JIAC 2nd August 2023

Summary Report on the Appointment of External Auditors from 2023/24 and Fee Variations for the Previous External Auditor

Appendix A

1 Public Sector Audit Appointments (PSAA)

Background

Public Sector Audit Appointments Limited (PSAA) was incorporated by the Local Government Association (LGA). The Secretary of State for Housing Communities and Local Government in 2016 specified PSAA as an appointing person for police bodies for audits from 2018/19, under the provisions of the Local Audit and Accountability Act 2014 and the Local Audit (Appointing Person) Regulations 2015.

Acting in accordance with this role PSAA is responsible for appointing an auditor and setting scales of fees for relevant principal authorities that have chosen to opt into its national scheme.

The Police and Crime Commissioner for Lincolnshire and the Chief Constable of Lincolnshire both opted into this national auditor appointment arrangements scheme.

2 External auditor appointments

External Auditor up to 2022/23

The external auditor for current outstanding audits is EY LLP.

Auditor Appointment from 2023/24

PSAA confirmed the appointment of Grant Thornton UK LLP as the external auditor for Lincolnshire Police for five years from 2023/24 to 2027/28.

This followed consultation with the Chief Finance Officer of the Police and Crime Commissioner for Lincolnshire and the Director of Finance & Corporate Services of the Chief Constable of Lincolnshire.

This appointment was made under regulation 13 of the Local Audit (Appointing Person) Regulations 2015 and was approved by the PSAA Board at its meeting on 16 December 2022.

We expect Grant Thornton UK LLP to contact us shortly regarding further arrangements for the 2023/24 audit onwards.

3 Fee variation statements for 2018/19 and 2019/20

Background

PSAA sets the fee scale annually and publishes the individual scale fee for each opted-in body. If an auditor subsequently considers that substantially more or less work is required to deliver their responsibilities, they can submit a fee variations proposal to PSAA.

The statutory framework for audit fees and variations is set out in the Local Audit (Appointing Person) Regulations 2015 and the Local Audit (Appointing Person) (Amendment) Regulations 2022. Regulation 19(2) provides for the auditor to propose to PSAA (as the Appointing Person) that fees should be varied where the work involved in a particular audit was substantially more or less than envisaged by the appropriate scale. PSAA consider the reasonableness of the explanations provided by auditors before agreeing to any variation to the scale fee.

Fee Variations Proposed & Agreed for 2018/19 and 2019/20

Fee variation proposals submitted to PSAA by the External Auditor (EY) for these 2 years were reviewed by PSAA resulting in an "Agree lower" approval as follows:

2018/19 Fees	PCC £	CC £	Total Group £
Variation Submitted by EY	24,198	17,299	**41,497**
PSAA Approved Variation	19,170	14,689	33,859
PSAA reduction	(5,028)	(2,610)	(7,638)

2019/20 Fees	PCC £	CC £	Total Group £
Variation Submitted by EY	24,423	12,905	**37,328**
PSAA Approved Variation	20,737	10,847	31,584
PSAA reduction	(3,686)	(2,058)	(5,744)

Impact of Variations Approved by PSAA on Total Lincolnshire Police External Audit Scale Fees for 2018/19 and 2019/20

The following tables illustrate the impact of the PSAA approved variations on the External Audit Fees for the financial years 2018/19 and 2019/20:

2018/19 External Audit Fees	PCC £	CC £	Total Group £
Original Fees	22,554	11,550	**34,104**
Approved Variation	19,170	14,689	33,859
Final Fee	**41,724**	**26,239**	**67,963**

2019/20 External Audit Fees	PCC £	CC £	Total Group £
Original Fees	22,554	11,550	**34,104**
Approved Variation	20,737	10,847	31,584
Final Fee	**43,291**	**22,397**	**65,688**

Reasons given for the increased fees are as follows:

Fee variation reasons 2018-2019	CC £	PCC £	Grand Total £
Covid-19	993	1,919	2,912
Other	675	1,406	2,081
Pensions	5,352		5,352
PPAs	2,564		2,564
PPE		5,934	5,934
VFM	5,105	9,911	15,016
2018-2019 Total Fee Variation	**14,689**	**19,170**	**33,859**

Fee variation reasons 2018-2019	CC £	PCC £	Grand Total £
Covid-19 impact on completion	993	1,919	2,912
Covid-19 time impact		1,685	1,685
Increased FRC challenge	1,100	2,100	3,200
Pension valuation	5,352		5,352
PPE valuation		2,500	2,500
Quality or preparation issues	887	1,942	2,829
Reduced materiality	1,522	2,792	4,314
Technical Accounting issues		2,133	2,133
VFM additional risk	993	1,609	2,602
Work of internal expert		4,057	4,057
2019-2020 Total Fee Variation	**10,847**	**20,737**	**31,584**

Grand Total	**25,536**	**39,907**	**65,443**

Potential Variations for Audit Fees in 2020/21

New requirements in the Code of Audit Practice 2020 and new or updated auditing and accounting standards for 2020/21 audits are likely to give rise to further audit fee variation requests for that year and beyond. This is due to the additional audit work arising from these regulatory changes.

Although the full impact and fee variations are unknown at this time, the following table summarises the areas of additional work and estimated impacts:

Audit Requirement	Summary of Change	Expected Impact
Code of Audit Practice 2020	Auditors no longer issue a single conclusion on VMF arrangements. Instead, they report significant weaknesses in arrangements when identified and make recommendations for improvement. The main output on VFM will be a commentary contained in a new Auditor's Annual Report.	Significant additional work at a high skill mix is required to complete this in the first year, with possible reductions in input for future years. **Minimum additional fees** are expected to be **£6,000 to £11,000** for PCC/CC combined.
ISA 540 Auditing accounting estimates and related disclosures	This involves a fundamental redraft, enhanced risk assessment and increased focus on professional scepticism	This will apply to all audited bodies including policing. **Minimum additional fees** are expected to be **£2,500** for PCC/CC combined.

ISA 220 Quality control of an audit of financial statements	Extension to public interest entities of role of engagement quality control review.	Negligeable impact expected for Lincolnshire Police.
ISA 600 Specific considerations – audit of group financial statements	Enhanced approach to planning and performing a group audit.	Negligeable impact expected for Lincolnshire Police as only significant where there are significant components and the audit of those is undertaken by other auditors.

Conclusions

- Grant Thornton UK LLP have been appointed as the external auditor for Lincolnshire Police for five years from 2023/24 to 2027/28.
- Fee variations have been approved for 2018/19 of £19,170 for the PCC and £14,689 for the Chief Constable
- Fee variations have been approved for 2019/20 of £20,737 for the PCC and £10,847 for the Chief Constable
- Fee variations are expected for years 2021/22 and 2022/23 following changes in the Code of Audit Practice 2020, auditing standards and accounting standards