

MOPACMAYOR OF LONDON
OFFICE FOR POLICING AND CRIME**METROPOLITAN
POLICE****TOTAL POLICING**

AUDIT PANEL

Friday, 22 September 2017

External Audit

Report by: MOPAC CFO and MPS CFO

Report Summary

Overall Summary of the Purpose of the Report

This paper updates the Audit Panel on the reporting by Grant Thornton on the 2016/17 accounts and value for money opinions, the progress of external audit work, and the procurement of an external audit service.

Key Considerations for the Panel

To note external audit work and the procurement progress.

Interdependencies/Cross Cutting Issues

The external audit function provides an independent opinion on the financial accounts and the arrangements for delivering value for money which inform the AGS.

Recommendations

The Audit Panel is recommended to:

- a. Note the external audit draft unqualified audit opinion on the accounts, and adherence to the requirements for Annual Governance Statements and Narrative Reports;
- b. Note the external audit draft conclusion that proper arrangements are in place to secure value for money;
- c. Note external audit report on progress and update, and
- d. Note progress on the procurement of an external audit service via the PSAA national procurement process

1. Supporting Information

Grant Thornton External Audit Findings Report (Appendix 1)

- 1.1. Grant Thornton (GT) has issued a draft Audit Findings Report, AFR (Appendix 1) which in summary provides an unqualified opinion on the MOPAC/MPS annual statement of accounts. Both the Annual Governance Statements (AGS) and Narrative Reports are also acknowledged as meeting their requirements.
- 1.2. The only out-standing issue is the finalisation of the Whole of Governments Accounts (WGA) which GT anticipate completing by the national deadline of 29 September. The Annual Audit Letter is expected in October 2017, with presentation to Audit Panel at the December meeting.
- 1.3. Grant Thornton acknowledge the early provision by MPS of working papers, the prompt responses to their queries, and that MOPAC/MPS are in a good position to meet the statutory requirement for earlier accounts reporting in future years.
- 1.4. There are 3 recommendations made for which the management response are already under consideration by MOPAC and MPS and work is in hand to address.

Grant Thornton Value for Money (VFM) Findings Report (Appendix 2)

- 1.5. Grant Thornton has concluded in their draft report that they “are satisfied that, in all significant respects, the MPS had proper arrangements in place to secure economy, efficiency and effectiveness in their use of resources.”
- 1.6. Further work and recommendations are made by Grant Thornton at their Appendix 1, including updates to the 2015/16 recommendations.
- 1.7. Seven of the 12 new VFM recommendations are rated as high priority, 3 as medium, with 2 not yet allocated a rating. The majority of the recommendations relate to the OMM, transformation and change. Again these are under consideration by MOPAC and MPS, and a number of the recommendations for the MPS are recognised in the MPS AGS and risk register.
- 1.8. As part of the MOPAC oversight of the MPS finances there are planned regular engagements to ensure the delivery of the agreed responses to the external audit recommendations.

Grant Thornton Progress and Update Report (Appendix 3)

- 1.9. Grant Thornton set out progress to date for the 2016/17 work (see above) and planned work for 2017/18 none of which is yet due.

- 1.10. GT also provide links to police accounting issues and their recent publications which the Panel may wish to consider.

Procurement of External Audit

- 1.11. The procurement of the external audit service is running to schedule. As per timetable PSAA have awarded the contracts in July, with the appointment of external audit firms to specific bodies scheduled for between August and December. The cost is expected to be finalised by March 2018.
- 1.12. Progress and key activities are set out below

Completed

- 98% opt-in rate by audited bodies
- 10 firms completed selection questionnaire responses, 9 were invited to tender, and 8 ITT responses were received
- Public Sector Audit Appointments Ltd (PSAA) state that the quality of the bids was pleasing
- PSAA Board made 5 year contract awards, with an option to extend for a further 2 years) on the basis of most economically advantageous tender with 50% of the available score awarded to price and 50% to quality, as follows:
 - Lot 1 Grant Thornton LLP - approx. £14.6 million per audit year;
 - Lot 2 EY LLP - approx. £10.9 million per audit year;
 - Lot 3 Mazars LLP - approx. £6.6 million per audit year;
 - Lot 4 BDO LLP - approx. £2.2 million per audit year;
 - Lot 5 Deloitte LLP - approx. £2.2 million per audit year; and
 - Lot 6 consortium of Moore Stephens LLP and Scott-Moncrieff LLP - with no guaranteed value of work.

PSAA state that the procurement is expected to generate savings in excess of £6m p.a., equivalent to 18%. For MOPAC/MPS, subject to confirmation, that would generate an annual saving of £45k.

- PSAA have written to MOPAC to consult on the appointment of Grant Thornton as MOPAC/MPS external auditor from 1 April 2018. MOPAC will respond that it is satisfied with this appointment.

In Progress/Future

- representation periods during October and November if issues over the proposed appointment (not applicable to MOPAC/MPS)
- finalised appointments by 31 December 2017
- scale fee would be set for each authority by 31 March 2018.
- if there was a change in auditor there would be a managed handover (not applicable to MOPAC/MPS)

2. Equality and Diversity Impact

- 2.1. There are no equality and diversity implications directly arising from this report.

3. Financial Implications

- 3.1. The planned external audit cost for 2017/18 is £252k which is budgeted for within MPS and MOPAC. Subject to confirmation there is potential for a saving of £45k from 2018/19.

4. Legal Implications

- 4.1. There are no direct legal implications arising from the report.

5. Risk Implications

- 5.1. There are no direct risk implications arising from the report.

6. Contact Details

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7. Appendices and Background Papers

Appendix 1 – Grant Thornton External Audit Findings Report - Restricted
Appendix 2 – Grant Thornton Value for Money Findings Report - Restricted
Appendix 3 - Grant Thornton Progress and Update Report - Restricted