

ORIGINATOR: ERNST & YOUNG LLP (EXTERNAL AUDITORS)

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SUBMITTED TO: AUDIT COMMITTEE – 1 MAY 2026

SUBJECT: AUDITOR'S AUDIT PLAN 2025/26

Summary

1. The report attached is the Auditor's Audit Plan for 2025/26.

Recommendation

1. The Audit Committee is requested to consider the attached report.

Police and Crime Commissioner for
Suffolk and Chief Constable of
Suffolk Constabulary

Audit Plan

Year ended 31 March 2026



The better the question. The better the answer. The better the world works.



Shape the future
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Police and Crime Commissioner for Suffolk and Chief Constable of Suffolk Constabulary
Suffolk Police Headquarters
Portal Avenue
Martlesham Heath
Ipswich
IP5 3QS

17 April 2026

Dear Tim and Rachel

Audit Plan 2025/26

We are pleased to attach our Audit Plan for the forthcoming meeting of the Joint Independent Audit Committee. The purpose of this report is to provide the Joint Independent Audit Committee of the Police and Crime Commissioner (PCC) and Chief Constable (CC) with a basis to review our proposed audit approach and scope for the 2025/26 audit, in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2024 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards, and other professional requirements.

This report is intended solely for the information and use of the PCC, CC, Joint Independent Audit Committee and management, and is not intended to be, and should not be used, by anyone other than these specified parties.

We welcome the opportunity to discuss this report with you on 1 May 2026 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Debbie Hanson

For and on behalf of Ernst & Young LLP

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Public Sector Audit Appointments Ltd (PSAA) issued the 'Statement of responsibilities of auditors and audited bodies'. It is available from the PSAA website (<https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas. The 'Terms of Appointment from 2023/24' issued by the PSAA ([Terms of Appointment from 2023/24 - PSAA](#)) sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice 2024 (the NAO Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the PCC, CC, Joint Independent Audit Committee and management of Suffolk Police. Our work has been undertaken so that we might state to the PCC, CC, Joint Independent Audit Committee and management of Suffolk Police those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the PCC, CC, Joint Independent Audit Committee and management of Suffolk Police for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



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Overview of our 2025/26 audit strategy

2025/26 audit strategy overview: Rebuilding Assurance

The purpose of this report

As those charged with governance, the Police and Crime Commissioner (PCC) and Chief Constable (CC) play a crucial role in ensuring assurance over both the quality of the draft financial statements prepared by management and the organisation's wider arrangements to support a timely and efficient audit. Failure to achieve this will significantly increase the level of resources required to fulfil our respective responsibilities.

As part of our responsibilities, we assess and report on the adequacy of the PCC and CC's external financial reporting arrangements, as well as their effectiveness in fulfilling their role within those arrangements as part of our value for money assessment. Our ability to complete the audit is dependent on the timely formulation of appropriately supported accounting judgements, provision of accurate and relevant supporting evidence, access to the finance team and management's responsiveness to issues identified during the audit. Wherever necessary, we will consider invoking other statutory reporting powers to highlight any weaknesses in these arrangements. We direct the PCC, CC, Joint Independent Audit Committee members and officers to the Public Sector Audit Appointment Limited's Statement of Responsibilities (paragraphs 26-28) for expectations on preparing financial statements (see Appendix A).

Our shared strategy to rebuild assurance

We are now in Phase 2 of the implementation of the Ministry for Housing, Communities and Local Government's (MHCLG) measures to address the backlog facing local government audit. Throughout 2023/24 and 2024/25, we have applied a structured, risk-based prioritisation approach to local government audits to support a return to unqualified audit opinions wherever feasible, while still meeting statutory backstop requirements. Our approach recognises that recovery depends heavily on the PCC and CC's own capacity and preparedness and that audit effort must be targeted where it can deliver meaningful assurance.

Management has overall responsibility for leading and sustaining the PCC and CC's recovery from a disclaimed audit opinion. This includes ensuring that the financial statements are prepared in accordance with proper practices and supported by complete, accurate and timely audit evidence.

To deliver this, it is essential that management:

- Provide high quality working papers and ensure that all audit evidence is complete, consistent and readily accessible;
- Allocate sufficient, knowledgeable resources throughout the audit cycle;
- Actively engage with auditors, promptly addressing findings and resolving weaknesses in financial reporting arrangements; and
- Communicate transparently with the Joint Independent Audit Committee ensuring that committee members have clear visibility of risks, progress and emerging issues.

In line with the National Audit Office's Local Audit Reset and Recovery Implementation Guidance (LARRIGs) - and specifically the guidance on rebuilding assurance following a disclaimed opinion - management must support the restoration of reliable opening balances and enable a phased progression from disclaimed to qualified and ultimately unmodified audit opinions. Achieving this requires sustained delivery of the "natural rebuild," through the completion of all planned audit procedures across successive annual cycles, alongside targeted work to rebuild assurance over historical balances, including both usable and unusable reserves, where cumulative gaps in evidence present the most significant challenges.

2025/26 audit strategy overview: Rebuilding Assurance

Our shared strategy to rebuild assurance continued

Appendix A explains the expected timeline to full assurance set out within the NAO's LARRIG 01 guidance, along with our assessment of the PCC and CC's status. During 2023/24 and 2024/25, the focus of the rebuild process has been on this "natural" rebuild, to complete all planned audit procedures for each respective audit year. As we set out in Appendix A, as all planned audit procedures for the 2023/24 and 2024/25 audits were completed, the PCC and CC's "natural rebuild" is now well progressed. As part of our interim audit procedures for 2025/26, we will undertake a detailed risk assessment to evaluate the risk of material misstatement in the opening reserves balances at 1 April 2025, and to assess management's readiness to support the historic rebuild process over transactions and balances in 2022/23 that were not subject to audit. This work is expected to be completed by 30 June 2026 and is essential to determining whether the pre-2023/24 gaps in assurance - particularly those relating to reserves and other cumulative balances - can be sufficiently addressed to support future progression towards qualified or unmodified audit opinions.

We will discuss the outcome of our risk assessment of the opening reserves balances with management to confirm our proposed approach for 2025/26. Before we commence our audit procedures, it will be essential for management to have completed the necessary review and reconciliation of both usable and unusable reserves, and to be able to provide assurance to those charged with governance that these balances are accurate, supportable, and properly documented. This reflects management's primary responsibility for preparing the financial statements and the underlying evidence base; the audit process is not the first line of defence.

It is likely that we will need to audit certain transactions and movements from 2022/23 to rebuild assurance over the historic position. Should we proceed with this phase of work, we will require assurances from management that high quality working papers and supporting evidence can be provided for transactions from 2022/23, together with sufficient management capacity to support this historic rebuild without compromising the delivery of all planned procedures in 2025/26 over the closing balances and in year movements.

Preparedness for audit

Our ability to complete the audit is dependent on the timely formulation of appropriately supported accounting judgements, provision of accurate and relevant supporting evidence, access to the finance team and management's responsiveness to issues identified during the audit. Our 2024/25 reporting included our assessment of the effectiveness of the PCC and CC's arrangements to support the external audit process across a range of relevant measures (reproduced in Appendix A). We concluded that the PCC and CC were well-prepared for the audit with no significant areas of improvement identified.

We will continue to report on our assessment of the quality of the PCC and CC's financial statements' preparation and support, to support ongoing transparency of the audit process to those charged with governance, and to facilitate benchmarking and tracking of progress in future years.

2025/26 audit strategy overview: Rebuilding Assurance

Scope of our audit

In accordance with the NAO Code, our primary objectives are to conduct work that supports the delivery of our audit report to the PCC and CC. Additionally, we aim to ensure that the PCC and CC have established proper arrangements for securing economy, efficiency, and effectiveness in its use of resources, as mandated by relevant legislation and the requirements of the NAO Code. We will issue an Audit Results Report that summarises our opinion on the financial statements by 30 November 2026 and other procedures required by the Code. This includes our assessment of the control environment, including our follow up of the recommendations that we made in previous years (refer to Appendix C). In addition, our Auditor's Annual Report will conclude on whether the PCC and CC have put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources and report a commentary on those arrangements.

Timeline

An audit timetable has been agreed with management. In Section 7 we include a provisional timeline for the audit. It is essential that all parties collaborate to ensure compliance with this timeline.

Our independence considerations

Please refer to Appendix B for our update on independence. We have no independence issues to report.

2025/26 audit strategy overview: Audit risks and materiality

Audit risks and areas of focus

The purpose of our audit is to obtain reasonable assurance to express an opinion about whether the group financial statements as a whole are free from material misstatement, whether due to fraud or error. We have considered the impact of the implementation of CIPFA's Bulletin 22 in relation to the valuation of Property, Plant and Equipment *on the audit and concluded that this is not a significant change to the scoping for the audit of the 2025/26 financial statements. We will consider this as part of our land and building valuation work

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the PCC, CC and Joint Independent Audit Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.




Risk/area of focus	Risk identified	Change from PY	Details
Presumptive risk of management override of controls	Fraud risk	No change in risk or focus	There is a risk that the financial statements as a whole are not free from material misstatement whether caused by fraud or error. We perform mandatory procedures regardless of specifically identified fraud risks.
Risk of fraud in revenue and expenditure recognition, through inappropriate capitalisation of revenue expenditure	Fraud risk	No change in risk or focus	Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. We have assessed the risk is most likely to occur through the inappropriate capitalisation of revenue expenditure.
Valuation of land and buildings included in property, plant and equipment	Inherent risk	Decrease in risk or focus	In the 2025/26 financial statements the PCC will be required to apply CIPFA Bulletin 22 which reassesses the current regime of valuation for non-investment assets across the public sector. The guidance mandates a quinquennial revaluation or a five-year rolling programme for formal valuations, supported by annual indexation in the intervening years. Successful implementation will depend on the PCC ensuring that their existing valuation programme is adapted in line with the guidance and that appropriate indices are selected to be applied in intervening years. We have confirmed that the PCC plans to continue with its five-year rolling programme of revaluations and apply indexation to assets not valued in year. This is in line with the CIPFA Bulletin and guidance. Our audit work will need to assess the reasonableness of the indices applied to asset not revalued. In addition, land and buildings are material balances and involve significant judgement in valuation, impairment and depreciation. The PCC uses a valuation specialist, and management applies key assumptions and estimates to determine year-end values. In line with ISAs (UK) 500 and 540, we are required to evaluate the work of management's expert and underlying assumptions.

2025/26 audit strategy overview: Audit risks and materiality

Audit risks and areas of focus continued

Risk/area of focus	Risk identified	Change from PY	Details
Valuation of pension assets and liabilities	Inherent risk	No change in risk or focus	Accounting for the PCC and CC's participation in pension funds involves significant estimation and judgement, including financial and demographic assumptions. There is a risk that the net pension asset/liability recognised is materially misstated, as its recognition and measurement is subject to significant management judgement, including the application of the IAS 19 asset ceiling and the assessment of the PCC and CC's ability to realise future economic benefits. The PCC and CC engage an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.
Accounting for data breach issue	Inherent risk	No change in risk or focus	While the 2021/22 audit was in progress, management reported two incidents of data breaches that were discovered within the financial year 2022/23. The ICO's investigation has yet to be concluded and therefore it is currently unknown whether any financial penalty will be incurred and require inclusion in the accounts. Until this matter is concluded the potential non-compliance with laws and regulations (NOCLAR) remains open.

Group materiality

 <p>Group materiality has been set at £4.6 million, which represents 2% of gross expenditure on provision of services in 2024/25.</p>	 <p>Group performance materiality has been set at £3.3 million, which represents 75% of materiality.</p>	 <p>We will report all uncorrected misstatements relating to the primary statements (comprehensive income and expenditure statement, balance sheet, movement in reserves statement and cash flow statement) over £0.2 million. Other misstatements identified will be communicated to the extent that they merit the attention of the PCC and CC.</p>
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2025/26 audit strategy overview: Audit risks and materiality

PCC materiality



Materiality has been set at £2.5 million, which represents 2% of total assets in 2024/25.



Performance materiality has been set at £1.8 million, which represents 75% of materiality.



We will report all uncorrected misstatements relating to the primary statements (comprehensive income and expenditure statement, balance sheet, movement in reserves statement and cash flow statement) over £0.1 million. Other misstatements identified will be communicated to the extent that they merit the attention of the PCC.

CC materiality



Materiality has been set at £4.3 million, which represents 2% of gross expenditure on provision of services in 2024/25.



Performance materiality has been set at £3.2 million, which represents 75% of materiality.



We will report all uncorrected misstatements relating to the primary statements (comprehensive income and expenditure statement, balance sheet, movement in reserves statement and cash flow statement) over £0.2 million. Other misstatements identified will be communicated to the extent that they merit the attention of the CC.

2025/26 audit strategy overview: Value for money

Our risk assessment

Under the NAO Code we are required to:

- Satisfy ourselves that the PCC and CC have made proper arrangements to secure economy, efficiency and effectiveness in its use of resources, having regard to [NAO AGN 03](#);
- Design work to provide sufficient assurance to support reporting against the Code's specified reporting criteria outlined below; and
- Apply a risk-based approach to our work, informed by sector knowledge, the annual governance statement, evidence from the financial statements audit and relevant work of other bodies.



Financial sustainability

How the PCC and CC plan and manage their resources to ensure they can continue to deliver services.



Governance

How the PCC and CC ensures that they make informed decisions and properly manage risks.



Improving economy, efficiency and effectiveness

How the PCC and CC use information about costs and performance to improve the way they manage and deliver services.

In undertaking our risk assessment, we will obtain an understanding of the key processes the PCC and CC have in place, including financial management, risk management and partnership working arrangements. In conducting this work, we will draw on knowledge from previous audits and discussions with senior management. Our work in this area is underway, but where any significant weaknesses are identified, we are required to report these to the PCC and CC at the earliest opportunity in the audit cycle.

Our Auditor's Annual Report, which will be issued before 30 November 2026, will include a summary of our commentary on the arrangements in place against each of the three value for money criteria and recommendations raised as a result of any significant weaknesses identified.



02 Audit risks

Our response to significant risks

We have set out the significant risks (including fraud risks denoted by*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

Presumptive risk of management override of controls*

What is the risk, and the key judgements and estimates?

In accordance with ISA 240, the presumptive risk of management override of controls is present at every entity and we design the appropriate procedures to consider such risk.

- Management has the primary responsibility to prevent and detect fraud. It is important that management, with the oversight of those charged with governance, has put in place a culture of ethical behaviour and a strong control environment that both deters and prevents fraud.
- Our responsibility is to plan and perform audits to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatements whether caused by error or fraud.

We consider this risk to be relevant to the Group, and PCC and CC as a single entities.

Our response: Key areas of challenge and professional judgement

In order to address the risks outlined we will carry out a range of procedures including:

- Identifying fraud risks during the planning stages;
- Inquiry of management about risks of fraud and the controls put in place to address those risks;
- Understanding the oversight given by those charged with governance of management's processes over fraud;
- Discussing with those charged with governance the risks of fraud in the entity, including those risks that are specific to the entity's business sector (those that may arise from economic industry and operating conditions);
- Considering whether there are any fraud risk factors associated with related party relationships and transactions and if so, whether they give rise to a risk of material misstatement due to fraud;
- Considering the effectiveness of management's controls designed to address the risk of fraud and determining an appropriate strategy to address those identified risks of fraud; and
- Performing mandatory procedures regardless of specifically identified fraud risks, including:
 - testing of journal entries and other adjustments in the preparation of the financial statements;
 - undertaking procedures to identify significant unusual transactions; and
 - considering whether management bias was present in the key accounting estimates and judgements in the financial statements.

Having evaluated this risk, we have considered whether we need to perform other audit procedures not referred to above. We concluded that those procedures included under 'Inappropriate capitalisation of revenue expenditure' are required.

Our response to significant risks

Inappropriate capitalisation of revenue expenditure*

Financial statement impact	What is the risk, and the key judgements and estimates?	Our response: Key areas of challenge and professional judgement
<p>We have assessed that the risk of misreporting revenue outturn in the financial statements is most likely to be achieved through:</p> <ul style="list-style-type: none"> Revenue expenditure being inappropriately recognised as capital expenditure at the point it is posted to the general ledger; and Expenditure being inappropriately transferred by journal from revenue to capital codes on the general ledger at the end of the year. <p>If this were to happen it would have the impact of understating revenue expenditure and overstating Property, Plant and Equipment (PPE) additions in the financial statements.</p>	<p>Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.</p> <p>We have assessed the risk is most likely to occur through the inappropriate capitalisation of revenue expenditure.</p> <p>We consider this risk to be relevant to the Group and PCC as a single entity.</p>	<p>In order to address the risks outlined we will carry out a range of procedures including:</p> <ul style="list-style-type: none"> Testing Property, Plant and Equipment (PPE) additions to ensure that the expenditure incurred and capitalised is clearly capital in nature; Assessing whether the capitalised spend clearly enhances or extends the useful life of asset rather than simply repairing or maintaining the asset on which it is incurred; Considering whether any development or other related costs that have been capitalised are reasonable to capitalize, i.e., the costs incurred are directly attributable to bringing the asset into operational use; and Seeking to identify and understand the basis for any significant journals transferring expenditure from revenue to capital codes on the general ledger at the end of the year.

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks but are still important when considering the risks of material misstatement to the financial statements and disclosures.

Financial statement impact	What is the risk, and the key judgements and estimates?	Our response: Key areas of challenge and professional judgement
Valuation of land and buildings included in property, plant and equipment		
<p>The relevant 2024/25 account balances in the audited financial statements were:</p> <ul style="list-style-type: none"> ▪ Property, plant and equipment: £69.9 million ▪ Relating to land and buildings: £58.3 million ▪ Additions totalled: £4.7 million 	<p>In the 2025/26 financial statements the PCC will be required to apply CIPFA Bulletin 22 which reassesses the current regime of valuation for non-investment assets across the public sector. The guidance mandates a quinquennial revaluation or a five-year rolling programme for formal valuations, supported by annual indexation in the intervening years.</p> <p>We have confirmed that the PCC plans to continue with its five-year rolling programme of revaluations and apply indexation to assets not valued in year. This is in line with the CIPFA Bulletin and guidance. Our audit work will need to assess the reasonableness of the indices applied to asset not revalued.</p> <p>Land and buildings are material balances and involve significant judgement in valuation, impairment and depreciation. The PCC uses a valuation specialist, and management applies key assumptions and estimates to determine year-end values. In line with ISAs (UK) 500 and 540, we are required to evaluate the work of management's expert and underlying assumptions.</p>	<p>In response to the risk, we will:</p> <ul style="list-style-type: none"> ▪ Review and assess management's assessment and planned approach to CIPFA Bulletin 22, in the context of other challenges in the application. In particular considering the appropriateness of indices applied to assets not revalued during intervening years and triggers for revaluation; ▪ Review and appraise the work performed by the PCC's valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work; ▪ Sample test key asset information used by the valuers in performing their valuation (e.g. floor plans to support price per square metre); ▪ Assess the reasonableness of the indices applied to assets not valued in line with the CIPFA Bulletin and check they have been appropriately applied; ▪ Assess any changes to useful economic lives against the most recent valuer assessments; and ▪ Test accounting entries have been correctly processed in the financial statements.

Other areas of audit focus

Financial statement impact	What is the risk, and the key judgements and estimates?	Our response: Key areas of challenge and professional judgement
Valuation of pension assets and liabilities		
<p>The PCC and CC's net pension asset/liability is measured as the sum of the long-term payments due to members as they retire against the PCC and CC's share of the relevant pension fund investments.</p> <p>At 31 March 2025 the local government pension schemes totalled:</p> <ul style="list-style-type: none"> • PCC £2.4 million pension asset which was limited to nil in line with the accounting requirements of IFRIC 14; and • CC £108.3 million pension asset limited to nil in line with the accounting requirements of IFRIC 14. <p>An unfunded liability of £1,007 million was also recorded on the Group balance sheet in respect of police pension schemes.</p>	<p>The Local Authority Accounting Code of Practice and IAS19 require the PCC and CC to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Suffolk County Council and Police Pensions Schemes.</p> <p>The PCC and CC's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the PCC and CC's balance sheets. The information disclosed is based on the IAS 19 report issued to the PCC and CC by the relevant actuary.</p> <p>Accounting for these schemes involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>	<p>In response to the risk, we will:</p> <ul style="list-style-type: none"> ▪ Liaise with the auditor of Suffolk Pension Fund to obtain assurances over the information supplied to the actuary and confirm joint assurances in respect of employer and employee contributions, as well as membership data submitted to the actuary as part of the LGPS triennial valuation; ▪ Engage our actuarial specialists to assess the work of the actuary. This will involve a consideration of the net asset/liability and any calculation of the asset ceiling in accordance with IFRIC 14 where relevant; ▪ Assessing the work of PwC, appointed to consider actuarial assumptions used at the year end for all local government sector bodies; ▪ Review and test the accounting entries and disclosures made within the Group, PCC and CC's financial statements in relation to IAS19; ▪ Undertake procedures to assess whether there have been no material movement in the value of pension fund assets between the initial IAS19 report, and the signing of the financial statements; and ▪ Consider the valuation and disclosure of unfunded liabilities, for which there are no plan assets to meet the pension liabilities. <p>As part of our audit procedures, we will request that the PCC and CC obtain an asset ceiling report from its actuaries. Our actuarial specialists will review the asset ceiling report to satisfy themselves that it is materially correct. Following review, we will also ensure that pension assets and liabilities are appropriately recorded within the Group, PCC and CC financial statements.</p>

Other areas of audit focus

Financial statement impact	What is the risk, and the key judgements and estimates?	Our response: Key areas of challenge and professional judgement
Accounting for data breach issue		
<p>Misstatements that occur in relation to this risk would affect the PCC's disclosures in relation to provisions and contingent liabilities.</p>	<p>While the 2021/22 audit was in progress, management reported two incidents of data breaches that were discovered within the financial year 2022/23.</p> <p>We assessed the financial impact of the data breach issues in previous years financial statements, against IAS37, <i>Provisions, Contingent Liabilities and Contingent Assets</i>, to assess the completeness and accuracy of the financial liability and disclosures.</p> <p>The ICO's investigation has yet to be concluded and therefore it is currently unknown whether any financial penalty will be incurred and require inclusion in the accounts.</p> <p>Until this matter is concluded the potential non-compliance with laws and regulations (NOCLAR) remains open. Therefore, the risk remains in that accounting for the data breach issue may not align with the accounting standards and the CIPFA Code requirements.</p>	<p>In response to the risk, we will:</p> <ul style="list-style-type: none"> Review management's assessment of any associated accounting requirements in relation to the data breach issue; Review the disclosures in the financial statements for completeness and compliance with the relevant accounting standards, ensuring that all required information is disclosed; and Review the ICO report, once issued, to consider whether there any other implications or actions required.



03 Value for money

Value for money

PCC and CC's responsibilities for value for money

The PCC and CC are required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at their disposal.

As part of the material published with the financial statements, the PCC and CC are required to bring together a commentary on the governance framework and how this has operated during the period in a governance statement. In preparing the governance statement, the PCC and CC tailor the content to reflect their own individual circumstances, consistent with the requirements of the relevant accounting and reporting framework and having regard to any guidance issued in support of that framework. This includes a requirement to provide commentary on arrangements for securing value for money from the use of resources.

Auditor responsibilities

Under the NAO Code we are required to consider whether the PCC and CC have put in place 'proper arrangements' to secure economy, efficiency and effectiveness on their use of resources. The Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the PCC and CC a commentary against specified reporting criteria (see below) on the arrangements the PCC and CC have in place to secure value for money through economic, efficient and effective use of their resources for the relevant period.

The specified reporting criteria are:



Financial sustainability

How the PCC and CC plan and manage resources to ensure they can continue to deliver services.



Governance

How the PCC and CC ensure that they make informed decisions and properly manage risks.



Improving economy, efficiency and effectiveness

How the PCC and CC use information about costs and performance to improve the way they manage and deliver services.

Value for money

Planning and identifying risks of significant weakness in value for money arrangements

The NAO's guidance notes require us to conduct a risk assessment that collects sufficient evidence to document our evaluation of the PCC and CC's arrangements, allowing us to draft a commentary under the three reporting criteria. This involves identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations. In considering the PCC and CC's arrangements, we consider:

- The annual governance statement;
- Evidence of arrangements during the reporting period;
- Evidence obtained from our audit of the financial statements;
- The work of inspectorates and other bodies; and
- Any other evidence that we deem necessary to facilitate the performance of our statutory duties.

We then evaluate whether there is evidence indicating significant weaknesses in arrangements. According to the NAO's guidance, determining what constitutes a significant weakness and the extent of additional audit work required to address the risk is based on professional judgment. The NAO indicates that a weakness can be considered significant if it:

- Exposes, or could reasonably be expected to expose, the PCC or CC to significant financial loss or risk;
- Leads to, or could reasonably be expected to lead to, significant impact on the quality or effectiveness of service or on the PCC or CC's reputation or unlawful actions; or
- Identifies a failure to take action to address a previously identified significant weakness, such as failure to implement or achieve planned progress on action/improvement plans.

When planning work identifies a risk of significant weakness, the NAO's guidance requires us to consider the additional evidence needed to verify whether there is a significant weakness in arrangements. This involves conducting further procedures as necessary. We are required to report our planned procedures to the PCC and CC.

Reporting on value for money arrangements

If we determine that the PCC and CC have not made proper arrangements for securing economy, efficiency, and effectiveness in their use of resources, the NAO Code mandates that we reference this by exception in the audit report on the financial statements.

Additionally, we are required to provide a commentary on the value for money arrangements in the Auditor's Annual Report. The NAO Code specifies that this commentary should be clear, readily understandable, and highlight any issues we wish to draw to the PCC and CC's or the wider public's attention. This may include matters that are not considered significant weaknesses in arrangements but should still be brought to the PCC and CC's attention. It will also cover details of any recommendations from the audit and the follow-up of previously issued recommendations, along with our assessment of their satisfactory implementation. Our 2025/26 Auditor's Annual Report must be issued in draft by 30 November 2026 to comply with the revised requirements of the NAO Code.

Value for money

Value for money risk assessment

We have substantially completed our initial value for money planning, subject to Manager and Partner review. As part of this we have considered:

- Our entity level controls and understanding the business assessment;
- The PCC and CC Risk Register and 2024/25 Annual Governance Statement;
- Meeting minutes and our planning meetings with management;
- Key financial and budget information;
- Key performance reports and Internal Audit reports; and
- Findings of other inspectorates, review agencies and other relevant bodies.

As part of our initial planning work, we considered whether there were any risks of significant weakness in the PCC and CC's arrangements for securing value for money that we needed to perform further procedures on. Based on the work we have undertaken we have not identified any risks of significant weakness. We will continue to review the body's arrangements and report

Criteria	2024/25 judgements on arrangements	2025/26 risk assessment	2025/26 expected procedures to respond
Financial sustainability	<p>No significant weaknesses identified</p> <p>The Medium Term Financial Strategy sets out the key financial challenges over the next five years, identifying a cumulative budget gap of £9 million by 2028/29. As in previous years, the PCC and CC delivered 100% of their savings plan and reported an overall underspend against budget in 2024/25. Whilst there is planned use of earmarked reserves over the medium term the minimum level of reserves has been maintained.</p>	<ul style="list-style-type: none"> ▪ No risk of significant weakness has been identified 	<ul style="list-style-type: none"> ▪ NA
Governance	<p>No significant weaknesses identified</p> <p>An appropriate framework is in place to ensure that the PCC and CC governance, resource and risk management and controls can be reviewed and reported on. Internal Audit concluded that reasonable assurance could be provided over this framework.</p>	<ul style="list-style-type: none"> ▪ No risk of significant weakness identified 	<ul style="list-style-type: none"> ▪ NA
Improving economy, efficiency and effectiveness	<p>No significant weaknesses identified</p> <p>The PCC and CC responded positively to the most recent PEEL report and have appropriate arrangements in place for procurement and contract management and collaborative working with other organisations.</p>	<ul style="list-style-type: none"> ▪ No risk of significant weakness identified 	<ul style="list-style-type: none"> ▪ NA



04 Audit materiality

Materiality

Group materiality

For planning purposes, group materiality for 2025/26 has been set at £4.6 million. This represents 2% of the Group's gross expenditure on provision of services as disclosed in the 2024/25 statement of accounts. It will be reassessed on receipt of the draft 2025/26 statement of accounts and throughout the audit process. The rationale for this is that for a public sector entity, the expectations of users (including regulators) of the entity are focussed on the provision of services and therefore the measurement of expenditure related to these services is appropriate. We have provided supplemental information about audit materiality in Appendix F.

Gross expenditure on provision of services

£228m

Planning materiality
£4.6m

Performance materiality
£3.4m

Audit differences
£0.2m

Key definitions

Planning materiality – the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

Performance materiality – the amount we use to determine the extent of our audit procedures. We have set performance materiality at £3.4 million which represents 75% of group planning materiality. We set performance materiality at this level to reflect the low level of identified misstatements in the previous year, having determined that there is similar likelihood of errors being identified in the current year.

Audit difference threshold – we will report to you all uncorrected misstatements over £0.2 million, relating to the comprehensive income and expenditure statement and balance sheet that have an effect on total comprehensive income.

Other uncorrected misstatements, such as reclassifications and misstatements in the cashflow or disclosures and corrected misstatements will be communicated to the extent that they merit the attention of the PCC and CC, or are important from a qualitative perspective.

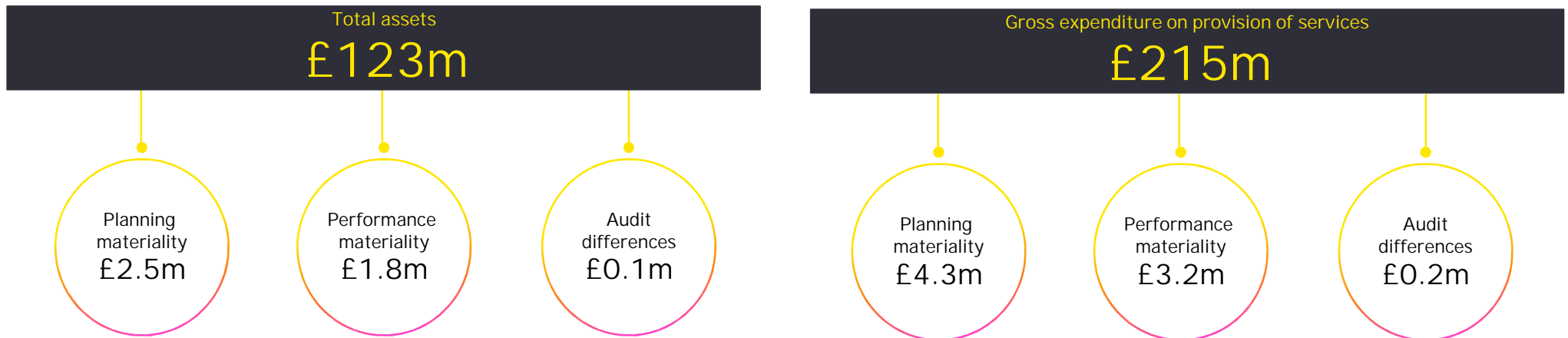
Materiality

PCC materiality

For planning purposes, PCC materiality for 2025/26 has been set at £2.5 million. This represents 2% of the PCC's total assets as disclosed in the 2024/25 statement of accounts. It will be reassessed on receipt of the draft 2025/26 statement of accounts and throughout the audit process. The rationale for this is that the PCC is responsible for making strategic decisions on the future of policing in the area which involves how to make best use of their assets.

CC materiality

For planning purposes, CC materiality for 2025/26 has been set at £4.3 million. This represents 2% of the CC's gross expenditure on provision of services as disclosed in the 2024/25 statement of accounts. It will be reassessed on receipt of the draft 2025/26 statement of accounts and throughout the audit process. The rationale for this is that for a public sector entity, the expectations of users (including regulators) of the entity are focussed on the provision of services and therefore the measurement of expenditure related to these services is appropriate.



We request that the PCC and CC confirm their understanding of, and agreement to, these materiality and reporting levels.



05 Scope of our audit

Audit process and strategy

Objectives of our audit scoping

In accordance with the NAO Code, our primary objectives are to conduct work that supports the delivery of our audit reports to the PCC and CC. Additionally, we aim to ensure that the PCC and CC has established proper arrangements for securing economy, efficiency, and effectiveness in its use of resources, as mandated by relevant legislation and the requirements of the NAO Code. We will issue an audit report that covers:

1. Financial statement audit

Our opinion on the financial statements:

- Whether the financial statements give a true and fair view of the financial position of the group and its expenditure and income for the period in question; and
- Whether the financial statements have been prepared properly in accordance with the relevant accounting and reporting framework as set out in legislation, applicable accounting standards or other direction.

Our opinion on other matters:

- whether other information published together with the audited financial statements is consistent with the financial statements.

Other procedures required by the Code:

- Examine and report on the consistency of the Whole of Government Accounts schedules or returns with the body's audited financial statements for the relevant reporting period in line with the instructions issued by the National Audit Office.

2. Arrangements for securing economy, efficiency and effectiveness (value for money)

We are required to consider whether the PCC and CC have put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources and report a commentary on those arrangements.

Internal audit

We will review internal audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit plan, where they raise issues that could have an impact on the financial statements.

In 2024/25, the Head of Internal Audit concluded that reasonable assurance may be awarded over the framework of governance, risk management and controls at the PCC and CC.



06 Audit team

Audit team

Audit team leadership

The engagement team is led by Debbie Hanson, who has overall responsibility for the performance of the audit and for the auditor's report issued on behalf of EY.

Our approach to the use of specialists

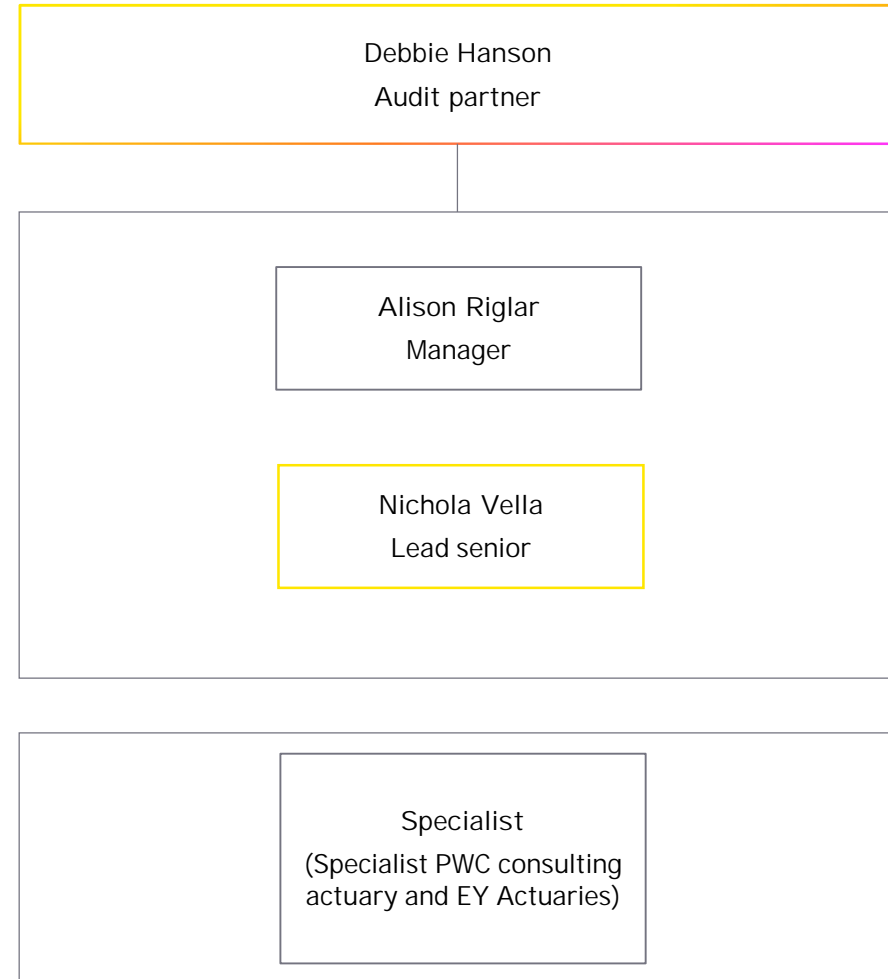
When auditing key judgements, we are often required to use the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where EY specialists are expected to provide input for the current year audit are:

Area	Specialists
Pensions disclosure	EY Actuaries, PwC (Consulting Actuary commissioned by NAO)

In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the PCC and CC's business and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable;
- Assess the reasonableness of the assumptions and methods used;
- Consider the appropriateness of the timing of when the specialist carried out the work; and
- Assess whether the substance of the specialist's findings are properly reflected in the financial statements.





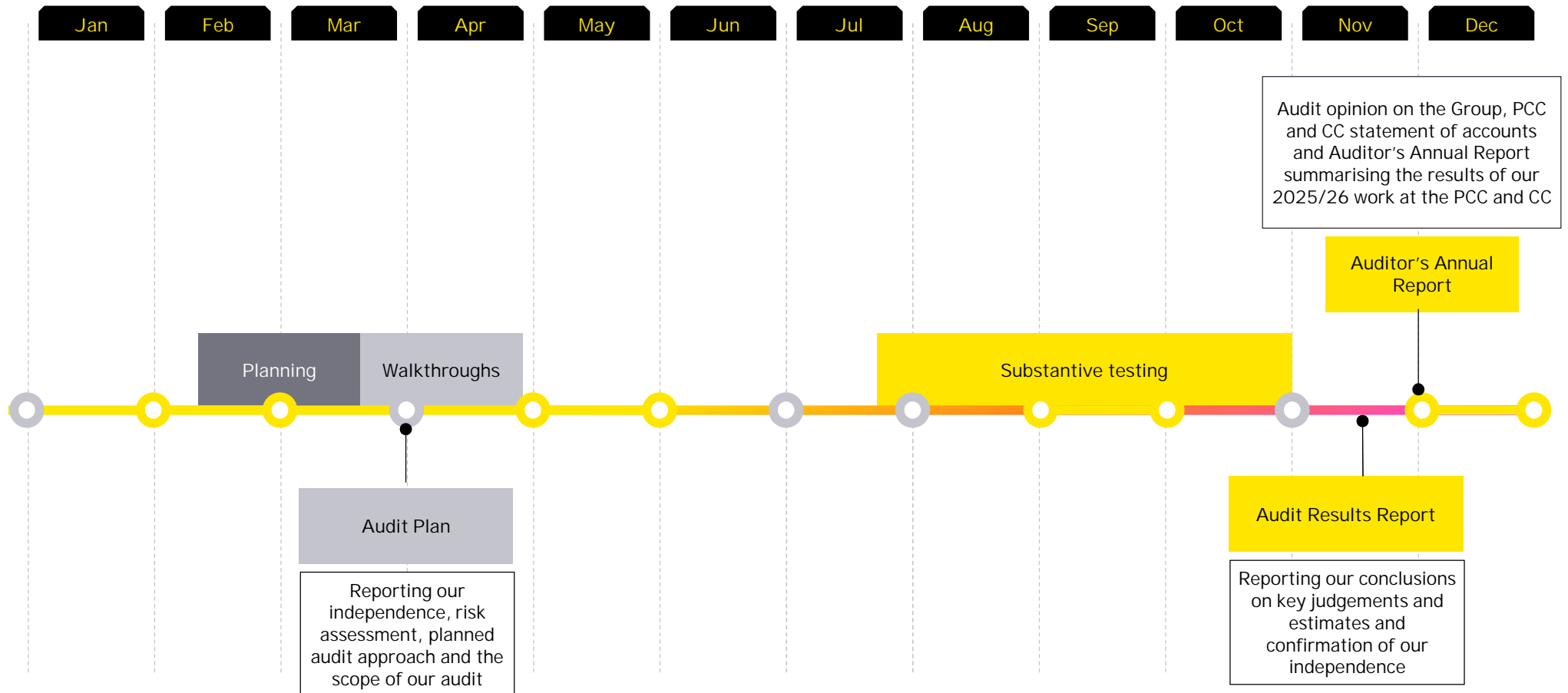
07 Audit timeline

Timetable of communication and deliverables

Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle for 2025/26.

From time to time matters may arise that require immediate communication with the PCC and CC and we will discuss them as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.





08 Appendices

Appendix A – Rebuilding assurance: responsibilities

The PCC and CC's responsibilities

As set out in Appendix B our fee is based on the assumption that the PCC and CC comply with PSAA's Statement of Responsibilities of auditors and audited bodies. See <https://www.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/>. In particular, the PCC and CC should have regard to paragraphs 26-28 of the Statement of Responsibilities which clearly set out what is expected of audited bodies in preparing their financial statements. We set out these paragraphs in full below:

Preparation of the statement of accounts

26. Audited bodies are expected to follow Good Industry Practice and applicable recommendations and guidance from CIPFA and, as applicable, other relevant organisations as to proper accounting procedures and controls, including in the preparation and review of working papers and financial statements.

27. In preparing their statement of accounts, audited bodies are expected to:

- prepare realistic plans that include clear targets and achievable timetables for the production of the financial statements;
- ensure that finance staff have access to appropriate resources to enable compliance with the requirements of the applicable financial framework, including having access to the current copy of the CIPFA/LASAAC Code, applicable disclosure checklists, and any other relevant CIPFA Codes.
- assign responsibilities clearly to staff with the appropriate expertise and experience;
- provide necessary resources to enable delivery of the plan;
- maintain adequate documentation in support of the financial statements and, at the start of the audit, providing a complete set of working papers that provide an adequate explanation of the entries in those financial statements including the appropriateness of the accounting policies used and the judgements and estimates made by management;
- ensure that senior management monitors, supervises and reviews work to meet agreed standards and deadlines;
- ensure that a senior individual at top management level personally reviews and approves the financial statements before presentation to the auditor; and
- during the course of the audit provide responses to auditor queries on a timely basis.

28. If draft financial statements and supporting working papers of appropriate quality are not available at the agreed start date of the audit, the auditor may be unable to meet the planned audit timetable, and the start date of the audit will be delayed.

Observations from 2024/25

As we have outlined in prior years, our ability to complete the audit is dependent on the timely formulation of appropriately supported accounting judgements, provision of accurate and relevant supporting evidence, access to the finance team and management's responsiveness to issues identified during the audit. We presented our views on the effectiveness of the PCC and CC's arrangements to support external financial audit across a range of relevant measures as part of our 2024/25 Audit Results Report.

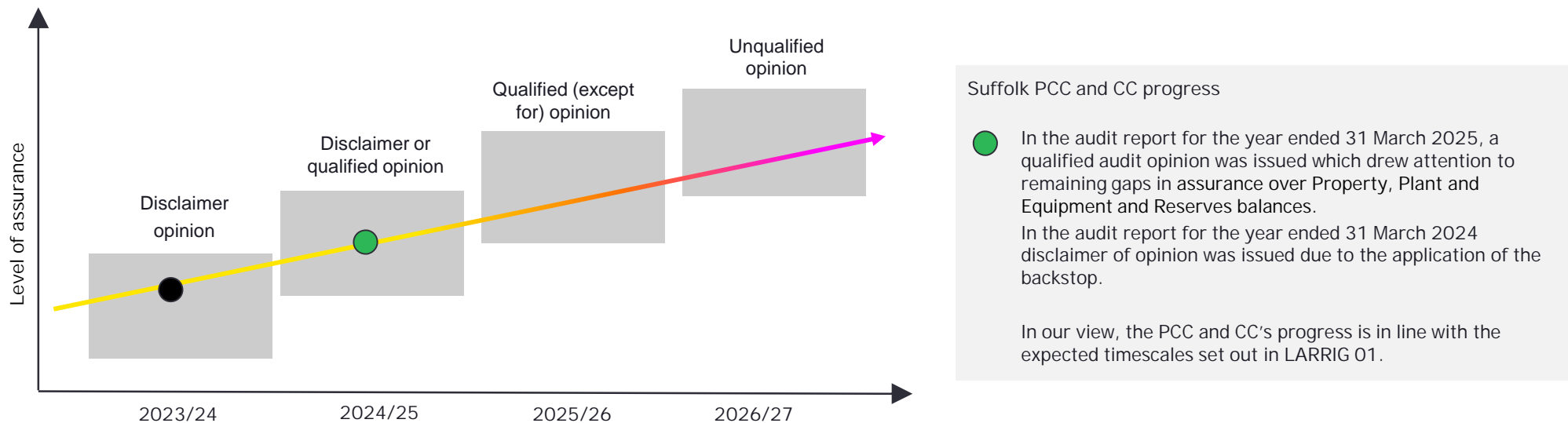
We have repeated this assessment on the following page.

Appendix A – Rebuilding assurance: responsibilities continued

Progress to full assurance

The chart below sets out the illustrative timescale for the process of rebuilding assurance set out in the NAO's Local Audit Reset and Recovery Implementation Guidance (LARRIG) 01, together with our view of the PCC and CC's actual progress against that timescale, the reasons for that assessment and what still needs to be done to successfully rebuild assurance.

The guidance recognises that the path to full assurance, and therefore an unqualified opinion, will usually take a number of years to achieve, and depends upon co-ordination and engagement between the PCC and CC and audit team. Since 2022/23, we have applied a structured, risk-based prioritisation approach to local government audits to support a return to unqualified audit opinions wherever feasible, while still meeting statutory backstop requirements.



In 2024/25 we were able to make significant progress in the level of assurance achieved in relation to pension liabilities, cash flow statement and police pension fund accounting statements. Our risk assessment for 2025/26 is underway, and our work will seek to focus on continuing to build back assurances in the following areas:

- Property, plant and equipment balances, taking account of CIPFA Bulletin 22; and
- Reserve balances.

Efficient delivery will continue to rely on the strong cooperation we have experienced to date as we set out on the following page, including timely responses, clear communication and the provision of good-quality working papers. Maintaining this approach will support us in completing the audit in line with the agreed timetable.

Appendix A – Rebuilding assurance: responsibilities continued

Factors impacting the execution of the 2024/25 audit

Area	Status			Explanation	Further detail
	R	A	G		
Timeliness of the draft financial statements	Effective			The financial statements were published by the 30 th June 2025 deadline set out in the Accounts and Audit Regulations.	N/A
Quality and completeness of the draft financial statements	Effective			A limited number of non-material internal inconsistencies, typographical and arithmetic errors were identified in the draft financial statements that should have been detected through internal quality review prior to publication.	N/A
Delivery of working papers in accordance with agreed client assistance schedule	Effective			Working papers were generally provided to the agreed timetable.	N/A
Quality of working papers and supporting evidence	Effective			Working papers and supporting evidence were generally of a good standard.	N/A
Timeliness and quality of evidence supporting key accounting estimates	Effective			No significant delays were experienced in the provision of supporting evidence for key accounting estimates.	N/A
Access to finance team and personnel to support the audit in accordance with agreed project plan	Effective			There were no significant issues with access to the finance team and key personnel.	N/A
Volume and value of identified misstatements	Effective			No material misstatements were detected as a result of our work.	N/A
Volume of misstatements in disclosure	Effective			A relatively small number of misstatements in disclosure were detected in our work.	N/A

Key:

■ Red: Ineffective. In our judgement, significant improvements are required in the Council's arrangements to support the rebuilding of assurance. Action should be taken to respond immediately.

■ Amber: Requires Improvement. Matters and/or issues had an impact on the delivery of the audit and should be addressed in future years.

■ Green: Effective. There were no significant matters that impacted the timing or effectiveness of audit procedures.

Appendix B - Independence and Fees

The FRC Ethical Standard 2024 and ISA (UK) 260 'Communication of audit matters with those charged with governance', requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications

Planning stage

- The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between you, your affiliates and directors and us;
- The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review;
- The overall assessment of threats and safeguards;
- Information about the general policies and process within EY to maintain objectivity and independence; and
- The IESBA Code requires EY to provide an independence assessment of any proposed non-audit service (NAS) to the PIE audit client and will need to obtain and document pre-concurrence from the audit committee/those charged with governance for the provision of all NAS prior to the commencement of the service (i.e., similar to obtaining a "pre-approval" to provide the service).

Final stage

- In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed;
- Details of non-audit/additional services provided and the fees charged in relation thereto;
- Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us;
- Details of any non-audit/additional services to a UK PIE audit client where there are differences of professional opinion concerning the engagement between the Ethics Partner and Engagement Partner and where the final conclusion differs from the professional opinion of the Ethics Partner
- Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy;
- Details of all breaches of the IESBA Code of Ethics, the FRC Ethical Standard and professional standards, and of any safeguards applied and actions taken by EY to address any threats to independence (for breaches of the FRC Ethical Standard include details of its significance); and
- An opportunity to discuss auditor independence issues.

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

Appendix B - Independence and Fees continued

Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However we will only perform non-audit services if the service has been pre-approved in accordance with your policy.

Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Debbie Hanson, your audit engagement partner and the audit engagement team have not been compromised.

Self interest threats

A self interest threat arises when EY has financial or other interests in your company. Examples include where we have an investment in your company; where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake those permitted non-audit/additional services set out in Section 5.40 of the FRC Ethical Standard 2024 (FRC ES), and we will comply with the policies that you have approved.

When the ratio of non-audit fees to audit fees exceeds 1:1, we are required to discuss this with our Ethics Partner, as set out by the FRC ES, and if necessary agree additional safeguards or not accept the non-audit engagement. We will also discuss this with you.

At the time of writing, there is no provision of non-audit services. Therefore, no additional safeguards are required.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with FRC ES Section 4.

There are no other self interest threats at the date of this report.

Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements. There are no self review threats at the date of this report.

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of your company. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decisions based on that work.

There are no management threats at the date of this report.

Appendix B - Independence and Fees continued

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.
There are no other threats at the date of this report.

EY Transparency Report

EY has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained. Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the period ended 30 June 2025 and can be found here: [EY UK 2025 Transparency Report](#).

Appendix B – Independence and Fees continued

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Housing, Communities and Local Government.

This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

The agreed fee presented is based on the following assumptions:

- officers meeting the agreed timetable of deliverables;
- our financial statement opinion and value for money conclusion being unqualified;
- appropriate quality of documentation is provided by the PCC and CC;
- an effective control environment; and
- compliance with PSAA's Statement of Responsibilities of auditors and audited bodies. See <https://www.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/>. In particular the PCC and CC should have regard to paragraphs 26–28 of the Statement of Responsibilities which clearly sets out what is expected of audited bodies in preparing their financial statements. These are set out in full in Appendix A.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the PCC and CC in advance.

	Current Year 2025/26	Scale fee 2025/26	Prior Year 2024/25
	£	£	£
Total Fee – Code Work (scale fee)	159,345 Note 2	159,345	150,844
Scale fee variation	TBD Note 3	0	TBD Note 1
Total audit fees	TBD	159,345	TBD

1. As set out in the joint statement on update to proposals to clear the backlog and embed timely audit issued by DHLUC, PSAA will use its fee variation process to determine the final fee the PCC and CC have to pay for the 2024/25 audit. The 2024/25 audit has recently been completed and we expect the final fee to be determined shortly.
2. For 2025/26 the planned fee represents the base fee, i.e., not including any extended testing.
3. The scale fee also may be impacted by a range of other factors which will result in additional work, which include but are not limited to:
 - Consideration of correspondence from the public and formal objections;
 - New and revised accounting standards;
 - Non-compliance with law and regulation with an impact on the financial statements;
 - VFM risks of, or actual, significant weaknesses in arrangements and related reporting impacts;
 - The need to exercise auditor statutory powers;
 - Prior period adjustments; and
 - Modified financial statement opinions.

Appendix C – Prior year recommendations

As part of our annual audit procedures we will follow up the specific open and in progress recommendations reported within our 2024/25 reporting. The two open recommendations from prior years are outlined below.

Classification of recommendations		
Grade 1: Key risks and / or significant deficiencies which are either critical to the achievement of strategic objectives or significant risks to material compliance with regulatory requirements. Management needs to address and seek resolution urgently.	Grade 2: Risks or potential weaknesses which impact on objectives and compliance, or impact the operation of a single process, and so require prompt but less urgent immediate action by management.	Grade 3: Less significant issues and / or areas for improvement which consider merit attention but do not require to be prioritised by management.

Internal control weaknesses

No.	Finding	Recommendation and grading	Progress made in 2024/25
1.	Testing of year-end payables in 2023/24 included two key items representing payroll deductions (national insurance and income tax). This testing identified differences, totalling £13,000, between the payroll interface and payment to HMRC dating back to March 2015. Whilst the total difference is not material, the monthly discrepancies date back to March 2015 and have not therefore been resolved in a timely manner.	<p>The PCC and CC should resolve any issues with the payroll system interface and eliminate any remaining differences sitting within their control accounts.</p> <ul style="list-style-type: none"> Grade 3 	Work is ongoing to resolve this issue. Remaining differences as at 31 March 2025 total £1,200.
2.	Sample testing identified one lease agreement which had not been finalised prior to commencement and one lease agreement which had expired where the new agreement was not yet in place.	<ul style="list-style-type: none"> The PCC should ensure that all lease agreements are approved and signed before the commencement of the lease to which they relate. Grade 3 	Work is ongoing to ensure that formal lease agreements are in place.

Appendix D – Regulatory update

Key regulatory changes

There are a number of key regulatory developments underway relating to local authority governance and the audit of the PCC and CC's financial statements. The following table provides a high level summary of those that have the potential to have the most significant impact on you:

Name	Summary of key measures	Impact on the PCC and CC
English Devolution and Community Empowerment Bill	<p>The Bill has completed all scrutiny stages in the House of Commons and is now at Committee stage (Grand Committee) in the House of Lords. The following measures therefore remain proposals until Royal Assent is granted:</p> <ul style="list-style-type: none"> ▪ Local audit system reforms: The Bill includes provisions to reform elements of the local audit framework in England alongside support measures intended to address the audit backlog. The Bill will also enable changes to the way audit oversight and local audit responsibilities operate. Section 61 of the Bill provides for the establishment of the Local Audit Office (LAO). Legislation will set out that the main objective of the LAO is to secure the effective operation of the system of audit, with a view to meeting the needs of users of audited accounts. The LAO will appoint auditors to non-NHS bodies, determine audit fees and prepare one or more Code of Audit Practice. ▪ Combined authorities and Combined County Authorities: The Bill expands powers and functions of combined authorities and places combined county authorities on a clearer statutory footing. This will allow further transfer of functions from constituent councils. ▪ Devolution of functions to "Strategic Authorities": The Bill expands the category of Strategic Authorities and allows transfer of responsibilities from central government and councils. ▪ Local Government Reorganisation: The Bill supports changes to council structures to support devolution. 	<ul style="list-style-type: none"> ▪ Local audit system reforms may result in changes to audit timescales or responsibilities and there may therefore be transition risks in future years. ▪ The Bill provides that the authority must have an audit committee, and that at least one member of the committee be an independent person.

Appendix D – Regulatory update continued

Key regulatory changes continued

Name	Summary of key measures	Impact on the PCC and CC
Public Office (Accountability) Bill	<p>The Public Office (Accountability) Bill aims to impose a duty on public authorities and public officials to “at all times act with candour, transparency and frankness in their dealings with inquiries and investigations.” Breach of the duty would be a criminal liability.</p> <p>The Bill is expected to apply not only to both core public bodies delivering public services but also private bodies delivering public functions such as those on a government contract.</p> <p>The Bill also proposes:</p> <ul style="list-style-type: none"> ▪ A new statutory duty on public authorities to promote and take steps to maintain high standards of ethical conduct, as defined by the Seven Principles of Public Life, or “Nolan Principles”; ▪ Reforms that will make it easier to prosecute misconduct in public office; and ▪ An offence of misleading the public. 	<ul style="list-style-type: none"> ▪ While the Bill continues to make its way through the House of Commons Committee processes, the PCC and CC should ensure that training and support for committee members is enhanced to take account of greater expectations in relation to local government standards.
Fair Funding Review	<ul style="list-style-type: none"> ▪ On 20 November 2025, the government announced a multi-year Local Government Finance Settlement in a decade, together with the Fair Funding Review . Key measures include: ▪ There will be a single settlement for 2026/27 to 2028/29 ▪ The government plans to use up to date English Indices of Multiple Deprivation, together with up-to-date services cost and demand data to calculate individual council allocations for 2026/27 to 2028/29; and ▪ The Children and Young People’s Services formula will use the latest index of deprivation affecting children. <p>The new indices are expected to lead to greater transparency and a reduced reliance on competitive bidding for funds. The Government also announced it will simplify 33 funding streams, worth almost £47 billion over three years.</p>	<p>Using new indices will result in some authorities seeing increases in their allocations, whilst others see decreases. The government has, however, set out transitional arrangements to help with managing change:</p> <ul style="list-style-type: none"> ▪ A Recovery Grant funding guarantee to upper tier authorities in receipt of Recovery Grant; ▪ Funding floors and phasing in of new allocations across the multi-year settlement; and ▪ Additional money in the national settlement for children’s social care and a new ring-fenced combined Homelessness, Rough Sleeping and Domestic Abuse grant over three years.

Appendix D – Regulatory update continued

National Audit Office reporting

There are a number of key publications from the National Audit Office that have an impact on the PCC and CC. The following table provides a high level summary of those that have the potential to have the most significant impact on you:

Name	Summary of key messages	Impact on the PCC and CC
Local government finance report 2026 to 2027	<p>The 2026–27 Local Government Finance Report introduces a multi-year settlement covering 2026/27 to 2028/29 and implements the Fair Funding Review 2.0. Updated distribution formulas will reallocate resources between councils, reflecting more recent demographic and deprivation data.</p> <p>The report confirms the continuation of council tax referendum principles and introduces significant changes to Special Educational Needs and Disabilities (SEND) funding, including the extension of the statutory override for DSG deficits to 2027/28 and a government-funded write-off of approximately 90% of historical DSG deficits. These policy changes represent one of the most substantial re-baselining exercises in recent years.</p>	<ul style="list-style-type: none"> Authorities must re-model their Medium-Term Financial Plans (MTFPs) to account for formula redistribution effects and redesigned SEND funding arrangements. The ongoing restrictions on council tax increases will continue to limit local financial flexibility. For many authorities, particularly those with substantial DSG deficits, the reforms will have material implications for reserves management and financial stability.
Exceptional Financial Support for local authorities for 2025-26	<p>Exceptional Financial Support (EFS) remains a mechanism for councils facing acute short-term financial pressures.</p> <p>For 2025–26, thirty authorities received in-principal approval for EFS, allowing them to treat certain revenue costs as capital expenditure through capitalisation directions. The government has removed the additional 1% borrowing premium previously applied and has imposed conditions including enhanced assurance reviews and restrictions on community-asset disposals.</p> <p>The NAO notes that, although EFS can prevent immediate failure, it shifts the burden to future years through increased borrowing.</p>	<ul style="list-style-type: none"> For the sector, the continuation of EFS signals sustained financial fragility. Authorities using EFS must demonstrate credible, independently-scrutinised recovery and savings plans, along with significant improvements in governance, financial management, and internal controls. Authorities should expect intensive oversight and stringent follow-up from central government when accessing this mechanism.
Local audit reform: Government response to the consultation to overhaul local audit in England	<p>The government response sets out a comprehensive overhaul of the local audit system in England. Central to the reforms is the creation of the Local Audit Office (LAO), which will assume responsibility for appointing auditors, preparing Codes of Audit Practice, enforcing quality standards, and overseeing audit delivery.</p> <p>A phased transition plan will move existing responsibilities from Public Sector Audit Appointments (PSAA) and other bodies to the NAO between 2026 and 2027, with the aim of stabilising the system, addressing audit backlogs, and restoring confidence in the timeliness and quality of local audit.</p>	<ul style="list-style-type: none"> For authorities, the reforms will lead to more prescriptive expectations around audit readiness, governance, documentation quality, and responsiveness. Authorities should anticipate tighter reporting deadlines and increased scrutiny of working papers, internal controls, and VFM arrangements.

Appendix D – Regulatory update continued

National Audit Office reporting continued

Name	Summary of key messages	Impact on the PCC and CC
Local Government Financial Sustainability	<p>The National Audit Office most recently reported on the context of local government finances in February 2024, which included their consideration of service and financial pressures. They concluded that although total local government funding has risen modestly in recent years, it has not kept pace with population growth, rising service demand, or the increasing complexity and cost of supporting people with high needs. Real-terms funding per person fell between 2015-16 and 2023-24, while demand for essential services such as adult social care, children’s social care, SEND provision and homelessness continued to escalate. The NAO highlights growing evidence of strain across services, including delays in Education, Health and Care Plans and a sharp rise in families housed in temporary accommodation for longer than legally permitted. Repeated delays to long-promised funding reforms mean councils continue to rely on short-term, stop-gap measures. Exceptional Financial Support has become increasingly common, but while it prevents immediate failure, it also shifts financial risk into future years, reflecting underlying structural weaknesses in the local government finance system</p>	<ul style="list-style-type: none"> ▪ The report signals deepening financial fragility across the sector, with many authorities facing heightened risk of issuing Section 114 notices unless systemic pressures are addressed. Rising demand and cost escalation in statutory services are absorbing an ever-greater share of local authority budgets, reducing the capacity to invest in preventative activity and long-term service improvement. The NAO warns that widespread reliance on temporary fixes—including Exceptional Financial Support—creates additional future liabilities and limits authorities’ ability to plan sustainably. Without coordinated, cross-government reform of funding, accountability and service oversight frameworks, councils will remain locked in reactive financial management, with growing consequences for service quality, citizen outcomes and long-term financial resilience.
Improving local areas through developer funding	<p>The NAO identifies developer contributions—primarily Section 106 agreements and the Community Infrastructure Levy (CIL)—as essential tools for funding local infrastructure and affordable housing. However, the report finds significant variation across councils in both the application and governance of these mechanisms. Negotiated viability assessments often reduce the contributions developers agree to provide, while only around half of planning authorities have formally adopted CIL.</p> <p>Developer contributions account for roughly 44% of affordable housing delivery nationally, yet over 17,000 S106-linked affordable homes with planning consent lacked a housing association buyer at the time of review, indicating a delivery bottleneck. The government is providing additional planning capacity funding and establishing a Section 106 Affordable Homes Clearing Service to support councils in unlocking stalled developments.</p>	<ul style="list-style-type: none"> ▪ For authorities, strengthening internal governance and transparency around developer contributions will be increasingly important. Authorities will need improved planning capacity, including specialist viability expertise, to mitigate risks of reduced contributions and ensure developer obligations are properly monitored. With the proposed Infrastructure Levy no longer being taken forward, authorities must optimise and professionalise the existing S106 and CIL frameworks.

Appendix E – Required communications with those charged with governance

We have detailed the communications that we must provide to the PCC and CC.

		Our Reporting to you
Required communications	What is reported?	When and where
Terms of engagement	Confirmation by those charged with governance of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	Audit Plan – April 2026
Planning and audit approach	<p>Communication of:</p> <ul style="list-style-type: none"> ▪ The planned scope and timing of the audit ▪ The planned use of internal audit ▪ The significant risks identified <p>When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team</p>	Audit Plan – April 2026
Significant findings from the audit	<ul style="list-style-type: none"> ▪ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▪ Significant difficulties, if any, encountered during the audit ▪ Other significant matters, if any, arising from the audit that were discussed, or subject to correspondence with management ▪ Circumstances that affect the form and content of our auditor's report ▪ Other matters if any, significant to the oversight of the financial reporting process 	Audit Results Report – November 2026

Appendix E – Required communications with those charged with governance continued

		Our Reporting to you
Required communications	What is reported?	When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▪ Whether the events or conditions constitute a material uncertainty related to going concern ▪ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▪ The appropriateness of related disclosures in the financial statements 	Audit Results Report – November 2026
Misstatements	<ul style="list-style-type: none"> ▪ A request that any uncorrected misstatement be corrected ▪ Material misstatements corrected by management ▪ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▪ The effect of uncorrected misstatements related to prior periods 	Audit Results Report – November 2026
Fraud	<ul style="list-style-type: none"> ▪ Enquiries of those charged with governance to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▪ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▪ Unless all of those charged with governance are involved in managing the entity, unless prohibited by law or regulation any identified or suspected fraud involving: <ul style="list-style-type: none"> ▪ Management; ▪ Employees who have significant roles in internal control; or ▪ Others, when the identified or suspected fraud is other than clearly inconsequential. ▪ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▪ Matters, if any, to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud ▪ Any other matters related to fraud, relevant to those charged with governance responsibility 	Audit Results Report – November 2026

Appendix E – Required communications with those charged with governance continued

Required communications	What is reported?	Our Reporting to you
		When and where
Related parties	Significant matters arising during the audit in connection with the entity's related parties	Audit Results Report – November 2026
Independence	<p>Communication of the relevant ethical requirements, including those related to independence, that we apply for the audit engagement, including any independence requirements specific to audits of financial statements of the entity.</p> <p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, integrity, objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▪ The principal threats ▪ Safeguards adopted and their effectiveness ▪ An overall assessment of threats and safeguards ▪ Information about the general policies and process within the firm to maintain objectivity and independence ▪ Breaches of IESBA Code of Ethics, local independence regulations or professional standards (for breaches of the FRC Ethical Standard, include details of the breach and its significance) <p>Communication whenever significant judgements are made about threats to integrity, objectivity and independence and the appropriateness of safeguards put in place.</p> <p>Communication of relevant information to those charged with governance, to enable them to provide concurrence on the non-audit services being provided.</p>	<p>Audit Plan – April 2026</p> <p>Audit Results Report – November 2026</p>
External confirmations	<ul style="list-style-type: none"> ▪ Management's refusal for us to request confirmations ▪ Inability to obtain relevant and reliable audit evidence from other procedures 	Audit Results Report – November 2026
Consideration of laws and regulations	<ul style="list-style-type: none"> ▪ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▪ Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that those charged with governance may be aware of 	Audit Results Report – November 2026

Appendix E – Required communications with those charged with governance continued

Required communications	What is reported?	Our Reporting to you
		When and where
Internal controls	<ul style="list-style-type: none"> ▪ Significant deficiencies in internal controls identified during the audit 	Audit Results Report – November 2026
Group audits	<ul style="list-style-type: none"> ▪ An overview of the work to be performed at the components and the nature of the group audit team’s planned involvement in the work to be performed by component teams ▪ Instances when the group audit team’s review of the work of a component team gave rise to a concern about the quality of that team’s work, and how the group audit team addressed the concern ▪ Any limitations on the ability to obtain sufficient appropriate audit evidence in support of the group audit opinion, for example, where the group audit team’s access to people or information may have been restricted ▪ Fraud or suspected fraud involving group management, component management, employees who have significant roles in the group’s system of internal control or others when the fraud has the potential for having a “more than inconsequential” effect ▪ Significant deficiencies identified in the group’s system of internal control 	Audit Plan – April 2026 Audit Results Report – November 2026
Representations	Written representations we are requesting from management and/or those charged with governance	Audit Results Report – November 2026
System of quality management	How the system of quality management (SQM) supports the consistent performance of a quality audit	Audit Results Report – November 2026
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit Results Report – November 2026
Auditors report	<ul style="list-style-type: none"> ▪ Any circumstances identified that affect the form and content of our auditor’s report 	Audit Results Report – November 2026

Appendix F – Additional audit information

Objective of our audit

In addition to the key areas of audit focus outlined within the plan, we have to perform other procedures as required by auditing, ethical and independence standards and other regulations. We outline the procedures below that we will undertake during the course of our audit.

Other required procedures during the course of the audit

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the PCC and CC's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the PCC and CC to express an opinion on the consolidated financial statements. Reading other information contained in the financial statements, including the board's statement that the annual report is fair, balanced and understandable, the audit committee reporting appropriately addresses matters communicated by us to the audit committee and reporting whether it is materially inconsistent with our understanding and the financial statements.
- Maintaining auditor independence.

Purpose and evaluation of materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

Materiality determines the level of work performed on individual account balances and financial statement disclosures within the Group, PCC and CC statement of accounts.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

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