



DECISION 4	DATE: 7 DECEMBER 2016
TITLE: PROCUREMENT OF EXTERNAL AUDIT SERVICE	
REPORT BY: STEVE FREEMAN, CHIEF FINANCE OFFICER	
Appendices 'A' to 'D' refer	

<p>Executive Summary:</p> <p>The Police and Crime Commissioner is responsible for the procurement of the external audit service of the PCC and Group (and therefore Chief Constable) annual accounts.</p> <p>Since the disestablishment of the Audit Commission, Public Sector Auditor Appointments (PSAA) limited has managed the procurement of external audit services for local authorities including PCCs for a transition period that ends on the completion of 2017/18 audits.</p> <p>In considering the appointment of external audit for the 2018/19 (and future years) accounts the PCC and Chief Constable have been asked to sign up to a sector led procurement process provided by PSAA limited.</p>

<p>Recommendation:</p> <p>The Police and Crime Commissioner and Chief Constable are recommended to agree that the Commissioner signs up to the sector led procurement of external audit by PSAA ltd for a period of 5 consecutive financial years commencing 1 April 2018.</p>

<p>Signature</p> <p>Police and Crime Commissioner</p> <p>Date</p>	<p>Signature</p> <p>Chief Constable</p> <p>Date</p>
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PART I

1. Background and Advice

- 1.1. Public Sector Audit Appointments Limited (PSAA) has been specified as an appointing person under the Local Audit (Appointing Person) Regulations 2015 and has the power to make auditor appointments for audits of the accounts from 2018/19 on behalf of principal local government bodies that opt in, in accordance with the Regulations. Eligible bodies are principal local government bodies listed in schedule 2 of the Local Audit and Accountability Act 2014 that includes police bodies.
- 1.2. The 'appointing person' is sometimes referred to as the sector-led body.
- 1.3. PSAA is a company owned by the LGA's Improvement and Development Agency (IDeA) and was established to operate the transitional arrangements following the closure of the Audit commission.
- 1.4. In accordance with Regulation 19 of the Local Audit (Appointing Person) Regulations 2015, a principal authority will need to make the decision to opt in at full council (authority meeting as a whole), except where the authority is a corporation sole (such as a police and crime commissioner), in which case the function must be exercised by the holder of the office.
- 1.5. There will not be a fee to join the sector-led arrangements. The audit fees that opted in bodies will be charged will cover the costs to PSAA of appointing auditors and managing the arrangements. It is expected that audit fees achieved through large contracts will be lower than the costs that individual authorities will be able to negotiate. In addition, by opting into the PSAA offer, authorities will avoid the costs of their own procurement and the requirement to set up an auditor panel with independent members.
- 1.6. PSAA will run the tendering exercise, and will evaluate bids and award contracts for external audit services. PSAA will consult authorities on individual auditor appointments. The appointment of an auditor independently of the body to be audited is an important feature of the appointing person arrangements and will continue to underpin strong corporate governance in the public sector.
- 1.7. The fee for the audit of a body that opts in to the sector led approach will reflect the size, audit risk and complexity of the work required. PSAA will establish a system for setting the fee which is fair to all opted in authorities. As a not-for-profit organisation, PSAA will be able to return any surpluses to participating authorities after all costs have been met.
- 1.8. Opting into the appointing person scheme will remove the need to set up an auditor panel. This is set out in the Local Audit and Accountability Act 2014 and the Local Audit (Appointing Person) Regulations 2015.
 - The costs of this exercise would be significant and it is highly unlikely that the savings delivered through the economy of scale of a national procurement exercise could be matched through an independent process

- 1.9. The PCC has received an invitation to opt in to the national scheme operated by PSAA shown at Appendix 'A'.

2. Timetable

- 2.1. The PSAA has provided the following indicative timetable for the procurement process:
 - Issue opt out invitations in November 2016
 - Invite tenders for 2018/19 audit contracts March 2017
 - Award contracts for 2018/19 audits June 2017
 - Appoint Auditors by December 2017
 - Set fees for 2018/19 audit by 31 March 2018

3. Supporting documentation

- 3.1. The PSAA prospectus is shown at Appendix 'B'
- 3.2. Via the PaCCTs group we have received a presentation made to their advisory panel shown at Appendix 'C'
- 3.3. PaCCTs have also been provided with an FAQ schedule shown at Appendix 'D'

4. Links to the Police and Crime Plan

- 4.1. The establishment and maintenance of effective external audit will assist the Commissioner in achieving the priorities set out in the police and crime plan by providing assurance that the finances of the OPCC and Constabulary are being managed effectively and legally

5. Implications

- 5.1. Legal
 - The Commissioner is required under legislation to appoint the external auditors for the PCC and Group accounts
- 5.2. Financial
 - The audit fee will be contained within existing revenue budget allocations
- 5.3. Equality considerations

6. Public access to information

- 6.1. Information in this form is subject to the Freedom of Information Act 2000 and other legislation
- 6.2. Part 1 of this form will be made available on the PCC website within 3 working days of approval. Any facts/advice/recommendations that should not be made available on request should not be included in Part 1 but instead on the separate Part 2 form.

Officer declaration	Date
LEGAL IMPLICATIONS – As above	
FINANCIAL IMPLICATIONS – As above	
EQUALITIES IMPLICATIONS – As above	
CONSULTATION – As above	
<p>Director to the Office of the Police and Crime Commissioner (Monitoring Officer)</p> <p>I have been informed 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 Police and Crime Commissioner for Lancashire.</p> <p>Signature.....Date.....</p>	