

## MONITORING OF THE INTERNAL AND EXTERNAL AUDIT CONTRACT PROTOCOL

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<b>AUTHOR:</b>	Associate Chief Finance Officer
<b>CONSULTATION GROUPS:</b>	SEPT Audit Committee NEP Executive Management Team Senior Finance Staff
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<b>RATIFICATION BY FINANCE AND PERFORMANCE COMMITTEE:</b>	N/A

PROCEDURE SUMMARY
<b>The Trust monitors the implementation of and compliance with this procedure in the following ways;</b>

Services	Applicable	Comments
Trustwide	✓	
Essex MH&LD		
CHS		

**The Director responsible for monitoring and reviewing this procedure is  
the Executive Chief Finance Officer**

**ESSEX PARTNERSHIP UNIVERSITY NHS FOUNDATION TRUST**

**MONITORING OF THE INTERNAL &  
EXTERNAL AUDIT CONTRACT PROTOCOLS**

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**ESSEX PARTNERSHIP UNIVERSITY NHS FOUNDATION TRUST**

**MONITORING OF THE INTERNAL &  
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**1.0 INTRODUCTION**

- 1.1 The Trust will enter into a contract for the provision of Internal Audit Services which will run from 1 April to 31 March, and be for a minimum period of one year. The contract requires the delivery of an agreed audit plan within an agreed number of audit days. The plan primarily covers an allowance for programmed audits, plus a small contingency.
- 1.2 The contract for the provision of External Audit Services will run from the date of the Annual Members Meeting each year.
- 1.3 The Annual Audit Plan for both Internal and External Audit services will be agreed by the Audit Committee at the start of each financial year, and the strategic plan (which covers the full term of the contract) will be submitted at the first available Audit Committee post awarding and commencement of the contract.
- 1.4 This procedure lays down specific timescales for the production of draft reports, timing of post audit meetings, issuing of final reports, implementing recommendations and reporting back to the Audit Committee.
- 1.5 The purpose of these procedure notes is therefore, to document and explain each individual aspect of client monitoring and the logging and follow up of Internal and External Audit Reports. This procedure will be issued to Internal and External Auditors to facilitate their understanding of Trust's intentions.
- 1.6 For the avoidance of doubt, this procedure refers to a number of key staff within the Finance Department for the completion of a range of tasks. In the absence of these staff, the tasks will be undertaken by covering members of staff. In the event there are no suitable staff to cover the identified task, the decision will be referred to either the Executive Chief Finance Officer, the Deputy Chief Finance Officer or an Associate Chief Finance Officer.

**2.0 STRATEGIC INTERNAL AUDIT PLAN**

- 2.1 The strategic plan for Internal Auditors covers the full term of the contract.
- 2.2 Internal Auditors are required to submit a strategic plan for the full contract term, at the first available meeting of the Audit Committee post commencement of the new contract. The strategic plan will have first been reviewed by the Executive Chief Finance Officer, Associate Chief Finance Officer, and other Trust Directors (as necessary) prior to its submission to the Audit Committee.

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### **3.0 ANNUAL AUDIT PLAN**

- 3.1 Auditors shall hold meetings with individual Senior Managers and Directors to identify items to be included within the Internal and External Auditors' annual plan. The Executive Chief Finance Officer shall co-ordinate requirements from these meetings to identify any areas that may require coverage, including consultation with members of the Audit Committee.
- 3.2 Internal Auditors are required to present a draft Annual Audit Plan to the Audit Committee ideally before the start of the new financial year. This should detail the proposed areas of coverage and related audit days for the current year of the contract.
- 3.3. The Executive Chief Finance Officer (in conjunction with input from other Directors) and the Audit Committee, are responsible for agreeing the final content of the audit plans and the total number of audit days and fee for the year. The Annual Audit Plan for Internal Audit should be approved by the end of March (where practical).
- 3.4 External audit will provide an annual audit plan in advance of the end of the fourth quarter of the year about to be audited. This is to be agreed by the Audit Committee.

### **4.0 PROJECT PLANNING – INTERNAL AUDIT**

- 4.1 Prior to the commencement of an individual audit, Auditors must prepare an outline of the parameters of the audit. This is referred to as the Audit Planning Memorandum (APM) and covers contact detail, auditor details, scope of review, objectives, number of days allocated, details of exit meeting etc. The draft APM for all audits should be sent to the Executive Chief Finance Officer and the Associate Chief Finance Officer. These will be reviewed for their coverage and adequacy with the relevant Director and comments if any, will be forwarded to the Internal Auditors within two weeks of receipt of the APM. The Auditors must agree the expected start date and the timescales for the project with the relevant Service Directors/Managers.
- 4.2 When reviewing the draft APM, the Executive Chief Finance Officer or relevant Director must ensure that:
  - 4.2.1 Parameters are reasonable and provide the required level and scope of cover.
  - 4.2.2 Any corporate issues are identified, relating to the subject area.
  - 4.2.3 Any areas of known particular concern or requiring special attention are included, including those previously raised by the Audit Committee.
  - 4.2.4 The number of audit days/fee are checked for reasonableness given coverage.
  - 4.2.5 Ensure final agreed copy is signed by all parties or confirmed via email.

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### 5.0 EXIT MEETINGS – INTERNAL AUDIT

- 5.1 In the event that significant concerns are identified from the audit, or if the auditor feels it would be beneficial to the auditee, the auditor may arrange to hold an exit meeting prior to completing and issuing the draft report.
- 5.2 The exit meeting will allow the auditor to verbally report back on their findings, and for the auditee to clarify any areas of uncertainty for the auditor.

### 6.0 DRAFT REPORTS – INTERNAL AUDIT

- 6.1 Internal Auditors will submit a draft report to the Executive Chief Finance Officer, the Associate Chief Finance Officer and the relevant Directors/Managers within 2 weeks of completing the field work.

### 7.0 EXIT AUDIT MEETINGS – INTERNAL AUDIT

- 7.1 If requested by either party, auditors will hold a Post Audit Meeting within two weeks of issuing the draft audit report. The procedure does not lay down a prescriptive format for the meeting, and the format will be subject to local agreement by the Auditor and the relevant Trust Manager.
- 7.2 If required, the Associate Chief Finance Officer will arrange a meeting within two weeks (four if senior staff from other departments are required to attend) to discuss the first draft audit report with the relevant Director or Manager. This meeting will include the following:
  - 7.2.1 Review the report and pay special attention to areas of financial control, internal weakness, and areas of inaccuracies.
  - 7.2.2 Ensure that recommendations are supported by findings and conclusions in the main text of the report.
  - 7.2.3 Ensure that the recommendations are reasonable and practicable.
  - 7.2.4. Document all comments on the draft report, and complete the action plan.
- 7.3 In **exceptional circumstances** the number of amendments to the first draft dictates that a second draft may be necessary. In these circumstances the following timetable will apply, once the report has been returned by the Trust to the Auditors.
  - 7.3.1 Issue of second draft – two weeks.
  - 7.3.2 Agreement of report – two weeks.
  - 7.3.3 Issue of final agreed report – one week.

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- 7.4 It will be the Auditors' responsibility to ensure that the timetable is adhered to. In the event that Auditors experience any delay in meeting deadlines, the Associate Chief Finance Officer should be informed.

### **8.0 FINAL REPORT – INTERNAL AUDIT**

- 8.1 Auditors will be required to issue the final report within a week of the draft report being returned with the Trust's comments.
- 8.2 The final report must identify separately those recommendations accepted by Management (and agreed action thereon), together with any outstanding recommendations which, whilst not accepted, Auditors still consider both relevant and appropriate for formal recording.
- 8.3 A copy of the final report has to be issued to the Executive Chief Finance Officer, Associate Chief Finance Officer and relevant Service Manager / Director by the Auditors.

### **9.0 DETAILED FILE REVIEW – INTERNAL AUDIT**

- 9.1 There may be a requirement to undertake a comprehensive review of the documentary evidence which Internal Auditor's hold to support their final reports during the year. In addition, on an annual basis, the Trust would review a number of Internal Audit files as part of the Executive Chief Finance Officer's annual review on audit services which is reported to the Audit Committee.
- 9.2 The detailed file review may consist of:
- 9.2.1 Requesting audit file from Internal Auditor's.
  - 9.2.2 Checking file for proper indexing and cross referencing.
  - 9.2.3 Checking for independent review by manager or partner.
  - 9.2.4 Checking that each finding and conclusion contained in the final report is evidenced in the working papers.
  - 9.2.5 Checking the basis of any statistical sampling technique used.
  - 9.2.6 Checking the evidence and adequacy of sample size and that final report findings concur with results of sample summary.
  - 9.2.7 Checking that reference has been made to appropriate legislation, policies and professional guidance.
  - 9.2.8 Ensuring that system procedure notes/flowcharts are incorporated where appropriate.

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9.2.9 Ensuring the file contains a copy of the draft report containing comments and amendments

9.2.10 Written record of any deficiencies identified for discussion with the audit manager.

### **10.0 AD-HOC ITEMS – INTERNAL AUDIT**

10.1 Outside of the annual audit planning process, service managers or Finance staff may identify 'ad hoc' items which they consider require Internal Audit investigation. All such items must be referred to the Executive Chief Finance Officer for consideration.

10.2 Auditors must only accept referrals for ad-hoc work from the Executive Chief Finance Officer.

10.3 Once additional work has been agreed, the Auditors are required to issue an updated Audit Plan to the next available meeting of the Audit Committee. This needs to confirm the decisions taken by the Executive Chief Finance Officer as to how these additional audit days have been funded. This may be from the contingency reserves, re-allocation of planned days or an overall increase to the plan.

### **11.0 FRAUD AND OTHER SPECIAL INVESTIGATIONS**

11.1 Any referrals in terms of Fraud or Theft or Corruption should follow procedures laid down in the Fraud, Theft and Corruption and Response Plan Policy (within the Corporate Policies and Procedures).

### **12.0 PROCEDURE FOR THE FOLLOW UP OF AUDIT REPORTS**

12.1 As an integral part of the Trust's assurance framework, it is the responsibility of the Audit Committee to ensure that all audit recommendations are followed up to ensure that:

12.1.1 All agreed management actions have been implemented by the Service Director / Manager.

12.1.2 Audit recommendations not accepted by management are reviewed and appropriate action taken.

12.2 This is achieved by the Auditors reporting to the Audit Committee on progress made by management on implementing the recommendations (once the agreed implementation date has passed).

**13.0 INTERNAL / EXTERNAL AUDIT INTERFACE**

- 13.1 Internal and External Auditors need to ensure that the work undertaken by both parties enables the External Auditors to operate a managed audit, if required.
- 13.2 As such, in order to minimise duplication of workload and costs, External Audit should be able to place reliance on the work undertaken by Internal Audit as part of their interim review, prior to the full audit of the annual accounts commencing.
- 13.3 As such it is essential that at least three tripartite meetings are held to facilitate planning, minimise duplication and share experiences on relevant issues affecting the audit of the Trust. The meetings between the Trust, Auditors, and LCFS would normally precede each Audit Committee meeting. Such meetings should include,
- 13.3.1 Results of work carried out and action outstanding.
- 13.3.2 Work planned for next period to report on programme of work against plan.
- 13.3.3 An updated audit plan will be submitted by the Auditors at these meetings where applicable.
- 13.3.4 An update from the Trust
- 13.3.5 A review of items due to be considered at the next Audit Committee.
- 13.4 It is the responsibility of Internal Audit to inform External Audit and the Trust as soon as it appears likely that the work required to be undertaken for External Audit will not be available in line with the pre-agreed date.

**14.0 ANNUAL REVIEW OF AUDIT SERVICES**

- 14.1 On an annual basis, and in advance of the Annual Members Meeting, the Executive Chief Finance Officer will compile a report to the Audit Committee which in terms of the internal audit plan will cover:
- 14.1.1 Number and percentage of recommendations accepted by management (against total number of recommendations)
- 14.1.2 Percentage of reports issued within agreed timescales
- 14.1.3 Achievement of individual audits within allocated man days/fee
- 14.1.4 Outcome of review of audit files. (see section 9)



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14.2 The Executive Chief Finance Officer should also undertake a review of the External Audit service, including performance and competitiveness of fee. This will assist the Audit Committee in making a recommendation to the Council of Governors on the External Auditors annual re-appointment for the years when a market testing exercise is not required.

**END**