Police & Crime Commissioner for Kent / Chief Constable for Kent Police
Audit progress report

Year ended 31 March 2024

September 2024

EY
Building a better working world

Office of the Police and Crime Commissioner for Kent / Chief Constable for Kent,
Sutton Road
Maidstone
ME15 9BZ

5 September 2024

Dear Commissioner and Chief Constable,

2023/24 Audit progress report

We are pleased to attach our audit progress report, summarising the status of our audit for the forthcoming meeting of the Joint Audit Committee. We will update the Joint Audit Committee at its meeting scheduled on further progress to that date and explain the remaining steps to the issue of our final opinion.

As you will be aware, the new Minister of State responsible for Local Government and English Devolution made a statement to parliament on Tuesday 30 July 2024, setting out the Government's policy proposal for addressing the local government audit backlog. This statement outlines immediate actions the Government – together with the Financial Reporting Council (FRC), the National Audit Office (NAO) and organisations in the wider system – is taking, which are designed to address the backlog and put local audit on a sustainable footing. These now provide helpful clarity on the government's policy intentions and recognise the commitment of finance teams and auditors and the important role that we will all play to restore timely financial reporting.

While further guidance remains to be issued, this progress report contains our provisional findings for the 2023/24 audit related to the areas of audit emphasis, our views on the authority's accounting policies and judgements and material internal control findings, which will form the basis of our Audit Results Report to be issued in advance of the 2023/24 audit opinion.

Each year sees further enhancements to the level of audit challenge, the exercise of professional judgement and the quality of evidence required to achieve the robust professional scepticism that society expects. We thank the management team, finance team and all individuals at Kent Police who have supported, and continue to support, the audit process.

This report is intended solely for the information and use of the Police and Crime Commissioner, the Chief Constable and the Joint Audit Committee. It is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss the contents of this report with you at the Joint Audit Committee meeting on 18 September 2024.

Yours faithfully,

Elizabeth Jackson

Partner

For and on behalf of Ernst & Young LLP

Encl

Contents

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/audit-quality/statement-of-responsibilities/)).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 and further guidance (updated July 2021)” issued by the 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 (the Code), and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Joint Audit Committee, the Police and Crime Commissioner and the Chief Constable of Kent in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Joint Audit Committee, the Police and Crime Commissioner and the Chief Constable of Kent 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 Joint Audit Committee, the Police and Crime Commissioner and the Chief Constable of Kent for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.

01 Executive Summary

Executive Summary

Scope update

In our audit planning report dated July 2024, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan.

Status of the audit

Our procedures in respect of the Group, Police and Crime Commissioner (PCC) and Chief Constable (CC) 2023/24 audit opinions are substantially complete. The table on the next page outlines the status of the areas of focus for the audit and the audit procedures that are in progress for these areas.

In addition to the outstanding matters for the areas of focus of the audit (as summarised in the table on the next page), there are additional areas of the audit which need to be completed before the audit is finished. These are:

- Completion of audit procedures on borrowing, specifically EY testing of borrowing confirmations which have only recently been received from the lenders.
- Resolution of queries on debtors and creditors testing, EY to assess responses received from Kent Police.
- Conclusion of the audit procedures on Property, Plant and Equipment asset verification. This is following an extended review that Kent Police have conducted on this.
- Resolution of queries identified upon review regarding provisions and the use of authority's specialist, Gallagher, in determining the provision balance. EY to raise these queries.
- Resolution of queries related to Police Pension Lump Sums testing, regarding a tax payment related to the 2020/21 financial year that was paid in 2023/24 year.
- Completion of audit review procedures, including partner review where additional queries may arise.
- Completion of going concern audit procedures including EY's review of Kent Police's cash flow forecast and related going concern disclosures.

Procedures to be completed as part of the conclusion audit work:

- Receipt of amended financial statements and verification that the expected audit adjustments have been made.
- Receipt of management letter of representation. This letter is will be shared with management and this committee in the subsequent audit results report.
- Completion of subsequent events procedures including review of financial statement disclosures. This will include updating our review of minutes of key meetings at Kent Police up to the date of our audit report.
- Approval and issue of the amended financial statements, including approval of the financial statements at a subsequent Joint Audit Committee.

The Joint Audit Committee should also note that before the audit report for the 2023/24 financial statements can be issued, we are required to issue the audit report for the 2022/23 audit. In line with the 30 July ministerial statement to Parliament, we anticipate to issue a disclaimer audit report for the 2022/23 audit. We will also need to consider the implications a disclaimed 2022/23 audit report will have on the 2023/24 audit and our audit report.

Given that the audit process is still ongoing, we will continue to challenge the remaining evidence provided and the final disclosures in the financial statements and annual report which could influence our final audit opinion.

Executive Summary (cont'd)

Areas of audit focus

In our Audit Plan we identified a number of key areas of focus for our audit of the Group, PCC and CC financial statements. This report sets out our observations and status in relation to these areas, including our views on areas which might be conservative and areas where there is potential risk and exposure. Our consideration of these matters and others identified during the period is explained within the 'Areas of Audit Focus' section of this report (See Section 02 of this report) and summarised below:

	Area of audit focus	Risk type	Status	Summary of findings/Comments
1	Misstatements due to fraud and error: Management override of controls	Fraud risk	Complete subject to review	We did not identify any audit misstatements or instances of management override of controls.
2	Risk of fraud in revenue and expenditure recognition, through inappropriate capitalisation of revenue expenditure	Fraud risk	Complete subject to review	We did not identify any audit misstatements or instances inappropriate capitalisation of costs.
3	Valuation of Land and Buildings, Property, Plant and Equipment - Existing Use Value (EUV)	Inherent risk	Complete subject to review	No audit misstatements identified. Valuation assumptions used to value the assets were appropriate.
4	Valuation of Land and Buildings, Property, Plant and Equipment - Depreciated Replacement Cost (DRC)	Inherent risk	Substantially complete	No audit misstatements identified to date. We have additional queries relating to the impairment assessment/ valuation of North Kent Police Station PFI Asset.
5	Pension Liability / Asset Valuation (LGPS)	Inherent risk	In progress	No misstatements identified based on procedures performed to date. Awaiting (i) IAS19 assurances to be provided from the auditors of Kent Pension Fund and (ii) completion of EY Pension teams review of the actuary's liability roll forward assessment.
6	Pension Liability Valuation (Police Pension Fund)	Inherent risk	In progress	No misstatements identified based on procedures performed to date. Awaiting completion of EY Pension teams review of the actuary's liability roll forward assessment.
7	Private Finance Initiative (PFI) Liability	Inherent risk	Substantially complete	The accounting treatment of the PFI liability upon termination of the North Kent PFI contract was appropriate. To obtained assurance over the contingent liability disclosure we are required to make additional audit enquiries to Kent Police's external legal counsel.
8	Implementation of IFRS 16 from 1st April 2024	Area of focus	Substantially complete	Management approach to adopting IFRS16 is appropriate. We are in the process of sample testing a small number of leases to corroborate the inputs and assumptions used.

We request that you review these and other matters set out in this report to ensure:

- There are no further considerations or matters that could impact these issues
- You concur with the resolution of the issue
- There are no further significant issues you are aware of to be considered before the financial report is finalised

There are no matters, other than those reported by management or disclosed in this report, which we believe should be brought to the attention of the Joint Audit Committee, the Police and Crime Commissioner or the Chief Constable.

Executive Summary (cont’d)

Value for Money

In our Audit Planning Report Update dated July 2024, we reported that we had not completed our value for money (VFM) risk assessment and we had identified no risks of significant weaknesses in arrangements. Having updated and substantially completed the planned risk assessment and VFM procedures in these areas we did not identify a significant weakness. See Section 03 of this report for further details.

Audit differences

Based on progress of the audit to date, we have not identified any uncorrected misstatements above our reporting threshold of £0.2m

However, we wish to bring to the attention of this committee the current findings of the audit which will result in audit differences. We are yet to fully concluded on these findings and discussions with management are ongoing as to how and whether adjustments will be made to the financial statements. These are:

- £7.1m cash overstatement, relates to the April Police Pension payment made before the financial year end which has been accounted for in the next financial year. This finding is solely a cut-off matter for which period the payment is accounted and reported in. We are currently discussing the correct disclosure of this payment with management.
- £2.5m overstatement of the Gross Book Value of Property, Plant and Equipment assets within disclosure note. This finding does not impact the value of the assets as reported in the Statement of Financial Position, it only impacts the disclosure note. The finding relates to historic assets that do not meet the ‘existence’ criteria to be included in the financial statements.

See Section 04 of this report for further details of audit differences.

Other Reporting Issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Police Authority. We have no matters to report as a result of this work.

We have yet to conclude on the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts. To date we have no matters to report as a result of the procedure we have performed.

Control observations

During the audit we have not identified any control recommendations.

Independence

We have updated our assessment of EY’s independence for the audit. We have not identified any independence matters. Refer to Section 07 for further information on Independence.

02 Areas of Audit Focus

Areas of Audit Focus

Significant risk

Misstatements due to fraud or error: Management override of controls
(Fraud Risk)
[Group, PCC and CC]

What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.
As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.
We identify and respond to this fraud risk on every audit engagement.

Our response to the key areas of challenge and professional judgement

As set out in our audit plan we have performed the following procedures:

► Identified fraud risks during the planning stages.
► Inquired of management about risks of fraud and the controls put in place to address those risks.
► Understood the oversight given by those charged with governance of management's processes over fraud.
► Discussed 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).
► Considered of the effectiveness of management's controls designed to address the risk of fraud.
► Determined an appropriate strategy to address those identified risks of fraud.
► Performed mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements.
► Undertook procedures to identify significant unusual transactions.
► Considered whether management bias was present in the key accounting estimates and judgments in the financial statements.

What are our conclusions?

Our procedures to address this risk are substantially complete, however are subject to review. Based on the procedures performed to date:

We have not identified any material weaknesses in controls or evidence of material management override.

We have not identified any instances of inappropriate judgements being applied through our testing of journal entries or in accounting estimates in the financial statements.

We considered whether the termination of North Kent PFI contract is an unusual transaction, on the basis that it is a one off material transaction arising from the termination of the PFI contract caused by contractual default by the counterparty. We have not identified any instances of management bias or management override of controls in relation to this transaction. We did not identify any other unusual transactions during our audit which appeared unusual or outside of the normal course of business.

We have not identified any instances of management override of controls.

Areas of Audit Focus

Significant risk

Risk of fraud in revenue and expenditure recognition, through inappropriate capitalisation of revenue expenditure

(Fraud Risk)
[Group and PCC]

What is the risk?

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.

Our response to the key areas of challenge and professional judgement

As set out in our audit plan we have performed the following procedures:

► Substantially tested Property, Plant and Equipment (PPE) additions using a low testing threshold to ensure that the expenditure incurred and capitalised is clearly capital in nature.

► Assessed whether the capitalised spend clearly enhances or extends the useful like of asset rather than simply repairing or maintaining the asset on which it is incurred.

► Considered whether any development or other related costs that have been capitalised are reasonable to capitalise i.e. the costs incurred are directly attributable to bringing the asset into operational use.

► Sought 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.

What are our conclusions?

Subject to review of our procedures to address this risk, work is complete.

Our testing of Property, Plant and Equipment additions has not identified any material misstatements from inappropriate capitalisation of revenue expenditure.

Based on our sample testing of Property, Plant and Equipment additions we did not identify any instances where costs were not capital in nature, i.e. addition costs were directly attributable to the assets.

We have not identified any instances of inappropriate journal entry postings in relation to capitalisation of revenue expenditure.

Areas of Audit Focus

Area of audit focus

Valuation of Land & Buildings in Property, Plant and Equipment (PPE) under fair value – Existing Use Value (EUV)

(Inherent risk)
[Group and PCC]

What is the risk?

The value of land and buildings in PPE held at EUV represent significant balances in the financial statements and are subject to valuation changes and impairment reviews.

Management is required to make a high degree of material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the Balance Sheet.

Our response to the key areas of challenge and professional judgement

As set out in our audit plan we have performed the following procedures:

- Considered the work performed by Kent Police's valuers (Wilks, Head & Eve), including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- Considered the appropriateness of key assumptions used to inform the valuation and of the basis on which the valuation has been undertaken;
- Sample tested key asset information used by the valuers in performing their valuation (e.g. yield);
- Considered the annual cycle of valuations to ensure that EUV assets have been valued within a 5 year rolling programme as required by the Code for PPE. We also consider if there are any specific changes to assets that have occurred and that these have been communicated to the valuer;
- Reviewed any EUV properties not subject to valuation in 2023/24 to confirm that the remaining asset base is not materially misstated;
- Considered changes to useful economic lives as a result of the most recent valuation; and
- Tested accounting entries have been correctly processed in the financial statements.

What are our conclusions?

Subject to review our procedures to address this risk are complete.

The scope of the work performed by Kent Police's valuers (Wilks, Head & Eve) was appropriate.

Based on our sample testing of EUV Property, Plant and Equipment assets we did not identify any unreasonable assumptions used by the valuer in determining the asset valuations.

The authority is Code compliant with respect to having a rolling programme for its asset valuations. For 2023/24 the majority of the authority's property, plant and equipment assets were revalued in year.
We have reviewed the valuation of assets that were not subject to revaluation in 2023/24 and used market analysis to obtain assurance that the valuation of these assets as at the balance sheet date do not result in a material misstatement.

We have confirmed that accounting entries had been correctly reflected in the financial statements.

We have not identified any audit misstatements in relation to this inherent risk area of the audit.

Areas of Audit Focus

Area of audit focus

Valuation of Land & Buildings in Property, Plant and Equipment (PPE) under fair value – Depreciated Replacement Cost (DRC)
(Inherent risk)
[Group and PCC]

What is the risk?

The value of land and buildings in PPE held at DRC also represent significant balances in the financial statements and are subject to valuation changes and impairment reviews.

Management is required to make a high degree of material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the Balance Sheet.

Our response to the key areas of challenge and professional judgement

As set out in our audit plan we have performed the following procedures:

- Considered the work performed by Kent Police's valuers (Wilks, Head & Eve), including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- Considered the appropriateness of key assumptions used to inform the valuation and of the basis on which the valuation has been undertaken;
- Sample tested key asset information used by the valuers in performing their valuation (e.g. yield);
- Considered the annual cycle of valuations to ensure that DRC assets have been valued within a 5 year rolling programme as required by the Code for PPE. We also consider if there are any specific changes to assets that have occurred and that these have been communicated to the valuer;
- Reviewed any DRC properties not subject to valuation in 2023/24 to confirm that the remaining asset base is not materially misstated;
- Considered changes to useful economic lives as a result of the most recent valuation; and
- Tested accounting entries have been correctly processed in the financial statements.

What are our conclusions?

Subject to review our procedures to address this risk are substantially complete.

Based on our review of the scope of the work performed by Kent Police's valuers (Wilks, Head & Eve) was appropriate.

The Authority is Code compliant with respect to having a rolling programme for its asset valuations. For 2023/24 the majority of the authority's property, plant and equipment assets were revalued in year. We have reviewed the valuation of assets that were not subject to revaluation in 2023/24 and used market analysis to obtain assurance that the valuation of these assets as at the balance sheet date do not result in a material misstatement.

We have confirmed that accounting entries had been correctly reflected in the financial statements. Based on our sample testing of DRC Property, Plant and Equipment assets we did not identify any unreasonable assumptions used by the valuer in determining the asset valuations.

The termination of the North Kent PFI contract based on significant defects at the property is an indicator of impairment for this asset. We have additional queries for management, and their valuers, for whether an impairment impact assessment has been conducted that reflects the information that management know about the condition of the asset. The audit risk is that the valuation of the asset is overstated.

Areas of Audit Focus

Area of audit focus

Pension Liability / Asset Valuation (LGPS)
(Inherent risk)
[Group and CC]

What is the risk?

The accounting standard IAS19 requires the police authority to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Kent County Council, in which it is an admitted body. As at 31 March 2024 the total group pension liability was £2.7 billion.

The information disclosed is based on the IAS 19 report issued by the actuary to the Kent Pension Fund. Accounting for these schemes involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

Our response to the key areas of challenge and professional judgement

As set out in our audit plan we have performed the following procedures:

• Liaised with the auditors of Kent Pension Fund, to obtain assurances over the information supplied to the actuary, Barnett Waddingham, in relation to the Group and CC;
• Assessed the work of the pension fund actuary including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all local government sector auditors, and considering any relevant reviews by the EY actuarial team;
• Evaluated the reasonableness of the Pension Fund actuary's calculations by comparing them to the outputs of our own auditor's specialist's model; and
• Reviewed the accounting entries and disclosures made within the Group and CC financial statements in relation to IAS19.

What are our conclusions?

Our procedures to respond to this area of focus of are ongoing. We are awaiting assurances from the auditors of Kent Pension Fund to be able to assurance over the information provided to the actuary and considerations of any issues that may arise from the 23/24 Kent Pension Fund audit which may impact on the Kent Police audit. The earliest date that we are expecting the response from the auditor's of Kent Pension Fund is the end of September. Until we receive a assurances from the auditors of Kent Pension Fund we are unable to complete our audit procedures on the Kent Police's LGPS pension liability.

We are also pending completion of the EY Pensions teams review of the actuary's roll forward of the liability as of the balance sheet date.

However, based on the procedures performed to date, which are subject to review, we have not identified any issues arising from our assessment of the assumptions based on the review of the PWC, as the consulting actuaries commissioned by the National Audit Office, or from the EY actuarial team.

We have assessed the scope of the work performed by LGPS Pension Fund actuary, Barnett Waddingham, as management's specialist was appropriate.

We have not identified any issues arising from our review of the accounting entries or the financial statements disclosures within the authority's financial statements.

Areas of Audit Focus

Area of audit focus

Pension Liability Valuation (Police Pension Fund)
(Inherent risk)
[Group and CC]

What is the risk?

The accounting standard IAS19 requires the police authority to make extensive disclosures within its financial statements regarding its membership of the Police Pension Scheme administered and underwritten by HM Government.

The information disclosed is based on the IAS 19 report issued by the actuary to the Kent Pension Fund. Accounting for these schemes involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

Our response to the key areas of challenge and professional judgement

As set out in our audit plan we have performed the following procedures:

- Consider the work performed by the Police Pension Fund actuary, Hymans Robertson, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- Assessed the work of the pension fund actuary including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all local government sector auditors, and considering any relevant reviews by the EY actuarial team;
- Evaluated the reasonableness of the Pension Fund actuary's calculations by comparing them to the outputs of our own auditor's specialist's model; and
- Reviewed the accounting entries and disclosures made within the Group and CC financial statements in relation to IAS19.

What are our conclusions?

Our procedures to respond to this area of focus of are ongoing. We are pending completion of the EY Pensions teams review of the actuary's roll forward of the liability as of the balance sheet date.

However, based on the procedures performed to date, which are subject to review, we have not identified any issues arising from our assessment of the assumptions based on the review of the PWC, as the consulting actuaries commissioned by the National Audit Office, or from the EY actuarial team.

We have assessed the scope of the work performed by Police Pension Fund actuary, Hymans Robertson, as management's specialist was appropriate.

We have not identified any issues arising from our review of the accounting entries or the financial statements disclosures within the authority's financial statements.

Areas of Audit Focus

Area of audit focus

Private Finance Initiative (PFI) Liability
(Inherent risk)
[Group and PCC]

What is the risk?

The Group and PCC have historically disclosed two PFI contracts in their financial statements. The liability and payments for services are dependent upon assumptions within the accounting models underpinning both PFI schemes. As such Management is required to apply estimation techniques to support the disclosures within the financial statements.

During 2023/24, a decision was taken to terminate one of the PFIs and we will review the changes to the accounting in the draft financial statements to ensure disclosure is appropriate.

At 31 March 2024, the PFI liability was £12.4million.

Management have disclosed a contingent liability in Note 40 of the group financial statements. This liability is contingent, so in accordance with IAS37, has not been accounted for in the group or PCC statement of financial position as at 31 March 2024. The contingent liability (up to £40m) relates to claims by the PFI contractor over the circumstances in which the PFI contract for the North Kent Police Station (the PFI asset) was terminated.

Our response to the key areas of challenge and professional judgement

As set out in our audit plan we have performed the following procedures:

- enquired whether there have been any significant changes within the model since our review;
- undertook a review and assessed the impact of any changes in assumptions upon the model;
- agreed the models to the disclosures within the financial statements; and
- rolled forward the EY expert review completed in a prior audit year.

In relation to the termination of the North Kent PFI contract and the contingent liability disclosure, our audit approach was to:

Through enquiries with management, understand any contingent asset or liability that needs to be included in the final version accounts depending on the latest information known at the time of issuing the audit report. This includes assessing any judgements taken by management (or their legal advisors) as to whether the claims against Kent Police have been accounted for in accordance with IAS37 as the relevant accounting standard for provisions and contingent liabilities.

Review the accounting entries for the North Kent asset and liability following the termination of the PFI scheme in the year.

Areas of Audit Focus

Area of audit focus

Private Finance Initiative (PFI) Liability
(Inherent risk)
[Group and PCC]
Continued

What are our conclusions?

Subject to review, our procedures on the Medway Police Station PFI liability are complete.

There were no significant changes in year for the Medway Police Station PFI scheme. We have agreed the PFI model to the financial statements. We did not identify any audit misstatements in relation to this PFI scheme.

For the North Kent PFI liability, our procedures are in progress and subject to review.

We have reviewed the accounting entries made by the authority in relation to the termination of the North Kent PFI contract. The financial statements recognised a gain arising from the write back of the liability of £23m. We have concluded that the account treatment adopted for this transaction is appropriate. There was no instances of management basis or override of controls arising from the accounting of this transactions.

We have made enquires with management to understand their basis for recognition of a contingent liability (up to £40m) based on the claims that have been made against Kent Police. Based on the corroborative evidence that we have received to date management assessment of how to account for this item as contingent liability appears to be appropriate. We are in the progress of issuing follow up enquiries to confirm this conclusion. This includes mandatory enquiries that we are required to make of the authority's external legal counsel in relation to the judgements taken to assess the likelihood of success of the claims against the Kent Police.

Areas of Audit Focus

Area of audit focus

Implementation of IFRS 16 from 1st April 2024
(Area of audit focus)
[Group, PCC and CC]

What is the risk?

IFRS 16 Leases, is applicable in the public sector for periods beginning 1st April 2024. The 2024/25 CIPFA Code of Practice on Local Authority Accounting has adopted, interpreted and adapted this standard, setting out the financial reporting framework for the 2024/25 accounts.

The PCC, Group and CC are required to make disclosures in the 2023/24 financial statements of the anticipated future impact on the PCC, Group and CC of the adoption of this standard.

Our response to the key areas of challenge and professional judgement

As set out in our audit plan we have performed the following procedures:

- Gained an understand the processes and controls developed by the PCC, Group and CC relevant to the implementation of IFRS 16;
- Reviewed management policies, including whether or not to use a portfolio approach, low value threshold, and asset classes where management is adopting as any practical expedients;
- Reviewed the disclosures made by management reflecting the anticipated impact of the adoption of the standard, including any numerical disclosures made; and
- Where numerical disclosures are made, sample tested the balances disclosed, testing any inputs and assumptions made in the calculations including:
    - The discount rate that is used to calculate any right of use asset; and
    - Inputs from lease agreements, including considering whether or not lease and non-lease agreements are correctly identified. We will also confirm the lease start date and lease term.

What are our conclusions?

Our procedures to respond to this area of focus of are substantially complete and subject to review.

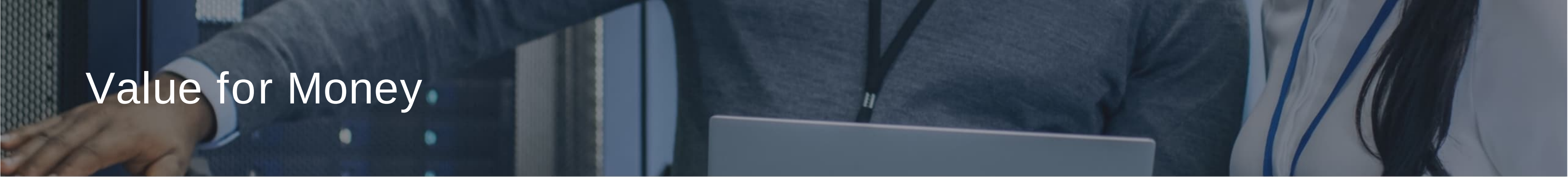
Based on our review of management's approach and the processes in place to adopting IFRS16 management's approach was reasonable and compliant with the CIPFA Code.

From our review of the supporting lease calculations to the financial statements disclosure for the impact of accounting standards issued but not yet adopted, we did not identify any audit misstatements.

We are in the process of sample testing a small number of leases to corroborate the inputs and assumptions used for the supporting IFRS16 leases calculation.

There are no issues arising from our review of the IFRS 16 assessment and related financial statement disclosure to date.

03 Value for Money



Value for Money

The Authority's responsibilities for value for money (VFM)

The PCC and the 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 its disposal.

As part of the material published with its financial statements, the PCC and CC is required to bring together commentary on its governance framework and how this has operated during the period in a governance statement. In preparing its governance statement, the Authority tailors the content to reflect its own individual circumstances, consistent with the requirements set out in the CIPFA code of practice on local authority accounting. This includes a requirement to provide commentary on its arrangements for securing value for money from their use of resources.

Risk assessment and status of our work

We are required to consider whether the PCC and CC has made ‘proper arrangements’ to secure economy, efficiency and effectiveness on its use of resources.

Our value for money planning and the associated risk assessment is focused on gathering sufficient evidence to enable us to document our evaluation of the PCC and CC arrangements, to enable us to draft a commentary under three reporting criteria (see below). This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations.

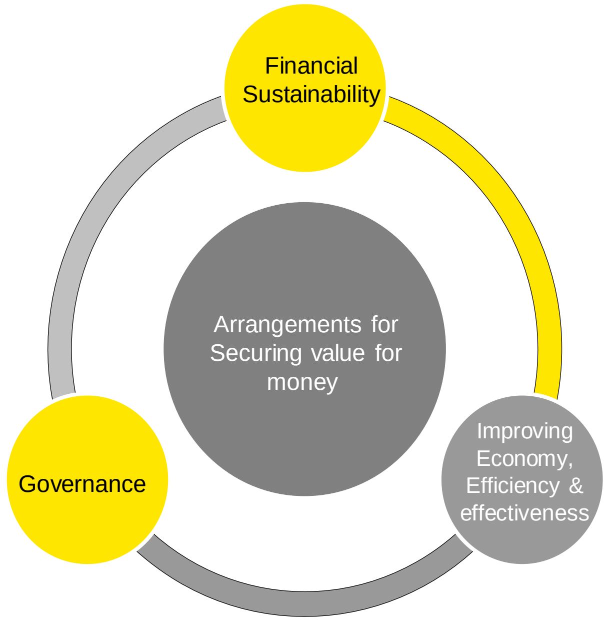
We will provide a commentary on the PCC and CC’s arrangements against three reporting criteria:

- Financial sustainability - How the PCC and CC plans and manages its resources to ensure it can continue to deliver its services;
- Governance - How the PCC and CC ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness - How the PCC and CC uses information about its costs and performance to improve the way it manages and delivers its services.

We have substantially completed our risk assessment for our detailed VFM work. We have not identified any risks of significant weaknesses in arrangements.

One area of focus for our detailed VFM procedures will be in relation to the governance arrangements in place relating to taking informed decision with respect to the termination of the North Kent PFI Contract.

We will issue our VFM narrative commentary in our 2023/24 Auditor’s Annual Report which we expect to issue within 3 months of issuing the Audit Results Report.



04 Audit Differences

Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as ‘known’ or ‘judgemental’. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

Summary of audit differences

We are required to bring to your attention audit differences that have been corrected by management that are greater than £3.1m and audit differences which are uncorrected by management above £0.2m.

<u>Audit findings leading to audit differences</u>

We wish to bring to the attention of this committee the current findings of the audit which will result in audit differences. However, we are yet to fully concluded on these findings. Discussions with management are ongoing as to how and whether adjustments will be made to the financial statements.

Bank Reconciliation – From the audit procedures performed on Kent Police’s year end bank reconciliation we identified that a payment for £7.1m in relation to the April 2024 Police Pensions payroll had been paid from Kent Police’s bank account on the 28 March 2024, however, the general ledger entries to account for this transaction were not made until the beginning of April, in the 2024-25 financial year. Therefore, as at the 31 March 2024 the cash balance reported in Kent Police’s financial statements is overstated by £7.1m. This finding is entirely related to the timings of the payment (which were earlier than the previous year due to the Easter holidays) and period in which the transaction is accounted for and reported in. This finding is material so if not amended for in the financial statements this would result in a qualified audit report. We are currently discussing the correct disclosure of this payment with management.

PPE Disclosure – From audit procedures performed over the existence of Property, Plant and Equipment (PPE) assets we identified a number of historic assets that were no longer in use by the Police Authority and therefore did not meet the ‘existence’ criteria to be included in the financial statements. These assets had a nil net book value, so this adjustment does not impact the value of assets on the Statement of Financial Position, however, they did have a gross book value disclosed in the PPE note. At the request of the audit team, Kent Police have conducted a review of historic assets with a nil net book value. The audit team is yet to conclude on the outcome of the review; however, the initial outcome is that the PPE disclosure note is overstating the Gross Book Value and Accumulated Depreciation by £2.5m.

<u>Corrected disclosure misstatements</u>

Expenditure and Funding Analysis Disclosure – Our audit procedures on the Expenditure and Funding Analysis disclosure identified that the supporting disclosure notes did not reconcile to the main disclosure statement. After discussion with management on the interpretation of the role of Expenditure and Funding Analysis disclosure, management have agreed to amend the financial statements to add in an additional analysis column for the numerical values to reconcile between the disclosures. This will enhance the ability of the readers of the financial statements to better understand these disclosures.

In addition, we have identified a few minor disclosure misstatements related to the presentation of disclosures within the financial statements. Management have agreed to amend the financial statements to update for these. None of these were significant.

<u>Uncorrected audit misstatements</u>

We report any identified but uncorrected audit misstatements arising from the audit that are above £0.2m.
To date we have not identified any uncorrected audit misstatements. Until our audit is complete additional misstatements could be identified.

05 Assessment of Control Environment

Assessment of Control Environment

Financial controls

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control including group-wide.

We have not identified any significant control deficiencies during the audit for either the PCC or the CC.

Use of internal audit

Our review and evaluation of controls is performed in conjunction with Internal Audit to minimise duplication and to rely on their work where appropriate.

As part of our assessment of the PCC and CC's control environment we have reviewed the internal audit reports that were issued during the year. We have also made enquiries to internal audit to understand their view on the risks of fraud at PCC or the CC.

We have not placed direct reliance on the work of internal audit to support our audit report.

06 Other Reporting Issues

Other Reporting Issues

Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the Group, PCC and CC Statement of Accounts 2023/24 with the audited financial statements

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

Subject to review and finalisation of the audit, the financial information in the Group, PCC and CC Statement of Accounts 2023/24 and published with the financial statements was consistent with the audited financial statements.

Subject to review and finalisation of the audit, we have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements and we have no other matters to report.

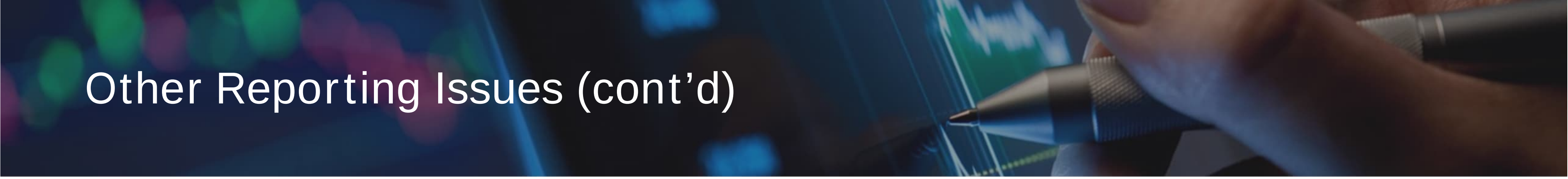
Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the National Audit Office.

We have yet to conclude on the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission. We cannot issue our Audit Certificate until these procedures are complete.

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the PCC or the CC to consider it or to bring it to the attention of the public (i.e. “a report in the public interest”).
We did not identify any issues which required us to issue a report in the public interest.



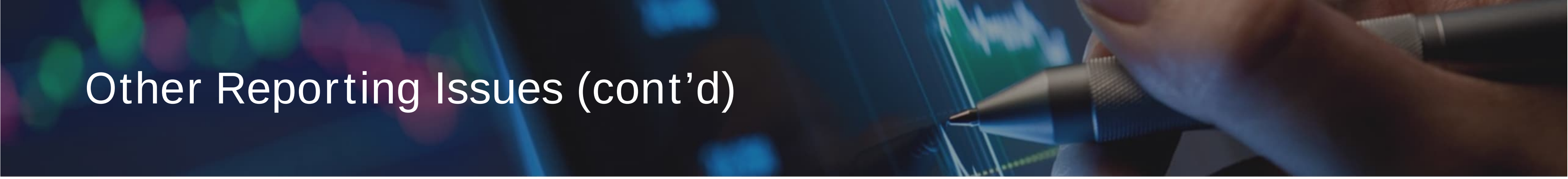
Other Reporting Issues (cont’d)

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Authority’s financial reporting process. They include the following:

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- Any significant difficulties encountered during the audit;
- Any significant matters arising from the audit that were discussed with management;
- Written representations we have requested;
- Expected modifications to the audit report;
- Any other matters significant to overseeing the financial reporting process;
- Findings and issues around the opening balance on initial audits (if applicable);
- Related parties;
- External confirmations;
- Going concern;
- Consideration of laws and regulations; and
- Group audits.

We wish to bring the following other matter to your attention, we anticipate that the current year audit report may be modified with respect to opening balances and prior period comparatives within the current year financial statements. This because we anticipate that we will disclaim the prior period audit report. Further information on the impact of the audit report will be reported subsequently to the committee in the audit results report.



Other Reporting Issues (cont'd)

ISA (UK) 315 (Revised): Identifying and Addressing the Risks of Material Misstatement

ISA 315 is effective from FY 2022/23 onwards and is the critical standard which drives the auditor's approach to the following areas:
- Risk Assessment
- Understanding the entity's internal control
- Significant risk
- Approach to addressing significant risk (in combination with ISA 330)

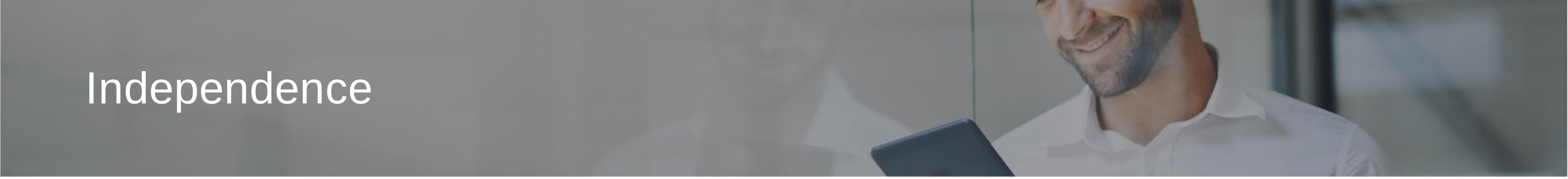
Given that we are intending to disclaim the 2022/23 audit of the financial statements we have undertaken ISA (UK) 315 (Revised) procedures for the first time in 2023/24.

The International Auditing & Assurance Standards Board (IAASB) concluded that whilst the existing version of the standard was fundamentally sound, feedback determined that it was not always clear, leading to a possibility that risk identification was not consistent. The aims of the revised standard is to:
- Drive consistent and effective identification and assessment of risks of material misstatement
- Improve the standard's applicability to entities across a wide spectrum of circumstances and complexities ('scalability')
- Modernise ISA 315 to meet evolving business needs, including:
    - how auditors use automated tools and techniques, including data analytics to perform risk assessment audit procedures; and
    - how auditors understand the entity's use of information technology relevant to financial reporting.
- Focus auditors on exercising professional scepticism throughout the risk identification and assessment process.

Subject to review and conclusion of the audit, we set out the findings and conclusions from our work to implement ISA 315 in the table below.

Audit Procedures	Audit findings and conclusions
We performed the following procedures:	
- We enquired with the police authority as to the relevant material IT systems that would impact the statement of accounts or the audit.	- We identified the Authority's general ledger system (SAP) and Readsoft as relevant material IT systems.
- We made subsequent enquiries to understand the key IT process for the relevant material IT systems. This included the manage access, manage change and manage operation processes for these IT systems.	- Our understanding the IT processes for the authority's material IT systems did not result in any additional audit risks for the audit.

07 Independence



Independence

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and Kent Police (PCC and CC), and its directors and senior management and its affiliates, including all services provided by us and our network to Kent Police (PCC and CC), its directors and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

Confirmation

We confirm that, in our professional judgment, EY is independent, our integrity and objectivity is not compromised and we have complied with the FRC Ethical Standard.

We confirm that your engagement team (partner, manager and all others involved with the audit) and others within the firm, the firm and network firms have complied with relevant ethical requirements regarding independence.

We confirm that we have communicated with the Joint Audit Committee, information about the proposed non-audit service to enable them to make an informed assessment about the independence impact of the provision of the proposed services. There are no non-audit service in relation to the Kent Police group, PCC or CC audit.

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.

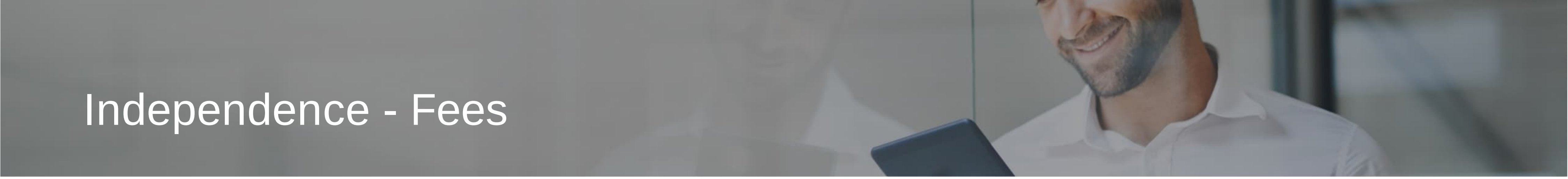
Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the period ended 30 June 2023 and can be found here: EY UK 2023 Transparency Report.

Relationships

There are no relationships from 1 April 2023 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Services provided by EY

There are no services provided by EY from a April 2023 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.



Independence - Fees

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.

A breakdown of our fees is shown in the table to the right.

As set out in our Audit Planning Report the agreed fee presented was based on the following assumptions:

- Officers meeting the agreed timetable of deliverables;
- Our accounts opinion and value for money conclusion being unqualified;
- Appropriate quality of documentation is provided by the Authority; and
- The PCC and CC has an effective control environment
- The PCC and CC complies with PSAA's Statement of Responsibilities of auditors and audited bodies. See 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/. In particular the PCC and CC should have regard to paragraphs 26 - 28 of the Statement of Responsibilities.

If any of the above assumptions prove to be unfounded, we seek a variation to the agreed fee. Details of our proposed scale fee variations for the audit of the PCC and CC are set out in the fee analysis on this page.

	Current Year	2022/23	2021/22
	£	£	£
Total Fee – Scale Fee	179,128	63,991	44,041
Scale Fee Adjustment	TBC – Note 2 [9,000 to 15,000]	TBC – Note 1	39,702
Total fees	TBC [188,128 to 194,128]	TBC	83,743

All fees exclude VAT

Note 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 2022/23 audit.

Note 2

The 2023/24 audit procedures are substantially complete. We have estimated the impact of additional scale fee adjustment for the 2023/24 audit to be between 9,000 and 15,000. This is based of an estimate of the additional audit procedures performed (i) to respond to the requirements of ISA315 (ii) to respond to the additional audit risks in relation to the termination of the North Kent PFI contract.

The additional scale fee adjustment are subject to change based until the audit is complete. All additional scale fee adjustments are subject to PSAA approval.

08 Appendices

Appendix A - Required communications with the Joint Audit Committee

Required communications with the Joint Audit Committee

There are certain communications that we must provide to the Audit Committees of UK entities. We have detailed these here together with a reference of when and where they were covered:

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Terms of engagement	Confirmation by the Joint Audit Committee 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 planning report – dated 19 July 2024
Planning and audit approach	Communication of: • The planned scope and timing of the audit • Any limitations on the planned work to be undertaken • The planned use of internal audit • The significant risks identified 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.	Audit planning report – dated 19 July 2024
Significant findings from the audit	• 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 • Significant matters, if any, arising from the audit that were discussed with management • Written representations that we are seeking • Expected modifications to the audit report • Other matters if any, significant to the oversight of the financial reporting process	Audit planning report – dated 19 July 2024

Appendix A - Required communications with the Joint Audit Committee (cont’d)

		Our Reporting to you
Required communications	What is reported?	When and where
Going concern	Events or conditions identified that may cast significant doubt on the entity’s ability to continue as a going concern, including: • 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 progress report – September 2024
Misstatements	• Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation • The effect of uncorrected misstatements related to prior periods • A request that any uncorrected misstatement be corrected • Material misstatements corrected by management	Audit progress report – September 2024

Appendix A - Required communications with the Joint Audit Committee (cont'd)

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Fraud	• Enquiries of the Joint Audit Committee 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, any identified or suspected fraud involving: a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. • 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 Joint Audit Committee responsibility.	Audit progress report – September 2024
Related parties	Significant matters arising during the audit in connection with the entity's related parties including, when applicable: • Non-disclosure by management • Inappropriate authorisation and approval of transactions • Disagreement over disclosures • Non-compliance with laws and regulations • Difficulty in identifying the party that ultimately controls the entity	Audit progress report – September 2024

Appendix A - Required communications with the Joint Audit Committee (cont'd)

		Our Reporting to you
Required communications	What is reported?	When and where
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, integrity, objectivity and independence. Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: • 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 Communications whenever significant judgements are made about threats to integrity, objectivity and independence and the appropriateness of safeguards put in place.	Audit planning report – dated 19 July 2024 Audit progress report – September 2024

Appendix A - Required communications with the Joint Audit Committee (cont'd)

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
	• Details of any inconsistencies between the Ethical Standard and Group's policy for the provision of non-audit services, and any apparent breach of that policy • Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard • The Joint Audit Committee should also be provided an opportunity to discuss matters affecting auditor independence	
External confirmations	• Management's refusal for us to request confirmations • Inability to obtain relevant and reliable audit evidence from other procedures.	Audit progress report – September 2024
Consideration of laws and regulations	• 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 Joint Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Joint Audit Committee may be aware of	Audit progress report – September 2024
Significant deficiencies in internal controls identified during the audit	• Significant deficiencies in internal controls identified during the audit.	Audit progress report – September 2024

Appendix A - Required communications with the Joint Audit Committee (cont'd)

		Our Reporting to you
Required communications	What is reported?	When and where
Group Audits	• An overview of the type of work to be performed on the financial information of the components • An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components • Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work • Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted • Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements.	Audit progress report – September 2024
Written representations we are requesting from management and/or those charged with governance	• Written representations we are requesting from management and/or those charged with governance	This will be reported in the final audit results report – date TBC
System of quality management	• How the system of quality management (SQM) supports the consistent performance of a quality audit	Audit progress report – September 2024
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	• Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit progress report – September 2024
Auditors report	• Any circumstances identified that affect the form and content of our auditor's report	This will be reported in the final audit results report – date TBC

EY | Building a better working world

EY exists to build a better working world, helping to create long-term value for clients, people and society and build trust in the capital markets.

Enabled by data and technology, diverse EY teams in over 150 countries provide trust through assurance and help clients grow, transform and operate.

Working across assurance, consulting, law, strategy, tax and transactions, EY teams ask better questions to find new answers for the complex issues facing our world today.

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