

Internal Audit – External Audit Working Protocol for Stroud District Council

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Introduction and Principles

Introduction

The protocol sets out the key principles and procedures underpinning the working relationship between Internal Audit and the Council's external auditors, Deloitte. 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.

Together Internal Audit and Deloitte 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 Deloitte's and Internal Audit's 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 and Standards Committee are clear and information provided is clear and timely.

Internal Audit will:

- Provide details to Deloitte of fraud above £10,000 and details of any identified or potential cases of corruption.
- Provide Deloitte 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 Deloitte.

Deloitte 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 Stroud District Council's Chief Internal Auditor. The protocol will be reviewed annually and updated to reflect changes to internal audit standards and the ISAs.



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Audit and Standards Committee

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Agenda Item 10
Appendix A