

Agenda Item No: 11
Report To: Audit Committee
Date: 18 March 2014
Report Title: Internal Audit – External Audit Protocol
Report Author: Brian Parsons – Head of Audit Partnership



Summary:	A protocol has been developed in order to set out the key principles and procedures underpinning the working relationship between Mid Kent Audit and the Council's external auditors, Grant Thornton. The protocol is attached at appendix 1.
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Key Decision: No

Affected Wards: N/A

Recommendations: **The Audit Committee is asked to:-**
Note the protocol between Internal Audit and External Audit.

Policy Overview: N/A

Financial Implications: None

Risk Assessment No

Equalities Impact Assessment No

Other Material Implications: None

Background Papers: None

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Report Title: Internal Audit – External Audit Protocol

Purpose of the Report

1. The report and more specifically Appendix 1, sets out a protocol to underpin the working relationship between Mid Kent Audit and Grant Thornton.
2. The protocol exists to establish a framework for coordination, cooperation and exchange of information. The protocol has been reported to the Audit Committee to provide assurance and confirm that, although internal audit and external audit have different roles, both assurance providers work together where possible and when appropriate.

Issue to be Decided

3. The Audit Committee is asked to note the attached protocol which sets out the working relationship between Mid Kent Audit and Grant Thornton.

Background

4. It is important that the respective and different roles of Internal Audit and External Audit are clear but there are opportunities for both parties to share and discuss audit plans, update and review issues identified through on-going or planned work, review progress and exchange key findings. This helps to ensure that best use is made of overall audit resources.
5. The working arrangements between Internal and External Audit have now been set out in a protocol which should provide assurance to the Audit Committee that both providers work together appropriately. The protocol sets out principles for working together, rather than detailed procedures.
6. The protocol is shown at Appendix 1.

Risk Assessment

7. Not applicable

Equalities Impact Assessment

8. Not applicable

Other Options Considered

9. Not applicable

Consultation

10. The protocol has been discussed and agreed by the Head of Audit Partnership (Mid Kent Audit) and the Audit Manager Ashford (Grant Thornton).

Implications Assessment

11. Not applicable

Handling

12. Not applicable

Conclusion

13. The existence of a protocol between Internal and External Audit helps to ensure that there is clarity in terms of the respective roles and sets out the opportunity to coordinate, cooperate and exchange information.
14. A protocol has been created to set out the arrangements between Mid Kent Audit and Grant Thornton.

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Internal Audit – External Audit Protocol for Mid Kent Audit

Year ended 31 March 2014 and 2015

February 2014

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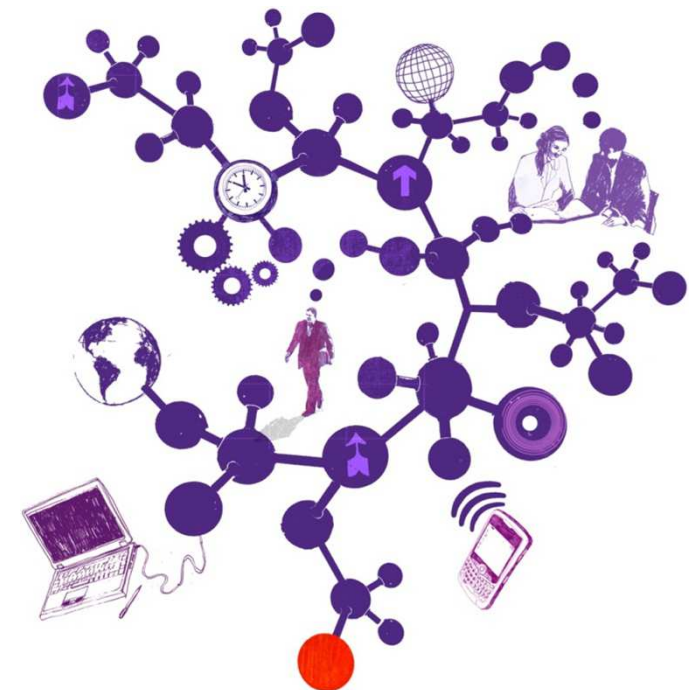
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Introduction and Principles

Introduction

The protocol sets out the key principles and procedures underpinning the working relationship with Mid Kent Audit (covering Ashford, Maidstone, Swale and Tunbridge Wells) and the Council's external auditors, Grant Thornton. It establishes a framework for coordination, cooperation and exchange of information.

The protocol is based on the understanding of International Standards on Auditing (ISA), in particular ISA 315 (Identifying and assessing risks of material misstatement through understanding the entity and its environment) and ISA 610 (Using the work of internal auditors).

Principles

ISA 315 states the internal audit function is likely to be relevant to the audit of the financial statements if the nature of their work relates to the entity's financial reporting. ISA 610 recognises external audit and internal audit have different objectives and priorities. The external auditor has the sole responsibility for the opinion on the financial statements and using the work of internal audit does not impact on this responsibility in any way. Therefore the external auditor needs to consider how and whether it is appropriate to place reliance on the work of internal audit.

Procedures

Together internal audit and Grant Thornton will:

- Meet on a quarterly basis to share and discuss audit plans, update and review issues identified through on-going or planned work, review progress and exchange key findings. Such discussions will inform the Grant Thornton audit approach.
- Liaise to identify and exchange knowledge of emerging or identified key risk areas.
- Use quarterly meetings to ensure reporting lines to the Audit Committee are clear and information provided is clear and timely.

Internal audit will:

- Provide details to Grant Thornton and of fraud above £10,000 and details of any identified or potential cases of corruption.
- Provide Grant Thornton with appropriate access to working papers and relevant documents, and with electronic access to published internal audit reports on key financial systems which may impact upon on the audit approach.
- Share its approach to systems audit work and associated documentation with Grant Thornton.

Grant Thornton will:

- Advise internal audit which of the financial systems we consider are key to the production on the financial statements.
- Share testing strategies with internal audit on a timely basis to maximise the scope to ensure effective and efficient use of resources for both parties.
- Share details of our approach as requested.

Way forward:

This protocol has been discussed and agreed with Brian Parsons, Mid Kent Audit and Lisa Robertson, on behalf of Grant Thornton. The protocol will be reviewed annually and updated to reflect changes to internal audit standards and the ISAs.



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