Police & Crime Commissioner for Kent / Chief Constable for Kent Police

Audit results report

Year ended 31 Month 2024

13 February 2025

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

13 February 2025

Dear Police and Crime Commissioner and Chief Constable,

2023/24 Audit results report

We are pleased to attach our audit results report, summarising the status of our audit. This report is an update and final position for 2023/24 from the Audit Progress Report (APR) presented to the Joint Audit Committee in December 2024. Appendix A of this report has been added since the APR setting out the assurance obtained against each accounts area.

The audit is designed to express an opinion on the 2023/24 financial statements and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit emphasis, our views on the Police and Crime Commissioner for Kent Group's (the PCC and CC's) accounting policies and judgements and material internal control findings.

This report considers the impact of Government proposals, which have now been enacted through secondary legislation, to clear the backlog in local audit and put the local audit system on a sustainable footing. The proposals recognise that timely, high-quality financial reporting and audit of local bodies is a vital part of our democratic system. Not only does it support good decision making by local bodies, by enabling them to plan effectively, make informed decisions and manage their services, it ensures transparency and accountability to local taxpayers. All stakeholders have a critical role to play in addressing the audit backlog.

The Police and Crime Commissioner and Chief Constable, as those charged with governance, has an essential role in ensuring that it has assurance over both the quality of the draft financial statements prepared by management and the wider arrangements to support the delivery of a timely and efficient audit. We will consider and report on the adequacy of external financial reporting arrangements and the effectiveness of those charged with governance in fulfilling its role in those arrangements as part of our assessment of Value for Money arrangements and consider the use of other statutory reporting powers to draw attention to weaknesses in those arrangements where we consider it necessary to do so.

Given that Statutory Instrument 2024/907 “The Accounts and Audit (Amendment) Regulations 2024 (“SI 2024/907”) imposes a backstop date of 28 February 2025 by which date we are required to issue our opinion on the financial statements, we have considered whether the time constraints imposed by the backstop date mean that we cannot complete all necessary procedures to obtain sufficient, appropriate audit evidence to support the opinion and fulfil all the objectives of all relevant ISAs (UK).

We have also taken into account SI 2024/907 and Local Authority Reset and Recovery Implementation Guidance Notes issued by the National Audit Office and endorsed by the Financial Reporting Council, together with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2020 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements.

As reported in our 2022/23 Audit Completion Report, we issued a disclaimed audit report on the financial statements for 2022/23 under these arrangements to reset and recover local government audit which was no fault of Kent Police. Although we have commenced limited work to rebuild assurance ahead of the 2023/24 backstop date, we have not obtained sufficient evidence to be able to conclude that the financial statements are free from material and pervasive misstatement. Taken together with the requirement to conclude our work by the 2023/24 back stop date, the lack of evidence over these movements and balances mean we are unable to conclude that the 2023/24 financial statements are free from material and pervasive misstatements. We therefore anticipate issuing a disclaimed 2023/24 audit opinion.

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

Yours faithfully

E.Jackson

Elizabeth Jackson

Partner

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 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 PCC, CC, Joint Audit Committee and management of Kent Police in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the PCC, CC, Joint Audit Committee and management of Kent 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 Audit Committee and management of Kent 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.

01 Executive Summary

Executive Summary – Context for the audit

Context for the audit – Department for Levelling-up, Housing and Communities (DLUHC) and Financial Reporting Council (FRC) measures to address local audit delays

Timely, high-quality financial reporting and audit of local bodies is a vital part of our democratic system. It supports good decision making by local bodies and ensures transparency and accountability to local taxpayers. There is general agreement that the backlog in the publication of audited financial statements by local bodies has grown to an unacceptable level and there is a clear recognition that all stakeholders in the sector need to work together to address this. Reasons for the backlog across the system have been widely reported and include:

- Lack of capacity within the local authority financial accounting profession
- Increased complexity of reporting requirements within the sector
- Lack of capacity within audit firms with public sector experience
- Increased regulatory pressure on auditors, which in turn has increased the scope and extent of audit procedures performed.

MHCLG (formerly DLUHC) has worked collaboratively with the FRC, as incoming shadow system leader, and other system partners, to develop and implement measures to clear the backlog. SI 2024/907, together with the updated National Audit Office Code of Audit Practice 2024 and the Local Authority Reset and Recovery Implementation Guidance, have all been developed to ensure auditor compliance with International Standards on Auditing (UK) (ISAs (UK)). The approach to addressing the backlog consists of three phases:

- ► Phase 1: Reset involving clearing the backlog of historic audit opinions up to and including financial year 2022/23 by 13 December 2024.
- ► Phase 2: Recovery from Phase 1, starting from 2023/24, in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycles. The backstop date for audit of the 2023/24 financial statements is 28 February 2025.
- ► Phase 3: Reform involving addressing systemic challenges in the system and embedding timely financial reporting and audit.

Executive Summary

Expected Modification to the audit report

As reported in our 2022/23 Audit Completion Report, issued December 2024, to Those Charged with Governance, we issued a disclaimed audit report on the Authority’s 2022/23 financial statements under the Government’s legislative arrangements to reset and recover local government audit (Statutory Instrument (2024) No. 907 - “The Accounts and Audit (Amendment) Regulations 2024”, Local Authority Reset and Recovery Implementation Guidance). The reasons for the 2022/23 disclaimed audit report were set out in the aforementioned 2022/23 Audit Completion Report. This is no fault of Kent Police who prepared accounts by the deadline in 2022/23 and 2023/24.

As set out within Appendix A of this report we have been able to complete our planned programme of work, obtaining the planned assurances over closing balances and in-year transactions.

However, as a result of the 2022/23 disclaimed audit report, we do not have assurance over the brought forward balances from 2022/23 (the opening balances). This means we also do not have assurance over a number of 2023/24 in-year movements that depend on those opening balances, and therefore some closing balances (particularly Reserves). We also do not have assurance over the 2022/23 comparative amounts disclosed in the 2023/24 financial statements. We did not plan to rebuild this assurance in our 2023/24 audit.

Appendix A of this report sets out the level of assurance we have been able to gain from the procedures that we have completed.

Taken together, and alongside the requirement to conclude the 2023/24 audit by the legislative back stop date of the 28 February 2025, the lack of evidence over these movements and balances mean we are unable to conclude that the 2023/24 financial statements are free from material and pervasive misstatement of the financial statements.

We therefore anticipate issuing a disclaimed 2023/24 audit opinion.

This is in line with the Government’s legislative arrangements set out above and specifically the ‘Recovery phase’ of those arrangements and with guidance issued by the Financial Reporting Council (FRC) within their ‘Accessible Guide’ which sets out a minimum 3-year timeline to re-build audit assurances to gain full assurance over opening, closing balances and in year movements.

We will reflect on the impact of the areas where we did not gain our planned assurances in 2023/24, through our 2024/25 audit planning and set out our timeline for re-building audit assurance within our Audit Plan.

Executive Summary

Scope update

In our Audit Progress Report presented at the 18 September 2024 Joint Audit Committee meeting, we provided you with an update on our audit scope and approach for the audit of the financial statements. No further changes to the scope and approach have been made since this report.

Status of the audit

Our audit work in respect of the PCC and CC opinion is substantially complete. The following items relating to the completion of our audit procedures were outstanding at the date of this report.

- Final review of the amended financial statements;
- Completion of manager and partner review;
- Completion of subsequent events review procedures;
- Receipt of signed management representation letter; and
- Receipt and review of signed final statement of accounts.

Given that the audit process is still ongoing, we will continue to challenge the remaining evidence provided and the final disclosures in the Group and CC financial statements which could influence our final audit opinion, a current draft of which is included in Section 04.

Value for Money

In our Audit Progress Report presented at the 18 September 2024 Joint Audit Committee meeting, we reported that we had completed our value for money (VFM) risk assessment and we had identified no risks of significant weaknesses in arrangements. Having updated and completed the planned procedures in these areas we did not identify a significant weakness. See Section 03 of the report for further details.

Other Reporting Issues

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

We have not yet completed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts. We are awaiting guidance from NAO for the reporting requirements for all bodies.

Executive Summary (cont'd)

Areas of audit focus

In our Audit Planning Report we identified a number of key areas of focus for our audit of the financial report of the PCC and CC. 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 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	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	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	No audit misstatements identified. Valuation assumptions used to value the assets were appropriate. We have obtained assurance over the 31/03/24 closing balance of PPE EUV assets.
4	Valuation of Land and Buildings, Property, Plant and Equipment - Depreciated Replacement Cost (DRC)	Inherent risk	Complete	No audit misstatements identified. Valuation assumptions used to value the assets were appropriate. We have obtained assurance over the 31/03/24 closing balance of PPE DRC assets.
5	Pension Liability / Asset Valuation (LGPS)	Inherent risk	Complete	No misstatements were identified. We have obtained assurance that the 31/03/24 closing balance value of the LGPS pension liability and pension assets are materially correct.
6	Pension Liability Valuation (Police Pension Fund)	Inherent risk	Complete	No misstatements were identified. We have obtained assurance that the 31/03/24 closing balance valuation of Police Pension Fund liability is materially correct.
7	Private Finance Initiative (PFI) Liability	Inherent risk	Complete	The accounting treatment of the PFI liability upon termination of the North Kent PFI contract is appropriate. The contingent liability disclosed in relation to legal claim against Kent Police in relation to the termination of the North Kent PFI contract is appropriate.
8	Implementation of IFRS 16 from 1st April 2024	Area of focus	Complete	Management approach to adopting IFRS16 is appropriate. No misstatements were identified in the financial statement disclosures.

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 or Management.

Executive Summary (cont’d)

Audit differences

The following audit differences have been identified which management have been corrected within the final version financial statements:

- A misstatement of £7.1m overstatement of cash and understatement of prepayments, in relation to April 2024 police pensions payment that was made just before the financial year end.
- A misstatement of £2.96m overstating the gross book value of Property, Plant and Equipment assets within Note 14 disclosure. There was no impact on the net book value of Property, Plant and Equipment reported on the balance sheet.

In addition to the above, disclosure misstatements have also been amended for including the Expenditure and Funding Analysis disclosure note. Other minor casting and typographical misstatements have also been identified within the financial statements and disclosure notes. These have also been adjusted within the financial statements.

Uncorrected misstatements

The Authority’s share of audit findings arising from the audit of 2023/24 Kent Pension Fund resulted in understatement of the ‘Remeasurement of the net defined benefit liability’ by £606k and the overstatement of the Pension Reserve by £606k. This is an unusable reserve.

Control observations

We have adopted a fully substantive approach, so have not tested the operation of controls.

As part of our work, 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 identified during our audit.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.

Independence

Refer to Section 08 for our updated assessment and confirmation of EY independence. We have also reported the audit fee in this section.

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 complete.

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?

Our procedures to address this risk are 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 the PCC'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?

Our procedures to address this risk are complete.

The scope of the work performed by the PCC'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 the PCC'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?

Our procedures to address this risk are complete.

Based on our review of the scope of the work performed by PCC'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. The audit risk is that the valuation of the asset is overstated. We have made additional queries of management, and their valuers, as to how the condition of the property has been reflected in the reported asset value or whether an additional impairment was needed. We have obtained assurances that the reported asset value of North Kent police station appropriately reflects the condition of the asset. No additional impairment was required.

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 address this risk are complete.

We have obtained assurances from the auditors of Kent Pension Fund over the value of the pension assets held by the Pension Fund on behalf of Kent Police. Kent Police's share of the audit misstatements arising from the audit of Kent Pension Fund is £606k which would increase the value of gross pension assets. However, due to the impact of the pension asset ceiling this increase in pension asset values is not recognised as an valuation gain as ultimately the asset is not recoverable under IFRIC 14. We have reported an unadjusted audit difference of £606k impacting Other Comprehensive Income in the CIES and the Pension Reserves (unusable reserve). See Section 05 of this report.

We have obtained assurances from the EY Pensions team's review of the actuary's roll forward of the pension liability as of the balance sheet date.

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 address this risk are complete.

We have obtained assurances from the EY Pensions team's review of the actuary's roll forward of the pension liability as of the balance sheet date.

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?

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 complete.

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 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 in relation to the termination of North Kent PFI contract. Based on the corroborative evidence that we have received, including enquiries made of the authority’s external legal counsel, we have concluded that management’s assessment of how to account for this item as a contingent liability is appropriate. This included 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 address area of focus are complete.

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.

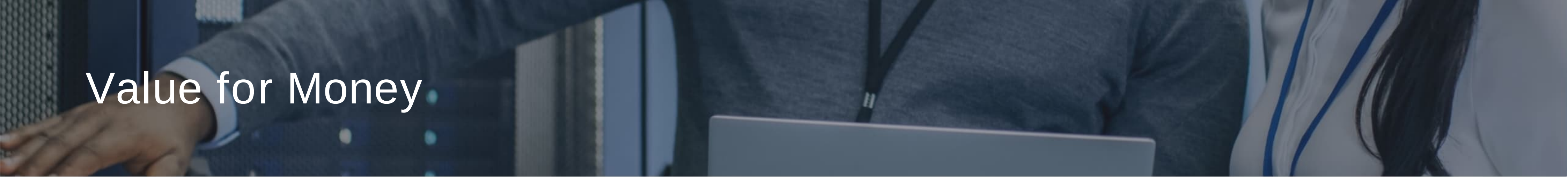
From our review of the supporting lease calculations to the financial statements disclosure for the impact of accounting standards issued but not yet adopted, we did not identify any audit misstatements.

We have sample tested management's IFRS16 calculations back to underlying lease evidence to confirm the accuracy of the calculations. No errors were identified.

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

03 Value for Money

Value for Money



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

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 its disposal.

As part of the material published with its financial statements, the PCC and CC are 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 PCC and CC tailors the content to reflect its own individual circumstances, consistent with the requirements set out in the NAO Code of Audit Practice. 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’s 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.

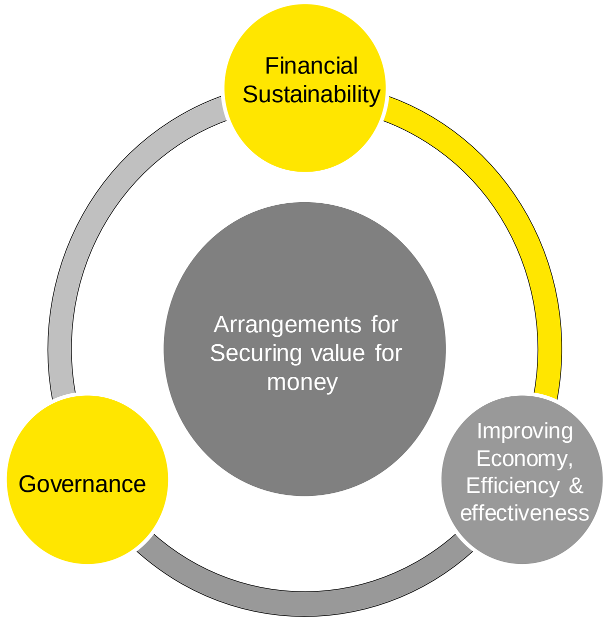
We will provide a commentary on the PCC and CC’s arrangements against three reporting criteria:

- 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 completed our detailed VFM work and identified no risks of significant weaknesses in arrangements.

While not a significant risk of weakness in arrangements, we performed VFM procedures 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 did not identify any weaknesses with respect to the arrangement in place for this matter.

We will issue our VFM narrative commentary in our 2023/24 Auditor’s Annual Report.



04 Audit Report

Audit Report

Expected modifications to our audit report

As reported in our 2022/23 Audit Completion Report (issued December 2024), we issued a disclaimed audit report on the Authority's financial statements for 2022/23 under the arrangements to reset and recover Local Government audit.

Although we have commenced limited work to rebuild assurance ahead of the 2023/24 backstop date and anticipate completing our planned programme of work for 2023/24, because of the gaps in assurance from 2022/23 we have not obtained sufficient evidence to be able to conclude that the financial statements are free from material and pervasive misstatement.

Taken together with the requirement to conclude our work by the 2023/24 backstop date set by legislation, the lack of evidence over these movements and balances mean we are unable to conclude that the Authority's 2023/24 financial statements are free from material and pervasive misstatements.

We therefore anticipate issuing a disclaimed 2023/24 audit opinion. The form and content of the Audit Report will be shared with the Section 151 officers to enable them to formally authorise the 2023/24 financial statements for issue before the backstop date.

05 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 adjusted differences

We highlight the following misstatements greater than £233,000 for the PCC and £408,000 for the CC that were identified assets, our audit:

- 1) Cash and Cash Equivalents. Our audit procedures over the bank reconciliations identified a £7.1m payment for the April 2024 police pension payroll that was made on the 28th March 2024 in advance of the financial year end. In the draft financial statements this had been reported as cash held by the authority as at 31 March 2024, however, as the payment was made on the 28th March 2024 the reported cash balance as of 31st March 2024 was overstated. The payment was made in advance of the financial year end so that the pension payments were with retired police officer in time for the 1st April, which was a bank holiday in 2024 due to the timing of Easter. The financial statements have been amended to decrease the Cash and Cash Equivalents reported on the balance sheet by £7.1m and to increased Short-term debtors by the same amount. This means the transaction is correctly reported as a prepayment as of 31 March 2024.
- 2) Property, Plant and Equipment (PPE). Our audit sample testing procedures over PPE asset existence identified 2 items of ‘Vehicle, Plant and Equipment’ which the authority could not evidence the existence of as of the financial year end. The 2 assets had been fully depreciated, however their gross book value were reported in the PPE disclosure note in the draft financial statements. Management conducted a review of all vehicle plant and equipment assets that had been fully depreciated to establish if the assets were still in existence as of the financial year end. We conducted additional audit sample testing to confirm the results of management’s review exercise for these assets. The PPE disclosure Note 14 has been amended to recognise additional disposal of ‘Vehicle, Plant and Equipment’ assets of £2.96m. There was no impact on the Net Book Value of the assets so the amendment was disclosure only.

In addition to the above, disclosure misstatements have also been amended for including the Expenditure and Funding Analysis disclosure note. Other minor casting and typographical misstatements have also been identified within the financial statements and disclosure notes. These have also been adjusted within the financial statements.

Summary of unadjusted differences

Our audit identified one uncorrected judgemental difference as part of the IAS19 assurance letter from the auditor of Kent Pension Fund. The Authority’s share of audit findings arising from the audit of 2023/24 Kent Pension Fund resulted in understatement of the ‘Remeasurement of the net defined benefit liability’ by £606k and the overstatement of the Pension Reserve by £606k. This is an unusable reserve.

As the difference is judgemental and a share of errors in the Pension Fund instead of direct by Kent Police, we have agreed that this amount should be uncorrected. This will be included in the letter of representation.

06 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.

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

07 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 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.

Financial information in the PCC and CC Statement of Accounts 2023/24 and published with the financial statements was consistent with the audited financial statements.

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

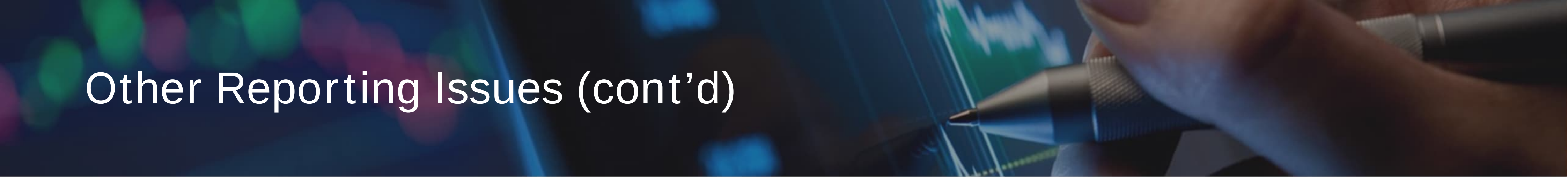
Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the National Audit Office.

We have not yet performed 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 (the Act) to consider whether to report on any matter that comes to our attention in the course of the audit, either for the PCC and 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.



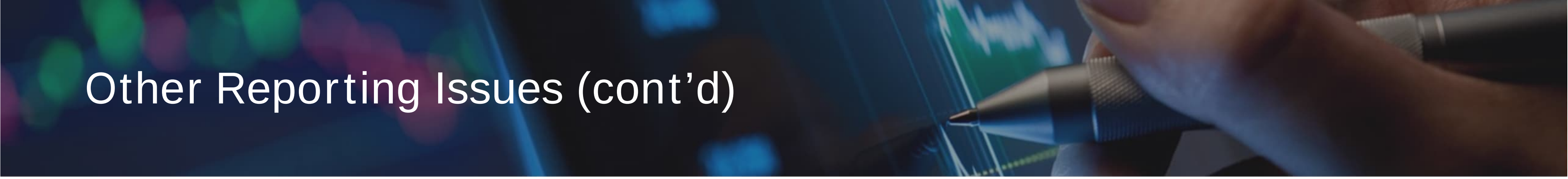
Other Reporting Issues (cont’d)

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 have no other matters to 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 disclaimed 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:

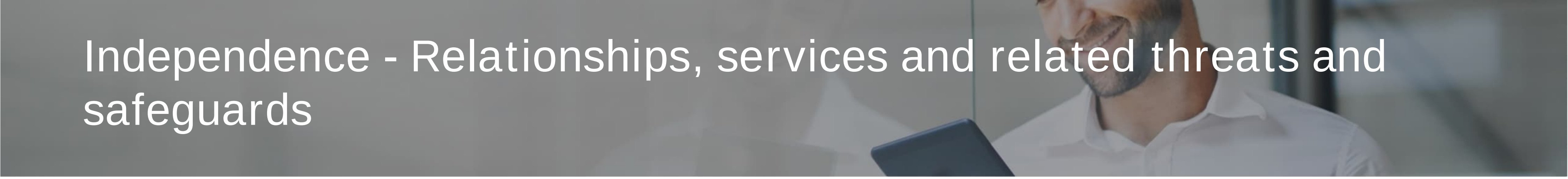
- Drive consistent and effective identification and assessment of risks of material misstatement
- Improve the standard's applicability to entities across a wide spectrum of circumstances and complexities ('scalability')
- Modernise ISA 315 to meet evolving business needs, including:
    - how auditors 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 PCC and CC as to the relevant material IT systems that would impact the statement of accounts or the audit.	- We identified the PCC and CC's general ledger system (SAP) as a relevant material IT system.
- 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 system did not result in any additional audit risks for the audit.*

*However, through discussions with the finance team we have noted that many of the financial reporting processes, including preparing working papers to support the financial accounts and audit, are manual because of the age and inherent limitations of exporting data from the current general ledger system (SAP). There is scope for financial reporting processes to be streamlined, including increased efficiencies for the time taken by members of the finance team, if the functional capabilities of the general ledger system were to be improved.

08 Independence



Independence - Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and your company, and its directors and senior management and its affiliates, including all services provided by us and our network to your company, 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 PCC and CC, 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 services in relation to the PCC and CC.

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 2024 and can be found here: EY UK 2024 Transparency Report | EY - UK.

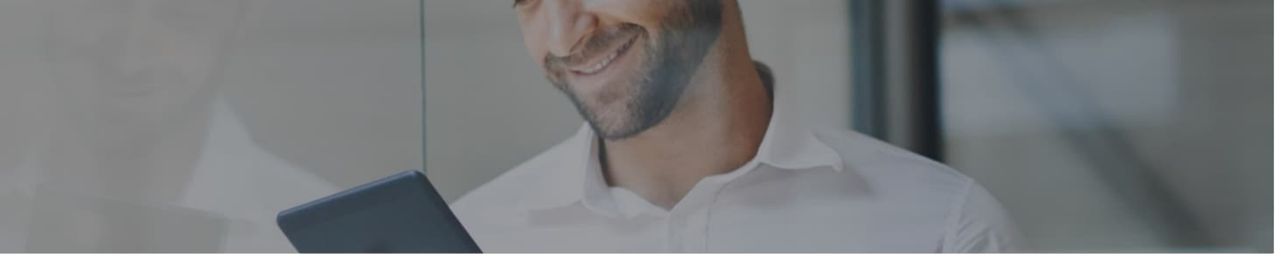
Relationships

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

As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.



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 financial statements opinion and value for money conclusion being unqualified;
- Appropriate quality of documentation is provided by the PCC and CC; 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 [18,000 to 28,000]	TBC – Note 1	39,702
Total fees	TBC [197,128 to 207,128]	TBC	83,743

All fees exclude VAT

(1) Note 1 - PSAA Ltd, in line with the joint statement issued DLUHC (as at that date) and the FRC is responsible for the determination of the final audit fee in respect of 2022/23. In doing so, PSAA Ltd will apply the principles that where auditors have worked in good faith to meet the requirements of the Code of Audit Practice in place at the time the work was conducted (and have reported on work that is no longer required), then they are due the appropriate fee for the work done, including where their procedures were necessary to conclude the audit by the legislatively imposed backstop date by way of a modified or disclaimed opinion and the body is due to pay the applicable fee.

(2) The 2023/24 audit is near completion and a scale fee adjustment will be calculated shortly. This final fee is anticipated to include an adjustment for the following areas:

- Additional procedures to implement the revised ISA 315 (UK) auditing standard as originally set out in our Audit Planning Report.
- Additional procedures to consider the Council's readiness for the implementation of IFRS 16 as originally set out in our in our Audit Planning Report.
- Additional audit procedures required to respond to the additional audit risks in relation to the termination of the North Kent PFI contract.
- Additional audit procedures required to respond to the misstatements identified during the audit.
- Involvement of EY Pensions specialists to provide assurance of the IAS19 pension liabilities.

This is subject to change until the audit is complete and all additional scale fee adjustments are subject to PSAA determination and approval.

09 Appendices

Appendix A – Summary of assurances

Summary of Assurances

As we have set out in Section 5 and the Executive Summary of this report, we anticipate issuing a disclaimer of opinion on the 2023/24 financial statements. Due to the disclaimer of opinion issued on the 2022/23 financial statements, we do not have assurance over the comparative figures disclosed in the financial statements, the opening balance position on 1 April 2023, the closing reserves balances on 31 March 2024 or the in-year movements recorded in the Comprehensive Income and Expenditure Statement. This is considered material and pervasive to the 2023/24 financial statements. The table below summarises the audit work we have completed on the 2023/24 financial statements to demonstrate to the committee the level of assurance that has been obtained as a result of the financial statements audit.

Account area	Assurance rating	Summary of work performed
Property, Plant and Equipment (‘PPE’)	Partial	We have completed our planned audit procedures, including testing of the 2023/24 additions and disposals to the fixed asset register, audited the valuation of a sample of assets revalued in 2023/24 and performed procedures to obtain assurance over the existence of assets on the fixed asset register. We did not identify any misstatements. However, until we are able to rebuild assurance over PPE additions, disposals and revaluations in the disclaimed period, we are unable to obtain full assurance over the completeness and valuation of PPE at 31 March 2024.
Intangibles	Partial	We have completed our planned audit procedures in this area. We did not identify any misstatements. However, until we are able to rebuild assurance over intangible additions, disposals and amortization in the disclaimed period, we are unable to obtain full assurance over the completeness and valuation of intangibles at 31 March 2024.
Investments	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024.
Short Term Debtors	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024.
Cash and Cash equivalents	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024.
Short Term Creditors	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024.
Short Term Borrowing	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024.
Provisions (short and long term)	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024.
Other Long-Term Liabilities – PFI	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024.
Other Long-Term Liabilities – Pensions	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024.
Reserves (including Movement in Reserves Statement)	None	We have completed our planned audit procedures on reserves (usable and unusable) including in year movement in reserves for 2023/24. We did not identify any misstatements. However, until we have completed our work programme on the rebuilding of assurance following the disclaimed audit opinions, we are unable to obtain assurance over the useable and unusable reserves reported in the financial statements. We will provide more information on our proposed approach for rebuilding of assurance as part of our 2024/25 audit planning reports.

Appendix A – Summary of assurances

Summary of Assurances

Account area	Assurance rating	Summary of work performed
Comprehensive Income and Expenditure Statement	Partial	We have completed our planned audit procedures in this area. We did not identify any misstatements. However, as we do not have assurance over the opening balance position at 1 April 2023, we are unable to obtain assurance that all of the in-year movements recorded in the statement are accurate.
Police Pension Fund Statement	Partial	We have completed our planned audit procedures in this area. We did not identify any misstatements. However, as we do not have assurance over the opening balance position at 1 April 2023, we are unable to obtain assurance that all of the in-year movements recorded in the statement are accurate.
Financial Statement Disclosures	Partial	We have completed our planned audit procedures in this area. However, as we do not have assurance over the opening balance position at 1 April 2023, we are unable to obtain assurance that all of the in-year movements recorded in the financial statement disclosures are accurate.
Cash Flow Statement	Partial	We have completed our planned audit procedures in this area. We did not identify any misstatements. However, as we do not have assurance over the opening balance position at 1 April 2023, we are unable to obtain assurance that all of the in-year movements recorded in the statement are accurate.

Appendix B - 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 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.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
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 – 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 progress report – 5 September 2024 Audit results report – this report.

Appendix B - 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 – 5 September 2024 Audit results report – this report.
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 – 5 September 2024 Audit results report – this report.
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 – 5 September 2024 Audit results report – this report.

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

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
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 – 5 September 2024 Audit results report – this report.
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 – 19 July 2024 Audit progress report – 5 September 2024 Audit results report – this report.
External confirmations	• Management’s refusal for us to request confirmations • Inability to obtain relevant and reliable audit evidence from other procedures.	Audit progress report – 5 September 2024 Audit results report – this report.
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 – 5 September 2024 Audit results report – this report.

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

		Our Reporting to you
Required communications	What is reported?	When and where
Significant deficiencies in internal controls identified during the audit	• Significant deficiencies in internal controls identified during the audit.	Audit progress report – 5 September 2024 Audit results report – this report.
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 planning report – 19 July 2024 Audit progress report – 5 September 2024 Audit results report – this report.
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	Audit progress report – 5 September 2024 Audit results report – this report.
System of quality management	• How the system of quality management (SQM) supports the consistent performance of a quality audit	Audit progress report – 5 September 2024 Audit results report – this report.
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 – 5 September 2024 Audit results report – this report.
Auditors report	• Key audit matters that we will include in our auditor's report • Any circumstances identified that affect the form and content of our auditor's report	Audit progress report – 5 September 2024 Audit results report – this report.

Appendix D – Management representation letter

Management representation letter

As noted in Section 04 of this report we expect to issue a disclaimed audit report. The accompanying management letter of representation will be shared with the Section 151 officer and JAC chair representations to be made prior to issuing the audit report.

EY | Building a better working world

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