



Arrangements for joint working between internal audit teams

Purpose of this paper

1. A number of advantages accrue from joint working between the two internal audit teams in the Houses, principally more efficient and effective use of audit time and a wider spread of assurance. This paper sets out how a consistent approach to auditing in areas of common interest is achieved.

Background

2. Joint working between the two audit teams has been growing over recent years, more so with the establishment of PICT as the first truly bicameral service, but also with the re-organisation of the Estates function. In addition there are a number of other developments, such as information assurance, where a sharing of knowledge can benefit each side.

3. The management of both Houses, as well as the Audit Committees, are keen to see the continuation of closer working of internal audit, and the realisation of the benefits that will arise.

4. It is intended that this protocol should be applied to all areas of common interest.

Basic Principles

5. The agreement is underpinned by the following basic principles:
- Any internal audit work in shared areas should be fully co-ordinated and agreed in advance;
 - Each Head of Internal Audit (“HIA”) will place due reliance on review work undertaken in shared areas, irrespective of the resourcing arrangements for individual assignments, and will present the conclusions from such work to his or her own Audit Committee;
 - Assurance drawn from all shared service work, however resourced, will feed directly into the annual assurance provided to each Accounting Officer;
 - Each HIA is responsible for ensuring that appropriate professional standards are observed at all times. All work will be undertaken or supervised by professionally qualified staff.

Development of the Annual Programme

6. For each HIA, the annual planning round will involve two separate, though related, elements; plans for work which is House specific and plans for joint work. House specific planning will remain the responsibility of the individual HIA and will continue to be taken forward in the normal way. Development of the programme of joint work will be undertaken co-operatively and is likely to involve the following stages:

- Construction of an outline programme, taking input as appropriate from the two Accounting Officers, the respective Management Boards and the NAO, and having regard to available resources. Selection of individual assignments will be risk based and will take account of other sources of assurance;
- Discussion of the outline programme with other stakeholders, including the heads of services likely to be affected;
- Agreement on resourcing between the two HIAs, essentially deciding who is to deliver each review and which, if any, should be the subject of joint working (para 7 et seq);
- A specific computer audit plan for services provided by PICT that will be undertaken by specialist computer auditors
- Presentation of a common programme of shared service reviews - describing the nature of each exercise and the agreed means of resourcing - to the April meetings of both Audit Committees.
- Agreement of an outline timetable and any sponsorship arrangements once Audit Committee approval has been gained.

Resource Allocation

7. The basic aim will be to divide the audit programme in approximately the same ratios as those applied to common costs. The rationale is that established cost sharing ratios provide a reasonable indication of the respective benefit derived by each House from the various shared service areas. Thus, the audit workload within PICT will be shared in the ratio 80:20, for works and estates a 60:40 ratio will be applied, and so on. This arrangement can only be applied in general terms rather than to specific assignments, but the net result should be that the House of Commons bears a higher proportion of the aggregate shared service workload taking one year with another.

8. Practical application of the principle will be the responsibility of the two HIAs and will be addressed as part of the third planning stage referred to above. Mutual flexibility will be important. Provided that the division of work remains broadly within the spirit of this protocol, there should be no question of either House seeking to recharge costs incurred.

9. A co-ordinated approach implies common assurance but does not necessarily mean joint working. For individual reviews within the shared programme, various resourcing options exist, including the use of external specialist staff where necessary. The two HIAs will consider the skills requirement of each individual assignment and allocate resources accordingly. It is recognised, however, that joint working has wider benefit in terms of staff development and such opportunities will be taken where possible.

Audit Timetable

10. The scheduling of individual reviews also falls to the two HIAs. Factors relevant to the development of the overall timetable will include the need to achieve a reasonable spread of shared service reviews across the year; any known areas of concern; resource availability, including the need to resource other House specific work; and any operational issues within the areas affected.

Audit Assignments and Information Flow

11. For reviews that are jointly resourced, both internal audit sections should be kept informed of developments through their representatives on the audit team. For reviews that are resourced entirely by one House, either through the use of in-house staff or through bought-in services, the HIA of the other House must be given adequate opportunity for input. It is expected that this will occur primarily during the following stages:

- **Assignment Planning.** An engagement letter setting out, inter alia, terms of reference and an initial risk assessment should be jointly agreed.
- **Fieldwork.** The extent to which emerging findings are communicated to the other House as the review progresses is a matter for the HIA concerned. As a guide, issues that are considered sufficiently material to raise with the auditee or sponsor should also be communicated to the HIA of the other House. For longer studies it will be necessary to provide more general updates on progress and findings.
- **Reporting.** There should be routine exchange of all draft reports and related documentation. These will be subject to peer review by the non-participant team. The object will be to gain assurance on the quality of the review work undertaken and the reasonableness of any findings, conclusions, recommendations, etc.
- **Exit Meetings.** Both HIAs should have the opportunity to attend; the decision to do so will be a matter for individual judgment based on the circumstances at hand.
- **Progress reports.** Where regular reports are provided to management on the progress against the internal programme, these will be shared with the HIA of the other House.

Follow-up Reviews

12. It is expected that individual reviews will be followed-up by the same team or individual who undertook the original review. Where this involves staff from only one House, results will be communicated by draft report and, where appropriate, by subsequent discussion.

Audit Committee Presentation

13. Although the sitting patterns of the two Audit Committees are broadly similar, meeting dates are not identical. Shared service reports presented to one House's Audit Committee should also be presented to the corresponding meeting of the other House.

14. Reports should be presented by the HIA of the House concerned, regardless of authorship. Queries raised by Audit Committee members should be dealt with by the HIA in the normal way, with any unresolved issues being either answered outside the Committee or carried forward, as necessary. Audit Committee attendance by audit staff from the other House (or their agents) is an option but should generally occur by exception only.

Report Format

15. The reporting styles of each House vary. Where shared service reviews are undertaken by one House only, the report will be prepared in the preferred style of that House. For joint reviews, a decision on report format will be part of the planning process, and is likely to rest on who is expected to write the report, but each HIA will need to take a view on how the requirements of his or her own Audit Committee can best be satisfied.

Annual Assurance

16. The form and content of the annual assurance to the Accounting Officer will continue to be a matter for the individual HIA. Each will need to decide how assurance from the other House is to be accommodated within this statement. In reaching this decision, it is anticipated that both HIAs will discuss overall findings and conclusions from each annual programme of shared service work. A specific section on joint audit arrangements should be included, using common text agreed in advance.

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