

DRAFT MPS AUDIT AND INSPECTION PROTOCOL

The MPS is regularly reviewed by a number of audit and inspection services, in particular the HMIC, Audit Commission and the MPA. At present these services are dealt with by different parts of the MPS and there is variable co-ordination of access to the MPS by these services.

As a result, the following protocol has been created to ensure a collaborative process by enabling the MPS and audit/inspection services to work in partnership to deliver effective and efficient audit and inspection programmes.

This protocol is supported by internal guidance for both those being inspected/audited and those in the quality assurance network.

The key parties involved in this process within the MPS are:

- The respective Management Board member;
- The MPS Director of Strategic Finance;
- The respective Business Group Business Manager;
- The respective Business Group Lead Accountants (where appropriate);
- The OCU/BOCU Commander (where appropriate); and
- The Inspection Liaison and Analysis Unit (ILAU)

Pre-Audit/Inspection Activity

There are existing practices for the notification of proposed audit and inspection activity in that:

- The MPA Director of Internal Audit and the Director of the Audit Commission meet with the Director of Strategic Finance to consult on their respective audit plans following discussions with key individuals across the MPA and MPS. Management Board is consulted on the draft plans and details of agreed programmes are passed to the respective business groups once finalised.
- Proposed HMIC activity is notified to the Commissioner, the respective Management Board member and the MPS HMIC Liaison Officer (in the ILAU).

The MPS will identify a single point of contact for the day-to-day management of each inspection/audit. Details of all elements of the proposed activity should be confirmed in a letter of engagement for each audit/inspection to the key parties within the MPS. This should include:

- Terms of reference and methodology;
- Expected timescales for each section of audit (fieldwork, draft report, final report);
- Details of the audit team members and the accessibility required; and
- Structure of reporting.

Prior to any activity commencing, a pre-meeting should take place between the respective audit/inspection service, the respective MPS business group and the OCU/BOCU to formalise arrangements; agree all key documents and details of the scope and the timescales for key stages of the audit/inspection.

This will be facilitated by a nominated single point of contact for that audit/inspection within the respective business group or OCU/BOCU (wherever appropriate).

For HMIC national inspection programme, a pre-inspection meeting will take place between the HMIC inspection team and the ILAU to discuss any necessary arrangements and agree key documents.

Audit/Inspection Activity

Requests for data/information/documents by the audit and inspection services should be in writing and include details of any relevant data/documents/information (with dates and version numbers) already in the possession of the audit and inspection services.

During the audit/inspection activity, regular updates from the respective audit/inspection service to the key parties within the MPS, will enable continued support and co-ordination to be provided throughout the process. This is of particular importance in respect of any changes to the agreed timescales and any additional requests for data/information/documents.

Post Audit/Inspection Activity

Prior to the formal issue of the draft report, all audit and inspection services should, where possible, discuss potential findings or recommendations with the MPS nominated single point of contact for that audit/inspection. This is to ensure that any points of factual inaccuracy or contention can be resolved at the earliest stage. Ideally, this point of contact should have sight on an early draft to allow for initial reviews to take place prior to the formal draft reports being issued.

A copy of the draft report should then formally be sent to all key parties within the MPS, in accordance with the timescale stated in the letter of engagement.

To ensure a prompt reply, the respective Management Board member will provide a written response to the audit/inspection service within one month of receipt of the draft report. This will include the management response to all recommendations and an implementation timetable as well as the reasons for non-agreement to recommendations if appropriate.

A copy of the final report should be forwarded to all key parties within the MPS, in accordance with the timescale stated in the letter of engagement.

Follow-up audit/inspection activity

Details of any follow-up visits by audit and inspection services should be notified in advance, to the key parties within the MPS. Carrying out follow-up activity should follow the same process used for the main audit/inspection.

To enable appropriate action to be taken in a timely manner, the MPS requests that any follow-up visits by audit and inspection services should only be in relation to identifying whether the recommendations have been

implemented. Any further information required should be undertaken as a separate new audit/inspection.

Other matters

To enhance the co-ordination of activity and to share learning and good practice, details of internal audit/inspection activity are discussed at the quarterly External Audit and Partnership Meeting (EAPM), chaired by the head of the MPS Inspectorate & ILAU. The main audit and inspection services are represented at this meeting.

In accordance with MPA Standing Orders the MPS will notify the Director of Internal Audit of any loss or financial irregularity or suspected irregularity, or any circumstance which may suggest the possibility of losses or irregularities which may affect cash, stores and other property for which the MPA is responsible.

Any issues of complaint by the MPS regarding the audit and inspection process will be actioned by the Director of Strategic Finance, in accordance with the respective audit/inspection services' complaints procedures.

Any issues of complaint by the MPS regarding the MPS response to the audit and inspection process should be referred to the Director of Strategic Finance for appropriate action.

MPS GUIDANCE ON AUDIT AND INSPECTION ACTIVITY

The MPS is regularly reviewed by a number of audit and inspection services, in particular the HMIC, Audit Commission and the MPA. At present these services are dealt with by different parts of the Service and there is variable co-ordination of access to the MPS by these services.

As a result, a protocol has been created to ensure a collaborative process by enabling the MPS and audit/inspection services to work in partnership to deliver an effective and efficient audit and inspection programme.

The protocol is supported by the following internal guidance for those being audited/inspected and those in the quality assurance network.

This guidance outlines the expectations of the audit and inspection regimes and should follow the general principles for scrutiny. This is applicable to both audit and inspection activity undertaken by MPS OCUs/BOCUs and business groups and activity undertaken by audit and inspection services.

The key parties involved in this process within the MPS are:

- The respective Management Board member;
- The MPS Director of Strategic Finance;
- The respective Business Group Business Manager;

- The respective Business Group Lead Accountants (where appropriate);
- The OCU/BOCU Commander (where appropriate); and
- The Inspection Liaison and Analysis Unit (ILAU).

All managers within the MPS however have responsibility for ensuring that this guidance is adhered to and that audit and inspection activity within their area of business is managed appropriately and in accordance with the relevant statutory requirements and the MPA Financial Regulations.

Advice regarding this guidance can be obtained from ILAU as the single point of contact for the management of all audit and inspection activity within the MPS. Their remit includes the co-ordination and monitoring of all such activity to enable the MPS to report on progress made against recommendations.

Pre-Audit/Inspection Activity

- There are existing practices for the notification of proposed audit and inspection activity in that:
 - The MPA Director of Internal Audit and the Director of the Audit Commission meet with the Director of Strategic Finance to consult on their respective audit plans following discussions with key individuals across the MPA and MPS. Management Board is consulted on the draft plans and details of agreed programmes are passed to the respective business groups once finalised.
 - Proposed HMIC activity is notified to the Commissioner, the respective Management Board member and the MPS HMIC Liaison Officer (in the ILAU).
- To build upon these existing practices and to ensure clear understanding, details of all elements of the proposed activity should be confirmed in a letter of engagement by the audit/inspection service for each audit/inspection to the key parties within the MPS. This should include:
 - Terms of reference and methodology;
 - Expected timescales for each section of audit (fieldwork, draft report, final report);
 - Details of the audit team members and the accessibility required; and
 - Structure of reporting.
- Prior to any activity commencing, a pre-meeting should take place between the respective audit/inspection service, the respective MPS business group and the OCU/BOCU to formalise arrangements; agree all key documents and details of the scope of the audit/inspection.
- A nominated single point of contact for the day-to-day management of that audit/inspection should be nominated within the respective business group or OCU/BOCU (wherever appropriate) to facilitate this process and deal with any subsequent requests.

Audit/Inspection Activity

a. Information requests

- Audit and inspection services are expected to provide all requests for data/information/documents in writing. These requests should also include details of any relevant data/documents/information (with dates and version numbers) already in the possession of the audit/inspection services from previous audits and inspections.
- The respective MPS nominated point of contact for that audit/inspection should determine whether the data/information/documents have been previously provided, together with the resource implications of dealing with such a request. This information must be communicated to the Business Group Business Manager and Management Board member, prior to any potential challenge in respect of the provision of any such requested information.
- If the data/information/documents are readily available, they should be collated/indexed and provided electronically (where possible) to the audit/inspection service in accordance with the MPS MetSEC policy. The MPS nominated point of contact for that audit/inspection should also provide details of the data/information/documents to the ILAU.

b. Updates to be provided throughout the process

- Throughout the audit/inspection process, all audit/inspection services are expected to provide regular updates to the respective Management Board member, Business Group Business Manager and OCU/BOCU Commander, particularly in respect of changes to the agreed timescales and any additional requests for data/information/documents.
- The MPS nominated single of point of contact for each audit/inspection should provide this information to the ILAU in order that it can be recorded in their monthly progress report.

Post Audit/Inspection Activity

a. Draft Reports

- Prior to the formal issue of the draft report, audit and inspection services should, where possible, discuss potential findings or recommendations with the MPS nominated single of point of contact for that audit/inspection. Ideally, this point of contact should have sight on an early draft to allow for initial reviews to take place prior to the formal draft reports being issued.
- Copies of the draft report will be sent by the audit/inspection service to all key parties within the MPS. This should be in accordance with the timescale stated in the letter of engagement.

- Prior to any MPS response being provided, the Business Group Business Manager and the OCU/BOCU Commander should discuss the draft report regarding:
 - Factual accuracy;
 - The agreement and implementation of any recommendations/areas for improvement; and;
 - Any follow-up activity to be undertaken by the audit/inspection service.
- This discussion must determine whether the timescales for implementation of the recommendations and any follow-up activity are realistic.
- Any recommendations relating to corporate issues made in audits and inspections must be referred to the respective Management Board members and Business Group Business Managers for agreement.
- Any financial recommendations and/or areas for improvement in the draft report must also be discussed with the respective Lead Business Accountant. This will provide an opportunity for any corporate financial issues to be identified by Strategic Finance Services, prior to the final report being published.
- A written response to the draft report from the respective Management Board member should be provided to the audit/inspection service within one month of receipt. This will include the management response to all recommendations and implementation timetable as well as the reasons for non-agreement to recommendations if appropriate. A copy of this response should also be supplied to the ILAU.

b. Recommendations

- i. Agreement on the implementation of recommendations**
 - A timetable and action plan for implementation of all recommendations should be created by the MPS nominated single point of contact for each audit/inspection in conjunction with the OCU/BOCU and/or business group. A copy of which should be forwarded to the Business Group Business manager and the ILAU.
- ii. Implementation and monitoring of recommendations**
 - All OCUs/BOCUs and business groups must have a formal process for the implementation and monitoring of all recommendations, managed by a nominated individual. This process should include provision of detailed action plans with dedicated timescales and regular monitoring activity. Details of this activity must be provided to business group inspection/performance units.

- Strategic Finance, in conjunction with the Business Group Lead Accountants should monitor any recommendations relating to finance matters made by any audit/inspection services.
- All OCUs/BOCUs and business groups must provide monthly updates on the progress of all recommendations to the ILAU. This information will be included in the ILAU monthly progress report.
- All recommendations must be implemented in a timely manner. Any recommendation which, due to exceptional circumstances, has not been implemented within a year should be reviewed in terms of continuing relevance. Any proposed change to the status of the recommendation should be discussed with the relevant audit/inspection service. Details of all decisions should be recorded on the action plan.
- The ILAU will report on the implementation of recommendations to Performance Board on a monthly basis and on progress against the agreed plans on a quarterly basis.
- The ILAU will report on the implementation of high-risk recommendations to the MPA Corporate Governance Committee on a quarterly basis.

MPS GUIDANCE FOR THE QUALITY ASSURANCE NETWORK

The following internal guidance is for the quality assurance network and is in support of the MPS Audit and Inspection Protocol.

MPS Strategic and Business Group Audit/Inspection Activity

- Quality Assurance activity must be in support of corporate and business group priorities and/or key performance areas. The programme of activity should be agreed by the respective business group lead for inspection and review/performance.
- Details of all quality assurance work undertaken at business group and strategic level must be provided to the Inspection Liaison and Analysis Unit (ILAU) on a monthly basis for inclusion in their progress report. This is to include details of all OCU and/or BOCU visits.
- Once the activity has been completed, all OCUs/BOCUs and business groups must have a formal process for the implementation and monitoring of all recommendations, managed by a nominated individual. This process should include provision of detailed action plans with dedicated timescales and regular monitoring activity. Details of this activity must also be provided to business group inspection/performance units.
- Business groups must provide details on the progress of the implementation of all quality assurance recommendations to the ILAU on a monthly basis. This information will be included in the ILAU monthly progress report.
- All recommendations must be implemented in a timely manner. Any recommendation which, due to exceptional circumstances, has not been implemented within a year should be reviewed in terms of continuing relevance. Any proposed change to the status of the recommendations should be discussed with ILAU. Details of all decisions should be recorded on the action plan.
- Details of all quality assurance activity will be discussed at the quarterly Internal Inspection Co-ordination Meeting (IICM), chaired by the head of the MPS Inspectorate & ILAU. All business groups are represented at this meeting.
- Utilising the information collated on audit/inspection activity, the ILAU will report on the progress of recommendations to Performance Board on a monthly basis and on progress on the approved plans on a quarterly basis.
- In addition, the ILAU will report on the progress of high-risk recommendations to the MPA Corporate Governance Committee on a quarterly basis.
- Advice and guidance on inspection activity is provided by the ILAU and the MPS Inspectorate, who are head of Profession for Quality Assurance

Officers. This is facilitated through regular seminars and training presentations and via a Special Interest Group on the intranet.