

## ITEM NO: 16

|                          |  |                                   |                    |
|--------------------------|--|-----------------------------------|--------------------|
| <b>DECISION-MAKER:</b>   | AUDIT COMMITTEE  |                                   |                    |
| <b>SUBJECT:</b>          | PROTOCOL FOR LIAISON BETWEEN INTERNAL AND EXTERNAL AUDIT |                                   |                    |
| <b>DATE OF DECISION:</b> | 28 <sup>TH</sup> JUNE 2007                               |                                   |                    |
| <b>REPORT OF:</b>        | CHIEF INTERNAL AUDITOR                                   |                                   |                    |
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### STATEMENT OF CONFIDENTIALITY

NOT APPLICABLE

### SUMMARY

Internal audit has worked with the Audit Commission to develop a protocol to provide a framework that aims to optimise the benefits of audit to the Council, whilst enabling internal and external audit to deliver their respective responsibilities.

### RECOMMENDATIONS:

- (i) That the Audit Committee approves the Protocol for Liaison between Internal And External Audit.

### REASONS FOR REPORT RECOMMENDATIONS

1. To put in place a good practice framework that takes account of external audit responsibilities under the International Auditing Standards (UK and Ireland) (ISAs (UK&I)) and internal audit responsibilities under the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006.

### CONSULTATION

2. Consultation with the Audit Commission to agree the framework.

### ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

3. None

### DETAIL

4. The CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006 [Relationships with external auditors] states that:  
“The aim of the relationship between internal and external auditors should be to achieve mutual recognition and respect, leading to a joint improvement in performance and to avoid duplication of work. It should be possible for internal and external auditors to rely on each other’s work, subject to the limits determined by their responsibilities, enabling them to evaluate, review and only re-perform where necessary.”
5. The International Auditing Standards [ISA (UK and Ireland) 610: Considering the work of internal audit] require that:  
“The external auditor should consider the activities of internal audit and their effect, if any, on external audit procedures.  
The external auditor should obtain a sufficient understanding of internal audit activities to identify and assess the risks of material misstatement of the financial statements and to design and perform further audit procedures.  
The external auditor should perform an assessment of the internal audit function when internal auditing is relevant to the external auditor's risk assessment.  
When the external auditor intends to use specific work of internal auditing, the external auditor should evaluate and perform audit procedures on that work to confirm its adequacy for the external auditor's purposes.”
6. Internal and external audit (the Audit Commission) have jointly developed and agreed a framework, the Protocol for Liaison between Internal and External Audit, that will support the requirements under these standards. The Protocol is appended to this report.

## **FINANCIAL/RESOURCE IMPLICATIONS**

### **Capital**

7. None

### **Revenue**

8. None

### **Property**

9. None

### **Other**

10. None

## **LEGAL IMPLICATIONS**

**Statutory power to undertake proposals in the report:**

11. The Audit Commission Act 1998 and the Accounts and Audit Regulations 2003 require the Council to adopt Good Governance arrangements in respect of the discharge of its functions. The above arrangements are intended to meet those responsibilities.

**Other Legal Implications:**

12. None

**POLICY FRAMEWORK IMPLICATIONS**

- 13 None

**SUPPORTING DOCUMENTATION**

**Appendices**

|    |  |
|----|--|
| 1. | Protocol for Liaison between Internal and External Audit |
| 2. |  |

**Documents In Members' Rooms**

|    |      |
|----|------|
| 1. | None |
| 2. |      |

**Background Documents**

Title of Background Paper(s)

Relevant Paragraph of the  
Access to Information  
Procedure Rules / Schedule  
12A allowing document to be  
Exempt/Confidential (if  
applicable)

|    |      |  |
|----|------|--|
| 1. | None |  |
| 2. |      |  |

**Background documents available for inspection at:** Internal Audit Office, North Block  
Basement, Civic Centre

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**FORWARD PLAN No:** N/A

**KEY DECISION? N/A**

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**WARDS/COMMUNITIES AFFECTED:**

Not Applicable