

Borough Council of  
**King's Lynn &  
West Norfolk**



# **RESOURCES AND PERFORMANCE – AUDIT AND RISK COMMITTEE**

**NB: The Resources and Performance Panel meeting will  
immediately follow this meeting (Separate Agenda)**

**Tuesday 27 September 2011  
at 6.00pm**

Committee Suite  
King's Court  
Chapel Street  
King's Lynn  
Norfolk  
PE30 1EX



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Borough Council of  
**King's Lynn &  
West Norfolk**



King's Court, Chapel Street, King's Lynn, Norfolk, PE30 1EX.  
Telephone: 01553 616200  
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19 September 2011

**PLEASE NOTE THAT THE AUDIT AND RISK COMMITTEE WILL BE FOLLOWED BY  
THE RESOURCES AND PERFORMANCE PANEL**

Dear Member

**Resources and Performance – Audit and Risk Committee**

You are invited to attend a meeting of the above-mentioned Committee which will be held on **Tuesday 27 September 2011**, at **6.00 pm**, in the **Committee Suite, King's Court, Chapel Street, King's Lynn**, to discuss the business shown below.

Yours sincerely

Chief Executive

**AGENDA**

**1. Apologies for absence**

To receive any apologies for absence.

**2. Minutes**

To approve the minutes of the Resources and Performance – Audit and Risk Committee meeting held on Wednesday 31 August 2011 (Pages 262 to 268) and the Special Audit and Risk Committee meeting held on Tuesday 13 September 2011 (Pages 300 to 306).

**3. Declarations of Interest**

Please indicate whether the interest is a personal one only or one which is also prejudicial. A declaration of a personal interest should indicate the nature of the interest and the agenda item to which it relates. In the case of a personal interest,

the Member may speak and vote on the matter. If a prejudicial interest is declared, the Member should withdraw from the room whilst the matter is discussed.

**4. Urgent Business Under Standing Order 7**

To consider any business which, by reason of special circumstances, the Chairman proposes to accept as urgent under Section 100(b)(4)(b) of the Local Government Act 1972.

**5. Members Present Pursuant to Standing Order 34**

Members wishing to speak pursuant to Standing Order 34 should inform the Chairman of their intention to do so and on what items they wish to be heard before the meeting commences. Any Member attending the meeting under Standing Order 34 will only be permitted to speak on those items which have been previously notified to the Chairman.

**6. Chairman's Correspondence (if any)**

**7. Matters referred to the Committee from other Council Bodies and responses made to previous Committee recommendations/requests**

To receive comments, and recommendations from other Council bodies, and any responses subsequent to recommendations, which this Committee has previously made. (N.B. some of the relevant Council bodies may meet after dispatch of the agenda)

Special Cabinet meeting to be held on 20 September 2011 the responses made to the recommendations from the Resources and Performance – Special Audit and Risk Committee meeting held 13 September 2011 **(to follow)**.

**8. PricewaterhouseCoopers (PWC) Protocol 2011/2012 (pages 1 - 24)**

Committee Members are invited to note the contents of the protocol.

**9. Audit and Risk Committee Work Programme (page 25)**

Committee Members are invited to consider the attached Audit and Risk Committee's Work Programme.

**10. Date of Next Meeting**

To note that the next meeting of the Resources and Performance - Audit and Risk Committee will take place on **Tuesday 25 October 2011**.

To: **Panel Members** – Councillors Mrs K Mellish (Chairman), P Beal (Vice-Chairman), J Collingham, D J Collis, J Collop, S Collop, C Crofts, M Hopkins, H Humphrey, J Loveless, A Morrison, D Tyler, G Wareham, A White and T de Winton

**Portfolio Holder:**

Councillor N J Daubney, Leader and Portfolio Holder for Resources

**Chief Executive**

**Deputy Chief Executive and Executive Director, Finance and Resources**

**All other Executive Directors**

**Audit Manager**

**Press**

July 2011

# Borough Council of King's Lynn and West Norfolk

## Protocol for liaison between internal and external auditors 2011/12

**DRAFT**

Members of the Audit and Risk Committee  
Borough Council of King's Lynn and West Norfolk  
King's Court  
Chapel Street  
Kings Lynn  
Norfolk PE30 1PX

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The Atrium  
St Georges Street  
Norwich NR3 1AG  
Telephone +44 (0) 1603 615244  
Facsimile +44 (0) 1603 631060  
[www.pwc.com/uk](http://www.pwc.com/uk)

July 2011

Ladies and Gentlemen

**Protocol for liaison between internal and external auditors**

As part of our continuation as the Council's external auditors for 2011/12 and in line with the process adopted for the 2011/12 financial year, we have agreed a protocol with the Council's Internal Audit Manager to facilitate effective liaison in line with the managed audit approach.

Yours faithfully

PricewaterhouseCoopers LLP

Enclosure

cc Dave Thomason – Deputy Chief Executive

Kate Littlewood – Audit Manager

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**Code of Audit Practice and Statement of Responsibilities of Auditors and of Audited Bodies**

*In March 2010 the Audit Commission issued a revised version of the ‘Statement of responsibilities of auditors and of audited bodies’. It is available from the Chief Executive of each audited body. The purpose of the statement is to assist auditors and audited bodies by explaining where the responsibilities of auditors begin and end, and what is to be expected of the audited body in certain areas. Our reports and management letters are prepared in the context of this Statement.*

*Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the audited body, and no responsibility is taken by auditors to any Member or officer in their individual capacity, or to any third party.*



# Introduction

- 1 This document sets out the proposed working relationship between the PricewaterhouseCoopers LLP (PwC) audit team and the internal audit department of the Borough Council of King's Lynn and West Norfolk (referred to as 'Internal Audit').
- 2 The purpose of this document is to set out the general approach and principles to be put in place to facilitate the delivery of a managed audit. This will aid joined-up working, reducing duplication of audit work.
- 3 This document sets out:
  - Confirmation of the liaison arrangements with Internal Audit;
  - The requirements to be followed in placing reliance on internal audit work and our expectations for reliance on Internal Audit work;
  - Additional information on sample sizes; and
  - A detailed summary of controls and suggested testing which we consider to be key in testing internal financial control systems.
- 4 These arrangements are subject to regular review by both parties and necessary amendments can be made subject to mutual agreement.

# Background

- 5 Each Local Authority has a responsibility to put in place proper arrangements for the governance and stewardship of its resources. Internal Audit is an important part of these arrangements. As per the Accounts and Audit Regulations 2011, Regulation 6, authorities must review the effectiveness of their Internal Audit function on an annual basis.
- 6 Under the Audit Commission Act 1998 and the Code of Audit Practice the external auditor appointed by the Audit Commission is responsible for reviewing and reporting on the Council's:
  - Financial statements and Annual Governance Statement; and
  - Arrangements for securing economy, efficiency and effectiveness in its Use of Resources.
- 7 The external auditor does not have a role in directing the work of Internal Audit, nor does it have a direct role in the quality assurance process.
- 8 Although internal and external auditors carry out their work with different objectives in mind, many of the processes are similar in respect of the review of the controls in place over the Council's financial systems. Therefore, it is appropriate that they should work together closely. The Audit Commission emphasises this need for co-operation in a number of its publications:
  - The Code of Audit Practice 2005 states that external auditors should establish effective co-ordination arrangements between internal and external audit and seek to place maximum reliance on the work of Internal Audit wherever possible;
  - 'It Takes Two' (published in 1996) is a good practice guide to assessing and improving co-operation between internal and external auditors; and
  - The Managed Audit Good Practice Guide 1995 promotes a more efficient audit by encouraging reliance on the control environment, which includes Internal Audit.

# Planning and Liaison

9 To facilitate effective planning and liaison between ourselves and Internal Audit the following communications will be made:

- Liaison meetings as and when required;
- Communication of the respective Audit Plans and update on progress against plan during the year;
- Informing the other party of changes in the audit approach compared to the Audit Plan, including delays to the scheduled/expected work plan;
- Forwarding of all finalised external audit reports arising as a result of work performed to Internal Audit;
- Forwarding of all internal audit reports relating to the Council’s fundamental financial systems (see Appendix B) and any other reports considered to be relevant once finalised to us;
- Communication of the annual reports/letters;
- Communication of fraud investigations and alerts initiated on a timely basis; and
- Significant concerns regarding the internal controls or financial performance of the Council.

10 Internal Audit will also provide us with the following upon request:

- Risk Analysis;
- Statement of assurance/opinion on the Council’s systems of internal control, as reflected in the Council’s Annual Governance Statement; and
- Audit files.

11 All communications should be made on a timely basis.

12 The key points of contact will be as follows:

Name	Position	Telephone Number	Email Address
<b>Internal Audit</b>			
Kate Littlewood	Audit Manager	01553 616252	kate.littlewood@west-norfolk.gov.uk

**AGENDA ITEM 8**

Name	Position	Telephone Number	Email Address
<b>PricewaterhouseCoopers</b>			
Karen McIntosh	Manager	01603 883360	karen.mcintosh@uk.pwc.com
Marianna Whelan	Senior Associate (Audit Team Leader)	01223 552480	marianna.b.whelan@uk.pwc.com

# Reliance on the work performed by Internal Audit

- 13 In accordance with International Standard on Auditing (ISA) 610, in order to place reliance on the work performed by Internal Audit, it will be necessary for us to review the working papers and reports of Internal Audit and re-perform testing on a sample basis. To facilitate this, we will need to satisfy ourselves that:
- The scope and quality of the work is appropriate;
  - Audit programs are adequate;
  - Working papers adequately document work performed;
  - Conclusions are appropriate in the circumstances;
  - Reports are consistent with the results of work performed;
  - Any exceptions or unusual matters are properly resolved; and
  - Supervision and review within Internal Audit appears to have been appropriately carried out (e.g. review by senior audit personnel of work performed).
- 14 We will also need to ensure that the conclusions made by Internal Audit have been reached using testing sample sizes that are equal to, or in excess of, the sample sizes we would have needed to apply to reach the same conclusions. We provide further guidance as to the sample sizes required in Appendix A.
- 15 Internal Audit should also be subject to a review of effectiveness, as per the amended Accounts and Audit Regulations 2011.
- 16 The degree to which we can place reliance on the work of Internal Audit is also affected by the timing and/or completion of their audits. This is commented upon in more detail in the following section.

# Audit work performed

## Accounts

- 17 As detailed in our Audit Plan, our Accounts audit is carried out in accordance with our Accounts Code objective which requires us to comply with the International Standards on Auditing (ISAs) (UK & Ireland) issued by the Auditing Practices Board (APB). We plan and perform our audit so as to be able to provide reasonable assurance that the financial statements are free from material misstatement and give a true and fair view. We use professional judgement to assess what is material. This includes consideration of the amount and nature of transactions.
- 18 Our audit approach is based on a thorough understanding of the Council's business and is risk-driven. It first identifies and then concentrates resources on areas of higher risk and issues of concern to the Council. This involves breaking down the accounts into components. We assess the risk characteristics of each component to determine the audit work required.
- 19 We adopt a top-down, controls-based approach to the audit, where we drill down the management structure and review key business processes. From this, we focus our work on verifying, evaluating and validating, where possible, the controls management use to ascertain how much assurance we can draw from them. We supplement this work on the Council's key controls with detailed analytical procedures and additional substantive tests as necessary.
- 20 It is the review of key business systems and controls on which we will seek to place reliance on the work of Internal Audit wherever possible. To enable this, it is of key importance that this work is completed by Internal Audit prior to the commencement of our initial fieldwork. Under current timescales, this would be 31 January 2012. Should the timing need to be brought forward or changed, this would be discussed and agreed as part of the liaison meetings.
- 21 The most significant matters on which we plan to place reliance on the work of Internal Audit are:
  - The understanding, evaluating and validating of the controls over the following key financial systems, including:
    - Purchasing and payables/creditors;
    - Income receivable/debtors;
    - Payroll and pensions;
    - Fixed Assets;
    - Cash/Treasury Management;
    - Housing and Council Tax Benefits;
    - Council Tax;

- National Non-Domestic Rates;
  - General Ledger maintenance;
  - Budgetary controls - including budget setting and monitoring; and
  - Car park income.
- Review of the assurance given by Internal Audit in relation to the Annual Governance Statement; and
  - Assessment of fraud risk (as required under ISA 240) and the investigation of matters arising including monitoring the implementation of actions required by the results of the National Fraud Initiative.

22 We detail in Appendix B the key controls we would expect to be tested as part of Internal Audit's work on the Council's key financial systems. We understand that Internal Audit may decide to test these controls on a cyclical basis, every two years. In such a scenario, we would expect Internal Audit to:

- Document and confirm their understanding of the key financial system and that there have been no significant changes to its operation when compared to the previous audit. Where there has been a significant change, full testing of the key controls would still be expected; and
- Perform a walk-through of each of the key controls to confirm the understanding gained above that the key financial controls have not changed

23 The above procedures would assist Internal Audit in confirming that there have been no significant changes and in providing evidence for the Council's Annual Governance Statement. If a key financial system has experienced significant change and has not been tested or has not been tested for over two years, then we will need to perform additional work to gain the audit assurance required for our opinion on the Council's financial statements.

### Grant claims

24 At present there are no formal arrangements for joint working in respect of grant claims. However, we will maintain a dialogue with Internal Audit in order to share matters of concern so that both parties can consider them when planning work in this area.

### Fraud

25 Internal audit will notify us and the Audit Commission promptly of all frauds exceeding £10,000, and any cases of corruption or any fraud cases of particular interest of complexity. If appropriate, PwC will offer support and assistance to Internal Audit in investigating significant frauds.

26 In the event that we suspect a fraud, we will pass the case over to the control of Internal Audit who will then be expected to oversee the investigation of the case and keep us informed of progress. We reserve the right to retain control over a fraud investigation, although this is only likely in exceptional circumstances.

# Appendix A: Sample Sizes

## Sample sizes

In relation to manually performed controls, the following ranges should be used:

Frequency of Control	Number of items to test
Annual	1
Quarterly	2
Monthly	2-5
Weekly	5,10,15
Daily	20,30,40
Multiple times a day	25,30,45,60

The reference to “items” refers to the number of occurrences for the control. The ranges above are based on the population of individual instances where the control is expected to operate.

The choice of the number of items to test in relation to a specific control will be based on:

- The significance of the risk addressed by the control;
- The importance of the control to addressing the risk;
- The degree to which the control is cumulative;
- The relevance and reliability of the audit evidence to be obtained in supporting that the control prevents, or detects and corrects, material misstatements at the control assertion level. (The assertions are: completeness, accuracy, validity and restricted access);
- The extent to which audit evidence is obtained from tests of other controls related to the assertion. (Therefore, if other controls tested verify the accuracy of items, it may be considered that a lower number of items within the range would be appropriate for testing if the control addresses this same audit assertion);
- The expected deviation from the control; and
- The amount of assurance required from the testing of the control (e.g. a greater number of items should be tested if a high level of assurance is required from the control).

Where controls are automated, rather than manual, (i.e. performed by the information system), then only a sample size of 1 is required.



**Documentation of sample sizes**

In all cases, the justification for the sample sizes chosen for testing should be documented. In addition, sample sizes should be chosen from across the whole financial year, up to the date of testing, to ensure that appropriate consideration is given to whether the control is in place and working effectively over this period.

# Appendix B: Summary of Key Internal Financial Controls

The following tables set out the key controls that we seek to test on an annual basis to support our audit work under the Code of Audit Practice. The tables do not detail a complete list of all controls within the financial system and therefore it may be appropriate to supplement these controls with further controls to meet Internal Audit objectives.

The tables cover the following areas:

- Purchasing and payables/creditors;
- Income receivable/debtors;
- Payroll and pensions;
- Fixed Assets;
- Cash/Treasury Management;
- Housing and Council Tax Benefits;
- Council Tax;
- National Non-Domestic Rates;
- General Ledger maintenance;
- Budgetary controls - including budget setting and monitoring; and
- Car park income.

## AGENDA ITEM 8

### Purchasing and payables/creditors

Key Control	Type of testing
Appropriately authorised orders should be raised for all purchases. The person authorising the order should be different to the person raising it.	Review of orders to check for appropriate authorisation.
Goods received are registered onto the POPs system or matched to orders raised if processed manually. Invoices received should be matched to orders and the POPs system prior to payment for accuracy and confirmation of receipt of the goods/service.	Review of invoices against orders and POPs system.
Invoices input into the system for payment should be checked for accuracy. The supplier reference number on the invoice is matched against the order raised.	Review of information recorded within the POPs system back to the invoice to ensure accuracy of information recorded.
BACS payments should be appropriately authorised.	Review a sample of BACS runs to ensure they have been appropriately authorised.
Creditor control accounts/purchasing system to general ledger system interfaces should be reconciled and all reconciling items should be identified, investigated and resolved on a timely basis. An independent review of the reconciliation should be performed on a timely basis.	<p>Review reconciliations to ensure they have been appropriately prepared and reviewed (and evidenced as such) on a timely basis.</p> <p>Agreement of system balances as noted on the reconciliation to prints from those systems.</p> <p>Testing of reconciling items to ensure these have been investigated and are appropriate reconciling items.</p>
Appropriate segregation of duties and restricted access should be ensured.	<p>Consideration of whether duties are appropriately segregated between those responsible for ordering and those responsible for payments.</p> <p>Review of access rights to the purchasing and payables system.</p>
Procurement analyse amounts paid to suppliers to identify large or unusual amounts for further investigation.	Review the analysis performed by procurement to ensure it is performed on at least a quarterly basis and that large and unusual items have been appropriately identified and investigated.

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Key Control	Type of testing
Amendments to standing data (eg suppliers details) should be appropriately authorised and accurately input on to the system. An exception report of standing data amendments is run on a regular basis and checked to supporting documentation to ensure changes made were valid.	<p>Review exception reports run from the system to ensure they have been reviewed on a timely basis.</p> <p>Where the above control is not operating effectively, obtain a list of amendments made to supplier's details (from the system) and check against appropriate supporting documentation to confirm accuracy of change to data and that the change was appropriately authorised.</p>
Tendering procedures should be followed for all purchases above the limit set.	Review of procedures and testing to ensure that procedures were followed.

### Income receivable/debtors

Control	Type of testing
Invoice requisitions should be appropriately authorised and raised in a timely manner before being forwarded to Sundry Debtors.	Review of invoice requisitions to check for appropriate authorisation.
Invoices raised by sundry debtors should be checked to invoice requisitions to ensure accuracy and completeness of invoices raised. Invoices raised by LynnSport or Care Line do not use invoice requisitions.	<p>Check of invoices raised by sundry debtors to invoice requisitions to agree value of invoice raised.</p> <p>Check a sample of Care Line and LynnSport invoices raised to supporting documentation to confirm what it has been raised for and that the right amount has been raised.</p>
Only authorised personnel should be able to raise invoices. This includes personnel in the sundry debtors section as well as staff authorised within LynnSport and Care Line who can raise their own invoices.	Review access rights to the receivables system to raise invoices. Ensure only appropriate staff have this access.
Receipt of income should be reconciled to the amount banked.	Review a sample of income reconciliations to ensure they have been appropriately completed and reviewed.

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Control	Type of testing
Debtor control accounts/receivables system to general ledger system interfaces should be reconciled and all reconciling items should be identified, investigated and resolved on a timely basis. An independent review of the reconciliation should be performed on a timely basis.	<p>Review reconciliations to ensure they have been appropriately prepared and reviewed (and evidenced as such) on a timely basis.</p> <p>Agreement of system balances as noted on the reconciliation to prints from those systems.</p> <p>Testing of reconciling items to ensure these have been investigated and are appropriate reconciling items.</p>
Appropriate segregation of duties and restricted access should be ensured.	<p>Consideration of whether duties are appropriately segregated between those responsible for raising invoices and those responsible for recording income.</p> <p>Review of access rights to the receivables system.</p>
Appropriate procedures should be in place for monitoring the recoverability of aged debts.	<p>Document the procedures undertaken to recover aged debts.</p> <p>Testing of aged debts to ensure that appropriate procedures have been followed.</p>
Bad debts should be written off after appropriate authorisation per the financial regulations.	<p>Testing of write-offs to confirm the appropriate authorisation was obtained prior to write-off.</p>

### Payroll and Pensions

Control	Type of testing
Starter forms should be appropriately completed by the HR department and employee (based on the employment contract) prior to input into the payroll system. Input of details into the payroll system should be checked for accuracy.	<p>Testing new starters per the system back to starter forms and employee contracts to confirm the accuracy of the input into the system and appropriately completed supporting documentation exists.</p>
Leaver forms must be appropriately authorised and accurately input into the payroll system.	<p>Testing leaver forms to ensure that they have been correctly authorised and input into the payroll system.</p>
Amendments to standing data must be authorised by the employee and appropriate manager and accurately input into the payroll system	<p>Testing amendments per the system back to amendment forms to confirm the accuracy of the change on the system and that the amendments have been appropriately authorised.</p>

## AGENDA ITEM 8

<p>Payroll control accounts/payroll system to general ledger system interfaces should be reconciled and all reconciling items should be identified, investigated and resolved on a timely basis. An independent review of the reconciliation should be performed on a timely basis.</p>	<p>Review reconciliations to ensure they have been appropriately prepared and reviewed (and evidenced as such) on a timely basis.</p> <p>Agreement of system balances as noted on the reconciliation to prints from those systems.</p> <p>Testing of reconciling items to ensure these have been investigated and are appropriate reconciling items.</p>
<p>Managers should be asked to verify the completeness and accuracy of employee information on the payroll system on at least a quarterly basis.</p>	<p>Review the summary of employee listings issued and received, ensuring all have been received and action taken as appropriate.</p>
<p>Appropriate segregation of duties and restricted access should be ensured.</p>	<p>Consideration of whether duties are appropriately segregated between those responsible for inputting details and those authorising payments.</p> <p>Review of access rights to the payroll system.</p>

### Fixed Assets

Control	Type of testing
<p>All capital additions should be appropriately authorised in accordance with procedures.</p>	<p>Testing of capital additions to ensure appropriate authorisation has been obtained.</p>
<p>All capital disposals should be appropriately authorised in accordance with procedures.</p>	<p>Testing of capital disposals to ensure appropriate authorisation has been obtained.</p>
<p>The fixed asset register is reconciled to the general ledger on a regular basis. The reconciliation should be signed and dated by the preparer as evidence of completion. An independent review of the reconciliation should be performed and evidenced by the reviewer (signature and date).</p>	<p>Testing of the reconciliations between the fixed asset register and the general ledger.</p>
<p>Restricted access to the fixed asset register should be ensured.</p>	<p>Review of access rights to the fixed asset register.</p>
<p>Capital expenditure should be monitored and controlled against budget. The budget set should be realistic and based upon appropriate assumptions.</p>	<p>Review the processes in place for setting and agreeing the capital budget.</p> <p>Review the controls in place to monitor and control performance against the capital budget.</p>

**Cash and Treasury Management**

<b>Control</b>	<b>Type of testing</b>
Bank reconciliations for all bank accounts should be performed on a monthly basis and all reconciling items fully identified, investigated and resolved as necessary. The reconciliation should be signed and dated by the preparer as evidence of completion. An independent review of the reconciliation should be performed and evidenced by the reviewer (signature and date).	<p>Review reconciliations to ensure they have been appropriately prepared and reviewed (and evidenced as such) on a timely basis.</p> <p>Agreement of system balances as noted on the reconciliation to prints from those systems.</p> <p>Testing of reconciling items to ensure these have been investigated and are appropriate reconciling items.</p>
Appropriate segregation of duties and restricted access should be ensured.	<p>Consideration of whether duties are appropriately segregated between those responsible for purchasing and those responsible for payments.</p> <p>Review of access rights to the cash receiving system.</p>

**Housing and Council Tax Benefits**

<b>Control</b>	<b>Type of testing</b>
Claimant details are input correctly and the appropriate supporting information obtained. This could include information verified as being checked by the DWP.	<p>Test a sample of claimants and ensure their details have been correctly entered onto the benefits system and appropriate supporting evidence has been retained (including that information has been verified by the DWP, where applicable).</p> <p>Review the system in place for sample checking claims processed to ensure operating effectively.</p>
Backdated claims are supported by a backdating form and are subject to authorisation by the backdating officer to ensure this is performed in accordance with the rules.	Test a sample of backdated claims and ensure appropriate evidence has been retained of the backdating officer's review and that backdating was appropriately awarded.
BACS payments should be appropriately authorised.	Review a sample of BACS runs to ensure they have been appropriately authorised.

## AGENDA ITEM 8

Control	Type of testing
All payments over £650 (£550 on an ad hoc basis) should be subject to independent review to ensure accuracy of the payment.	Test a sample of payments >£650 and ensure there is evidence of review.
Visiting officers visit claimants to gain assurance that details are unchanged. This is performed in accordance with the recommended schedule.	Review the procedure for allocating visiting officer visits and ensure claimants are visited within the specified period of time. Test a sample of visits to ensure they have taken place and the appropriate evidence has been seen.
Overpayments are checked to ensure they have been accurately allocated.	Test a sample of overpayments to ensure correctly calculated.
Overpayments per the benefits system are reconciled to the debtors system.	Test a sample of reconciliations between the benefits and debtors system to ensure overpayments have been correctly raised.
The recovery of overpayments is monitored and action taken to collect debts.	Review the process for monitoring overpayment recovery and ensure action is taken on a timely basis to collect debts outstanding.
The benefits system is reconciled to the Council Tax and General Ledger systems on at least a monthly basis.	<p>Review reconciliations to ensure they have been appropriately prepared and reviewed (and evidenced as such) on a timely basis.</p> <p>Agreement of system balances as noted on the reconciliation to prints from those systems.</p> <p>Testing of reconciling items to ensure these have been investigated and are appropriate reconciling items.</p>
Appropriate segregation of duties and restricted access should be ensured.	<p>Consideration of whether duties are appropriately segregated between those responsible for inputting details and those authorising payments.</p> <p>Review of access rights to the benefits system.</p>



**Council Tax**

Control	Type of testing
The Council ensures the record of properties as per the Council Tax (CT) system reconciles to the list of properties notified to them by the Valuation Office.	Test a sample of reconciliations between the CT system and the Valuation Office reports/notifications.
CT exemptions/discounts are reviewed on a weekly basis to identify exemptions due for review in the next 7 days, exemptions which have no end date and exemptions passed their review date but which have not been reviewed.	Test a sample of exemption reports and ensure evidence of review and appropriate follow-up of exceptions.
There is a sample check of all CT processing.	Review evidence of sample checking to ensure it is being performed and that action is being taken if issues are identified.
CT precepts per property band are input onto the CT system before the start of the financial year and reviewed for accuracy by a senior officer.	Obtain evidence that the precepts entered onto the CT system have been evidenced as reviewed by a senior officer. Agree the precepts to those approved by the Council and notified by the parish and County Councils and Police Authority.
A reconciliation of returned Direct Debits is performed against the value of reversals on the CT system.	Test a sample of reconciliations and ensure there is evidence of review and follow-up and resolution of reconciling items.
There is a daily reconciliation of cash receipts / cash postings / reversals against movement on outstanding debt.	Test a sample of reconciliations and ensure there is evidence of review and follow-up and resolution of reconciling items.
Refunds are authorised by a senior billing officer. Refunds over £1,000 must have a payment voucher authorised by the Head of Revenues.	Test a sample of refunds and ensure appropriately authorised.

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Control	Type of testing
The Council Tax system is reconciled to the General Ledger and benefits systems on at least a monthly basis.	<p>Review reconciliations to ensure they have been appropriately prepared and reviewed (and evidenced as such) on a timely basis.</p> <p>Agreement of system balances as noted on the reconciliation to prints from those systems.</p> <p>Testing of reconciling items to ensure these have been investigated and are appropriate reconciling items.</p>
Appropriate segregation of duties and restricted access should be ensured.	<p>Consideration of whether duties are appropriately segregated between those responsible for inputting details and those processing payments.</p> <p>Review of access rights to the council tax system.</p>

### National Non-Domestic Rates

Control	Type of testing
The Council ensures the record of properties and their total rateable value as per the National Non-Domestic Rates (NNDR) system reconciles to the list of properties and total rateable value notified to them by the Valuation Office.	Test a sample of reconciliations between the NNDR system and the Valuation Office reports/notifications.
NNDR exemptions/discounts are reviewed on a weekly basis to identify exemptions due for review in the next 7 days, exemptions which have no end date and exemptions passed their review date but which have not been reviewed.	Test a sample of exemption reports and ensure evidence of review and appropriate follow-up of exceptions.
There is a sample check of all NNDR processing.	Review evidence of sample checking to ensure it is being performed and that action is being taken as a result of issues identified.
The NNDR rateable value multiplier is put onto the NNDR system reviewed for accuracy by a senior officer.	Obtain evidence that the multiplier entered onto the NNDR system have been evidenced as reviewed by a senior officer. Agree the multiplier used to notification received.
A reconciliation of returned Direct Debits is performed against the value of reversals on the NNDR system.	Test a sample of reconciliations and ensure there is evidence of review and follow-up and resolution of reconciling items.

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Control	Type of testing
There is a daily reconciliation of cash receipts / cash postings / reversals against movement on outstanding debt.	Test a sample of reconciliations and ensure there is evidence of review and follow-up and resolution of reconciling items.
Refunds are authorised by a senior billing officer. Refunds over £5,000 must be authorised by the Executive Director for Finance and Resources. Refunds under £5,000 must be authorised by the Revenues and Benefits manager.	Test a sample of refunds and ensure appropriately authorised.
The NNDR system is reconciled to the General Ledger system on at least a monthly basis.	<p>Review reconciliations to ensure they have been appropriately prepared and reviewed (and evidenced as such) on a timely basis.</p> <p>Agreement of system balances as noted on the reconciliation to prints from those systems.</p> <p>Testing of reconciling items to ensure these have been investigated and are appropriate reconciling items.</p>
Appropriate segregation of duties and restricted access should be ensured.	<p>Consideration of whether duties are appropriately segregated between those responsible for inputting details and those processing payments.</p> <p>Review of access rights to the NNDR system.</p>

### General Ledger Maintenance

Control	Type of testing
All manual journals raised are appropriately authorised and input into the system.	<p>Testing of manual journals from the system back to supporting documentation to confirm accuracy of input.</p> <p>Testing of manual journals from supporting documentation to the system to confirm accuracy of input and completeness of processing.</p>
Access rights to the system should be reviewed regularly to ensure that the appropriate access levels have been given to the appropriate individuals and to allow segregation of duties.	<p>Review and testing of controls regarding setting of access rights and monitoring of these rights.</p> <p>Review of access rights to the general ledger.</p>

**Budgetary Control**

<b>Control</b>	<b>Type of testing</b>
Budgets should be approved prior to the start of the financial year and be based upon appropriate and reasonable assumptions.	Review of the approval of the budget and the underlying assumptions.
Budgets should be assigned to appropriate personnel and should be monitored regularly throughout the year.	Review of procedures in place regarding budgetary control. Testing to ensure procedures are being followed, including discussion of procedures with budget holders and obtaining evidence to corroborate their explanations for variances against budget.
Budgetary information should reconcile to the general ledger.	Agreement of budget reports (including those presented to Members) back to the general ledger.

**Car Parks income**

<b>Control</b>	<b>Type of testing</b>
Cash collected from car park ticket machines is reconciled to that expected per the ticket machine records. Any significant differences are investigated.	Review and testing of the reconciliation process across all of the Council's car park ticket machines.
Cash recorded within the bank statement matches that collected from the car park ticket machines.	Review and testing of the reconciliation process between cash banked and that per the car park ticket machines.
Cash collection and counting is performed by at least two people within a secure environment. Both sign as evidence of the amount counted/collected.	Observation and testing of the cash collection and counting process (where this is applicable, i.e. not performed by a third party, contracted firm).
Car Park income is monitored against budget and between locations and machines.	Review and testing of the car park income budget monitoring process.

## **AGENDA ITEM 8**

*In the event that, pursuant to a request which the Borough Council of King's Lynn and West Norfolk has received under the Freedom of Information Act 2000, it is required to disclose any information contained in this proposal, it will notify PwC promptly and consult with PwC prior to disclosing such information. The Borough Council of King's Lynn and West Norfolk agrees to pay due regard to any representations which PwC may make in connection with such disclosure and the Borough Council of King's Lynn and West Norfolk shall apply any relevant exemptions which may exist under the Act to such information. If, following consultation with PwC, the Borough Council of King's Lynn and West Norfolk discloses any such information, it shall ensure that any disclaimer which PwC has included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.*

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**AUDIT AND RISK COMMITTEE – WORK PROGRAMME 2011/2012****25 October 2011****Cabinet Reports**

- Financial Regulations Update
- Retention Policy – Karen Butler and Diane Cross to attend
- Business Continuity – Vanessa Dunmall and Kevin Kent to attend

**29 November 2011**

- Mid Year Treasury Management Strategy 2011/2012 – monitoring
- Capital Programme 2010/2014 (amended)
- Fraud and Investigations Unit – Half Year Report
- Internal Audit Plan 2011/2012 – Quarterly Progress report for July to September 2011
- Corporate Risk Monitoring Report - April to September 2011

**4 January 2012**

- Annual Audit Letter
- Internal Audit Plan 2010/2011 – Quarterly Progress Report for October to December 2011
- Internal Audit Strategic Audit Plan 2012/13

**31 January 2012****28 February 2012**

(Try and keep free as R & P Panel have full Budget to deal with)