

<b>Meeting:</b>	<b>Audit and Governance Committee</b>	<b>Date:</b>	<b>23<sup>rd</sup> July 2018</b>
<b>Subject:</b>	<b>Internal Audit / External Audit Working Protocol</b>		
<b>Report Of:</b>	<b>Head of Policy and Resources</b> <b>Head of Audit Risk Assurance (Chief Internal Auditor)</b>		
<b>Wards Affected:</b>	<b>Not applicable</b>		
<b>Key Decision:</b>	<b>No</b>	<b>Budget/Policy Framework:</b>	<b>No</b>
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<b>Appendices:</b>	<b>1: Internal Audit / External Audit Working Protocol</b>		

## 1.0 Purpose of Report

1.1 Gloucester City Council faces ever-increasing pressure on their resources. External and internal auditors can assure management and the Audit and Governance Committee that audit resources are being applied efficiently and represent good value for money by demonstrating their commitment to work together effectively. This protocol sets out the arrangements to support that commitment.

1.2 The objectives of this protocol are to:

- provide a framework for cooperation in planning and conducting respective audit work;
- maximise the benefit from available audit resources, through agreed coordination arrangements; and
- assist the Audit and Governance Committee to fulfil its responsibility for overseeing effective liaison between both external and internal audit.

1.3 To achieve these objectives, the auditors need to work together effectively with clear communication throughout the year. This document reflects the commitment to promote productive joint working between audit teams.

## 2.0 Recommendation

2.1 Audit and Governance Committee is asked to **RESOLVE** that:

- the Internal Audit / External Audit Protocol as set out in Appendix 1, be approved.

## 3.0 Background and Key Issues

## **What is the difference between Internal and External Audit?**

3.1 External Audit is governed by the Code of Audit Practice determined by the National Audit Office. The work essentially forms two elements: (a) an independent opinion on the financial statements, and (b) a value for money conclusion focusing on the Council's arrangements to take properly informed decisions and deploy resources to achieve planned and sustainable outcomes for taxpayers and local people.

3.2 Whereas internal auditors are required to adhere to the Public Sector Internal Audit Standards (PSIAS) 2017. Internal audit's scope of work is wide ranging and it serves the Council by helping it accomplish its objectives and improving operations, risk management, internal controls and governance processes. Internal Audit is concerned with all aspects of the organisation, both financial and non-financial and the Chief Internal Auditor is required to provide an annual opinion on the effectiveness of those arrangements.

### **4.0 Asset Based Community Development (ABCD) Considerations**

4.1 There are no ABCD implications as a result of the recommendation made in this report.

### **5.0 Alternative Options Considered**

5.1 There are no alternative options that are relevant to this matter.

### **6.0 Reasons for Recommendation**

6.1 Internal and external auditors, along with senior management are a critical part of the governance arrangements of the Council, their work significantly contributing to the statutory Annual Governance Statement.

6.2 The work of the internal and external auditors within the Council is co-ordinated for optimal effectiveness and efficiency and the External Auditor will meet periodically with the Chief Internal Auditor to discuss emerging issues and to avoid, where possible, disruption to the business and duplication of activity.

### **7.0 Future Work and Conclusions**

7.1 The protocol will be reviewed annually and updated to reflect changes to internal audit standards, international standard on auditing and codes of practice and presented to the Audit and Governance Committee accordingly.

### **8.0 Financial Implications**

8.1 There are no direct financial costs arising out of this report.

(Financial Services have been consulted in the preparation this report).

### **9.0 Legal Implications**

9.1 Nothing specific arising from the report recommendations.

(One Legal have been consulted in the preparation this report).

## **10.0 Risk and Opportunity Management Implications**

- Not sharing good practice;
- Duplication of audit activity; and
- Inefficient use of audit resources.

## **11.0 People Impact Assessment (PIA):**

11.1 The PIA Screening Stage was completed and did not identify any potential or actual negative impact, therefore a full PIA was not required.

## **12.0 Other Corporate Implications**

### Community Safety

12.1 There are no 'Community Safety' implications arising out of the recommendations in this report.

### Sustainability

12.2 There are no 'Sustainability' implications arising out of the recommendations in this report.

### Staffing & Trade Union

12.3 There are no 'Staffing and Trade Union' implications arising out of the recommendations in this report.

## **Background Documents:**

- Appendix 1: Internal Audit / External Audit Working Protocol
- Public Sector Internal Audit Standards (PSIAS) 2017
- International Standard on Auditing (UK and Ireland) 610
- National Audit Office – Code of Practice