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DATE:

Provision of Internal Audit Services

Draft Service Level Agreement

March 2013

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1. Overview of the agreement

# Purpose of this agreement

* 1. This agreement sets out the basis on which [Supplier name], referred to as “the Supplier” will provide internal audit services to [Customer name] referred to as “the Customer”.

Context

* 1. [Background to the agreement and the Customer’s requirements.]

# Summary scope of services

* 1. [Supplier name] has been engaged to provide the Customer with [internal audit services as agreed amongst both parties e.g. fully outsourced or co-sourced internal audit services, including any additional special projects, investigations and advisory services]. [Further details are provided in Annex E (if applicable)].

Applicable standards

* 1. The services defined above will be conducted in full accordance with the Public Sector Internal Audit Standards (PSIAS) and the Supplier will monitor and report on the service provided in accordance with the applicable Government Internal Audit Performance Measures (see Annex A).

# Commencement date and duration

* 1. The commencement date for the services will be [day/month/year and will run until day/month/year].

# Confidentiality and ownership of books and records

* 1. The classification of all papers, information and material coming to the attention of and produced by the Supplier shall be respected. They may not be disclosed to any person outside the Customer without the permission of the Internal Audit Sponsor and the Supplier, unless expressly required by law. Where the disclosure of information is required for consolidation within a departmental family, this permission may not be unreasonably withheld.
	2. All reports, working papers, documents and other data held (including electronic) or generated by the Supplier as a result of audit activity shall be the property of the Customer but will be held within the Supplier’s file management system.
	3. Personal data received and required as part of an audit will be stored, transferred and destroyed securely in-line with Cabinet Office standards on information security.
1. Customer Responsibilities
	1. The Accounting Officer and the Board of the Customer are responsible for ensuring there are effective arrangements for governance, risk management (including advice about and scrutiny of key risks) and internal control, the assessment thereof, and for the Governance Statement (prepared in accordance with Managing Public Money Annex 3.1) published in the Customer’s annual report and accounts.
	2. In accordance with the agreed scope of services (see 1.2 above) the Customer will:
* Appoint an overall sponsor for internal audit (the “Internal Audit Sponsor”). This individual will be responsible for providing input to the development of the internal audit plan, including provision of an Assurance Framework to enable the Supplier to ensure proper coverage, that its resources are used efficiently and to minimise duplication of effort.
* Ensure that the internal audit plan [developed by the Supplier] is reviewed and approved by the Accounting Officer and Audit Committee [as appropriate].
* Ensure the [Group Chief Internal Auditor (GCIA) / Designated Head of Internal Audit (HIA) / Relationship Manager] has access to the [Accounting Officer / Board / Audit Committee] on a [frequency as agreed between the two parties] basis.
* Assign an Engagement Sponsor for each review.
* Provide access to all necessary information including records, documents and correspondence relating to the agreed audit activity, including information requiring security clearance to review, for which the Supplier will have a duty to safeguard and handle appropriately under the prevailing central government Security Policy Framework.
* Allow access at all reasonable time to any land, premises or member of staff of the Customer.
* Meet appointments, information requests and agreed deadlines for responses and recommendations, providing explanations concerning any matter relevant to the agreed audit activity.
* Regularly update [frequency as agreed between the two parties] the Supplier on: issues which may impact on the delivery of the internal audit plan and changes thereto, and on any unplanned work; and any specific governance, risk management and control related issues.
* [By [insert date / timing] confirm review of the [quarterly / bi-annual / annual] Internal Audit Report.
* A report on the Supplier’s performance in providing the agreed service to the Customer.]
* Agree a mechanism with the Supplier for customer satisfaction surveys.
* [Other responsibilities as agreed between the two parties].
	1. The Customer will deliver the above and day-to-day response levels in accordance with agreed indicative timescales as set out in Annex B.
	2. Responsibility for implementing the recommendations identified by the Supplier as a result of the agreed scope of work rests with the management team of the Customer.

1. Supplier Responsibilities
	1. The Supplier will assign a [Designated Head of Internal Audit (HIA) / Relationship Manager] who will lead the provision of services to the Customer.
	2. In accordance with the agreed scope of work (see 1.2 above) the Supplier will:
* [Develop a [quarterly / bi-annual / annual] internal audit plan using an appropriate risk-based approach, which meets the Customer’s needs and takes account of other sources of assurance.
* Meet with the External Auditors to co-ordinate the respective scope of work and provide access to internal audit documentation as required**.**
* Deploy internal auditors with sufficient knowledge, skills and experience to deliver the agreed scope of work.
* Meet with the assigned Engagement Sponsor in advance of each engagement to be delivered by the Supplier, to discuss and subsequently agree a formal terms of reference including the following *inter alia*:
	+ scope and limitations;
	+ approach;
	+ the Supplier team;
	+ key contacts at the Customer;
	+ timetable for delivery; and
	+ budget / fees (if applicable).
* Meet with the key contacts and or Engagement Sponsor at the end of the fieldwork to confirm the factual accuracy of the internal audit findings.
* Provide a draft report (in accordance with the format set out in Annex C) or equivalent, with details of the findings, implications and proposed actions for review and agreement by the key contacts, before submission and finalisation of the report with the Engagement Sponsor.
* Hold meetings on a [frequency as agreed between the two parties] basis, to update the Internal Audit Sponsor on the progress against, results of and issues impacting the ability to deliver the agreed scope of work, providing papers, where relevant, at least [e.g. two] working days in advance of the meeting.
* Provide reports to the Accounting Officer, Board and Audit Committee [frequency as agreed between the two parties] on the progress against and results of the agreed scope of work.
* [By [insert date / timing] provide a [quarterly / bi-annual / annual] Internal Audit Report to the Accounting Officer [for the Customer’s Audit Committee] which will include:
	+ A review of the work undertaken in the last [quarterly / six-months / year] and developments in governance, risk management and control during the period;
	+ An opinion on the adequacy and effectiveness of the Customer’s framework of governance, risk management and control; and
	+ A report on the Supplier’s performance in providing the agreed service to the Customer.]
* [Other responsibilities as agreed between the two parties].
	1. The GCIA / HIA has right of direct access to the Customer’s Accounting Officer and is able to raise any matter with the Accounting Officer. Any serious matters identified should be raised in a timely manner with the Internal Audit Sponsor, and where necessary the Customer’s Finance Director, Accounting Officer and Audit Committee,

* 1. The Supplier will deliver the above and day-to-day response levels in accordance with agreed indicative timescales as set out in Annex B.
1. Service performance
	1. The Group Chief Internal Auditor (GCIA) of the Supplier will be ultimately accountable to the Accounting Officer of the Customer for the delivery of the responsibilities outlined in Section 3 above and the quality thereof. The Accounting Officer and the Customer’s Board will have the right of access to the GCIA to discuss any matters in relation to the provision of the services as agreed therein.
	2. If at any time the Customer’s Accounting Officer is dissatisfied with the service provided by the Supplier or wishes to discuss how it could be improved and is unable to resolve this with the GCIA, they can raise this with [insert GCIA’s Line Manager] and ultimately the Principal Accounting Officer.
	3. The Customer’s Audit Committee will be responsible for agreeing the scope of the services provided by the Supplier and for reviewing the Supplier’s performance, including reports provided by the Supplier on the Government Internal Audit Performance Measures (see Annex A).
	4. As a minimum, a review meeting will be held annually at the Customer’s offices to discuss and review formally the services being provided by the Supplier against the Service Levels set out in this agreement, and recommend any improvements.

1. Fees / charges
	1. The charges for the audit service will be levied on the basis of [specified cost / daily rate or as agreed with the Accounting Officer – in accordance with Chapter 6 of Managing Public Money] plus VAT where applicable.
	2. Fees to be charged to deliver each engagement will be confirmed in the agreed Terms of Reference. Any anticipated over-runs in excess of [% to be agreed between the parties] of the budget for a particular audit will be discussed between the Internal Audit sponsor and the [Designated HIA / Relationship Manager], and, if appropriate, the Customer’s Accounting Officer and Audit Committee.
	3. The Supplier will review the financial arrangements at least annually and as appropriate.
	4. The Designated HIA / Relationship Manager reserves the right to agree directly with the Customer’s Accounting Officer and/or the Chairman of the Customer’s Audit Committee to undertake any work or to continue work beyond that which was planned when in his/her professional judgement it is necessary to do so.
	5. Where there is a net overspend in year, the Supplier would not bill the Customer more than the total agreed costs for the year unless the increase has been agreed with the [key customer contact point], and approved by the Customer’s Accounting Officer and Audit Committee.
	6. Where appropriate,  arrangements may be made for sharing or exchange of resources on a quid pro quo basis that do not require a fee to be levied where all parties agree to do so. Any such arrangement should be documented and formally agreed by the relevant parties.
2. Agreement
	1. This agreement and associated Annexes sets out the entire basis on which the services set out in 1.2 will be provided by the Supplier to the Customer.

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### Accounting Officer [Customer name] Date

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_

### Chair of the Audit & Risk Assurance Committee [Customer name] Date

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_

### Group Chief Internal Auditor [Supplier name] Date

Annex A – [The agreed] performance measures

Annex B – Service Levels

|  |  |  |
| --- | --- | --- |
| Phase of internal audit activity | [Supplier name] responsibilities | [Customer name] responsibilities |
| Planning | * Planning meetings with the Engagement Sponsor will be held [e.g. 30 working days prior to audit start date]
* Issue a draft Terms of Reference (ToR) within [e.g. 5 days of the meeting]
* Agree the ToR [e.g. within 5 days of submission]
 | Engagement sponsor to attend planning meetings on agreed dateAgree the ToR within [e.g. 5 days of receipt]* Distribute ToR and book initial meetings with key stakeholders
 |
| Fieldwork | * Complete fieldwork in accordance with the ToR during the agreed fieldwork period
* Conduct audit close-out meeting at agreed date (at end of fieldwork period)
 | * Where relevant, ensure information requested is available at the start of the audit and all required information is provided before the close-out
* Facilitate agreed attendance at the audit close-out
 |
| Reporting | * Submit draft report to key contacts within [e.g. 10 days of the close-out]
* Submit final draft to Engagement Sponsor within [e.g. 5 days of receipt of key contacts comment]
* Finalise report within [e.g. 10] days of submissions to the Engagement Sponsor
 | * Agree draft report and provide key contact’s agreed actions, owners and timescales within [e.g. 10] days of receipt of the draft report
* Engagement Sponsor to review and finalise report within [e.g. 10] days of submission
 |
| General | * Telephone calls will be responded to by [e.g. the end of the next working day]
* E-mails will be responded to by [e.g. the end of the second working day]
* Letters will be responded to within [e.g. 5 working days]
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Annex C – [Agreed] Report formats

Annex D – Key contacts

# CUSTOMER

|  |  |  |
| --- | --- | --- |
| Name*Job Title* | Relevance to service | Contact details |
|  | Accounting Officer |  |
|  | Internal Audit Sponsor |  |

SUPPLIER

|  |  |  |
| --- | --- | --- |
| Name*Job Title* | Relevance to service | Contact details |
|  | Group Chief Internal Auditor |  |
|  | Designated Head of Internal Audit / Relationship Manager |  |

Appendix E

**INTERNAL AUDIT SERVICES**

**Post-Assignment Customer Survey**

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| **Assignment title:**.................................................................................................................................. |
| **Reference number:**............................................................................................................................. |
| **Auditor(s):**............................................................................................................................................. |

Dear Colleague.

To be successful, Internal Audit needs to understand the requirements, expectations and concerns of its customers. Feedback is an important mechanism to facilitate continuous improvement of our performance and services. Therefore, I would be pleased if you would kindly complete this questionnaire and return to ***Name, job title*** within **14 days of receipt**. If you have any questions or wish to discuss your comments, please contact ***Name, job title.***

Please assess the quality and value of the recent assignment undertaken by Internal Audit on a ten point scale with 1= Extremely Dissatisfied and 10=Extremely Satisfied.

If your assessment is less than satisfactory, or if you wish to make other observations, please provide additional comments.

| Question | Score (0 – 10) | Comments |
| --- | --- | --- |
| ADDED VALUE |
| 1. Did the assignment add value to you or your business? For example:
* Provide useful assurance to you or other stakeholders?
* Identify opportunities to reduce risk exposure and/or improve governance and control?
* Bring insight or new thinking to existing issues or problems?
* Identify opportunities to increase efficiency or achieve savings?
* Fulfil a Cabinet Office/HMT requirement?
* Identify previously unrecognised risk?
 |  |  |
| CHALLENGE |
| 1. Did the auditor cause you to question existing processes, risks or risk mitigations, or suggest practical improvements based on good practice?
 |  |  |
| PROFESSIONALISM |
| 1. Was the audit team professional throughout the assignment? For example:
* Timeliness/punctuality?
* Courteousness/Integrity?
* Helpfulness?
* Keeping you up to date and informed?
* Understood your business?
 |  |  |
| OUTPUTS |
| 1. Did the outputs (e.g. terms of reference and final deliverable) from the assignment meet your expectations? For example:
* The objectives of the assignment were clarified at the outset?
* Information in the final deliverable was accurate, complete and timely?
* The outputs were clearly presented?
* The issues identified by the assignment were adequately discussed or explained?
* Agreed actions were realistic and will be implemented?
* The objectives of the assignment were met?
 |  |  |
| OVERALL CONCLUSION |
| 1. Overall, how do you rate the work of Internal Audit?
 |  |  |

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| --- |
| Was there anything that you think could have been done better? Please provide details. |

Questionnaire completed by………………………………………

Job Title……………………………………………………………..

Date………………………………………………………………….

**Thank you for completing this survey.**