

4A's MSA Guidance Series  
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# 4A's Client Audit Guidance

A Guidance Directive from the American  
Association of Advertising Agencies



**4's**

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## OVERVIEW

This document is an updated version of the Client Audit Guidance issued in October 2014.

For many marketers, the investment that they make in advertising and promotional support for their brands is one of the most strategically important and financially significant elements of their business model. Given the importance of a marketer's advertising activities, many advertisers want to ensure that their marketing investment is properly calibrated, expertly managed and carefully monitored.

Agencies recognize the importance of fostering positive relationships with their marketer clients, relationships that are built on a bedrock of mutual respect and trust. Agencies also recognize, however, that given the size of a marketer's media and production budgets, having an agreed framework mechanism to impartially assess an agency's compliance with its financial and media stewardship obligations plays a critical role in ensuring the continued health of the relationship. It is through the process of jointly establishing an appropriate framework, at the earliest possible time, that the agency and marketer can best demonstrate and confirm their mutual commitments to building a close relationship. Ultimately, the framework established should serve to best ensure, in an efficient way, mutual and clear understanding in the handling and stewardship of the account.

**The framework established should serve to best ensure... mutual and clear understanding.**

Marketer audit and review programs (Stewardship Programs) can feature a broad range of activities, including contract compliance verification, financial controls and disbursement audits, media audits ( the assessment of the performance of media buys and adherence to buying guidelines), as well as a range of other review, benchmarking and effectiveness-assessment activities.

This publication has been developed by a multidisciplinary task group comprised of senior agency management, finance, legal and commercial practices representatives of the 4A's community. The "4A's Client Audit Guidance" paper is intended to provide agencies with important information, including principles, best-practice guidance and illustrative tools which will help facilitate an effective and efficient stewardship framework for both the agency and the advertiser. This guidance primarily relates to client contract compliance verification audits associated with media transactions and agency financial activity. It should be noted that a client-agency Master Service Agreement ('MSA') might include other types of verification or audit provisions that are not within the scope of this guidance paper, for example, verification of compliance with agreed policies.

## STEWARDSHIP FRAMEWORK

Comprehensive stewardship of a client's marketing investment should ideally feature coordination between the advertiser and their agencies. Furthermore, given the increased complexity of advertiser and agency operations, coordination of stewardship activities should begin with collaboration on stewardship framework. For example:

1. Joint discussion between the agency and client on stewardship goals, expectations and responsibilities.
2. Words like stewardship, verification and audit mean different things to different people. In order to avoid confusion and misunderstanding, there should be precise agreement on stewardship process, scope and rules of conduct. Furthermore if third parties (auditors, consultants, benchmarkers, etc.) are engaged by the client, the third party's role and scope must be agreed upon by agency and client in the agency-client MSA.

**There should be clarity on the elements of marketing spend and agency operations that will be involved in stewardship review.**

3. There should be clarity on the elements of marketing spend and agency operations that will be involved in stewardship review.
4. Marketer and agency should discuss the involvement of appropriate, knowledgeable and objective resources in the stewardship process in order to facilitate successful outcomes.

In order to facilitate consistent and reliable implementation of an advertiser-agency stewardship framework, it is helpful to establish the principles that will guide stewardship activities and it is important to understand industry best practices.

## GUIDING PRINCIPLES

There are six key guiding principles that will help the advertiser and the agency evolve effective and efficient stewardship arrangements.

1. Stewardship activities should be directly correlated with agency service activities and the agency-client MSA provisions.
2. Jointly clarify steward expectations, definitions and scope of each stewardship activity. Financial audits, MSA compliance verification and other types of due diligence activities entail distinctly different objectives and process. There should be mutual agreement between the advertiser and agency on due diligence expectations and scope, for example, benchmarking exercises which are intended to assess the relative effectiveness and efficiency of a client's marketing activity can be controversial, even when conducted in a fair and balanced manner, if they are inaccurately identified as an audit or a contract compliance verification activity.

### **Effective stewardship activities are timely, efficient, focused and reiterative.**

3. Effective stewardship activities are timely, efficient, focused and reiterative. Stewardship of a client's marketing investment is not a one-and-done competition. Stewardship is an ongoing collaboration. Agency and client are well served to jointly evolve continuity of due diligence activities and collaboratively consider going-forward enhancements that recognize changing marketplace conditions and technology advances.
4. Selection of any third-party auditors or consultants should be mutually agreed upon. There are many different types of auditors (The Big 4, Certified Public Accounting firms, client internal auditors and agency internal auditors). There are also many different types of consultants that conduct process, media efficiency, agency compensation, production, benchmarking and other marketing review activities. Consultants are not auditors, and auditors are not consultants. Mutual agreement on the involvement of appropriate, knowledgeable and objective resources is essential to a successful stewardship process.
5. Auditors (and consultants) should remain completely independent, objective and professional in all dealings with agency personnel and they should not have any real or perceived conflicts of interest with the agency or the client. An Agency would have good reason to oppose an auditor's appointment if that auditor has previously breached a non-disclosure agreement or if there is ongoing litigation between the agency and the auditor in respect to any alleged breaches of non-disclosure agreements.
6. Effective stewardship need not and must not jeopardize the protection of intellectual property and confidential information of the client, agency or third parties, including other agency clients, media suppliers or data licensors.

[The 4A's Transparency Guiding Principles of Conduct \("TGPC"\)](#), which are a practice standard for 4A's membership, provide principles to inform:

1. Client/agency-retained relationships for U.S. media planning and buying services;
2. Commercial relationships among agencies and media vendors and other suppliers;
3. Client/agency governance.

The 4A's believes that transparency is a core principle and the cornerstone of the agency and client relationship. The 4A's TGPC includes principles related to the client's ability to audit compliance with the terms of the MSA. The 4A's TGPC include:

**Transparency is a core principle and the cornerstone of the agency and client relationship.**

- audit rights should extend to other members of the agency group that are providing services to the client under the MSA;
- the agency will use reasonable efforts to enforce audit rights on subcontractors providing services under the MSA;
- agreements for opt in products and services should explain any implications for audit rights and any access restrictions to the agency's underlying costs;
- where the agency enters into commercial relationships with media vendors and other suppliers on its own account, the agency may consider such relationships confidential and consequently outside the scope of a client audit. The agency should disclose, on a confidential basis to the client, the general type of commercial relationships and explain the controls and procedures the agency has in place to provide assurance that those relationships are on an arm's-length basis;
- Clients should ask their agency to explain their control environment in terms of its relevant internal controls, policies and procedures.

## AGENCY BEST PRACTICES

In the course of the 4A's community discussions related to marketing stewardship and client audit activities, a range of agency best practices were identified. The Association's task group has developed best practice suggestions that should help agencies foster effective and efficient stewardship arrangements with their clients.

1. Develop and broadly communicate the agency's client audit policy. The audit policy should reflect the agency's operational structures, service activities, internal control framework and business philosophy. Agency internal finance and management leadership should be aligned on elements of the client audit policy and implications for agency operations.

Confidentiality requirements related to agency, employee, client and third-party proprietary information should be detailed in your agency's confidentiality policy and coordinated with your agency's client audit policy.

The agency's client audit policy provides an important framework for discussion with clients when negotiating MSA provisions and collaborating on stewardship arrangements.

2. The MSA should establish the framework for conducting stewardship activities. The MSA should specify due diligence ground rules and parameters, i.e., why, what, when, how and who:

### The MSA should establish the framework for conducting stewardship activities.

- *Why*. The goals and objectives of discrete stewardship initiatives.
- *What*. Specifications of what activities can be reviewed as well as which relationship components are not subject to review. The MSA should make it clear that any audit: (1) must be directly related to the services provided by the agency to the client; (2) must be consistent with the method of compensation agreed to by the parties; (3) must be based on jointly agreed-upon policies and practices; and (4) should be limited to majority owned companies that are providing services to the client.
- *When*. Specify the period of time that is subject to audit and allow for a reasonable notice period.
- *How*. Outline procedures for establishing the scope, process, timing and reporting of due-diligence activities.
- *Who*. Establish ground rules related to the involvement of subject matter experts who should be considered for different types of stewardship activities. Ground rules might include but not be limited to the following:  
...Auditors or consultants that are affiliated with any entity that offers services that compete with the services of the agency or its affiliates should be prohibited from conducting audits or stewardship reviews of the agency.

...Auditors or consultants that are providing services to a competitor of the client should be required to disclose to the client the nature of their relationship with the competitor in advance of initiating the engagement.

...The client and agency should agree on any auditor/consultant (s) that are not eligible to participate in a stewardship programs due to significant disputes between the auditor and the agency, for example, violation of NDA terms, recurring unprofessional behavior or conflicting business interests.

...any audit firm that is not certified by a recognized professional body should be subject to client and agency mutual agreement.

The MSA should also cover appropriate rules and limitations related to access to and use of information and clarify "ownership and use of records" including agency, client and supplier information that is created, developed, calculated or licensed. Agencies ordinarily specify in the agency-client MSA that information and documentation created or used by the agency in its provision of services belongs to the agency.

For reference, Appendix 1 provides examples of agreed upon agency-client policies and procedures relating to media stewardship that should be considered for inclusion in an MSA. Each MSA should specify stewardship parameters that relate to the agency's servicing arrangement for that client's business.

## **Auditors are not consultants. Consultants are not auditors.**

3. Auditors are not consultants. Consultants are not auditors. Consultants and auditors may be agency's competitor.

The agency contract with the client should specify that the client cannot choose as an auditor any person who, or the division of any firm that, is engaged in the business of providing consulting or marketing services to businesses in the advertising industry. The auditor's motivation to upsell and cross-sell their own firm's other services would significantly impair their perceived ability to undertake an objective audit. The expansion of service offerings by consultants and auditors also means that they are now competing with agency services and it would be inappropriate for a division of the agency's competitor to undertake a compliance audit of the agency.

The MSA should specify mutual agreement on acceptable auditors for contract compliance and financial audits to ensure auditor independence, integrity and objectivity. Many agencies specify the internationally recognized general audit practice group of "Big 4" global audit firms who are approved by recognized supervisory bodies to undertake company audits, are members of professional bodies that promote knowledge, skills and professional standards and employ professionally qualified personnel. Audit firm membership of a regulatory body not only means that audit firms are subject to regulatory body reviews of their adherence to recognized professional auditing methodologies and ethical standards but also provides the client and the agency with access to disciplinary procedures that is not available for those audit firms that are not a member of a regulatory body and who are consequently only accountable to themselves.

Furthermore, agencies and clients should be concerned if the auditor does not have comprehensive internal policies and procedures to prevent the disclosure and misuse of confidential information, which would include provisions relating to how confidential information is stored and accessed.

The MSA should separately specify mutual agreement on acceptable, qualified and independent consultants for media activity, fee-compensation reviews and benchmarking. For example, in respect of any database, consultants should disclose the size, scope and relevance of any database, the age of the data, the composition of media and product/service categories and the methods of calculation used. Consultants should allow clients or agencies to commission an examination of data and methodology used, subject to being carried out by an agreed neutral expert.

### **In advance of the start of the audit, agree on a precise scope of the audit...**

4. The client and the agency should, in advance of the start of the audit, agree on a precise scope of the audit, the period under review and the process and information requirements consistent with the terms of the MSA. The auditor should use auditing techniques that adhere to professional standards and their sample selection should be based on statistically relevant and unbiased methods. MSA terms should be reflective of the services provided and prohibit unauthorized "audit scope creep." Furthermore, agency should clarify any information access and audit limitations or restrictions.

It is common practice to limit audit or restrict access to the following:

- Individual payroll records and personnel files;
- Expenditure or information of other clients;
- Agency overhead cost and non-billable expenses;
- Any products and services covered by an opt-in agreement where the product or service is sold on a non-disclosed basis, for example, proprietary media;
- Confidential supplier information, for example, media supplier or data licensed information;
- IT and HR systems raw data, agency data centers or server rooms;
- Transactions or agency agreements with third parties that are unrelated to the services provided to the client or are outside the scope of the MSA.

An agency's books and records and documentation created or used by the agency in the provision of the services belong to the agency, not the client. Where the agency's records include both information relating to the client and confidential information unrelated to the client, it is standard audit practice for the agency to redact the latter.

The provision of some data by the agency to the client or the auditor may be subject to the terms of the agency's agreements with a third party who has placed a restriction on the agency to not disclose the data to any third party who would otherwise have to pay the licensor a license fee, for example, Nielsen advertising expenditure data. If the client requests the agency to provide this data to the auditor then either the auditor should have the appropriate third party license themselves or the client should be responsible for the additional cost.



In practice only the agency's statutory auditors and regulators have broad access to the agency and agency group's records. Client audits are subject to a precise audit scope consistent with the services provided by the agency under the terms of the MSA. Any requests by clients or their auditors for unrestricted access to records in the agency or in other agency group companies should be politely declined.

The audit scope of work should acknowledge that:

- the auditor will not ask for or be provided with agency confidential information that is expressly prohibited in the MSA, for example, salary data; and
  - all requests to agency for materials or information shall be made pursuant to the MSA, where each request will reference the MSA provision that requires such disclosure.
5. Contingency consultants and contingency auditors have an inherent conflict of interest and should be prohibited.

**Auditors or consultants whose compensation is in whole or in part derived from analysis of advertising industry audit findings have an inherent conflict of interest.**

Auditors or consultants whose compensation is in whole or in part derived from analysis of advertising industry audit findings have an inherent conflict of interest. The MSA should prohibit contingency arrangements and eliminate the involvement of contingency practitioners. Fee arrangements based on share of findings tend not to form collaborative working relationships between the client and the agency as the contingency nature of the fee motivates the auditor to focus solely on how they can maximize their own fee rather than making recommendations that improve how financial stewardship for both client and agency is managed according to the MSA terms. In practice, contingency fee arrangements result in several consequences, including: excessively large audit sample sizes with the resulting onerous agency resource requirements to manage the audit; auditor attempts to misinterpret MSA language; a focus on areas that both agency and client would consider inappropriate; and/or measuring against metrics that have neither been agreed between the agency-advertiser nor established as an "industry standard".

6. Specify client right to audit parameters.

Agency policies and client MSAs should establish the parameters relating to the client's right to audit and include basic standards for audits:

- Auditor firm qualifications, credentials and mutual agreement on auditor selection criteria.
- Assurances against auditors having no conflicts of interests.
- Audit duration, frequency and time limitations.
- A requirement for the auditor to sign an NDA acceptable to the agency.
- The client's responsibility for the cost of the audit.
- The period subject to audit which is recommended not to extend, for example, past a rolling two-year time frame and never beyond the statutory period for record retention due to the practical considerations of records and agency's personnel still being available.

- Individual auditor personnel should not be involved on any client audit engagement if they have any actual or perceived conflicts of interest resulting from their relationships, history or associations with the agency, agency's clients or vendors or the agency's management. The Agency would have good reason to disallow a former agency employee who is now working for an auditor to undertake a client audit since there may be a potential conflict between any obligations of confidentiality to the agency and the requirements of the new employer, the auditor.

7. The agency should execute Non-Disclosure Agreements (NDAs) directly with all auditors and consultants in a form that is satisfactory to the agency. The consultant and auditor NDAs should establish parameters related to access to and use of confidential information.

**The agency should execute Non-Disclosure Agreements (NDAs) directly with all auditors and consultants...**

The consultant or auditor NDA should confirm the auditor and consultant will apply the terms of the NDA and be responsible for all parties that they utilize to provide their services, including their employees, officers, subcontractors and affiliates, whether owned by them or not. Agencies should not rely on an NDA with an auditor and consultant that they are not a party to, for example, an NDA between the client and their auditor or consultant, as this does not give the agency the right to seek a remedy for a breach of the terms of the respective NDA against the auditor or consultant and also does not recognize that the information is confidential and/or proprietary to the agency/advertiser.

Many clients, and virtually all agencies and media and production companies, do not want confidential rate data retained by the auditor or included in third-party databases unless specifically agreed to in advance by all parties. Consequently, agencies should require the return of all confidential information held by the auditor at the conclusion of the audit, prohibit the use of agency and client information beyond the scope of the specific engagement and prohibit use of confidential information in consultant databases or for auditor research or survey purposes. It should be noted that many clients do not want their data, even if aggregated or anonymous, included in consultant databases because such disclosure could erode a client's strategic or scale-buying advantage.

While the auditor's own agreement with the client may include a liability cap provision, the inclusion of a liability cap within an agency-auditor NDA is not accepted practice given the stringent client and vendor requirements imposed on the agency to protect confidential information.

As noted in the following section, the auditor may be provided with access to the agency's confidential information that the agency would not provide to the client directly. The NDA should specify what information that the auditor can verify but cannot pass on to the client.

8. Distinguish between verification and disclosure.

Independent auditors are appointed by clients not only because of their audit expertise, professionalism and adherence to best practices but also because the agency may permit them a greater level of access to relevant agency confidential information for the purpose of verification than what the agency would provide to a client. The involvement of independent auditors permits the agency to protect both the confidential information of the agency and the agency's other clients. Financial audits and audits involving sensitive agency confidential information should be conducted by the audit group of a "Big 4" or credible independent Certified Public Accounting (CPA) firm via a process that provides the CPA firm with the opportunity to view relevant information for purposes of verification through an agreed-upon procedure. A verification audit allows the auditor to verify the correctness of the agency's relevant information while protecting the agency's confidential information. Consequently, the agency's non-disclosure agreement with the auditor should restrict the auditor from disclosing the agency's confidential information to the client, e.g. employee salary details, agency's billings whether in total or by vendor, rebate by vendor in markets where they exist, details of agency level agreements with vendors, details of agency's insurance coverage beyond any coverage required in the MSA or anything outside the scope of the audit. This would not restrict the auditor from disclosing the nature and amount of any variance to the client in its audit report.

9. Auditors and consultants should be required to provide the agency with a draft report of findings prior to the report being delivered to the client and also the final report.

As the purpose of the client audit is to confirm whether the agency has complied with specific terms of the MSA, the agency's review provides the opportunity for the agency to:

- confirm whether the report is both factually correct and communicated in the appropriate context;
- ensure the auditor remains within the boundaries of their auditor role and do not overstep the mark into consulting territory, e.g., providing "consulting opinion" on what market practice is or isn't or suggesting changes to contract language, or advising clients on compensation rates or fee structures with or without "benchmark data";
- provide specified comments for inclusion verbatim within the executive summary and in the respective sections of the audit report.

**The requirement that the agency receive the draft audit report from the auditor prior to the client receiving the information should be codified...**

The requirement that the agency receive the draft audit report from the auditor prior to the client receiving the information should be codified in the agency's policies as well as in the MSA.

The agency should be provided with a copy of the final audit report and also with sufficient information to support any amounts the auditor notes as due to or from the client.

## 10. Agency-auditor ways of working.

In the agency's normal course of business it is not unusual for the same audit firm to perform audits for several of the agency's clients. If this is the case, the agency and audit firm are likely to experience a learning curve as a consequence of their repetitive interactions which may result in both parties benefitting from efficiencies in the time and effort expended when client audits are undertaken.

It is helpful for these efficient ways of working to be formalized by the agency and the auditor in an agency-auditor 'Ways of Working', 'Rules of the Road', or 'Client Audit Protocol' document, an example of which is included as Appendix 2.

### Summary Conclusions

Agencies and clients should collaboratively work together to design effective and efficient controls and verification procedures related to significant marketing expenditures.

Comprehensive client-agency stewardship arrangements entail alignment on expenditure policies, clarity on internal control responsibilities, agreement on appropriate transparency and relevant scope of verification.

Well-crafted stewardship activities can and do provide reassurance and foster confidence in the agency-client relationship.

### Supplemental Information

In order to help the agency community with implementation of stewardship and audit best practices, this document includes the following Appendices that contain supplemental information:

- Appendix 1: Media Stewardship Parameters MSA Examples
- Appendix 2: Illustrative Agency-Auditor Ways of Working Principles

**Well-crafted stewardship activities can and do provide reassurance and foster confidence in the agency-client relationship.**

## Appendix 1

### 4A's Client Audit Guidance Appendix Media Stewardship Parameters MSA Examples

The agency-client MSA should specify stewardship parameters that relate to the agency's servicing arrangement for that client's business. Examples of media stewardship policies and procedures that should be considered for inclusion in an MSA:

1. Methodology for post buys
2. Disclosure and advance mutual agreement on all client buying guidelines
3. Acknowledgement of industry standard for Television post buys GRP delivery (e.g., +/- 10%)
4. Clarity and mutual agreement on posting organization for assessing post buys (the agency or third-party auditor if client utilizes third-party media audit firm).

## Appendix 2

### Illustrative Agency-Auditor Ways of Working Principles

This illustrative Ways of Working Principles document provides a framework that an audit firm (“Auditor”) and an agency (“Agency”) can adopt to establish and demonstrate the Auditor’s and Agency’s commitment to ethical and professional conduct.

### Agency-Auditor Ways of Working Principles

This document has been prepared by the Agency and the Auditor with the objective of setting out the key principles for their respective personnel that will aid the commencement, conduct and conclusion of client audits. This document is not to be used by the Auditor in a manner that suggests that it represents an official accreditation of the Auditor by the Agency, as it is not.

This document is not intended to restrict the Auditor’s activities in a way that compromises its independence and objectivity when reporting to the client in accordance with the terms of the agency-client agreement.

#### 1. Ethical and Professional Principles

##### The Auditor shall:

- a. at all times perform its services with honesty and with integrity, and will perform the audit independently, objectively and without prejudice.
- b. shall maintain the required levels of professional competency, skills and experience for the performance of the audit services it provides, including ensuring its personnel have the appropriate qualifications and auditing expertise.
- c. ensure that its senior personnel who oversee the audit are members of a recognized and accredited national accountancy or auditing professional body and that they have current practicing certificates.
- d. not have any conflicts of interest that may affect either its independence or professional judgement in the performance of audits, such as:
  - i. performing the audit on a contingent fee or share of findings basis.
  - ii. providing other non-audit services to the client, such as, contract drafting services, benchmarking or being involved in the negotiating of the Agency’s commercial terms
  - iii. providing services that compete with the services provided by the Agency or Agency group - it would be inappropriate for the Agency’s competitor to have access to its confidential information.
- e. use appropriate and transparent professional auditing techniques to objectively assess the data and information provided by the Agency during an audit assignment (“Audit Information”) to produce their findings.

- f. not use any Audit Information, even if anonymized, for any purpose whatsoever other than for the sole purpose of the audit, for example, the Auditor should not use any Audit Information for benchmarking or external marketing purposes or to derive any additional economic benefit.
- g. not use the same personnel on simultaneous audits of clients that are competitive to each other without the respective clients' consent.
- h. ensure appropriate technical and physical separation of Audit Information to prevent 'leakage' across audits or to other clients, agencies or other third parties.
- i. have a formal complaints procedure in respect of any ethical or professional matters, including the loss, theft or misuse of any Audit Information or any breach or potential breach of the Ways of Working Principles.

**The Agency:**

- j. acknowledges an audit provides the ability for it to demonstrate good contractual stewardship, however it will insist on protecting its own confidential information and that of its other clients and stakeholders.
- k. will permit clients, through their auditors, to undertake audits to verify compliance with specified terms of the agency-client agreement.
- l. shall at all times act with honesty and integrity and it will be professional in its dealings with the Auditor.
- m. recognizes the importance of Auditor's professional auditing expertise and its adherence to professional standards such as independence, confidentiality and integrity.

**2. Commencement, Conduct and Completion of Audits**

**Before the Audit Fieldwork**

- a. The Auditor should request the client to provide written notice to the Agency in respect of the audit, noting the time period that will be reviewed.
- b. The Agency and client should agree to a precise audit scope consistent with the agency-client agreement, prior to the commencement of an audit, or where applicable, work to any 'agreed upon procedures' scope stipulated in the agency-client contract.
  - i. The Auditor acknowledges that during audit scope development, that some Agency services and records will be outside the scope of the audit unless specified otherwise in the agency-client agreement, for example, opted-in non-disclosed proprietary media sales, information relating to Agency's other clients, employee payroll data, Agency's overhead, non-billable expenses and information unrelated to the Agency's services to the client.
  - ii. Any disagreement on scope or interpretation of the agency-client agreement should be resolved by the Agency and the client.

- c. Following agreement to the audit scope, the Agency should provide the Auditor with the initial data it requires to perform its sample selection, which shall be based on statistically relevant and unbiased methods.
- d. Upon the Agency receiving the sample selection from the Auditor, the Agency and Auditor should align on a date when the Auditor can attend the Agency's offices, such date taking in to account staff availability and the time required by the Agency to retrieve the sample selection data.

### **During the Audit Fieldwork**

- e. The Agency shall assist the Auditor with gaining access to subcontractors and affiliates providing services to the client where associated audit are rights specified in the agency-client agreement.
- f. The Auditor should ensure that requests to the Agency for information during the audit are consistent with the agreed audit scope.
- g. If requested by the Auditor, the Agency shall provide an audit representation letter to the Auditor aligned to specific provisions of the agency-client agreement. The Agency will not make representations for items outside the scope of the agency-client agreement.

### **The Audit Report**

- h. The Auditor should ensure that its senior personnel undertake a formal review of the draft audit report to ensure that it is objective, independent and consistent with this Ways of Working Principles document and the agency-client agreement. Such review will ensure the report does not:
  - i. provide industry opinions or consulting advice;
  - ii. provide contract interpretation advice;
  - iii. characterize findings not addressed by provisions of the agency-client agreement and the agreed audit scope as being 'due to' the Client;
  - iv. extrapolate audit findings from the sample to the total scope of the audit.
- i. The Auditor should allow the Agency a reasonable period of time to review the draft audit report prior to its release to the client and permit the Agency to provide its specified comments for inclusion verbatim within the audit report.
- j. The Auditor should provide the Agency with a copy of the final audit report at the same time it is submitted to the client.
- k. The Agency acknowledges that the audit report may identify opportunities where the Agency and / or the client can improve their relationship. The Agency and client should endeavor to develop an improvement plan to ensure that these improvements are realized.



### 3. Data handling, Security and Confidentiality

The Auditor acknowledges that the Agency and client will both have an interest in knowing that the Auditor will handle and protect the confidentiality of Audit Information in accordance with the highest professional standards, commensurate with the sensitive nature of the Audit Information. When requested, the Auditor should be willing to share with the Agency and clients its processes and procedures in respect of how it protects confidential information.

The Auditor shall only use tools and equipment for the provision of its auditing services that are safeguarded against electronic threats and shall comply with the Agency and the client's information technology and security policies.

The Agency and Auditor agree that a non-disclosure agreement ('NDA') in a form acceptable to the Agency is a mandatory requirement for each client audit. Individual NDAs should specify:

- a. that the Auditor will maintain the confidentiality of all Audit Information and will not disclose any such information to any third party, before, during or after the audit, without the prior written consent of the Agency.
- b. the Auditor will only disclose the Audit Information to its employees, officers, subcontractors and affiliates on a need to know basis solely in connection with the audit and the Auditor will be responsible for their actions.
- c. that the Auditor will ensure all Audit Information is stored securely and remains inaccessible to anyone other than the personnel performing, and having responsibility for, the audit assignment.
- d. that the Auditor shall not use the Audit Information for any other purpose other than the sole purpose of the audit, including not using the information in any benchmarking databases or for marketing or research or survey purposes.
- e. what Audit Information is subject to verification by the Auditor but which is confidential and should not be shared with the client, for example, employee salary details, Agency level total billings or Agency level total billings by vendor, Agency level total rebates or by vendor in markets where rebates exist, details of Agency level agreements with vendors, details of the Agency's insurance coverage beyond any coverage required in the agency-client agreement and any information outside the scope of the audit.
- f. the duration of the confidentiality taking in to account the nature of the information disclosed to the Auditor and the period of confidentiality noted in both the agency-client agreement and the agency's agreements with other third parties such as vendors.
- g. whether the Auditor will permit independent third party verification of the Auditor's compliance with the NDA and its processes and procedures in respect of safeguarding Audit Information.

The Auditor acknowledges that the inclusion of a liability cap within any NDA, especially an agency-auditor NDA, is not accepted practice given the stringent requirements imposed on the Agency by clients and third parties such as vendors to protect confidential information.