This version of the report is a draft. Its contents and subject matter remain under review and its contents may change and be expanded as part of the finalisation of the report.

Grant Thornton

Joint Draft Audit Plan for Lincolnshire Police

Year ending 31 March 2024

Police and Crime Commissioner for Lincolnshire

Chief Constable for Lincolnshire

March 2024

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the PCC and Chief Constable or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Key matters

National Policing context

The police service faces an array of challenges. Levels of public trust are at historically low levels – a consequence of recent scandals (and repeated failures to address these) and a general and widespread belief that the police cannot adequately deal with crime. While overall levels of reported crime have declined over the last 10 years, so too have charge rates. In the period, police resources have been stretched by the combination of increasing crime complexity and growing non-crime demands.

Police spending has increased significantly in recent years, largely to support the successful recruitment of an additional 20,000 police officers. The decline in the charge rate has been halted, and the absolute number of charges increased in 2022/23 for the first time since 2013/14. Similarly, forces are increasing their focus on sexual assaults, while aiming to reduce the amount of time spent on non-crime demands such as responding to mental health incidents.
However, there is considerable uncertainty about the long-term impact of the additional officers. Forces are under financial strain to maintain officer numbers, while rapid recruitment has led to concerns over the adequacy of vetting arrangements and the burden placed on supervising officers. It will take time to assess whether these changes can lead to a sustained increase in the number of charges, and improvements in public trust.

Our recent value for money work has highlighted a growing number of governance and financial stability issues at a national level, which is a further indication of the mounting pressure on audited bodies to keep delivering services, whilst also managing transformation and making savings at the same time.

As your new auditor, in planning our audit, we have taken account of this national context in designing a local audit programme which is tailored to your risks and circumstances.

Audit Reporting Delays

Against a backdrop of ongoing audit reporting delays, in October 2023 PSAA found that only five local government accounts had been signed by the September deadline. In June 2023 the Public Accounts Committee (PAC) also produced a report setting out their concerns over these audit reporting delays. We issued our report About time? In March 2023 which explored the reasons for delayed publication of audited local authority accounts.

In our view, to enable a timely sign off of the financial statements, it is critical that draft local authority accounts are prepared to a high standard and are supported by strong working papers.

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Reference: https://www.instituteforgovernment.org.uk/publication/performance-tracker-2023/police

Key matters - continued

Our Responses

- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee, as set out in this Audit Plan have been agreed with the Chief Finance Officer.
- To ensure close work with our local audited bodies and an efficient audit process, our preference as a firm is work on site with you and your officers. Please confirm in writing if this is acceptable to you, and that your officers will make themselves available to our audit team. This is also in compliance with PSAA contract guidance which requires us to commit to onsite working.
- We would like to offer a formal meeting with the Chief Constable and PCC twice a year, and with the Chief Finance Officer Quarterly as part of our commitment to keep you fully informed on the progress of the audit.
- At an appropriate point within the audit, we would also like to meet informally with the Chair of your Joint Independent Audit Committee, to brief them on the status and progress of the audit work to date.
- We will consider your arrangements for managing and reporting your financial resources as part of our audit in completing our Value for Money work.
- Our Value for Money work will also consider your arrangements relating to governance and improving economy, efficiency and effectiveness. Should the NAO revise the VFM code during 2023/24, these areas of focus may change.
- We will continue to provide you and your Joint Independent Audit Committee with sector updates providing our insight on issues from a range of sources and other sector commentators via our Audit Committee updates.
- We hold annual financial reporting workshops for our audited bodies to access the latest technical guidance and interpretations, to discuss issues with our experts and to facilitate networking links with other audited bodies to support consistent and accurate financial reporting across the sector.

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Key matters - continued

Our Responses (continued)

- With the ongoing financial pressures being faced by local authorities, in planning this audit we have considered the financial viability of the PCC and Chief Constable. We are satisfied that the going concern basis remains the correct basis behind the preparation of the accounts. We will keep this under review throughout the duration of our appointment as auditors of the PCC and Chief Constable.
- There is an increased incentive and opportunity for organisations in the public sector to manipulate their financial statements due to ongoing financial pressures. We are required to identify a significant risk with regard to management override of controls.
- There is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue– refer to page 11.

Prior year disclaimer

If the opinions on the 2021/22 and 2022/23 financial statements are disclaimed due to the imposition of a backstop date, we may need to undertake further audit work in respect of opening balances. We will discuss the practical implications of the backstop with you, including the impact on our opening balances work and 2023/24 audit opinion , should this circumstance arise.

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Introduction and headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of the Police and Crime Commissioner for Lincolnshire and Chief Constable for Lincolnshire ('the PCC and Chief Constable') for those charged with governance. Those Charged with governance are the PCC and the Chief Constable.

Respective responsibilities

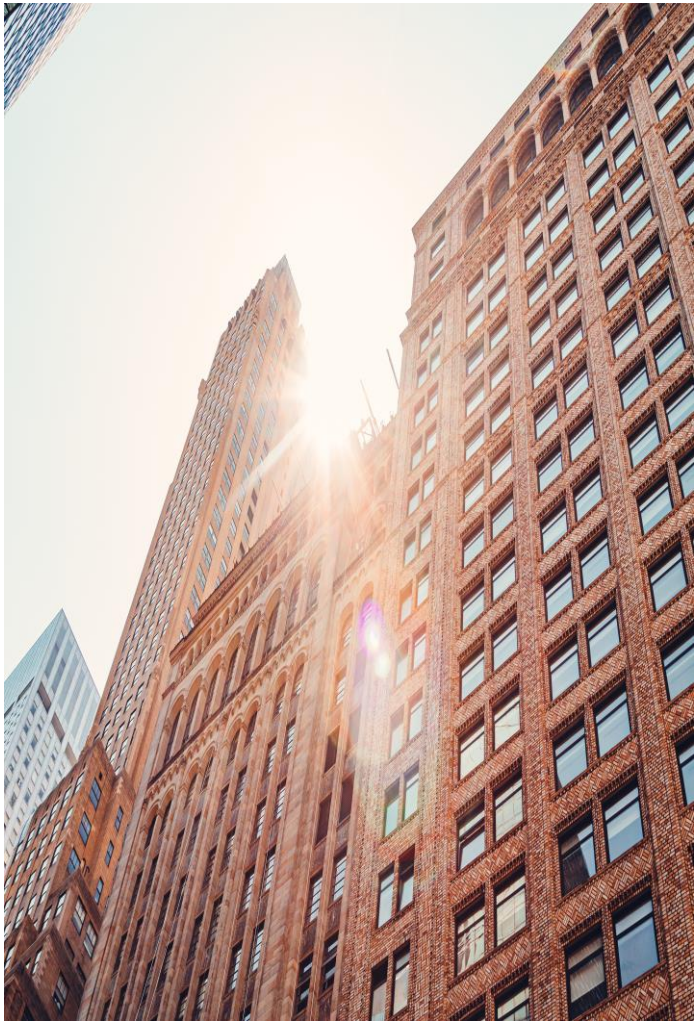
The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. The NAO has updated the Code. This audit plan sets out the implications of the revised code on this audit. Our respective responsibilities are also set out in the agreed in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of the PCC and Chief Constable. We draw your attention to these documents.

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the PCC, Chief Constable and group's financial statements that have been prepared by management with the oversight of those charged with governance; and we consider whether there are sufficient arrangements in place at the PCC and the Chief Constable for securing economy, efficiency and effectiveness in your use of resources. Value for money relates to ensuring that resources are used efficiently in order to maximise the outcomes that can be achieved.

The audit of the financial statements does not relieve management or those charged with governance of your responsibilities. It is the responsibility of the PCC and Chief Constable to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the PCC and Chief Constable is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the PCC and Chief Constable's business and is risk based.



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Introduction and headlines

Significant risks

We are still working through our risk assessment for the audit. Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error are likely to be:

- Management over-ride of controls
- Valuation of land and buildings
- Valuation of the net defined pension liability

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Group Audit

The PCC and Chief Constable is required to prepare group financial statements that consolidate the financial information of the PCC and Chief Constable.

Value for Money arrangements

Our risk assessment to date regarding your arrangements to secure value for money has not identified any risks of significant weakness. We will continue to update our risk assessment until we issue our Auditor's Annual Report.

Materiality

We have determined planning materiality to be £3.2m for the group, £3.1m for the PCC and £2.9m for the Chief Constable, which equates to approximately 1.8% of the prior years, draft gross expenditure for the year adjusted for the effects of non-recurring items.

We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £0.145m.

Audit logistics

Our planning visit will take place from February to April and our final accounts visit will take place from October to December. Our key deliverables are this Audit Plan, our Audit Findings Report and our Auditor's Annual Report.

Our preference is for our work to take place mainly on site alongside your officers. We would be happy to adopt a hybrid approach to accommodate the working patterns of the finance teams.

Our proposed fee for the audit will be £89,366 for the PCC and £47,690 for the Chief Constable, subject to the PCC and Chief Constable delivering a good set of financial statements and working papers and no significant new financial reporting matters arising that require additional time and/or specialist input.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

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Indicative significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement. Our planning work is still in progress; however, we expect the significant risks are likely to be:

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Management over-ride of controls	Group, PCC, and the Chief Constable	Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The PCC and Chief Constable face external scrutiny of their spending and this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of control, and in particular journals, management estimates, and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement	We will: · evaluate the design effectiveness of management controls over journals; · analyse the journals listing and determine the criteria for selecting high risk unusual journals; · test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration; · gain an understanding of the accounting estimates and critical judgments made by management and consider the reasonableness with regard to corroborative evidence; and · evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.

Management should expect engagement teams to challenge areas that are complex, significant or highly judgmental. This may be the case for accounting estimates and similar areas. Management should also expect to provide to engagement teams with sufficient evidence to support their judgments and the approach they have adopted for key accounting policies, with reference to accounting standards or changes thereto.

Where estimates are used in the preparation of the financial statements management should expect teams to challenge management's assumptions and request evidence to support those assumptions.

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Indicative significant risks - continued

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of land and buildings	Group and PCC	The PCC (and group) revalue land and buildings on five-yearly basis, with a selection of assets revalued on an annual basis. This is to ensure that their carrying value is not materially different from the current value or the fair value (for surplus assets) at the financial statements date. The valuations are considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions. We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk of material misstatement.	We will: · evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work; · evaluate the competence, capabilities and objectivity of the valuation expert; · discuss with the valuer the basis on which valuations were carried out to ensure that the requirements of the Code are met; · challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding; · test, on a sample basis, revaluations made during the year to ensure they were based on accurate underlying data (such as build rates used as the basis of the valuation) and have been input correctly into the PCC (and group's) asset register; and · evaluate the assumptions made by management for any assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value.

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Indicative significant risks - continued

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of the net defined pension liability	Group, PCC and Chief Constable	The net defined pension liability, reflecting the assets and liabilities of the Local Government Pension Scheme (for Police Staff) and the liabilities for the Police Pension Schemes (for Police Officers) represents a significant estimate in the financial statements. The net liability is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions. We have therefore identified the valuation of the group's pension fund net liability as a significant risk, which was one of the most significant assessed risk of material misstatement.	We will: • update our understanding of the processes and controls put in place by management to ensure that the group's pension fund net liability is not materially misstated and evaluate the design of the associated controls; • evaluate the instructions issued by management to their management experts (the actuaries for the Local Government Pension Scheme and Police Pension Scheme) for this estimate and the scope of the actuaries' work; • assess the competence, capabilities and objectivity of the actuaries who carried out the group's pension fund valuations; • assess the accuracy and completeness of the information provided by the group to the actuaries to estimate the liabilities; • test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial reports from the actuaries; • undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and • obtain assurances from the auditor of the Lincolnshire Pension Fund (LPF) as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the LPF and the fund assets valuation in the LPF financial statements.

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Indicative significant risks - continued

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
ISA240: presumed risk of fraud in revenue recognition and Risk of fraud related to expenditure recognition PAF Practice Note 10	Group, PCC and the Chief Constable	Under ISA (UK) 240 there is a rebuttable presumed risk of material misstatement due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition. In line with the Public Audit Forum Practice Note 10, in the public sector, auditors must also consider the risk that material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure recognition (for instance by deferring expenditure to a later period). As most public bodies are net spending bodies, then the risk of material misstatement due to fraud related to expenditure recognition may in some cases be greater than the risk of material misstatements due to fraud related to revenue recognition.	As we are still working through our planning work, we have not yet determined if the risk of fraud in revenue or expenditure recognition will be considered significant risks. We will report on our findings within the finalised audit plan.

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Group audit scope and risk assessment

In accordance with ISA (UK) 600, as group auditor we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

Component	Individually Significant?	Level of response required under ISA (UK) 600	Risks identified to date	Planned audit approach
Police and Crime Commissioner for Lincolnshire	Yes		• Management override of controls • Valuation of Land and Building	Full scope audit performed by Grant Thornton UK LLP
Chief Constable for Lincolnshire	Yes		• Management override of controls • Valuation of net pension fund liability.	Full scope audit performed by Grant Thornton UK LLP

Audit scope

- Audit of the financial information of the component using component materiality
- Audit of one more classes of transactions, account balances or disclosures relating to significant risks of material misstatement of the group financial statements
- Review of component's financial information
- Specified audit procedures relating to risks of material misstatement of the group financial statements
- Analytical procedures at group level

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Other matters

Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Reports and Annual Governance Statements and any other information published alongside your financial statements to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the PCC and Chief Constable.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statements are in line with requirements set by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under legislation and the Code, as and when required, including:
  - giving electors the opportunity to raise questions about your financial statements, consider and decide upon any objections received in relation to the financial statements;
  - issuing a report in the public interest or written recommendations to the PCC and/or Chief Constable under section 24 of the Local Audit and Accountability Act 2014 (the Act);
  - application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act;
  - issuing an advisory notice under section 29 of the Act.
- We certify completion of our audit.

Other material balances and transactions

Under International Standards on Auditing, 'irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure'. All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

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Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Matter	Description	Planned audit procedures
1	**Determination** We have determined planning materiality to be £3.2m for the group, £3.1m for the PCC and £2.9m for the Chief Constable, which equates to approximately 1.8% of the prior years, draft gross expenditure for the year adjusted for the effects of non-recurring items.	We determine planning materiality in order to: – establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; – assist in establishing the scope of our audit engagement and audit tests; – determine sample sizes and – assist in evaluating the effect of known and likely misstatements in the financial statements.
2	**Other factors** An item does not necessarily have to be large to be considered to have a material effect on the financial statements.	An item may be considered to be material by nature where it may affect instances when greater precision is required. At the planning stage of our audit we have not identified any balances or disclosure where we will apply a lower materiality level.

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Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Matter	Description	Planned audit procedures
3	**Reassessment of materiality** Our assessment of materiality is kept under review throughout the audit process.	We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.
4	**Other communications relating to materiality we will report to the Joint Independent Audit Committee** Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Joint Independent Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.	We report to the Joint Independent Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. In the context of the Group, PCC and Chief Constable, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.145m. If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Joint Independent Audit Committee to assist it in fulfilling its governance responsibilities.

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Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. The materiality also reflects the heightened interest in the current year, given that the 2021/22 and 2022/23 accounts may be impacted by the backstop date.

	Amount (£)	Qualitative factors considered
Materiality for the Group and PCC financial statements	3,200,000	Materiality equates to approximately 1.8% of your 22/23 draft gross operating costs for the year. This assessment reflects the fact that the Force operates in a stable, publicly funded environment and no significant control deficiencies have been identified.
Materiality for the Police and Crime Commissioner	3,100,000	Materiality equates to approximately 1.8% of your 22/23 draft gross operating costs for the year. This assessment reflects the fact that the Force operates in a stable, publicly funded environment and no significant control deficiencies have been identified.
Materiality for the Chief Constable	2,900,000	Materiality equates to approximately 1.8% of your 22/23 draft gross operating costs for the year. This assessment reflects the fact that the Force operates in a stable, publicly funded environment and no significant control deficiencies have been identified.

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IT audit strategy

In accordance with ISA (UK) 315 Revised, we are required to obtain an understanding of the relevant IT and technical infrastructure and details of the processes that operate within the IT environment. We are also required to consider the information captured to identify any audit relevant risks and design appropriate audit procedures in response. As part of this we obtain an understanding of the controls operating over relevant Information Technology (IT) systems i.e., IT general controls (ITGCs). Our audit will include completing an assessment of the design and implementation of relevant ITGCs. We say more about ISA 315 Revised on the following page.

The following IT systems have been judged to be in scope for our audit and based on the planned financial statement audit approach we will perform the indicated level of assessment:

IT system	Audit area	Planned level IT audit assessment
Oracle EBS – tPolice	Financial reporting	• We are yet to complete our planning work on the IT systems to understand the scope of work required
iTrent	Payroll	• We are yet to complete our planning work on the IT systems to understand the scope of work required
Crown	Time Recording - payroll	• We are yet to complete our planning work on the IT systems to understand the scope of work required

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Value for Money arrangements

Approach to Value for Money work for the period ended 31 March 2024.

The National Audit Office issued its latest Value for Money guidance to auditors in January 2023 . The Code expects auditors to consider whether a body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are expected to report any significant weaknesses in the body's arrangements, should they come to their attention. In undertaking their work, auditors are expected to have regard to three specified reporting criteria. These are as set out below:

Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services.

Financial Sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services.

Governance

How the body ensures that it makes informed decisions and properly manages its risks.

To date, we have not identified any risks of significant weaknesses from our initial planning work. We will continue our review of your arrangements, including reviewing your Annual Governance Statement, before we issue our auditor's annual report.

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Audit logistics and team

Alexandra Morris, Audit In-Charge

Alex will work directly with the finance team on our onsite visits, and manage day to day work of more junior members of the audit team. She will complete work on more complex areas of the audits of the PCC and the Chief Constable, will provide support on the delivery of your work on your arrangements in place to secure value for money.

Harkamal Vaid, Audit Manager

Hark will work with senior members of the finance team, ensuring testing is delivered and any accounting issues that arise are addressed on timely basis. He will attend Joint Independent Audit Committee and liaison meeting with the audit partner, undertaking reviews of team work, and make sure that the reports are clear, concise and understandable

Richard Anderson, Key Audit Partner

Richard will be the main point of contact for the PCC, Chief Constable and Committee members. He will share his knowledge and experience across the sector providing challenge and sharing good practice and ensure our audit is tailored specifically for you. Richard is responsible for overall quality of our audit work and will sign of the audit opinion.

Audited Entity responsibilities

Where audited bodies do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other audited bodies. Where the elapsed time to complete an audit exceeds that agreed due to an entity not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to an entity not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit, you need to :

- ensure that you produce draft financial statements of good quality by the deadline you have agreed with us, including all notes, the Annual Reports and the Annual Governance Statements
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are cleansed, are made available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples for testing
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

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Audit fees and updated Auditing Standards

Audit fees are set by PSAA as part of their national procurement exercise. In 2023, PSAA awarded a contract of audit for PCC and Chief Constable to begin with effect from 2023/24. The scale fee set out in the PSAA contract for the 2023/24 audit is £89,366 for the PCC and £47,690 for the Chief Constable.

This contract sets out four contractual stage payments for this fee, with payment based on delivery of specified audit milestones:

- Production of the final auditor's annual report for the previous Audit Year (exception for new clients in 2023/24 only)
- Production of the draft audit planning report to Audited Body
- 50% of planned hours of an audit have been completed
- 75% of planned hours of an audit have been completed

Any variation to the scale fee will be determined by PSAA in accordance with their procedures as set out here https://www.psaa.co.uk/appointing-auditors-and-fees/fee-variations-overview/'

Assumptions

In setting these fees, we have assumed that the PCC and Chief Constable will:

- prepare a good quality set of accounts, supported by comprehensive and well-presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements
- maintain adequate business processes and IT controls, supported by an appropriate IT infrastructure and control environment.

Updated Auditing Standards

The FRC has issued updated Auditing Standards in respect of Quality Management (ISQM 1 and ISQM 2). It has also issued an updated Standard on quality management for an audit of financial statements (ISA 220). We confirm we will comply with these standards.

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Audit fees

	Proposed fee 2023/24
Police and Crime Commissioner for Lincolnshire Audit	£89,366
Lincolnshire Chief Constable Audit	£47,690
ISA 315*	£6,276
Potential impact of delayed 2021/22 and 2022/23 audit opinions	TBC
Total audit fees (excluding VAT)	**£TBC**

* The additional work around the revised auditing standard, ISA 315, was not accounted for within the PSAA fees, as discussed on page 20. Therefore, an additional fee will be charged for this service.

Previous year

In 2022/23 the scale fee set by PSAA was £23,727 for the PCC and £12,151 for the Chief Constable. The actual fee charged for the audit is to be confirmed.

If the opinion on the 2021/22 and 2022/23 audit is disclaimed due to the imposition of a backstop date, we will need to undertake further audit work in respect of opening balances. We will discuss the practical implications of this with you should this circumstance arise.

Relevant professional standards

In preparing our fees, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's Ethical Standard (revised 2019) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

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IFRS 16 'Leases' and related disclosures

IFRS 16 will need to be implemented by police bodies from 1 April 2024. IFRS 16 is a standard which sets out the principles for the recognition, measurement, presentation and disclosure of leases, and it replaces IAS17. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity. As this is the year before the implementation of IFRS 16, we will need to consider the work being undertaken by the PCC and Chief Constable to ensure a smooth adoption of the new standard.

Introduction

IFRS 16 updates the definition of a lease to:

> "a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration." In the public sector the definition of a lease is expanded to include arrangements with nil consideration.

IFRS 16 requires all leases to be accounted for 'on balance sheet' by the lessee (subject to the exemptions below), a major departure from the requirements of IAS 17 in respect of operating leases.

IFRS 16 requires a lessee to recognise assets and liabilities for leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. There is a single accounting model for all leases (similar to that of finance leases under IAS 17), with the following exceptions:

- leases of low value assets
- short-term leases (less than 12 months).

The requirements of IFRS 16 are set out in the CIPFA publication IFRS 16 Leases - A n early guide for local authority practitioners and [PCC and/or Chief Constables will need to aide by the requirements set out in the CIPFA Code of Practice on Local Authority Accounting.

PCC and Chief Constable's systems and processes

This is the year when PCC's and Chief Constables will need to consider the impact the adoption of IFRS 16 will have on their 2024/25 accounts. This will cover the following areas:

- accounting policies and disclosures
- application of judgment and estimation

The PCC and Chief Constable will need to identify which systems capture and maintain new lease data and ongoing maintenance requirements. We will need to consider the work being undertaken by the PCC and Chief Constable in updating relevant internal controls to reflect these changes in accounting policies and processes.

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Independence and non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons, relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

In this context, we disclose that a contractor in Grant Thornton's Transformation Consulting Team is also a part-time volunteer as a Special Constable for Lincolnshire Police. The proposed position does not conflict the regulations or the independence of the audit of Lincolnshire Police because the individual is not a partner or Engagement Lead at Grant Thornton, the individual will not be a covered person at Lincolnshire Police and the individual does not hold a governance position, senior management role or financial reporting role with Lincolnshire Police. We have introduced the following safeguards in relation to this issue; the individual is not permitted to provide services to Lincolnshire Police or any strategic partnerships of Lincolnshire Police, the individual is not permitted to work on engagements with individuals who are providing services to Lincolnshire Police, the individual will have no access to the Lincolnshire Police engagement files and the individual is not permitted to discuss any aspects of either body with the other one. These safeguards have been agreed with Grant Thornton's ethics function and PSAA . We have concluded that there is no significant threat to audit independence and objectivity from this matter and we have concluded that an objective reasonable and informed third party would concur with this conclusion.

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the group, PCC and Chief Constable.

Other services

No other services provided by Grant Thornton were identified.

Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

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Communication of audit matters with those charged with governance

Our communication plan	Joint Audit Plan	Joint Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks and Key Audit Matters	•	
Confirmation of independence and objectivity of the firm, the engagement team members and all other indirectly covered persons	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant matters in relation to going concern	•	•
Matters in relation to the group audit, including: Scope of work on components, involvement of group auditors in component audits, concerns over quality of component auditors' work, limitations of scope on the group audit, fraud or suspected fraud	•	•
Views about the qualitative aspects of the Group's accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		•

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Joint Audit Plan, outlines our audit strategy and plan to deliver the audit, while the Audit Findings will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.

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Communication of audit matters with those charged with governance

Our communication plan	Joint Audit Plan	Joint Audit Findings
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud(deliberate manipulation) involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

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