

Extract from Audit Commission Standing Guidance

Guidance on handover of audits

This appendix is applicable to all audits completed prior to rotation of an auditor.

The Commission recognises that rotating the appointment of the external auditor to an audited body could present difficulties for the audited body and both the outgoing and incoming appointed auditors (auditors) if not properly managed. In order to minimise disruption to all parties, and maximise the transfer of the outgoing auditor's knowledge of the audited body, the Commission expects the following:

- co-operation between the outgoing and incoming auditor to ensure that the incoming auditor is fully briefed on the specific audit issues facing the audited body;
- co-operation between the outgoing and incoming auditors to determine responsibility for undertaking specific pieces of audit work in the lead up to, or period immediately following, handover and advise the audited body accordingly;
- where appropriate, co-operation between the outgoing and incoming auditor to ensure that the incoming auditor is fully briefed on the wider issues facing the audited body; and
- timely communication by the incoming auditor to the audited body, as soon as possible after formal appointment, of the contact details of the audit team and future audit arrangements, requirements and expectations.

The Commission expects that the outgoing auditor should complete the certification of all grants relating to the audit of the financial statements.

Co-operation between auditors

The outgoing and incoming auditors are expected to have a joint meeting prior to the handover.

A joint meeting with the audited body during the handover period should normally be held unless it is considered to be impracticable.

Use and provision of information

The outgoing auditor should be prepared to assist the incoming auditor with timely oral or written explanations to assist the latter's understanding of the audit and any audit working papers provided.

Requests for access to and for granting of access to relevant information need to be timely to minimise the cost/burden on the outgoing auditor, the incoming auditor and the client. Due to the volume of appointments being made on 1 September 2012 the Commission will facilitate the transfer of the information set out in this Appendix.

The outgoing auditor should make it clear in writing that information provided is for audit purposes only and must not be disclosed to a third party (including the client), unless required by a legal or professional obligation.

The incoming auditor should not comment on the quality of the outgoing auditor's work unless required to do so by a legal or professional obligation.

Where considered appropriate, the incoming auditor should place reliance on work undertaken by the outgoing auditor. Judgement by the incoming auditor will need to be applied in determining what is considered to be an appropriate level of reliance. However, it is expected that the incoming auditor will ensure that sufficient documentation and information is requested from the outgoing auditor to enable the firm, him or her to place the maximum reliance on work previously undertaken.

Any decision not to place reliance on the outgoing auditor's work should be documented and include the incoming auditor's justification for this decision.

On receipt of a written request, the outgoing auditor should allow the incoming auditor to review the previous year's audit file. The outgoing auditor should also arrange for copies of the following to be passed to the incoming auditor on request:

- Specific audit outputs - for up to 6 years prior to handover

These should include:

- o latest audit plan;
- o annual audit letters;
- o reports on use of resources arising from work mandated by the Commission and local projects;
- o public interest reports (and details of any other instances when the outgoing auditor has exercised the firm's, his or her powers under the Audit Commission Act 1998);
- o annual ISA (UK&I) 260 (or equivalent) report including reports on accounting systems weaknesses; and
- o annual reports on accounts including opinion and certificate pages.
- Correspondence - for up to 6 years prior to handover
Copies of correspondence with members, officers, the public and others relating to the accounts and the audit.
- Grant claims and returns - for 6 years prior to handover
Copies of grant claim control records for the last 6 years and copies of grant claim reports for the last year. All uncertified returns should be handed over, except where the incoming auditor agrees that the outgoing auditor should deal with them (see CI A01 paragraph 16).

For Small Bodies' audits - including local (parish and town) councils, Internal Drainage Boards and other small body audits. NB A small body has the same meaning as 'smaller relevant body' which is defined in Regulation 2 (2) of the Accounts and Audit Regulations 2011.

- o The permanent files (AF1 or equivalent)
- o Copy of the latest audited annual return
- o Database entry for the body including latest available contact details.

Good practice by incoming auditors

The incoming auditor should consider:

- holding a pre-meeting between the audited body and the new audit team, to specify relationships, exchange information and agree the way forward;
- producing a detailed listing of their expectations in relation to working papers, timescales and contact points in advance of the audit;
- conducting a workshop on the presentation of accounts and working papers to the audited body; and
- establishing early contact with key officers.