



Audit Protocol

Our Commitment to Openness, Integrity and Accountability

About this Protocol

Our Council is responsible for many millions of £s of public money and places great importance on maintaining the highest standards of probity, financial management and accountability.

External and Internal Audit provide the Council with independent assurances that assets and resources are properly applied and used wisely, a key part of our Guiding Principles.

This protocol explains how our audit arrangements operate and sets out the responsibilities of Members and Chief Officers for ensuring that the audit requirements of the Council are met and recommendations made are fully implemented.

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Distribution

Copies of this Protocol have been provided to all Councillors, Chief Officers and Heads of Service.

Who to contact to find out more

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Summary of Responsibilities

The table below provides an “at a glance” summary of the key responsibilities assigned by this Protocol.

	External Audit			Internal Audit			Other
	Annual Plan	Audit Letter	Specific Assignment Reports	Annual Plan	Regular progress and annual assurance reports	Individual reports indicating fundamental weaknesses	
Action by:							
Audit and Accounts Committee	Review and approve in June.	Consider in January with Council’s management response. Monitor action plan September. Refer specific issues to the appropriate Service Committee.	Receive all audit reports. Refer issues to the appropriate Service Committee. Monitor implementation of relevant recommendations.	Review and approve draft in January.	Each meeting. Includes monitoring of Whistle Blowing Policy and Anti-Fraud Strategy. Refer issues to Select Committee Leads. Review resourcing of internal audit function – January.	Monitor implementation of action plan	Approve Annual Governance Statement for inclusion with Statement of Accounts – June. Review application of Audit Protocol – every other year in September. Review risk management arrangements – six monthly Produce an Annual Report for Council - annually
Service Committees	No specific responsibilities	Respond to issues referred from Audit and Accounts Committee	Respond to issues referred from Audit and Accounts Committee.	No specific responsibilities	Respond to issues referred from Audit and Accounts Committee	Respond to issues referred from Audit and Accounts Committee	Approve departmental risk registers
Council							Receive the Annual Report of the Audit and Accounts Committee
Chief Officers	Consulted in Nov/Dec. Chief Exec and DoCR agree plan in Feb	Consider in September if appropriate	Present report to Service Committee. Implement action plan	Consulted in Nov/Dec. Review draft in Feb.	Consider each report	Notify Leads of Service Committee Implement action plan	
Heads of Operations	Consulted in Nov/Dec.	See Chief Officers	Monitor as required	See Chief Officers	See Chief Officers	Monitor as required	

Responsibilities Explained

Chief Officers and all officers

1. Chief Officers and their managers are responsible for exercising proper internal control over their areas of responsibility. External & Internal Audit review the effectiveness of these control arrangements and make recommendations for improvements where weaknesses are identified. It is important that the implementation of these recommendations is monitored and followed up by the Authority to ensure that the audit process is effective.
2. Copies of key External and Internal Audit reports referring to departmental issues will be sent to and monitored by individual Chief Officers and the relevant departmental Head of Division, as appropriate.
3. Those reports referring to corporate issues should be reported to the Chief Officers Management Team (COMT) for initial consideration with COMT referring them on to whichever group it deems most appropriate e.g. Core Strategic Finance Group, Equalities and Diversity Action Team, Corporate Governance Working Group.

Audit and Accounts Committee

4. The audit committee is a key component of corporate governance. It should be a key source of assurance about the Council's arrangements for managing risk, maintaining an effective control environment and should provide independent scrutiny of financial and non-financial performance to the extent that it affects the Council's exposure to risk and weakens the control environment. The Committee's remit is therefore to:

Focus External and Internal Audit resources to ensure that all the Council's big risks are independently reviewed

5. The Committee will do this by:
 - Reviewing and agreeing the External and Internal Audit annual work programmes – an annual task.
 - Ensuring the internal audit function is properly resourced and efficient - through a review of the benchmarking results from the CIPFA Annual Survey on Internal Audit provision.
 - Confirming effective co-ordination between the External Audit Provider and Internal Audit – annual task when reviewing work programmes.
 - Confirming that this Audit Protocol is being properly applied – task carried out every other year.
 - Ensuring that the Council's risk management strategy is fully operational and review the Strategic Risk Register on a periodic basis.

Keep under review the operation of the Council's financial and information systems

6. The Committee will do this by:
 - Receiving and considering the External Auditor's Annual Audit Letter and approving the Council's associated Management Action Plan – January meeting
 - Monitoring implementation of the Management Action Plan – September meeting
 - Receiving all External Audit reports. Where critical recommendations have been made, the Audit and Accounts Committee has a role to ensure that the recommendations are implemented and that the reports are reviewed by the relevant Service Committee

Responsibilities Explained

- Receiving and considering Internal Audit's regular progress and annual assurance reports which comment on the adequacy and effectiveness of internal control systems within the Council – each meeting
- Considering fundamental weakness reports (under confidential session) issued by Internal Audit or External Audit, together with management responses and monitor implementation of agreed recommendations – as and when required
- Promoting an anti-fraud culture by monitoring the implementation of the Council's Whistle Blowing Policy and Anti-Fraud Strategy – based on a report from Internal Audit on the results of the National Fraud Initiative and investigations concluded during the year – each meeting as part of the regular progress and annual assurance reports
- Reviewing, and approving the Annual Governance Statement – annual task in June

Ensure that audit recommendations are implemented

7. The Council has established a reputation for taking audit matters very seriously. If, however, the Committee has specific concerns that important issues raised by External or Internal Audit are not being addressed, including the implementation of agreed recommendations, the Committee will refer this formally to the appropriate Chief Officer(s) for an explanation. Issues arising from audit reports and other sources will be referred to the appropriate Service Committees for closer monitoring.

Service Committees

8. The Audit and Accounts Committee will refer issues of concern, arising from the work of internal or external audit, to Service Committees for their consideration and response.

External Audit

9. The Council's External Auditor is required by the Code of Audit Practice to review and report on:
 - The Council's financial statements and Annual Governance Statement
 - Whether the Council has made proper arrangements for securing financial resilience and economy, efficiency and effectiveness in its use of resources
10. External Audit provide:
 - A certificate that the audit of the accounts has been completed in accordance with statutory requirements
 - An annual governance report
 - An opinion on the financial statements and value for money conclusion
 - Where appropriate, a report dealing with matters that the auditor considers to be in the public interest
 - Reports on matters arising from specific aspects of the auditors' work
 - An annual Audit Letter, addressed to the Members of the Council, which summarises the most important matters arising from the audit work completed over the year This will be considered by the Audit and Accounts Committee at its January meeting who will approve the Council's formal response, and monitor implementation of key recommendations through progress reports

Responsibilities Explained

Planning

11. A draft annual audit plan is agreed with the Chief Executive and Director of Corporate Resources each year. This plan contains a timetable of anticipated audit work to be completed during the year.
12. The annual plan will be reviewed and agreed by the Audit and Accounts Committee at its January meeting.

Reporting

13. When the External Audit Annual Plan is agreed, the Chief Executive will nominate a Lead Officer for each review in the plan and notify the External Auditor. The Lead Officer will be the most appropriate senior manager responsible for the subject area:
 - Accounts Opinion Work (including review of financial systems) - this will normally be the Chief Financial Officer
 - VFM Arrangements - this will normally be the Head of Finance and ICT
 - For other individual audit assignments - this will be a senior manager reporting to the Chief Officer of the appropriate department
14. External Audit will agree terms of reference for projects of 10 days or more with the Lead Officer. The terms of reference will relate to the audit plan and copies of the agreed terms will be provided to the Director of Corporate Resources
15. External Audit will issue a draft report to the Lead Officer, copy to the Head of Finance and ICT, within four weeks (or other timescale, as agreed) of completion of the work. The Lead Officer will acknowledge receipt of the report and will respond to External Audit within a mutually agreed timescale, verbally or in writing, with any amendments suggested and will complete an action plan detailing implementation dates to address the matters arising. External Audit will not normally issue a second draft.
16. The final report will be issued within two weeks of receiving those comments to:
 - Chief Executive
 - Director of Corporate Resources and appropriate Chief Officer
 - Lead Officer
 - Copies to the Head of Finance and ICT if these are not the Lead Officers
17. The Lead Officer will be responsible for monitoring the implementation of recommendations and will report to their Chief Officer, copy to the External Auditor, within the agreed timescales.

Responsibilities Explained

Internal Audit

18. Under the Accounts and Audit Regulations, the Council is required to maintain an adequate and effective internal audit of its accounting records and control systems.
19. Internal Audit provides an independent appraisal function which reviews the internal control arrangements of the Council, helps to ensure resources are used wisely and value for money is secured.
20. The work of Internal Audit is driven by the Audit Strategy, which sets out their culture and values as a service and how the service is provided.
21. Internal Audit provide:
 - Detailed audit reports for each audit completed (approximately 130 each year) each providing an opinion on the adequacy of the control environment
 - Regular progress reports to Chief Officers, and the Audit and Accounts Committee
 - Periodic fraud flashes to Chief Officers to enable them to review their systems to prevent similar occurrences
 - An annual assurance report on the adequacy of the systems of internal control which contributes to the Annual Governance Statement (included with the Financial Statements)

Planning

22. The work of Internal Audit is targeted by a long-term plan which ensures systems are reviewed on a cyclical basis according to their risk and impact they have on the Council and individual Departments.
23. Internal Audit consults with Chief Officers on the annual audit plan and review progress against the plan with Departmental Management Teams throughout the year. The draft plan is reviewed by the Audit and Accounts Committee at its January meeting and approved in June

Reporting

24. For each audit review, an audit brief will be prepared and fully discussed with the Manager responsible for the particular system, before the start of the review.
25. Draft reports will be issued on major audit assignments and all audit recommendations will be agreed before issue of the final report. An action plan will be included in each audit report incorporating agreed implementation dates for the recommendations made.
26. Final reports will be issued within one month of agreeing recommendations and a response will be expected within a further month. Follow up reviews on key controls will be undertaken within three months of the implementation dates.
27. If recommendations relating to key controls have not been implemented within the agreed timescale, consideration will be given to reporting this under the agreed protocol for reports indicating fundamental weaknesses.

Responsibilities Explained

28. To ensure consistency Internal Audit adopt the following standards for their opinions:

Standard of Procedures	How this should be interpreted
High Standard	The auditor completing the review concluded that full reliance can be placed on the procedures operated and only minor recommendations have been made
Reliable Standard	There are very few significant matters arising from the audit and the recommendations made serve to strengthen what are reasonably reliable procedures.
Improvements Required	Existing procedures need to be improved in order to ensure that they are fully reliable. Extensive recommendations have been made but the issues are not of such a significance to represent a major risk to the Council.
Fundamental Weaknesses Identified	The matters arising from the audit are sufficiently significant to place doubt on the reliability of the procedures reviewed. Implementation of the recommendations made is a priority.

29. Reports which identify fundamental weaknesses, warrant referral to the Audit and Accounts Committee, in order to ensure that they are fully aware of the potential risks and receive assurances that the matters raised are being appropriately addressed.
30. As soon as Internal Audit identify circumstances likely to lead to the issue of a fundamental weakness report, they will discuss their concerns with the Chief Executive, relevant Chief Officer and the Director of Corporate Resources
31. Chief Officers will nominate a responsible officer to monitor progress against the agreed action plan on a monthly basis and report to the Head of Internal Audit.
32. The current status of fundamental weakness reports will be included in the assurance reports produced by Internal Audit which are considered by the Audit and Accounts Committee.
33. Financial Regulations require that any instances of suspected financial irregularity must be reported to the Head of Internal Audit. If the investigation into any such irregularity results in a fundamental weakness report, it will be brought to the attention of Members according to this reporting protocol.

Joint Working between External and Internal Audit

34. External Audit and Internal Audit work closely together to achieve their respective objectives and agreed audit plans. This avoids any duplication of effort and is efficient and cost effective. It enables the External Auditor to rely on the work of internal audit, particularly regarding the arrangements for ensuring the adequacy of systems.
35. Specific joint initiatives include:
- Annual audit planning meetings with Chief Officers and other senior officers
 - Combined audits in specific areas
 - Sharing information about fraud
36. Regular meetings take place to discuss matters of mutual interest and access is provided to each other's audit files, system notes and working papers.