

## **Audit and Governance Committee**

6 December 2010

### **Report of the Assistant Director, Financial Services - Customer and Business Support Services**

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## **Protocol for Liaison between Internal and External Audit**

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### **Summary**

- 1 The purpose of this report is inform Members of the draft protocol for future internal and external audit working arrangements. The report also seeks approval for some minor changes to the existing Internal Audit Terms of Reference.

### **Background**

- 2 The external auditors, the Audit Commission undertake their work in accordance with International Standards on Auditing (ISAs) (UK and Ireland) and the Audit Commission Code of Audit Practice. The scope of the external auditor's work includes the audit of the council's financial statements, probity in the use of public money and value for money in the use of resources. The Code of Audit Practice is intended to deliver a streamlined risk based audit which focuses on those areas where the auditors are most likely to contribute to improvement.
- 3 The work of internal audit is governed by the Accounts and Audit Regulations 2003 (as amended) and the CIPFA Code of Practice for Internal Audit in Local Government 2006. Internal audit is required to provide an independent and objective opinion on the adequacy of the council's control environment.

### **Protocol for Liaison between External and Internal Audit**

- 4 Although internal and external audit have different objectives, many of the processes followed are similar and therefore it makes sense for both parties to work together closely to maximise the overall benefit of audit to the council. A draft protocol has therefore been prepared, setting out the practical arrangements for coordinating the work undertaken by the external and internal auditors. A copy of the draft protocol is attached at annex 1.

## **Internal Audit Terms of Reference**

- 5 The CIPFA Code of Practice recommends that the purpose, authority and responsibility of Internal Audit should be formally defined in terms of reference which are consistent with the Code. The current Terms of Reference (ToR) for Internal Audit were updated and formally approved by this Committee in December 2009. A small number of changes are now required to the ToR to reflect the recent organisational changes within the council (for example, as a result of changes to post titles). The revised ToR for Internal Audit are attached at annex 2.

## **Consultation**

- 6 Not relevant for the purpose of the report.

## **Options**

- 7 Not relevant for the purpose of the report.

## **Analysis**

- 8 Not relevant for the purpose of the report.

## **Corporate Priorities**

- 9 This report contributes to the council's overall aims and priorities by helping to ensure probity, integrity and honesty in everything we do. In doing so it contributes to the corporate objective of making the council an Effective Organisation.

## **Implications**

- 10 There are no implications to this report in relation to:

- **Financial**
- **Human Resources (HR)**
- **Equalities**
- **Legal**
- **Crime and Disorder**
- **Information Technology (IT)**
- **Property**

## **Risk Management**

- 11 The lack of effective co-operation between external and internal auditors may result in duplication of effort, inconsistent reporting of audit issues to those charged with governance and the inefficient use of audit resources. The council

will fail to comply with the CIPFA Code of Practice for Internal Audit in Local Government if the Terms of Reference for Internal Audit are not kept up to date.

## Recommendations

12 Members are asked to:

- note the draft protocol for liaison between internal and external audit.

Reason

*To enable Members to assess the arrangements for coordinating the work of external and internal audit.*

- consider and approve the proposed changes to the Internal Audit Terms of Reference (see annex 2).

Reason

*To ensure that the council continues to comply with the CIPFA Code of Practice for Internal Audit.*

### Contact Details

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**Report  
Approved**



**Date** 23/11/10

### Specialist Implications Officers

Not applicable

**Wards Affected:** Not applicable

**All**

**For further information please contact the author of the report**

### Background Papers:

- The Audit Commission Code of Audit Practice
- The CIPFA Code of Practice for Internal Audit in Local Government