

## PFCC Decision Report

**Please ensure all sections below are completed**

**Report reference number:** 043-23

**Classification** Official - Commercial

**Title of report:** Appointment of External Auditor 7F-2022-C085

**Area of county / stakeholders affected:** Countywide – Essex Police Fire and Crime Commissioner, the Chief Constable of Essex and Essex County Fire and Rescue Service

**Report by:** Cheryl Barsdell, Senior Category Manager, 7 Force Commercial Services

**Chief Officer:** Janet Perry, Chief Financial Officer and Strategic Head of Performance and Resources

**Date of report:** 27<sup>th</sup> February 2023

**Enquiries to:** Cheryl.barsdell@herts.police.uk

### 1. Executive Summary

The purpose of this Report is to seek the Police, Fire and Crime Commissioner's (PFCC's) approval to enter into a contract with Grant Thornton for external audit services. This report contains details relating to the contract and is a request for authorisation for the application of an electronic signature to the Call Off Agreement.

### 2. Recommendations

2.1 It is recommended that the PFCC, acting on the recommendation of the Audit Panel (formed of four Independent Members of the Joint Audit Committee, including the Chair):

- Enters into the contract with Grant Thornton for external audit services commencing with the 2023/24 Statement of Accounts. The Contract will be for three years with an option for two 12 month extensions.

- Authorises the application of the PFCC's electronic signature to the Call-off Contract.
- 2.2 The cost of the contract will be £125,000 for Essex PFCC and the Chief Constable in year one (and £625,000 plus applicable inflation if the full five-year option is taken).

### **3. Background to the Proposal**

- 3.1 The current contract with Grant Thornton expires on 31 March 2023 and the final year covered by this contract is for the 2022/23 Statement of Accounts for Essex PFCC, the Chief Constable of Essex and the Essex County Fire and Rescue Service.
- 3.2 Since the last contract was let, there have been significant changes in the external audit market.
- The audit market is stretched and under pressure – there is currently very limited capacity in the market.
  - There is a significant shortage of experienced auditors and many public sector organisations have not had their accounts signed off by the statutory deadline.
  - It is reported that the Public Sector Audit Appointments (PSAA) fees have been increased by 150% for the 2023/24 accounts.
- 3.3 The recent procurement exercise for Essex PFCC, the Chief Constable of Essex and the Essex County Fire and Rescue Service, resulted in no bids being returned and this is the typical outcome across the sector, as firms are not able to take on any new clients at the current time.
- 3.4 We therefore need to appoint an external audit partner for the 2023/24 financial year onwards as soon as possible.
- 3.5 We have had discussions with Crown Commercial Services (CCS) and Grant Thornton who we can contract under the CCS Framework. We have been able to secure an auditor under this Framework and present this as the best achievable solution and represents best value for the PFCC and Essex Police.

### **4. Proposal and Associated Benefits**

- 4.1 A proposal to award a contract via the CCS Framework to Grant Thornton for external audit services for Essex Police and the Police, Fire and Crime Commissioner for Essex. This will enable the continuation of the Service and minimise the impact of price increases in the market.

A separate decision report is being provided to the Police, Fire and Crime Commissioner Fire Rescue Authority that covers the proposed contract with

Grant Thornton under the CCS Framework covering Essex County Fire and Rescue Service.

- 4.2 The Framework Agreement has been set up by the government for central government and the wider public sector and includes police and fire authority audits. The result is that suppliers are all accredited, including Cyber Essentials and have signed up to terms and conditions adapted for the audit market.

## **5. Options Analysis**

- 5.1 Do nothing – Ruled out as this is a statutory requirement.
- 5.2 Join PSAA – The PFCC, Chief Constable and the Fire Authority can apply to join PSAA on or after 1 April 2023. However, the fees over the past 12 months have been increased by 150%. Furthermore, there are still 167 audits outstanding from 2020/21, with some public bodies reporting that they have not had their 2018/19 accounts signed off yet. Police Forces are included in the same lot as local authorities, who tend to carry far more risk in their investment activities. Therefore, this is not recommended.
- 5.3 Direct Award via a Framework to appoint Grant Thornton for a further period of three plus an option for a further one or two years. This will ensure a continuation of the external audit function and allow statutory audits to be signed off on time. This will also minimise the financial impact of prices and lack of capacity in the market. The indicative audit fee for 2023/24 represents an increase of 47% for the PFCC and Essex Police, when compared to the proposed fee for 2022/23, and 107% increase compared to the standard fee for 2021/22, although the additional work undertaken has not yet been factored into the 2021/22 audit fee.

## **6. Consultation and Engagement**

- 6.1 The Audit Panel have been fully consulted and engaged and reviewed options for this service. They have recommended that the PFCC award a contract to Grant Thornton. This recommendation has been agreed at an Audit Panel meeting held on 24 February 2023, and through subsequent emails to agree a variation on the number of initial years from two to three. The minutes of the meeting are attached at Appendix A.

## **7. Strategic Links**

- 7.1 This contract supports the objective of building a culture of collaboration, transparency and supports the Commissioner's drive to secure an efficient and effective policing service.
- 7.2 A separate decision report is being developed to gain approval for ECFRS external audit services which are connected to this decision.

## **8. Police operational implications**

- 8.1 The external audit includes a value for money audit, which helps to ensure that the Commissioner and Chief Constable have made proper arrangements for securing economy, efficiency and effectiveness.

## **9. Financial implications**

- 9.1 The PFCC and Essex Police costs over 5 years totals £625,000

<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>	<b>Total</b>
<b>£125,000</b>	<b>£125,000</b>	<b>£125,000</b>	<b>£125,000</b>	<b>£125,000</b>	<b>£625,000</b>

- 9.2 The proposed annual cost for 2022/23 for the PFCC and Essex Police is £85,474 per annum. The 2023/24 cost will be £125,000, which represents an increase of 47%. The cost of the contract will be £625,000 (if the full five-year option is taken), and this figure will be subject to annual inflationary uplifts (Index to be applied still to be confirmed).
- 9.3 There is a cost pressure of £39,526 for the 2023/24 audit, this cost pressure is not separately identified in the 2023/24 budget, and will need to be funded from the general contract inflation identified in the overall 2023/24 budget.

## **10. Legal implications**

- 10.1 The procurement has been carried out in accordance with the Contract Standing Orders and the Public Contracts Regulations 2015 using a compliant framework agreement. The core terms of which is attached at Appendix B

## **11. Staffing implications**

- 11.1 There are no direct staffing implications relating to this procurement.

## **12. Equality, Diversity, and Inclusion implications**

- 12.1 The recommendation is not expected to lead to any adverse equality, diversity or inclusion implications.

## **13. Risks and Mitigations**

- 13.1 The award of this contract will enable the appointment of the external auditors before the commencement of the financial year for which the first year of this contract applies. Without this contract we could be required to join PSAA and potentially not achieve the statutory deadlines for the Statement of Accounts in 2023/24 and beyond.

## **14. Governance Boards**

- 14.1 The Audit Panel at their meeting held on 24 February 2023, recommended the award of the External Audit Contract to Grant Thornton.

14.2 The proposal was discussed at Strategic Board on the 1<sup>st</sup> of March and gained approval from the Chief Constable and Commissioner. The Chief Constable has also confirmed his agreement to this recommendation via email.

## 15. **Links to Future Plans**

The external audit for the next three years will be in place with the possibility of extending this to four or five years.

## 16. **Background Papers and Appendices**

Appendix A Audit Panel meeting minutes of 24 February 2023

Appendix B RM6118 CCS Framework Core Terms



20230224 Audit  
Panel meeting minute



RM6188-Core-Terms  
.docx

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**Report Approval**


The report will be signed off by the PFCC's Chief Executive and Chief Finance Officer prior to review and sign off by the PFCC / DPFCC.

Chief Executive / M.O. Sign: ..... D Horsman .....

Print: Darren Horsman - Deputy Monitoring Officer

Date: 3.3.2023 .....

Chief Financial Officer

Sign: 

Print: Janet Perry

Date: 03 March 2023

**Publication**

Is the report for publication? YES  NO

If 'NO', please give reasons for non-publication (Where relevant, cite the security classification of the document(s). State 'None' if applicable)

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If the report is not for publication, the Chief Executive will decide if and how the public can be informed of the decision.

**Redaction**

If the report is for publication, is redaction required:

1. Of Decision Sheet? YES  NO  2. Of Appendix? YES  NO

**If 'YES', please provide details of required redaction:**

Commercial information relating to bidders and their pricing which should not be published until the contract is signed. The decision report and appendixes can be published in full after this.

**Date redaction carried out:** .....

**Chief Finance Officer / Chief Executive Sign Off – for Redactions only**

If redaction is required, the Treasurer or Chief Executive is to sign off that redaction has been completed.

**Sign:** .....

**Print:** .....

**Chief Executive / Chief Finance Officer**

**Decision and Final Sign Off**

I agree the recommendations to this report:

**Sign:**



**Print:**

Roger Hirst

**PFCC**

**Date signed: 14th March 2023**

I do not agree the recommendations to this report because:

.....  
.....  
.....

**Sign:**

**Print:**

**PFCC/Deputy PFCC**

**Date signed:**