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Working Together

Sedgefield Borough Council

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As an independent watchdog, we provide important information on the quality of public services. As a driving force for improvement in those services, we provide practical recommendations and spread best practice. As an independent auditor, we monitor spending to ensure public services are good value for money.

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Introduction

- 1 This document sets out the way the Council and the Audit Commission will work together in the delivery of our work programme up until local government reorganisation (LGR) in April 2009. It will help to optimise the benefits of our work and ensure that the impact of the additional work created by LGR on audit and inspection fees for 2008/2009 is minimised. It reflects the current Code of Audit Practice (the Code) and the inspection work which we will carry out and formalises arrangements that are already in place.
- 2 The aims are to:
 - clarify the respective roles of the Council and the Audit Commission auditors and inspectors;
 - ensure that arrangements for addressing risks associated with LGR are understood and agreed;
 - enhance arrangements for co-operation in planning, conducting and reporting the audit and inspection work;
 - promote a more effective working relationship within the bounds of respective roles;
 - maximise the benefit from available audit resources; and
 - improve liaison with statutory officers through effective communication on matters pertinent to the audit opinion
- 3 Reflecting developments in public service and a shared awareness of the issues facing local people, we are increasingly taking a 'cross-cutting' approach in our work, recognising that the issues are complex and are often addressed by organisations working together. In 2007/08 our 'cross-cutting' focus in County Durham is on reducing Sickness absence and improving user's access to services.
- 4 In 2002, we extended the concept of 'the managed audit' to all aspects of local audit work. The managed audit allows audited bodies to manage and control their audit costs. In well-controlled and efficient audited bodies, auditors achieve efficiency savings by working alongside management to streamline the audit process, without compromising the independence of their judgements. This document builds on that framework to also include our work to assess direction of travel. Detailed protocols for different elements of our work are attached as appendices and replace any existing protocols.
- 5 We believe we already have a good working relationship with the Council, which is evidenced by the variety of joint working arrangements which continue to be developed. Working well together will make best use of the resources of our respective organisations. We will continue to play our part in this process and to promote new ideas for further enhancing these joint working relationships.

Liaison arrangements

This section sets out our overall liaison arrangements with the Council.

The role of the Commission's Comprehensive Area Assessment Lead

- 6 In order to ensure that local authorities receive a tailored, seamless service, integrated with the work of other inspectorates, the Commission has identified a relationship manager for each local authority. In Sedgefield's case this role has been performed by Sarah Diggle. The Commission is restructuring in order to prepare for comprehensive area assessment and in April 2008 a new post of Comprehensive Area Assessment Lead (CAAL) will be created. The CAAL will take over the relationship manager role as the Commission's primary point of contact with the authority and the interface at the local level between the Commission and the other inspectorates, Government Offices and other key stakeholders. In addition, the CAAL will be responsible for ensuring a smooth transition from an inspection system based on individual authorities (CPA) to one based on the whole County (CAA). The appointment of a CAAL is separate from the appointment of the auditor.

The CAAL for your Council is Marion Talbot.

The role of the Commission's appointed auditor

- 7 The overall framework within which auditors operate is set by the Commission through the Code of Audit Practice. Under the Code, auditors have two specific responsibilities in relation to the accounts and the audited body's arrangements for the use of resources, as detailed below:
 - the audit of financial statements and annual governance statement; and
 - the audited body's arrangements for securing economy, efficiency and effectiveness in its use of resources.
- 8 The Commission has a policy of rotating appointed auditors every few years to safeguard their independence. Steve Nicklin (District Auditor) has been your appointed auditor for four years and is due to be rotated, but will continue in this role for the time being.

The appointed auditor for your Council will be notified shortly.

- 9 The Commission's work with your Council is in practice delivered by a team of staff.

Table 1 The Audit Commission team

The following are the key Audit Commission contacts for the audit and inspection programme:

Name	Title	Contact details	Primary Role
Paul Heppell	Audit Manager	p-heppell@audit-commission.gov.uk	To act as day to day liaison with the Council and act for the appointed auditor in discharging his duties under the Code of Audit Practice.
Ross Woodley	Principal Auditor	r-woodley@audit-commission.gov.uk	To supervise a team of auditors and contractors in discharging duties under the Code of Audit Practice and deputise for the Audit Manager.
Samantha Eason	Performance Manager	s-eason@audit-commission.gov.uk	To lead on the delivery of inspections, value for money assessments and direction of travel assessments.

- 10 The key contacts at the Council are set out in the following table and the agreed frequency of liaison is set out in appendix 1.

Table 2 Key contacts

The following officers have been identified as the key audit and inspection contacts for the Council

Name	Title	Contact details
Brian Allen	Chief Executive (Head of Paid Service)	ballen@sedgefield.gov.uk
Alan Smith	Director of Resources (Section 151 Officer)	alansmith@sedgefield.gov.uk
Dennis Hall	Solicitor to the Council (Monitoring Officer)	dahall@sedgefield.gov.uk
Andy Palmer	Assistant Chief Executive	apalmer@sedgefield.gov.uk
Alan Boddy	Head of Organisational Development	aboddy@sedgefield.gov.uk

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Name	Title	Contact details
Az Rafiq	Audit and Resources Manager	arafiq@sedgefield.gov.uk
John Hawes	Accountancy Services Manager	jhawes@sedgefield.gov.uk
Paul Stephens	Corporate Performance Manager	pstephens@sedgefield.gov.uk

- 11 We will continue to liaise closely with these key officers both in planning and carrying out our audit and inspection work. We will always discuss the timing of our work with relevant officers and will notify the responsible officer of the start date of any audit or inspection work with appropriate notice. Where feasible we will try to time the work to suit the working arrangements of those officers involved. We will be clear about the documentation which we will require access to during the course of the work.
- 12 In preparation for local government reorganisation (LGR) the Council has developed a transition plan, a business as usual protocol and a Programme Board. Risks associated with LGR may also be addressed through joint arrangements between the district councils. We will co-ordinate our response to LGR through ensuring that one audit manager attends appropriate meetings, assesses joint arrangements and provides feedback to the other audit managers in County Durham. We have assessed LGR as the greatest audit risk at all the local authorities in the county and included work to address this in the 2008/2009 audit and inspection plans. This work will be co-ordinated county-wide to ensure that emerging risks and good practice are communicated appropriately.
- 13 The main risks that we will be addressing are:
 - the impact of increased turnover and key vacancies on internal control;
 - the security of assets;
 - access to records and officers of the demising council during and after the transition;
 - the use of reserves and balances; and
 - commitments to long-term projects and capital schemes.
- 14 We will take into account the demise of the Council in March 2009 in planning our audit and inspection work and this will involve a lighter touch to scored assessments such as use of resources and direction of travel in view of their reduced relevance to the public. This will help us resource the increased risk-based work for the opinion and VFM Conclusion, described in paragraph 13.

Risk based planning

This section sets out the arrangements in relation to risk based planning.

- 15 The Council routinely identifies and evaluates its operational and financial risks, and develops and implements arrangements to manage them, including systems of internal control. In addition it is also required to have effective arrangements for securing value for money in its use of resources.
- 16 At the core of the Commission's work locally is a risk based approach to planning that reflects our overall assessment of the relevant business risks that apply at the Council. This approach ensures that we meet the requirements of strategic regulation and the Code whilst still directing our resources to address the key risks identified. As part of the planning process we assess the financial and business risks facing the council and the arrangements in place to manage those risks. We then tailor our work to address residual audit risks. The table below sets out our respective responsibilities in this area.

Table 3 Risk based planning

Our audit and inspection plan is developed to address areas of significant residual audit risk

The Council	The Audit Commission
Identify and address operational and financial risks.	Identify the significant business risks which are relevant to our audit work.
Develop and implement proper arrangements to manage risks.	Assess the arrangements in place to manage those risks and therefore the residual audit risk.
	Prepare a tailored Audit and Inspection Plan that directs audit effort to areas of significant residual audit risk.

- 17 It is expected that internal audit (IA), will remain a key part of the Council's control framework. We therefore expect that IA coverage will continue to be based on a detailed risk assessment, with resources focused on addressing the higher risk areas. This is relevant to our work on auditing the financial statements (page 9) and our review of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (page 11).

Auditing the financial statements

This section sets out the arrangements with the Council in relation to our audit of the financial statements.

- 18 The financial statements, which comprise the published accounts of the Council, are an essential means by which it accounts for its stewardship of the resources at its disposal and its financial performance in the use of those resources. It is the responsibility of the Council to:
- put in place systems of internal control to ensure the regularity and lawfulness of transactions;
 - maintain proper accounting records;
 - prepare financial statements that present fairly its financial position and its expenditure and income; and
 - prepare and publish an Annual Governance Statement with its financial statements.
- 19 As your external auditors we are required to audit the financial statements and to give our opinion. This includes consideration of whether they present fairly the Council's financial position and expenditure and income and whether they comply with relevant legislation and accounting standards. We are also required to review whether an Annual Governance Statement has been presented in accordance with requirements and to report if it does not or if it is misleading or inconsistent with other information we are aware of.
- 20 In carrying out these duties we comply with the **International Standards on Auditing (ISAs)**, which are mandatory from 2005/06. In summary, these require us, as external auditors, to:
- gain an understanding of the information systems that are relevant to producing material figures in the accounts;
 - gain an understanding of the way transactions in these systems are initiated, recorded, processed and reported;
 - carry out interim opinion audit planning - identifying risks of material mis-statement (inherent risks in the systems, or specific risks in the Auditor Briefing) - and planning tests of controls that are designed to prevent material mis-statements;
 - carry out tests of controls where those controls are key to ensuring there are no material mis-statements in the assertions in the financial statements;
 - reassess the risks at the time the draft financial statements are produced; and
 - plan and carry out tests of control or substantive tests of detail against the remaining risks for each of the assertions for material entries in the accounts.
- 21 Understanding information systems and testing key controls are clearly key areas where IA have a great deal of experience and provide significant assurance to the Council. However, the new standards require us to understand and document all

material systems. The detailed arrangements for how we will work with IA are set out in Appendix 4. It is also important that we understand the operation of computer systems so the use of appropriate computer audit techniques will be a key element of the review process.

- 22 We will continue to agree a timetable with the Council for the closure of accounts, including inspection by the public and the availability of working papers. A summary of the agreed arrangements is provided in table 4.

Table 4 Auditing the financial statements

We have agreed arrangements with the Council for auditing the financial statements

The Council	Key officers	Key documents	The Audit Commission
Establish and maintain proper arrangements for: <ul style="list-style-type: none"> • ensuring the regularity and lawfulness of transactions; • maintaining proper accounting records; • preparing financial statements; • systems of internal control. 	Director of Resources Solicitor to the Council	Financial statements and supporting working papers Financial procedure rules	Interim audit work to support our opinion on the financial statements in line with ISAs.
	Accountancy Services Manager Audit and Resources Manager	Closedown timetable and procedures Key systems procedure notes Letter of representation Annual Governance Statement IA plans, work and reports	Detailed testing on the draft financial statements in line with ISAs, with specific attention given to identified risk areas.

- 23 We supplied a copy of our minimum working paper requirements checklist in March 2008 to the Accountancy Services Manager. The Accountancy Services Manager will be responsible for ensuring that these requirements are met and the checklist is fully cross-referenced to properly numbered files of supporting working papers. We will provide additional checklists from time to time to help the Council demonstrate how complex accounting issues have been addressed during closure. In order to further assist the audit trail a copy of the statement of accounts will be annotated with references showing where the supporting working papers for each figure can be located.

Use of resources

This section sets out the arrangements with the Council in relation to the use of resources.

- 24 It is the Council’s responsibility to put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, and to ensure proper stewardship and governance, and regularly to review the adequacy and effectiveness of them. Such arrangements form a key part of the system of internal control.
- 25 We have a responsibility to satisfy ourselves that the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. In meeting this responsibility we will review and, where appropriate, examine evidence that is relevant to the Council's performance management and financial management arrangements and report on these arrangements. Our opinion on use of resources is known as the VFM Conclusion and is incorporated within the financial statements.
- 26 The VFM Conclusion is a pass / fail judgement based on 12 criteria but we are also required to give an annual scored (1-4) judgement on use of resources. We have discussed how mutual benefit from this process can be maximised with the Director of Resources and have asked for evidence to be restricted to:
- new criteria not subject to a previous UOR assessment;
 - significant changes to arrangements from the previous year; and
 - notable practice, which the Council wishes us to take into account
- 27 A summary of the arrangements is provided in table five.

Table 5 Use of resources

Arrangements for discharging our responsibilities in relation to its use of resources

The Council	Key officers	Key documents	The Audit Commission
Establish and maintain robust arrangements for producing performance information. (Note: CLG are issuing saving powers to require a BVPP to be published in June 2008 including outturn figures for all 2007/08 BVPIs.)	Corporate Performance Manager	Corporate Plan BVPI working papers	We will carry out a review of the council's arrangements to ensure the quality of its reported performance information including detailed testing of PIs specified by the AC.

The Council	Key officers	Key documents	The Audit Commission
Establish proper arrangements to secure economy, efficiency and effectiveness in its use of resources and ensure proper stewardship and governance, and regularly to review the adequacy and effectiveness of them.	Chief Executive Assistant chief Executive Director of Resources	All key corporate documents	Work to support our annual use of resources judgement.

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Our inspection programme

- 28 We carry out inspections under the Local Government Act 1999 (section 10, to inspect compliance with local council's duty of continuous improvement) and the Local Government Act 2003 (section 99, to report on and categorise the performance of local councils). Our inspections aim to encourage improvement of local services. They are planned and carried out with the aim of maximising the impact of our activities while minimising the burden on the organisations we inspect.
- 29 Our inspection programme is derived from:
- the Comprehensive Performance Assessment (CPA) framework, including the annual Direction of Travel assessment and corporate assessments; and
 - service inspections carried out in line with the Council's improvement priorities.
- 30 Our inspection programme for the year is set out in the annual Audit and Inspection Plan, which we discuss and agree with the Council. We will discuss the detail of the scope and methodology for an inspection, including Direction of Travel, with the Council in good time before carrying it out.
- 31 Corporate assessments are carried out to a national programme. The Council will be notified of arrangements for the corporate assessment by the Audit Commission's national team.
- 32 In planning and carrying out our inspection work, we liaise with other organisations, including Communities and Local Government (CLG), Government Office and other inspectorates. We aim to ensure that the regulatory activities of the different organisations are co-ordinated in order to minimise the impact on the inspected organisation. Our Direction of Travel assessments reflect the views of other regulators, as appropriate.
- 33 We inspect supporting people services directly for CLG, with a focus on the use of grant, value for money and equity in approach to service users.
- 34 The principles and practice of inspection are set out in the Audit Commission's Code of Inspection Practice, which is published on our website (www.audit-commission.gov.uk). Inspection teams use Key Lines of Enquiry (KLOE) to inform the inspection scope and judgements. Details of the KLOE used for our inspections are also on our website. Self-assessment by the Council is a key starting point for our inspection work. Our inspection reports are public reports and are published on our website.
- 35 If the Council disagrees with our inspection judgements, it may apply to the Audit Commission for a Review. If it wishes to request a Review, the Council must do so within ten working days of receiving the final report on the inspection. Details of the Review procedure are on the Audit Commission's website.

The roles of the Audit Commission and the Council in inspections

- 36** The Audit Commission and the organisations it inspects have different but complementary roles in inspections.
- 37** For all inspections, we aim to:
- notify the inspected organisation of the timing of the inspection, the names and contact details of the inspection team and dates for fieldwork in good time;
 - provide adequate notice of the deadline for receipt of the organisation's self-assessment;
 - provide details in good time of documents or other information required and fieldwork activities to be arranged, and aim to avoid duplication by requesting only those documents or other information to which the Commission does not already have access;
 - provide the inspected organisation with summarised, anonymised results of any formal consultation with stakeholders carried out by the Audit Commission as part of an inspection;
 - brief the inspected organisation on key issues and emerging findings from the preparation phase and keep the inspected body informed of key issues and emerging findings during the fieldwork phase (as a minimum through one feedback session at the end of the fieldwork), and in doing so maintain a 'no surprises' approach;
 - clarify with the inspected organisation the dates for delivery of the draft inspection report and the deadline for comments on the report;
 - notify the inspected organisation in advance of the date of publication of the report;
 - provide the pre-publication report at least ten working days before the due publication date;
 - publish inspection reports including on the Commission's website;
 - issue press releases at the Commission's discretion;
 - provide a copy of any press release to the inspected organisation at least one working day in advance of publication;
 - conduct any review of the inspection without unreasonable delay, and in doing so keep the inspected organisation informed of progress and the expected completion date for the review; and
 - seek feedback from inspected organisations about the inspection and the inspection team.
- 38** For service inspections, we aim in addition to:

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- discuss and agree inspection programmes with inspected organisations (the Commission has powers to inspect without agreement, but will seek the agreement of the inspected organisation whenever possible);
- prepare a clear specification and scope for an inspection, for the benefit of the inspected organisation and of the inspection team, to be agreed where possible; and
- agree the dates for fieldwork with the inspected organisation.

39 For all inspections, we expect the Council to:

- respond to requests from the Audit Commission for documentation and other information without delay and within the deadlines given by the Commission¹;
- submit the self-assessment by the deadline set by the Audit Commission;
- assign an officer to liaise with the inspection team for the purposes of the inspection arrangements;
- make the necessary arrangements for an inspection, particularly for the fieldwork phase, including provision of office accommodation to Audit Commission requirements, arrangement of interviews and focus groups, and facilitation of checks on user experiences;
- respond to the draft inspection report by the deadlines set by the Commission;
- respect the Audit Commission's embargo on publicity before publication, and not issue public statements (including press releases) on the inspection report until the embargo is lifted;
- circulate the final inspection report to stakeholders within and outside the organisation;
- act on the Commission's recommendations for improvement;
- raise any issues of concern with the inspection team, the Commission's relationship manager or the lead housing inspector as soon as they arise; and
- operate a 'no surprises' approach themselves.

40 In addition, for service inspections we expect the inspected organisation to provide information to the inspection team to enable the team to estimate the cost implications of recommendations, and discuss these costs and related matters with the inspection team.

¹ The Audit Commission has statutory powers to require documents and other information to be provided by the inspected organisation. Information supplied to the Audit Commission is subject to the Freedom of Information Act 2000; the Commission will normally consult the inspected organisation before disclosing information supplied as part of an inspection.

Reporting the results of our work

This section sets out our reporting arrangements with the Council.

- 41 The results of our work will be reported in a range of outputs. In particular, the following will be issued at key points in the programme:
- Audit and Inspection Plan;
 - oral and/or written reports or memoranda to officers and, where appropriate, Members, on the results of, or matters arising from, specific aspects of our work;
 - a report to those charged with governance summarising our conclusions;
 - an audit report including our opinion on the financial statements and a conclusion on whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources;
 - a certificate that the audit of the accounts has been completed in accordance with statutory requirements;
 - published inspection reports;
 - an Annual Audit and Inspection Letter; and
 - Direction of Travel statement and CPA Scorecard.
- 42 The following table sets out the agreed arrangements for reporting the key outputs from the audit. Copies of all final audit reports and letters will be issued to the Director of Resources and relevant Corporate Director for distribution within the Council as appropriate.

Table 6 Reporting

Reporting arrangements have been agreed with the Council

Table header	Draft by	Draft to	Final by	Members
Audit and Inspection Plan 2008/09	15 April 2008	Director of Resources	31 May 2008	Audit Committee
Report to those charged with governance (Note 1)	31 August 2008	As above	30 September 2008	As above.
Audit Report (Note 2)	As above	As above	As above	As above.
Certificate (Note 3)	As above	As above	As above	As above.
Annual Audit and Inspection Letter	To be confirmed	Chief Executive	To be confirmed	Cabinet

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Table header	Draft by	Draft to	Final by	Members
(including direction of travel assessment) 2007/08				
Oral and/or written reports or memos on specific aspects of audit work	To be agreed for each piece of work	To be agreed for each piece of work	Within 7 days of receiving agreed action plan	As appropriate

Note 1: This includes the full range of responsibilities under statute and the Code. However, these reports will not duplicate significant matters previously communicated to those charged with governance, for example through reports, memoranda or presentations on specific pieces of work during the year.

Note 2: This includes the opinion on the financial statements and the conclusion on whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in the use of resources.

Note 3: Auditors are required to certify the completion of the audit, which closes the audit.

Inspection reports

- 43 All inspection reports are public reports and are published on the Audit Commission's website (www.audit-commission.gov.uk).
- 44 We will share draft reports with the Council in advance of publication and ask for the Council's comments on the draft report. We will take these comments into account in finalising the report.
- 45 We may issue a press release on the inspection, at our discretion; any press releases will be shared with the Council shortly before publication of the report.

Grant claims and returns

This section sets out the arrangements with the Council in relation to the certification of grant claims and returns.

- 46 The Council should establish proper arrangements to ensure the completion and accuracy of grant claims. It is the Council's responsibility to ensure that it maximises its income by completing all relevant grant claims accurately and meeting the appropriate deadlines for submission to grant paying bodies and the Audit Commission. It is responsible for establishing adequate systems to control their preparation and authorisation in accordance with appropriate guidance.
- 47 We will agree a timetable for submission of grant claims and returns with the Council, which takes account of the deadlines for sending the claims to government departments and audit certification.
- 48 The work that we undertake in the certification of grant claims is specified by the Audit Commission in certification instructions (CIs), including the level of testing and the appropriateness of placing reliance on the work of IA. We will continue to provide copies of relevant CIs to the Accountancy Services Manager as they are issued.
- 49 Our approach in this area will reflect recent changes to the Audit Commission certification regime, which are designed to reduce the regulatory burden on councils. This involves a more risk-based approach to the certification of grant claims. Smaller claims are no longer subject to audit or receive a lighter touch. The approach to larger claims is determined by risk and the adequacy of the Council's control environment.
- 50 Existing liaison arrangements in terms of grant certification continue to work well and the quality and timeliness of supporting working papers is generally good.

Table 7 Grant claims and returns

Arrangements for the certification of grant claims and returns have been agreed

The Council	Key officer	Key documents	The Audit Commission
To ensure proper arrangements for the completion, accuracy, authorisation and timeliness of grant claims and returns.	Accountancy Services Manager	Grant procedure notes Timetable for completion IA plans and working papers Certification Instructions (CIs)	Audit and certification of grant claims.

Additional arrangements

There are a number of other areas where we have established agreed arrangements with the Council.

- 51 In addition to the statutory duties and responsibilities listed above there are a number of other arrangements, both within the code and more informally, where it is useful to agree the protocol for the relationship and respective responsibilities. These areas include:
- auditor’s special powers and duties.
 - Public Interest Disclosure Act; and
 - Freedom of Information Act.

Auditor’s special powers and duties

- 52 In addition to the general functions of auditors set out in the Code, as the Council’s external auditors, we have specific powers and duties under the Audit Commission Act 1998. In exercising any of these powers, we will tailor our approach to the particular circumstances of matters under consideration. The respective responsibilities, as covered by the Code, are outlined below.

Table 8 Special audit powers and duties

Arrangements for exercising special audit powers and duties have been agreed

The Council	The Audit Commission
<p>In the unlikely event, of the Council being notified of a proposed use of audit powers, it will facilitate such arrangements as necessary, including access to documents and personnel. It will also pay the agreed additional fee, if any.</p>	<p>Any proposed exercise of powers under the Act would be communicated as soon as possible to the appropriate officers and arrangements made for:</p> <ul style="list-style-type: none"> • ongoing liaison with officers; • additional audit fee; and • reporting.

Public Interest Disclosure Act (PIDA)

- 53 The following table sets out the respective responsibilities in relation to the Public Interest Disclosure Act (PIDA).

Table 9 PIDA responsibilities

Arrangements for handling disclosures under PIDA have been agreed

The Council	The Audit Commission
In the unlikely event of the need of the Council being notified of a proposed investigation, it will facilitate such arrangements as necessary, including access to documents and personnel and will pay the agreed additional fee.	An investigation will be carried out under the auspices of the Audit Commission. The requirement for any such investigation will be communicated as soon as possible to appropriate officers.

Freedom of Information Act (FoIA)

- 54 Information obtained or generated as part of Audit Commission functions such as inspections, studies, comprehensive performance assessments, or grant certification work is subject to the FoIA.
- 55 Both Sedgefield Borough Council and the Audit Commission are “public authorities” for the purpose of the Freedom of Information Act 2000 (“the FOIA”). We will both be required to provide individuals with information that they request, subject to any exemption that may apply (see paragraph 56 below). A request could potentially include draft versions of inspection reports. The Commission would seek to withhold drafts on the basis of section 49A of the Audit Commission Act 1998 (i.e. that disclosure would harm our ability to undertake our statutory functions and that, in any event, the information is due to be published at a future date).

Appendix 1 – Frequency of meetings

- 1 The following table sets out the agreed pattern of routine liaison meetings with the key contacts of the Council. Clearly there may be instances when more frequent meetings are necessary, for example, to discuss new local or national issues or when particular pieces of work are underway. Moreover, the attendees listed are entitled to ask other people to attend as and when required.

Attendees	Title	Frequency of meetings
Brian Allen, Marion Talbot and Paul Heppell	Audit and Inspection Issues	Quarterly
Alan Smith and Paul Heppell	Section 151 Officer Issues	Bi-monthly
Dennis Hall and Ross Woodley	Monitoring Officer Issues	Three Times A Year
Az Rafiq and Ross Woodley	Internal and External Audit Liaison	Three Times A Year

Appendix 2

Protocol for the Certification of Grant Claims

Introduction

- 2 It is important that the Council has efficient and effective arrangements in place to ensure that there are no deficiencies in the way grant claims and returns are handled. One of the key elements of the administration of grant claims is the relationship with the external auditor who will be certifying the claim.
- 3 The responsibility for good grant claim administration was given added importance with the issue of the Accounts and Audit Regulations 1996, which specifically required the maintenance of records relating to grant claims in accordance with proper practices.
- 4 The Audit Commission adopts the following thresholds for auditing grant claims:
 - Claims less than £100k – no audit certification
 - Claims between £100K and £500K - a light touch audit is required
 - Claims greater than £500K– an assessment has to be made as to whether or not reliance could be placed on the control environment. Where reliance could be placed, lighter touch testing is applied but where reliance could not be placed then full testing will be applied.
- 5 This new approach means the Authority had a certain amount of control as to the time taken on grant claim certification and consequently the level of fees.
- 6 There is a constant stream of new guidance on the administration of grant claims but the key points remain the same:

Table 10 SUMMARY OF KEY POINTS

A	Local authorities are required by statute to maintain proper records or grant claims.
B	Local authorities need to manage their procedures effectively to ensure achievement of their full entitlement to grants.
C	Local authorities can achieve considerable improvements in their management of grant claims through: <ul style="list-style-type: none">• appointing a co-ordinator for grants work• planning for timely submission of claims• supervising work on claims.
D	Internal quality control can play a valuable role in ensuring the accuracy of grant claims.
E	Liaison with external audit is essential to achieve prompt and accurate submission of claims.

Objective

- 7 The objective of this protocol is to maintain the partnership approach between the Council and the Audit Commission. Our shared aim is to minimise the cost of grants certification, whilst ensuring that all appropriate procedures are met.

Structure

- 8 The protocol indicates good practice in the following areas:
- the role of the grants co-ordinator;
 - the working papers required to support claims; and
 - the degree of pre-audit review.

The role of the grants co-ordinator

- 9 The Council has nominated John Hawes (Accountancy Services Manager) as grants co-ordinator with responsibility for:
- liaising with relevant officers to establish a comprehensive schedule of grants and returns expected in 2007/2008 and 2008/2009;
 - ensuring that the schedule and timetable are kept up to date and informing AC of any changes
 - ensuring that all staff involved in grants and returns compilation are aware of their responsibilities, including deadlines and the consequences of not meeting them

- reviewing the register to monitor progress against timetable, follow-up missed targets and keeping AC informed;
 - obtaining management information on grant claims as a means of identifying problems as well as identifying recharges; and
 - ensuring that an adequate system of quality control is in place and making officers aware of working paper requirements, the need for supervision and the degree of pre-audit review.
- 10 A key task of a grants co-ordinator is to ensure that officers provide claims and supporting working papers to the auditor as early as practicable. This is largely driven by the submission deadline for the individual claims. Early submission does however have a number of advantages:
- makes it easier to accommodate slippage;
 - allow more time for pre-audit review and correction of errors or working paper weaknesses;
 - smooth out the audit workload, which currently involves the majority of claims having to be audited in the final 2 or 3 months of the year; and
 - helps to avoid the time problem of officers and auditors having to resolve issues while up against the claims deadline.

Working papers

- 11 The Accounts and Audit Regulations 1996 require the Chief Finance Officer to ensure that the accounts and supporting records are maintained in accordance with proper practices.
- 12 It should be noted that grant claim documentation is not prepared primarily for the external auditors only. It is also important for the Council to have clear records in order to respond to other interested parties and to assist preparers of grant claims in the next year and in future years. Some grant paying bodies do also require us to check that authorities are retaining working papers for set periods - e.g. ERDF claims.
- 13 Auditors rely on the provision of clear, comprehensive working papers to support grant claims. This helps avoid unnecessary officer time in dealing with queries. Officers understanding of what we expect in respect of working papers should be assisted by reference to the Certification Instruction (CI) issued by the Audit Commission.

Pre-audit review

- 14 There is a format for the supervision and review of grant claims before a claim is submitted for audit. This ensures that officers have undertaken the appropriate steps to correct basic errors and provide minimum expected working papers before claims reach the auditor. Such a review should be evidenced on the working paper files.

- 15 We would expect that as a minimum the following should be confirmed as part of the pre-audit review:
- the claim has been submitted on the correct form;
 - it is fully completed and the arithmetic is correct;
 - entries agree to the authority's income and expenditure accounts;
 - comparison with previous claims to provide assurance that entries on the form are reasonable;
 - confirmation that working papers are adequate to support the entries;
 - contracts have been awarded in accordance with standing orders;
 - charges for goods or services provided in-house are made on the same basis as those charged to non-grant earning activities;
 - duplication with other claims has been avoided;
 - payments on account are agreed and reflect the position at the date of the authority's certificate; and
 - analytical review has been carried out where appropriate. This involves comparing figures on claim forms to previous years and/or budgets and seeking explanations for significant variances.
- 16 It should be noted that materiality is not a concept which applies to grant claims; errors identified will result in amendment to or qualification of the claim.

The role of the Audit Commission

- 17 The external auditors' role in relation to grants and returns requiring audit certification is to satisfy themselves that claims are fairly stated and comply with the conditions of a scheme. We fulfil this role by carrying out detailed audit procedures in accordance with instructions issued by the Audit Commission.
- 18 We will also:
- hold regular discussion about expected claims with the Co-ordinator and relevant officers;
 - provide notification of any major changes to certification instructions as provided by the Audit Commission; and
 - hold discussions of any problems that may arise that could impact significantly on the certification process
- 19 . The table below summarises all the key issues for the Authority:
- the nomination of an officer to act as Grants Co-ordinator and the formal defining of this role;
 - maintaining the timetable for earlier completion of claims and submission to the auditor;
 - ensuring Certification Instructions get to the relevant officers;

- confirming that adequate working papers are on file before submitting a claim; and
 - ensuring a pre-audit review of the grant claim and supporting working papers is fully carried out (including carrying out an analytical review). This is very important as plays a large part of the auditor's assessment and could lead to claims being given the 'full' instead of the 'lighter touch' audit.
- 20** We will review the effectiveness and efficiency of these arrangements with the Council annually. This should help ensure that both partners discharge their duties in a co-ordinated, efficient manner, and that our work is carried out in a way which supports improvement in the Council's services.
- 21** We hope to continue the good working relationships with officers and that these arrangements will help both parties to make the best use of the available audit resources.

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Appendix 3

Legality Protocol

Audited Bodies

- 22 The Code of Audit Practice (the Code) states that “it is the responsibility of audited bodies and their officers to act within the law”. In order to help prevent local authorities from breaching the Ultra Vires rule, Parliament has provided for the establishment of three statutory officer functions, with specific responsibility for considering and advising on the legal aspects of any proposed transaction that an authority may be proposing to take:
- Head of Paid Service
 - Monitoring Officer
 - Chief Financial Officer
- 23 The principal roles and functions of these Officers are as follows;-
- 24 The Head of Paid Service:-
- overall corporate management and operational responsibility (including overall management responsibility for all employees);
 - the provision of professional advice to all parties in the decision making process (full Council, Cabinet overview and scrutiny and other Committees);
 - together with the Monitoring Officer, responsibility for a system of record keeping for all the Local Authority’s decisions; and
 - representing the Local Authority on partnership and external bodies (as required by statute or the Local Authority).
- 25 The Monitoring Officer:-
- maintaining an up-to-date version of the Constitution and ensuring that it is widely available for consultation by Members, employees and the public;
 - after consulting with the Head of Paid Service and Chief Finance Officer, reporting to the full Council or to Cabinet (the executive) in relation to an executive function if he or she considers that any proposal, decision or omission would give rise to unlawfulness. Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered;
 - assisting with the preparation, adoption and monitoring of and revisions to and compliance with the Council’s Code of Conduct;
 - contributing to the promotion and maintenance of high standards of conduct through provision of support to the Standards Committee and advising, training or arranging for the training of Members on matters relating to the Authority’s Code of Conduct.

- supporting the Standards Committee in connection with the performance of its functions in relation to Town and Parish Councils, and the members of those authorities and in particular to act as their Monitoring Officer;
- receiving and acting on reports made by ethical standards officers and decisions of case tribunals;
- conducting investigations into matters referred by ethical standards officers and making reports or recommendations in respect of them to the Standards Committee. Implementing the new arrangements for the local determination of complaints;
- ensuring that executive decisions, together with the reasons for those decisions and relevant Officer reports and background papers are made publicly available as soon as possible;
- advising whether decisions of the executive are in accordance with the budget and policy framework; and
- providing advice on the scope of the powers and authority to take decisions, maladministration, financial impropriety, probity and budget and policy framework issues to all Councillors.

26 The Chief Finance Officer:-

- after consulting with the Council's Monitoring Officer, reporting to the full Council or to the Cabinet in relation to an executive function and the Council's external auditor if he or she considers that any proposal, decision or course of action will involve incurring unlawful expenditure, or is unlawful and is likely to cause a loss or deficiency or if the Council is about to enter an item of account unlawfully;
- responsibility for the administration of the financial affairs of the Council;
- contributing to the corporate management of the Council, in particular through the provision of professional financial advice;
- providing advice on the scope of powers and authority to take decisions, maladministration, financial impropriety, probity and budget and policy framework issues to all Councillors and supporting and advising Councillors and Officers in their respective roles; and
- providing financial information to the media, members of the public and the community.

The Council

- 27** The Monitoring Officer is under a duty to prepare a report to the Council, or the executive insofar as executive functions are concerned, if at any time "it appears to him that any proposal, decision or omission by the authority, or one of the Council's committees, sub-committees or officers, or by a joint committee on which the authority is represented, constitutes or may give rise to a contravention of any enactment or rule of law, and to report on maladministration or injustice where the Local Ombudsman has carried out an investigation.

- 28 The Monitoring Officer must consult so far as practicable with the Head of Paid Service and the Chief Financial Officer, regarding any such report and arrange for a copy to be sent to each Member. The Council, the executive or relevant Committee must consider the report within 21 days of its dispatch to Members, and ensure that no step is taken for giving effect to any proposal or decision to which the report relates at any time whilst implementation is suspended.
- 29 General and specific legal advice and support will be provided to the Council, the Cabinet, Committees and Panels by the Monitoring Officer and through him by the Authority's legal service. Such advice and support will also be given to Chief Officers and their Service Groupings.

Auditors

- 30 Under the Code, external auditors are required to give an independent assessment of "the adequacy of the audited body's arrangements for ensuring the legality of transactions that might have a financial consequence". Auditors have to consider:
- the question of legality and take reasonable steps to inform themselves of significant financial transactions or events that are unusual or of questionable legality;
 - the audited body's arrangements for implementing new legislation or statutory requirements; and
 - the applicability locally of any national issues; for example, on matters where guidance is issued by the Audit Commission.

Joint Working at a Local Level

- 31 In order to discharge its responsibilities, the Council has nominated Dennis Hall, as the Monitoring Officer.
- 32 In order to meet the Audit Commission's responsibilities and support the Council in discharging its responsibilities a contact and liaison point at the Council is considered to be required for legality issues. For this purpose it has been agreed that Dennis Hall, as Monitoring Officer, will be the relevant contact and liaison point. This will involve responding or organising responses to written requests from Audit Commission regarding any material legal issues affecting the Council or any new, or novel, proposed Council scheme or arrangement with a significant financial consequence, which has potential legal implications.
- 33 For the Audit Commission's part, we will provide the Council with details of legal issues that have arisen elsewhere and may have an impact on the Council.
- 34 Each year Audit Commission will also formally assess the likelihood of legal problems in order to inform our work in this area. We will review overall arrangements by reference to accumulated knowledge and intelligence gathered during the course of the audit.
- 35 In discharging our responsibilities, Audit Commission will maintain a dialogue on legal matters with the liaison officer through correspondence or meetings at

mutually agreed times and dates. These will cover updates to the transition plan and progress with equal pay cases as standing items on the agenda. We will also discuss legal issues with other relevant Council Officers when necessary, for example, the Head of Paid Service and the Chief Financial Officer. In addition, we will continue to review minutes and press reports to keep ourselves informed of the Council's activities, and, subject to prior agreement with the Council, periodically undertake in-depth reviews of arrangements for securing legality.

- 36 In Audit Commission's work we will maintain a general awareness of legal issues. Specifically, we will consider matters identified by the Audit Commission in technical releases and by Audit Commission's legal and technical group.

Freedom of Information Act (FoIA)

- 37 The FoIA came into force on 1 January 2005. Appointed auditors are not presently subject to the Act as they are not designated as public authorities. They are therefore not under any obligation to comply with FoIA requests about information collected or generated as part of the statutory audit functions under the Code of Audit Practice. In respect of its own functions, and in common with all public authorities, the Audit Commission has to:
- confirm or deny whether requested information is held, and
 - disclose that information unless another Act of Parliament prohibits it, or one of the FoIA exemptions applies.
- 38 Much of the information that we hold is collected from officers under the powers granted by the Audit Commission Act 1998 (ACA). Except in certain circumstances, disclosure of that information could have been a criminal offence. ACA has now been amended so that the Commission can disclose information it holds unless doing so would 'prejudice the effective performance' of its statutory functions.
- 39 We will respond to requests for information supplied to us by your Authority by identifying whether the requested information is already published. If it is, we will direct the applicant to the relevant source for that information. If the request is for non-published information we will consult with you to seek permission for it to be disclosed. If permission is granted, we will disclose it. If permission is refused, we will consider whether we have grounds to withhold the information, taking into account other legislation, including ACA. If you do refuse, we would ask for reasons and a legal justification such as an exemption or other Act of Parliament. If the auditors do not have grounds to refuse, the information will have to be disclosed.
- 40 The timescale to reply to applicants is limited to twenty working days and therefore we would ask that the Authority responds to our requests for permission to disclose within three working days. If we don't receive a reply in that time, we will be obliged to make our own judgement about disclosure.
- 41 In the same way, reciprocal arrangements to those outlined in clauses 15 and 16 would apply if you receive a request for information supplied to you by the Audit Commission. The only caveat being that we would attempt to meet the three

working day period for responding to requests for permission to disclose but accepting that this is in the hands of the central Audit Commission as opposed to the 'local' audit team.

- 42 We would ask that as a first point, you contact your Audit Manager, Paul Heppell. Technically the new legislation does not yet impact on the Audit Commission. We would however, consider each request on a case by case basis to determine whether the information was subject to confidentiality restrictions and could be released.

Third Party Complaints

- 43 Where Audit Commission receives complaints from third parties regarding the Council's services, its employees or Members, those complaints may be referred to or discussed with the liaison officer. Where Audit Commission propose to respond to the complaint direct, so far as reasonably practicable, the liaison officer will provide or arrange to provide, within an agreed time, sufficient information about the complaint to enable such a response to be made. Where Audit Commission wish the Council to respond to the complainant direct, the liaison officer will ensure that the complaint is handled in accordance with the Council's appropriate complaints procedures. In all such cases involving alleged Member misconduct due regard will need to be given to the role and responsibilities of the Standards Board for England.
- 44 Where Council Officers receive complaints from third parties, they will be dealt with in a courteous, reasonable and responsive manner in accordance with the Authority's complaints procedures and they will not be referred, either directly or indirectly, to the District Auditor until such time as the Council's procedures have been exhausted. In particular, complaints will not be passed on to Audit Commission, and complainants will not be advised to raise a matter with the District Auditor, unless those complaints have been fully investigated on behalf of the Council.

Conclusion

- 45 Audit Commission believe that joint working in this way will both satisfy the Code of Audit Practice and assist the Council in dealing with the challenge of ensuring the lawfulness of its transactions and the efficiency and effectiveness of its services. Both Audit Commission and the Liaison Officer will keep these arrangements under review with a view to identifying any scope for improvement.

Appendix 4

Internal Audit Protocol

Introduction

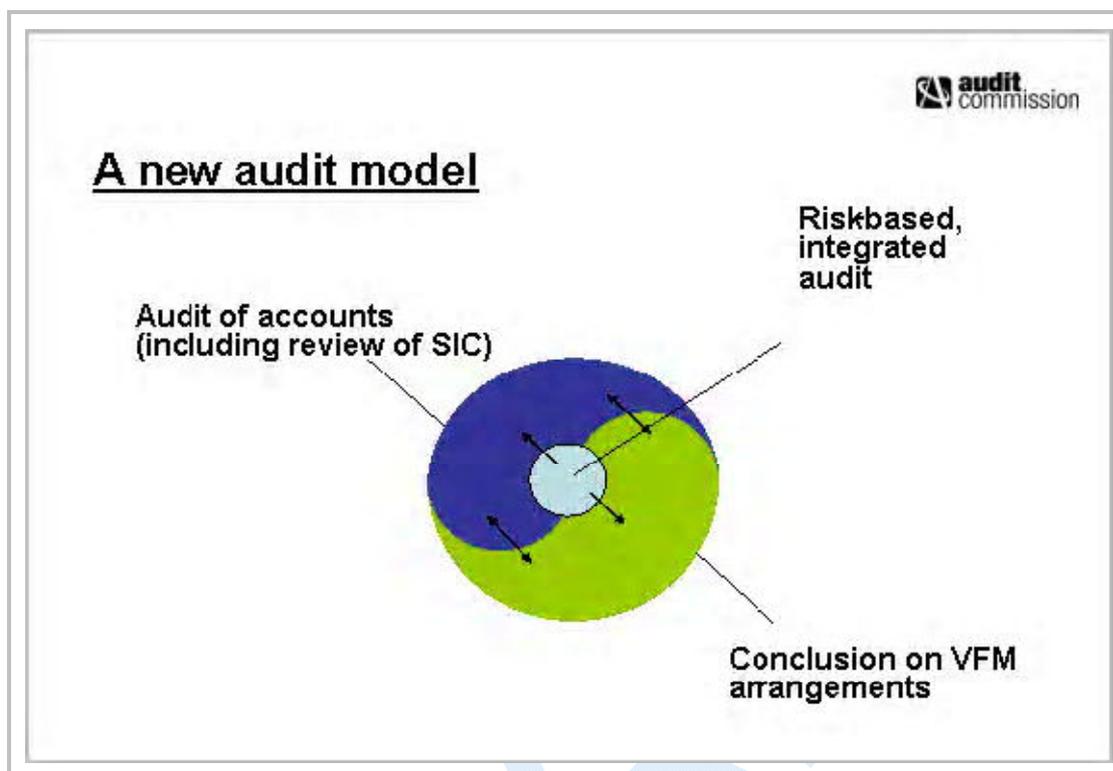
- 46 The arrangements for working with Internal Audit and the associated benefits have already been agreed and documented in previous years. The purpose of this document is to update the position to reflect the most recent internal and external audit codes of practice. It sets out how internal and external audit (the Commission) will work together and establishes a framework for co-ordination, co-operation and exchange of information.
- 47 In summary, this protocol outlines:
- the Audit Commission Code of Audit Practice (the Code) and the respective roles of Councils and external audit;
 - the requirements of the International Standards on Auditing (UK and Ireland) and their impact on the work of external auditors;
 - the consideration of Internal Audit work; and
 - the development of effective working arrangements with Internal Audit.

Code of Audit Practice

- 48 The latest Audit Commission Code of Audit Practice came into effect from April 2005 and is designed to secure:
- a more streamlined audit, which is proportionate to risk and targeted on areas where auditors have most to contribute to improvement;
 - a stronger emphasis on value for money, focusing on bodies' corporate performance and financial management arrangements (rather than individual services and functions); and
 - better and clearer reporting of the results of audits.
- 49 The audit model is shown in Figure 1 overleaf.

Figure 1 The Code of Audit Practice

The Code of Audit Practice came into effect from April 2005



Code of Audit Practice, Audit Commission

- 50 The Code sets out the respective responsibilities of Councils and external auditors:

Table 11 Responsibilities under the Code of Audit Practice

Council’s responsibilities	External auditor’s responsibilities
<p>It is the responsibility of the Council to:</p> <ul style="list-style-type: none"> • put in place systems of internal control to ensure the regularity and lawfulness of transactions and prepare and publish an Annual Governance Statement; • maintain proper accounting records; and • prepare financial statements that present fairly the financial position of the body 	<p>Audit the financial statements and to give an opinion on whether they present fairly the financial position of the audited body and its expenditure and income for the year in question. The opinion will also state whether they have been prepared properly in accordance with relevant legislation and applicable accounting standards.</p> <p>In carrying out this responsibility, auditors should provide reasonable assurance that the financial</p>

Council's responsibilities	External auditor's responsibilities
<p>and its expenditure and income.</p>	<p>statements:</p> <ul style="list-style-type: none"> • are free from material misstatement, whether caused by fraud or other irregularity or error; • comply with statutory and other applicable requirements; and • comply with all relevant requirements for accounting presentation and disclosure. <p>Auditors should review whether the Annual Governance Statement has been presented in accordance with relevant requirements and to report if it does not meet these requirements or if the Statement is misleading or inconsistent with other information of which the auditor is aware.</p>

51 New International Standards on Auditing (ISAs) were introduced with mandatory effect from 2005/06. These have a direct impact on the statutory opinion audit duty. The ISAs represent a significant strengthening of external audit over the current Statement of Auditing Standards (SAS) requirements. The standards that principally affect our working relationship with Internal Audit are:

- ISA 315 – Understanding the entity, its environment and assessing the risks of material misstatement.
- ISA 330 – Procedures in response to assessed risks.
- ISA 240 – Consideration of fraud.
- ISA 610 – Considering the work of Internal Audit.

52 In summary, the approach requires us, as external auditors, to:

- gain an understanding of the information systems that are relevant to producing material figures in the accounts;
- gain an understanding of the way transactions in these systems are initiated, recorded, processed and reported;
- carry out interim opinion audit planning - identifying risks of material misstatement (inherent risks in the systems, or specific risks in the Audited Body) - and planning tests of controls that are designed to prevent the material misstatements;

- carry out tests of controls where those controls are key to ensuring there are no material misstatements in the assertions in the financial statements;
- reassess the risks at the time the draft financial statements are produced; and
- plan and carry out tests of control or substantive tests of detail against the remaining risks for each of the assertions for material entries in the accounts.

53 Understanding information systems and testing key controls are clearly key areas where Internal Audit has a great deal of experience and provides significant assurance to the Council. We will place reliance on Internal Audit, wherever it is feasible and cost-effective to do so. However, external auditors must demonstrate their own understanding of the systems and controls and thus we will continue to update our own systems documentation and carry out walk-through tests to confirm the controls are operating as described. We will consider the extent of control testing that we undertake in the light of our walk-through tests and the assurance available from Internal Audit and our own year-end procedures.

54 It is important that we understand the operation of computer systems so the use of appropriate computer audit techniques will be a key element of the review process.

ISA 610: Considering the work of Internal Audit

55 We will seek to maximize our reliance on the work of Internal Audit particularly in relation to the Council's core financial systems. In this respect, ISA 610 requires external auditors to:

- review Internal Audit's work every 3 years (2007/2008 assessment in progress) to confirm that it meets, as a minimum, the requirements of the CIPFA Code and CIPFA Internal Audit Manual. This will provide assurance that work is to a standard and can be relied on to inform external audit conclusions;
- review whether Internal Audit is effective as a management control, as part of the annual control environment assessment; and
- review (and seek to place reliance on) specific pieces of Internal Audit work, where that work covers areas relevant to our Code of Audit Practice objectives and it is more efficient to review Internal Audit work than do the work ourselves.

56 The ISA makes one important change with regard to reviewing the work of Internal Audit. Where external auditors intend to use Internal Audit's work to inform conclusions, the specific work must be evaluated and this may involve re-performance of Internal Audit work, testing of similar items or observing Internal Audit work.

57 Where it is not possible to place reliance on the work of Internal Audit because they have not tested the control that we need to rely upon or have not done so in accordance with the CIPFA Code for Internal Audit, we may request that additional work is performed or we may undertake our own work at additional cost

to the Council. We also need to consider whether we can place reliance on the work of Internal Audit for the whole financial year. Where testing applies only to a limited time period we may also need to request that additional work is performed by Internal Audit or we may undertake our own work at additional cost to the Council.

Working with Internal Audit

- 58** The CIPFA code defines Internal Audit as ‘an assurance function that primarily provides an independent and objective opinion to the organisation on the control environment comprising risk management, control and governance by evaluating its effectiveness in achieving the organisations objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources’. The responsibilities of Internal Audit are set out in their Audit Charter.
- 59** The Code and ISAs recognise Internal Audit’s key role in the control framework, and that internal and external audit’s responsibilities overlap in some areas. To ensure a more streamlined audit the Code requires external auditors to establish effective co-ordination arrangements with Internal Audit and seek to place reliance on the work of Internal Audit wherever possible.
- 60** The certification of grant claims rests outside the Code of Audit Practice. However, the audit of claims may require testing of the systems on which the claims are based. In these circumstances, we will continue to seek to place reliance on work performed by Internal Audit wherever possible.
- 61** Where internal and external audit work closely together the following benefits should accrue.

Table 12 The benefits of joint working

Internal audit	The Council	External audit
Increased credibility and presence with management and Members (those charged with governance).	Clearer, more consistent reporting of audit issues.	Better understanding of the corporate framework.
Greater emphasis on Internal Audit’s own objectives.	Reduced opportunity for duplication or omission of audit work.	The audit is more tailored and relevant to the Council.
Greater awareness of risk from an external observer’s perspective.	Better focused audit work that provides relevant information.	Increased awareness of risk factors at the Council.
Opportunity for cross training e.g. IT audit	Maximises the positive impact of audit.	More efficient audit approach.

Liaison arrangements

- 62 We will continue to meet regularly with Internal Audit to update issues identified in relation to the audit, review progress and exchange information. The agreed contacts for the Audit Commission and Council are identified in the table below:

Table 13 Key contacts

Key contact	E-mail	Telephone
Audit Commission		Ext 4365
Paul Heppell Audit Manager	p-heppell@audit-commission.gov.uk	
Ross Woodley, Principal Auditor	r-woodley@audit-commission.gov.uk	
Internal Audit		Ext 4245
Az Rafiq, Audit and Resources Manager.	arafiq@sedgefield.gov.uk	
Sarah Davies, Principal Auditor	sadavies@sedgefield.gov.uk	

- 63 The Audit Commission and Internal Audit will also share the results of planning and risk assessment exercises for the 2008/09 audit. These will be used to discuss any areas where there may be an overlap of responsibilities and identify any areas where joint working may be appropriate.
- 64 The Audit Commission and Internal Audit will continue to share all final reports.
- 65 We will also continue to provide Internal Audit with fraud risk warning bulletins when they are issued by the Audit Commission. Internal Audit will provide details of all significant frauds (>£1,000) and cases of corruption, excluding benefit overpayments.

Agreed action

- 66 We will identify the systems which we consider to be material to the production of the Council's financial statements, update our documentation of these systems and carry out walk-through tests. Internal Audit will undertake an annual review of these systems and test key controls. We will seek to rely on this work where this work is considered the most efficient means of obtaining the assurance we need to support our opinion.
- 67 In carrying out our audit of the Council's financial statements, we will ensure that the requirements of appropriate International Standards on Auditing are met.
- 68 We will present summary reports on our work, if deemed appropriate, to the Council's Audit Committee (or other appropriate committees) during the year.