

Appointment of Mazars as External Auditor to Oxford Direct Services

**for
Shareholder Meeting - Thursday 2 August 2018**

8. **Appointment of Mazars as External Auditor to Oxford Direct Services**
(Pages 3 - 6)

Attached is the paper considered by the Boards of ODSL and ODSTL on 28 March 2018 and on which basis the Shareholder is recommended to confirm the appointment of Mazars as external auditor.

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Oxford Direct Services Limited Board Meeting

Date of meeting 28th March 2018

Procurement of External Auditor

Report of Bill Lewis, Financial Accounting Manager

Summary and recommendations

To provide an update on the current position in respect of external auditor procurement and to gain approval for contract award.

Recommendations: That the Oxford Direct Services Limited Board resolves to:

1. **Accept the bid from Mazars; and**
- 2 **Agree to the adoption of Mazars as external auditor for the Company for 3 years with an option to extend by 2 further years, subject to formal approval of the Shareholders.**

Appendices

None

Introduction and background

1. The Council has undertaken a tender process for the procurement of external auditors for all subsidiary companies. At the request of the Board, a quotation was requested for audit services for the period from 1st April 2018 to 31st March 2019 which would normally be concerned with the 2017/18 accounts. Despite the fact that there will be no accounts for that year this is considered important so that an audit opinion on any specific matters can be sought prior to the first formal audit of accounts. There are therefore prices quoted for the 2017/18 audit period (i.e. the 2018/19 financial year). This report is concerned with the results of the tender process.

Procurement Process

2. A Request for Quotation was released and the tender was open to any audit firms to bid. Tenders were received from:
 - Mazars; and
 - Company A (2016/17 auditor for OxWED).

14 other entities expressed an interest but these didn't follow through to a tender.

3. The contract period is for an initial period of three years with the option to extend for two further periods of 1 year up to a maximum contract period of 5 years and is for a combined audit for Oxford Direct Services Limited and Oxford Direct Services Trading Limited.
4. The tendered prices for Oxford Direct Services Limited and Oxford Direct Services Trading Limited were as follows: -

	Audit Fees	Mazars	Company A	Company A (adj for CPI)
	Year	£	£	£
2017/18	1	5,000.00		
2018/19	2	31,000.00	42,000.00	42,000.00
2019/20	3	32,000.00	36,000.00	36,000.00
2020/21	4	33,000.00	36,000.00 + inflation	36,711.00
2021/22	5	34,000.00	36,000.00 + inflation	36,702.00
	Total	135,000.00	150,000.00	151,413.00
	Ranking	1	2	
	%	40%	36%	36%

An adjustment had to be made to the figures from Company A to allow for inflation, however this did not impact on the overall result. The quotation for Company A for the 2018/19 audit year includes the fees for the 2017/18 audit year (1st April 2018 to 31st March 2019).

5. Mazars are the most competitively priced for Oxford Direct Services Limited and Oxford Direct Services Trading Limited. Both Mazars & Company A scored comparably well in the qualitative review. Mazars appeared to present a generic, well drafted, but cut & paste response (at one point they refer to 'Red Lion' as the prospective audit client & in several places include details not required by the specific question in the document). Company A's narrative response appears more specifically focused & individually tailored, hence slightly outscoring Mazars in the qualitative total.
6. The results of the combined Quality and Price scores still show Mazars as being the successful bidder as shown in the table below:

	Mazars	Company A
Qualitative Total (%)	50%	53%
Price - lump sum total (%)	40%	36%
Total (%)	90%	89%

7. It is therefore recommended to award the contract for the provision of external audit services for Oxford Direct Services Limited and Oxford Direct Services Trading Limited to Mazars. The External Auditors will need to be formally appointed by the Shareholders at the next Shareholder meeting.

Financial implications

8. Financial implications are contained in the report

Legal issues

9. There are no implications arising from of contracting an auditor. There are however compliance issues if an auditor is not in place. The External Auditors for the Company are formally appointed by the Shareholders. The appointment will be considered at the next Shareholder meeting.

Bill Lewis

Financial Accounting Manager

March 2018

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