

REQUEST FOR DMPC DECISION – PCD 33**Title: Procurement Strategy – External Audit****Executive Summary:**

The current arrangements for the external audit of MOPAC and MPS statutory accounts will expire at the end of the 2017/18 accounts audit. This report requests approval to the procurement strategy for the supply of the external audit of the MPS and MOPAC statutory accounts.

Recommendation:

That the DMPC approves the procurement strategy set out at paragraph 2.8 for the supply of the external audit of the MPS and MOPAC statutory accounts, over up to 5 years at an estimated cost of £1.3m.

Deputy Mayor for Policing and Crime

I confirm I have considered whether or not I have any personal or prejudicial interest in this matter and take the proposed decision in compliance with the Code of Conduct. Any such interests are recorded below.

The above request has my approval.

Signature**Date**

21 / 07 / 2016

PART I - NON-CONFIDENTIAL FACTS AND ADVICE TO THE DMPC

Decision required – supporting report

1. Introduction and background

- 1.1. Grant Thornton were appointed as MOPAC/MPS external auditors under the Audit Commission tender for the supply of external audit services to all local government, health, police and fire bodies. This was one of the last actions of the Audit Commission prior to its abolition. The Public Sector Appointments Ltd (PSAA) company inherited the management of these contracts.
- 1.2. The award of contract was for an initial period with potential for extensions. The initial period has expired and extensions implemented. The arrangements will expire at the end of the 2017/18 accounts audit.
- 1.3. Legislation now requires each public body to be responsible for the appointment of their future auditors.

2. Issues for consideration

- 2.1. The appointment of a robust external auditor is an important decision as it provides stakeholders and tax payers with confidence and assurance that their money is being well managed. MOPAC must appoint a external auditor by the end of December 2017.
- 2.2. MOPAC has three options for the route to procure external audit services
 1. As a single body, separately procure the service from the market place,
 2. As a collaborative exercise with other bodies procure the service from the market place, or
 3. Join the proposed national LGA/PSAA scheme
- 2.3. The Local Audit and Accountability Act 2014 states that MOPAC must appoint the external auditor that should audit both the MPS force accounts and its own accounts. In addition, MOPAC must establish a majority independent auditor appointment panel (which must have a independent chair) and which it must consult with and take account of its advice in appointing the audit firm.
- 2.4. The benefits of a single body procurement process for MOPAC/MPS only are the simpler procurement process, and greater input to the audit appointment panel. The dis-benefits include the potential difficulties in creating a separate audit appointment panel (although the Audit Panel may be able to fulfil this role), and the potential loss of economies of scale in the cost of the procurement and attracting competitive bids for a single body contract
- 2.5. The benefits of a collaborative procurement exercise led by MOPAC over a procurement just for MOPAC/MPS would be that there would be economies of scale in the cost of the procurement by sharing costs with other bodies, the increased value of a larger contract may attract lower prices, and there would only need to be one auditor appointment panel to be established. The disadvantages include a reduction in the input to the auditor panel, and ceding some control over the management of the contract as part of a partnership.
- 2.6. The Local Government Association (LGA) / Public Sector Appointments Ltd (PSAA) company has approached the DCLG to be designated to operate a collective scheme for auditor appointments for principal bodies which includes MOPAC as a PCC. PSAA is gathering evidence of support and commitment from local authorities and other interested parties including police and crime

commissioners to run a national procurement process, similar to the Audit Commission contract. The initial proposal is for a upto 5 year term.

- 2.7. More than two hundred authorities have already signalled their positive interest in the PSAA proposal. The vast majority of the PCC community have indicated an interest in the PSAA approach. The benefits to MOPAC would be the same benefits as a collaborative procurement exercise led by MOPAC but on a far larger scale, and in addition there would be reduced procurement resource required. It would also involve the same disadvantages (reduction in the input to the auditor panel, and ceding some control over the management of the contract) but again on a greater scale.
- 2.8. In conclusion, the economic benefits of a far larger procurement exercise and the reduced procurement and management overheads are expected to outweigh the dis-benefits of reduced engagement with the auditor panel, therefore Option 3, join the proposed national LGA/PSAA scheme, is recommended.

3. Financial Comments

- 3.1. Based on a upto 5 year contract term the estimated cost of the service is £1.3m. This cost can be met from within existing MOPAC/MPS budgets.

4. Legal Comments

- 4.1. The recommendation can be lawfully approved in accordance with MOPAC Contract Regulations and EU/UK Procurement law.
- 4.2. In accordance with the MOPAC Scheme of Delegation and Consent (4.13), the DMPC must approve the procurement strategy for all revenue and capital contracts of a total value of £500,000 or above.

5. Equality Comments

- 5.1. There are no direct equality implications arising from this proposal.

6. Background/supporting papers

- 6.1. PSAA Draft Prospectus.

Public access to information

Information in this form (Part 1) is subject to the Freedom of Information Act 2000 (FOIA) and will be made available on the MOPAC website following approval.

If immediate publication risks compromising the implementation of the decision it can be deferred until a specific date. Deferral periods should be kept to the shortest length strictly necessary.

Part 1 Deferral:

Is the publication of Part 1 of this approval to be deferred? No

If yes, for what reason:

Until what date:

Part 2 Confidentiality: Only the facts or advice considered as likely to be exempt from disclosure under the FOIA should be in the separate Part 2 form, together with the legal rationale for non-publication.

Is there a **Part 2** form – No

ORIGINATING OFFICER DECLARATION:

	<i>Tick to confirm statement (✓)</i>
Head of Unit: The SFRM team has reviewed the request and is satisfied it is correct and consistent with the MOPAC's plans and priorities.	✓
Legal Advice: Legal advice is not required.	✓
Financial Advice: The Strategic Finance and Resource Management Team has been consulted on this proposal.	✓
Equalities Advice: Equality and diversity issues are covered in the body of the report.	✓

OFFICER APPROVAL**Chief Operating Officer**

I have been consulted about the proposal and confirm that financial, legal and equalities advice has been taken into account in the preparation of this report. I am satisfied that this is an appropriate request to be submitted to the Deputy Mayor for Policing and Crime.

Signature



Date 21/07/2016