**Annex B**

**Control of Work**

1.1 The Council is assuming that the Contractor has in place working practices and quality control procedures that meet the requirements of the Public Sector Internal Audit Standards, as set out in the Specification. If the Contractor does not meet those standards this shall be clearly and unambiguously marked on the Form of Tender.

1.2 The following paragraphs summarise the key procedures currently followed by the Council’s internal audit team when conducting an audit review. The Contractor will be required to comply with these key audit processes or agree alternative procedures with the Internal Audit Manager (IAM). The IAM will provide to the Contractor copies of the correspondence and reporting templates that are to be used.

**2.0 Commencement of Work**

2.1 Prior to commencing an audit review the Contractor will be required to meet with the relevant Manager and/or Service Manager. During these discussions the Contractor shall be required to inform the relevant Manager and/or Service Manager of:

• the intended scope of the audit

• the anticipated dates they intend to commence and complete the fieldwork; and

• the expected time input that will be required from those staff working within the relevant activity / service unit.

2.2 The Contractor shall also identify the significant risks affecting the review area and obtain from the Service Manager the name of a liaison officer, who will be responsible for assisting in progressing the audit.

2.3 Following these meetings the Contractor will prepare, discuss with and submit to the IAM an audit brief, using the standard audit brief template agreed with the IAM, at least fifteen days in advance of the audit. Following clearance of the audit brief by the IAM the Contractor will issue the audit brief to the relevant manager at least ten days prior to the commencement of the audit.

**3.0 Undertaking the Review**

3.1 A standard template to record system objectives and controls and associated risks and audit recommendations, together with a further standard template used to record the tests undertaken shall be agreed by the IAM with the Contractor prior to undertaking the first audit. Thereafter any changes to these standard templates must be agreed with the IAM prior to undertaking of the audit.

3.2 Whilst undertaking fieldwork the Contractor will be required to be on site at the Council’s premises.

3.3 Whilst undertaking each audit, the Contractor will be required to notify the IAM of any issues that are affecting the completion of the work e.g. being denied access to system. The Contractor shall notify the IAM of any relevant matter, which is identified during the course of individual audits, outside the brief’s objectives and scope, which may require additional testing, review or other specific audit attention. The IAM will decide the course of action to be taken.

3.4 The Contractor shall discuss the findings and conclusions arising from all audits undertaken at a pre-arranged exit meeting with the relevant Manager and/or Service Manager, which shall take place within five working days of completion of audit work. Resulting recommendations and control advice shall also be discussed at this meeting and the auditee’s initial responses sought. In addition, it would be expected that the relevant Manager and/or Service Manager and IAM is kept informed of the progress of the audit during its duration on an informal basis and be informed of any delays.

**4.0 Reporting**

4.1 The Contractor is accountable to the IAM for the performance of the Services. The Contractor should draw to the attention of the IAM any significant findings or recommendations as they arise during the conduct of an audit. If the IAM requires, the Contractor shall submit audit files and associated working papers to the IAM and provide interim feedback of the findings and all proposed suggested actions to the IAM prior to drafting the audit report.

4.2 The Contractor shall issue their reports in a style and format agreed by the IAM. Each audit report shall contain an opinion on the adequacy, effectiveness and operation of the internal control environment in the area examined based on the following levels of audit assurance:

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| **Full Assurance:** There is a sound system of controls in place, designed to achieve the system objectives, and controls are being consistently applied. |
| **Substantial Assurance:** The majority of controls are in place and operating effectively, although some control improvements are required. The system should achieve its objectives. |
| **Limited Assurance**: Certain important controls are inadequate or are in place but not operating effectively. There is a risk that the system may not achieve its objectives. |
| **Minimal Assurance**: The majority of controls are weak, not present or failing, to the extent that there is a high risk of material error / loss or reputational damage occurring and/or other controls are such that there is little assurance of achieving the desired objectives or minimising other potential risks from materialising. |

4.3 Recommendations will be ranked by their importance within the internal control and risk environment and provide management with a guide as to their level of priority when setting target dates for implementation. The following definitions are generally applied:

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| **High priority:**  Necessary due to statutory obligation, legal requirement, Council policy or significant risk of loss or damage to Council assets, information or reputation. The recommendation should be implemented immediately or as soon as practicable within current resources and priorities. |
| **Medium priority:** Could cause limited loss of assets, information, adverse publicity or embarrassment. The recommendation is necessary for sound internal control and confidence in the system to exist. It should invariably be implemented within three months. |
| **Low priority:** Current procedure is not best practice and could lead to minor inefficiencies in the system. The recommendation should invariably be implemented within the next six months. |

4.4 As a minimum all reports and supporting working papers should be formally quality reviewed by the Contractor prior to issue of the draft report.

4.5 On agreement of findings and suggested actions with the relevant Manager / Service Manager, the Contractor will draft their audit report. The report will be provided to the IAM electronically for approval either in MSWord or PDF format. The draft report must be written and issued within ten working days of the exit meeting. Time must be allowed within this period for the report to be cleared by the IAM.

4.6 Following clearance of the draft report by the IAM, the Contractor will issue the report. The Contractor will use all his best endeavours to obtain a reply to the draft report from the appropriate Manager within fifteen working days of it being issued. The draft audit report may be required to be amended after management comments have been received. The final report, including obtaining clearance from the IAM, shall be issued within five working days of receipt of managements comments on the draft report. All final reports should clearly identify all agreed actions or recommendations together with the management responses, individuals assigned and agreed timescales for their implementation. All recommendations that the auditor has made but which have not been accepted shall also be documented in the report.

4.7 The Contractor shall ensure that his tender takes account of the time that will be required for both issuing and discussing draft and final reports, the attendance at meetings or for dealing with all correspondence relating to the content of the report.

4.8 At the end of each audit the Contractor shall issue a quality questionnaire, in a format to be agreed by the IAM, to each Manager and Service Manager whose service has been subject to the review. The questionnaire will be returned directly to the IAM who will share and may discuss the results with the Contractor.

**5.0 Follow Up Work**

5.1 The IAM will seek confirmation from management that all agreed actions within the final audit report have been implemented. All actions that have been introduced will normally be followed up by the IAM to ensure that the action introduced addresses the risk identified in the audit report, unless the Contractor is requested to do so by the IAM.

5.2 Information in respect of the follow-up reviews that are required to be completed by the Contractor will be provided to the Contractor by the IAM at least three weeks prior to the date that the follow-up review is required to be completed by. Follow-up reviews are required to be completed within a reasonable timescale to be agreed with the IAM prior to commencement.

**6.0 Non-Performance**

6.1 If the audit work performed is not to the satisfaction of the IAM owing to the Contractor’s non-adherence to the audit brief, the Specification or the Contract then the work will be rectified at the Contractor’s expense and in accordance with the contract conditions.

6.2 The Contractor will bear the costs associated with any individual audit review exceeding the original plan audit day allocation except where additional time has been authorised in advance by the IAM.