, corporate planning, annual service planning and budget setting.
- During 2015-16 the cabinet continued with its approach to developing the future priorities and shape of the organisation to meet the council's savings requirements.
- Quarterly performance monitoring reports are presented to scrutiny committee and cabinet – cabinet also receives budget monitoring reports.
- Performance monitoring reports during 2015-16 covered achievement against the council's detailed priority actions and performance measures detailed in the corporate plan 2015-20.
- The council's constitution working party recommends to cabinet and council any changes to the constitution.

### **The scrutiny committee**

- The overview and scrutiny function is exercised by the scrutiny committee. Procedure rules and terms of reference include the general remit to maintain an overview of the discharge of the council's executive functions and the right to review council policies. The statutory annual report on the work of scrutiny committee in 2015-16 was presented to scrutiny committee on 25 February 2016 and is expected to be presented to council on 19 July 2016.

### **The audit committee**

- The council has an audit committee with terms of reference which cover internal and external audit matters, risk management arrangements, corporate governance including internal control arrangements and the annual governance statement, anti-fraud and corruption arrangements, and the statement of accounts.
- The committee receives reports on corporate risks, the work of internal audit, including the LGSS head of internal audit's annual report, and external audit reports, letters and briefings. It also reviews and approves the annual governance statement.
- In line with good practice, the annual report on the work of the audit committee in 2015-16 will be discussed by the audit committee on 28 June 2016 and will be presented to a future council. The report for 2014-15 was presented to Council on 21 July 2015.

### **The standards committee and monitoring officer**

- The council has a standards committee with terms of reference to promote and maintain high standards of conduct by members and co-opted members of the

council and to assist members and co-opted members to observe the council's code of conduct.

- The standards committee is supported by the monitoring officer, whose duties include the promotion of ethics and standards across the council, maintaining the constitution, and ensuring compliance with relevant laws, regulations and policies. The monitoring officer is a statutory appointment, and the current responsibilities of this role rest with the nominated officer from npLaw.
- The monitoring officer's annual report supports the assurance statements included in the annual governance statement. It provides a review of the monitoring officer's work as part of the council's governance arrangements and system of internal control. The report for the period 1 April 2013 to 31 March 2015 was presented to the Standards Committee on 17 July 2015. This concluded that the systems of internal control administered by the monitoring officer, including the code of corporate governance and the council's constitution, were adequate and effective during the period covered by this report for the purposes of the latest regulations.
- The monitoring officer's annual report for the period 1 April 2015 to 31 March 2016 is anticipated to be completed by 30 June 2016.

### **Chief finance officer**

- The chief finance officer is a statutory appointment, and during 2015-16 the responsibilities of this role were sourced through the agreement with LGSS. Duties include the proper administration of the financial affairs of the council, contributing to the effective leadership of the council as member of the corporate leadership team, ensuring that expenditure is lawful and within resources, advising on systems of internal control, and supporting the audit committee.
- Under the partnership and delegation agreement the council and LGSS work together to continually improve financial management practices and processes to deliver sound financial governance. This is evidenced by the fact that the external auditors issued unqualified audit opinions on the financial statements and value for money conclusion each year from 2012-13 to 2014-15.

### **Internal audit**

- Internal audit is an assurance function that provides an independent and objective opinion to the council on the control environment. The objectives of internal audit have been set out in terms of reference, which have been approved by the audit committee.
- Under the partnership and delegation agreement, for 2015-16 the internal audit function was provided by LGSS.



- The LGSS head of internal audit's annual report to the audit committee includes an opinion on the overall adequacy and effectiveness of the council's internal control environment.
- The LGSS head of internal audit's annual report will be presented to audit committee on 28 June 2016.

### **Corporate governance group**

- This is an internal officer group meeting every four months, which is chaired by the executive head of business relationship management and democracy, and is responsible for reviewing all aspects of the council's governance arrangements. Other members of the group are the chief finance officer, monitoring officer, head of HR and Learning and local LGSS audit manager.

### **Other explicit review/assurance mechanisms**

#### External audit

- Under the government's local public audit regime the Audit Commission awarded contracts for work previously carried out by the Commission's own audit practice. As a result Ernst & Young (now EY) became the appointed external auditor from 1 September 2012.
- EY's audit results report (ISA260) for 2014-15 was presented to audit committee on 22 September 2015. The annual audit letter 2014-15 was presented to audit committee on 17 November 2015. The annual report on the certification of claims and returns 2014-15 was presented to audit committee on 19 January 2016.
- For 2014-15 EY issued unqualified audit opinions on the financial statements, value for money conclusion and whole of government accounts. There were no significant issues other than the ongoing control weaknesses regarding property, plant and equipment accounting records (fixed assets register) which have previously been reported to audit committee.

Improvement and efficiency. The council has been on a significant journey of improvement over recent years which has been recognised by a number of awards including:

- The Gold award for "Delivering through efficiency" in the iESE improvement and efficiency awards 2013.
- Highly commended in the Local Government Chronicle awards 2013 where we came second in the Most Improved Council of the Year category.
- Gold award for overall "Council of the Year" in the iESE improvement and efficiency awards 2014.
- Local Government Chronicle Award for "Most Improved Council" 2014.
- Selected as a finalist in the MJ Local Government Achievement Awards 2015, for 'Best Achieving Council'.
- The council was also selected as a finalist in the Local Government Chronicle 'Council of the Year' award 2016.
- In addition, during 2015, iESE undertook a corporate health check of the council, and a review of efficiency was undertaken by Newton Europe, both with positive results.

## **5. Significant governance issues**

- 5.1. We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the audit committee, and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework.
- 5.2. The following is an outline of the significant issues arising from the review of effectiveness and the actions taken or proposed to deal with them (committee reports where mentioned, and minutes, can be found at [www.norwich.gov.uk](http://www.norwich.gov.uk)):

### **EY's annual audit letter 2014-15**

- EY's annual audit letter was presented to audit committee on 17 November 2015. EY issued an unqualified audit opinion on the council's financial statements and an unqualified value for money conclusion.
- Two significant risks were highlighted in the financial statements audit: weaknesses in the spreadsheets used as a fixed asset register, which could lead to material misstatements; and the risk of management override to perpetrate fraud. In both cases EY found no material misstatements.
- The value for money conclusion was unqualified, but EY highlighted the significant financial challenges facing the council in the next three to four years. The main areas of uncertainty are future levels of business rates income, new homes bonus and government funding. EY acknowledged that the council has a good track record of achieving savings, and the level of general fund reserves reduce the risk of not achieving its budgets over the medium term. The Council needs to continue to review the delivery of identified savings plans and the MTFS should be updated to take account of this delivery. These matters were reported to the budget meeting of the Council on 23 February 2016.

### **Internal audit assurance reviews**

- No reports issued in 2015-16 resulted in either a "no assurance" or "limited assurance" opinion. The following audits resulted in "moderate assurance", further details of which are included in the head of internal audit's annual audit report:
  - Financial assistance for home improvements
  - Cemeteries
  - Garages and parking bays

### **Progress on the action plan from the previous governance statement**

Actions taken to address the significant issues from the 2014-15 governance statement are as follows:

- EY's annual audit letter 2014-15. The issue relating to the accuracy of the fixed asset register is still ongoing. No decision has been made on replacing the current financial and HR IT systems, so for the time being spreadsheets continue to be used as a fixed asset register, which increases the risk that asset valuations will contain material misstatements (although none were found by EY in 2014-

15). Options for replacing the current IT systems are being explored by officers during 2016-17.

**6. Statement by Leader of the Council and Chief Executive**

We propose over the coming year to continually address any issues arising that need addressing in order to further enhance our governance arrangements.

Signed:

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Alan Waters  
Leader of the Council

Laura McGillivray  
Chief Executive

Date:

Date:

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