

**BOROUGH COUNCIL OF KING'S LYNN & WEST NORFOLK**

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

**Minutes of a Meeting of the  
Resources and Performance – Audit and Risk Committee,  
held on Tuesday 27 September 2011 at 6.00 pm, in the Committee Suite,  
King's Court, Chapel Street, King's Lynn**

**PRESENT:**

Councillors Mrs K Mellish (Chairman),  
P Beal (Vice-Chairman), M Chenery (*substitute for T de Winton*),  
D J Collis, J Collop, Mrs S Collop, C Crofts,  
J Loveless, A Morrison, D Tyler and G Wareham

**Portfolio Holders:**

Councillor N Daubney, Leader and Portfolio Holder for Resources

Apologies for absence were received from Councillors T de Winton and H Humphrey

ARC53: **MINUTES**

The minutes of the meeting held on 31 August 2011 and the Special Meeting held on 13 September 2011 were confirmed as a correct record and signed by the Chairman.

ARC54: **DECLARATIONS OF INTEREST**

There were no declarations of interest.

ARC55: **URGENT BUSINESS UNDER STANDING ORDER 7**

There was no urgent business to report.

ARC56: **MEMBERS PRESENT PURSUANT TO STANDING ORDER 34**

There were no Members present under Standing Order 34.

ARC57: **CHAIRMAN'S CORRESPONDENCE**

The Chairman had no correspondence to report.

ARC58: **MATTERS REFERRED TO THE COMMITTEE FROM OTHER COUNCIL BODIES AND RESPONSES MADE TO PREVIOUS RECOMMENDATIONS/REQUESTS**

The Committee noted the response made by Cabinet at its special meeting held on 20 September 2011 to the recommendations made by the Resources and Performance Panel – Audit and Risk Committee at its special meeting held on 13 September 2011 in respect of the following item:

- Statement of Accounts 2010/2011 Report to those charged with Governance (ISA260 UK&1).

ARC59: **PRICEWATERHOUSECOOPERS (PWC) PROTOCOL 2011/2012**

The Deputy Chief Executive presented the document which set out the proposed working relationship between the PWC audit team and the internal audit team of the Borough Council. The purpose of the document was to set out the general approach and principles to be put in place to facilitate the delivery of a managed audit. This would in turn aid joined-up working, reducing duplication of audit work.

Members were informed that the document set out the following:

- Confirmation of the liaison arrangements with Internal Audit.
- The requirements to be followed in placing reliance on internal audit work and the external auditor's expectations for reliance on Internal Audit work.
- Additional information on sample sizes.
- A detailed summary of controls and suggested testing which PWC consider to be key in testing internal financial control systems.

The Deputy Chief Executive explained that the arrangements were subject to regular review by both parties and necessary amendments could be made subject to mutual agreement.

Members were advised that although internal and external auditors carried out their work with different objectives in mind, many of the processes were 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.

In response to questions from Councillor J Collop, the Deputy Chief Executive explained that there was no formal written protocol between the External Auditors and Members. The External Auditor presented the Annual Audit Letter and Action Plan to the Committee at which time Members were able to ask questions. A cost would be involved if the External Auditor was invited to attend the Committee on other occasions. Members were informed that regular conference calls took place between PWC, the Chief Executive and Deputy Chief Executive, together with visits by the External Auditors to the

Council's offices during specific times of the year. If there were any issues to report these would be brought to the attention of Members through the Council's Internal Audit Manager. If, however, the External Auditors felt there was a serious issue they would bring it direct to the Committee.

Councillor Morrison referred to page 11 and asked for an explanation on the number of items to test. He stated that the way the information was presented was not easy to understand. In response, the Deputy Chief executive outlined the process undertaken by the External Auditor when selecting the number of items to test. For example, if there were a large volume of transactions in the year then during the testing process it was normal practice for between 25 – 60 samples to be tested. Members commented that the table and information shown was not easily understandable. The Deputy Chief Executive undertook to take the comments back to the External Auditor.

Councillor Morrison referred to page 14 and the acronyms POP and BACS and asked for clarification. The Deputy Chief Executive explained that POP was an electronic purchasing system and BACS was a Bank Auto Clearing System. The Council had previously operated two BACS runs per week, but to ensure local suppliers were paid as quickly as possible the Council now operated three BACS runs per week. The Council were encouraging more people to use the system as it was a safer and more secure method for payment purposes. The Deputy Chief Executive undertook to raise the issue of acronyms with the External Auditors and in future documents ask for them to be written in full.

In response to a question from Councillor Wareham, the Deputy Chief Executive explained that it was a statutory requirement to have a formal protocol arrangement between the Council's external and internal auditors.

Councillor Loveless referred to the following sections of the protocol:

- Page 5, paragraph 6, bullet point 2: Arrangements for securing economy, efficiency and effectiveness in the Use of Resources.
- Page 9, paragraph 21: the list of bullet points relating to the understanding, evaluation and validating of the controls over the following key financial systems.
- Page 10: car park income.

Councillor Loveless then questioned if it was value for money and cost effective having car park attendants checking car parking tickets after 6 pm.

In response to the question relating to page 5, the Deputy Chief Executive explained that in 1988 the Audit Commission were made responsible for ensuring that Councils were representing value for money and undertook exercises to see how the budget would pan out. The testing of financial

controls was undertaken in January each year. A separate team examined if the Council were representing value for money and had held a meeting with him to check on the budget monitoring and budget setting process, together with how the Council had approached the Cost Reduction Programme. The Annual Report was presented to the Committee at its last meeting on 13 September 2011 which had included the use of resources and value for money opinions.

In response to the comment made by Councillor Loveless on car park income, the Executive Director, Leisure and Public Space explained that the excess charges received from non-payment of pay and display tickets covered the staffing costs. The Council received approximately £150,000 per annum from the £1 car parking fee.

**RESOLVED:** That the protocol for liaison between internal and external auditors be noted.

ARC60: **AUDIT AND RISK COMMITTEE WORK PROGRAMME**

The Committee considered its Work Programme.

The Chairman announced that due to the number of items to be considered on **29 November 2011**, the meeting would commence at an earlier time of **5.00pm**.

**RESOLVED:** That the Committee's Work Programme be noted.

ARC61: **DATE OF NEXT MEETING**

The Committee noted that a special meeting to consider the Statement of Accounts was to be held on **Tuesday 25 October 2011** at **6.00 pm**.

**The meeting closed at 6.17 pm**