Police and Crime Commissioner for Kent/ Chief Constable of Kent

Audit planning report

Year ended 31 March 2026

13 May 2026

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

Dear Commissioner and Chief Constable

Audit planning report 2025/26

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

As the body charged with governance, the Joint Audit Committee plays a crucial role in ensuring assurance over both the quality of the draft Financial Statements prepared by management and the PCC/CC's wider arrangements to support a timely and efficient audit. Failure to achieve this will affect the level of resources required to fulfil our responsibilities. We will assess and report on the adequacy of the PCC/CC's external financial reporting arrangements, as well as the effectiveness of the Joint Audit Committee in fulfilling its role within those arrangements as part of our Value for Money assessment. We will also consider invoking other statutory reporting powers to highlight any weaknesses in these arrangements if deemed necessary. We direct Joint Audit Committee members and officers to the Public Sector Audit Appointment Limited's Statement of Responsibilities (paragraphs 26-28) for expectations on preparing Financial Statements (see Appendix A).

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

We welcome the opportunity to discuss this report with you on 11 June 2026 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Chloe Wilkinson

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 (https://www.psaa.co.uk/managing-audit-quality/contract-monitoring-2023-24-to-2027-28/terms-of-appointment-from-2023-24/terms-of-appointment-and-further-guidance-from-1-october-2025) sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice 2024 (the NAO Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

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

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Overview of our 2025/26 audit strategy

2025/26 audit strategy overview: Rebuilding Assurance

The purpose of this report

As those charged with governance, the PCC and CC play a crucial role in ensuring assurance over both the quality of the draft Financial Statements prepared by management and the wider arrangements to support a timely and efficient audit. Failure to achieve this will significantly increase the level of resources required to fulfil our respective responsibilities.

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

Our shared strategy to rebuild assurance

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

We would like to draw attention to the fact that the disclaimer opinions issued in 2022/23 and 2023/24 were not the result of deficiencies or failings on the part of the Police and Crime Commissioner, the Chief Constable or the wider Kent Police force. These opinions were driven by the introduction and application of backstop legislation, which restricted the ability of auditors to complete the statutory audit process within the prescribed framework.

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

To deliver this, it is essential that management continues to:

- ensure a strong underlying control environment;
- Provide high quality working papers and ensure that all audit evidence is complete, consistent and readily accessible;
- Allocate sufficient, knowledgeable resources throughout the audit cycle;
- Actively engage with auditors, promptly addressing findings and resolving weaknesses in financial reporting arrangements; and
- Communicate transparently with the PCC and CC, as Those Charged with Governance, ensuring that both the PCC and CC have clear visibility of risks, progress and emerging issues.

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

2025/26 audit strategy overview: Rebuilding Assurance

Our shared strategy to rebuild assurance continued

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

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

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

2025/26 audit strategy overview: Rebuilding Assurance

Preparedness for audit

Our ability to complete the audit is dependent on the timely formulation of appropriately supported accounting judgements, provision of accurate and relevant supporting evidence, access to the finance team and Management's responsiveness to issues identified during the audit. Our 2024/25 reporting included our assessment of the effectiveness of the Authority's arrangements to support the external audit process across a range of relevant measures (reproduced in Appendix A). We concluded that Kent Police was well-prepared for the audit.

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

Scope of our audit

In accordance with the NAO Code, our primary objectives are to conduct work that supports the delivery of our audit report to the PCC and CC. Additionally, we aim to ensure that the PCC and CC has established proper arrangements for securing economy, efficiency, and effectiveness in its use of resources, as mandated by relevant legislation and the requirements of the NAO Code. We will issue an Audit Results Report that the summarises our opinion on the Financial Statements by 30 November 2026 and other procedures required by the Code. This includes our assessment of the control environment, including our follow up of the recommendations that we made in 2024/25, if any. In addition, our Auditor's Annual Report will conclude on whether the Authority has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources and report a commentary on those arrangements.

Timeline

An audit timetable has been agreed with management. In Section 07 we include a provisional timeline for the audit. It is essential that all parties collaborate to ensure compliance with this timeline.

Our independence considerations

Please refer to Appendix B for our update on independence.

2025/26 audit strategy overview: Audit risks and materiality

Audit risks and areas of focus

The purpose of our audit is to obtain reasonable assurance to express an opinion about whether the group Financial Statements as a whole are free from material misstatement, whether due to fraud or error.

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

Risk/area of focus	Risk identified	Change from PY	Details
Misstatement due to fraud or error – management override of controls	Fraud risk	No change in risk	There is a risk that the Financial Statements as a whole are not free from material misstatement whether caused by fraud or error. We perform mandatory procedures regardless of specifically identified fraud risks.
Risk of fraud in expenditure recognition, through inappropriate capitalisation of revenue expenditure	Fraud risk	No change in risk	Under ISA (UK) 240, there is a presumed risk of material misstatement due to fraud arising from improper revenue recognition. In the public sector, Practice Note 10 also requires consideration of the risk of manipulation of expenditure recognition. As a Police body operating within a budgetary control framework, there is a risk that revenue expenditure is inappropriately capitalised through management judgement in applying CIPFA/LASAAC, resulting in the understatement of revenue expenditure and overstatement of Property, Plant and equipment only. The risk is relevant to Police and Crime Commissioner and Group Financial Statements.
Risk of fraud in revenue recognition, through incorrect recognition of collaboration and recharge income	Fraud risk	New Risk	Under ISA (UK) 240, there is a presumed risk of material misstatement due to fraud arising from improper revenue recognition. The Authority recognizes income during the year from collaboration and recharge arrangements with other partner organisations. Income is calculated by applying agreed cost sharing arrangements to expenditure incurred, based on the terms of the underlying collaboration agreements. There is a risk that income recognised during the year is not fully supported by the terms of the collaboration and recharge arrangements. This risk arises where management judgement is applied in determining the appropriateness and completeness of costs , or in applying the agreed cost sharing basis. Where costs that are not recoverable under the arrangements are included, the income may be overstated. The risk is relevant to both the Police and Crime Commissioner and Chief Constable Financial Statements.

2025/26 audit strategy overview: Audit risks and materiality

Audit risks and areas of focus

Risk/area of focus	Risk identified	Change from PY	Details
Valuation of Land & Buildings in Property, Plant and Equipment (PPE) under EUV and DRC	Risk of Material Misstatement (RoMM)	No change in risk	Land and Buildings represent a significant balance in the Group and Standalone PCC accounts, with a closing net book value of £162 million as at 31 March 2025. The asset class is subject to valuation movements and impairment considerations. The valuation of Land and Buildings relies on management's specialist and involves significant judgement and estimation uncertainty, including the selection and application of appropriate valuation methodologies and assumptions, in accordance with the CIPFA Code and related guidance including the recently issued CIPFA Bulletin 22 which reassesses the current regime of valuation for non-investment assets across the public sector. Given the size of the asset base and the inherent subjectivity in valuation techniques and assumptions applied to reflect changes in asset values during the year, there is an increased risk of material misstatement in the valuation of Land and Buildings.
Valuation of Pension Liabilities (Local Government and Police Pension Scheme)	Risk of Material Misstatement	No change in risk	The Local Authority Accounting Code of Practice and IAS 19 require the PCC, Group and Chief Constable to recognise and disclose material balances and extensive disclosures relating to their participation in the Local Government Pension Scheme (LGPS), administered by Kent County Council, and the Police Pension Scheme. Accounting for these pension arrangements involves a high degree of inherent subjectivity and estimation uncertainty, as the measurement of pension liabilities requires actuarial techniques and complex modelling of future outcomes. Management engages external actuaries as management experts to perform the required valuations; however, the resulting balances and disclosures remain sensitive to judgement and estimation uncertainty. A relatively small change in the valuation outcomes could have a material impact on the pension liabilities recognised on the Balance Sheet. As a result, there is a heightened risk of material misstatement arising from the inherent subjectivity involved in measuring pension obligations and preparing the related disclosures in the Financial Statements.
Accounting for Private Finance Initiative (PFI) scheme	Risk of Material Misstatement	No change in risk	Kent Police has one active PFI contract recognised in the Financial Statements. Accounting for the arrangement involves the use of an underlying accounting model that incorporates assumptions and estimation techniques to determine the PFI liability, related expenditure and disclosures including consideration of the requirements of IFRS 16 where applicable to lease components within the arrangement. Given the inherent complexity and estimation uncertainty involved, there is a risk of material misstatement if the assumptions applied are not appropriately reflected in the Financial Statements

2025/26 audit strategy overview: Audit risks and materiality

Materiality

Planning materiality £11.7m

Group

Materiality has been set at £11.7 million, which represents 2% of the gross expenditure on provision of services in 2024/25 (2024/25: £10.3 million, 1.8%).

PCC

Materiality has been set at £5.1 million, which represents 2% of the gross expenditure on provision of services in 2024/25 (2024/25: £4.7 million, 1.8%).

CC

Materiality has been set at £9.4 million, which represents 2% of the gross expenditure on provision of services in 2024/25 (2024/25: £8.1 million, 1.8%).

Performance materiality £8.8m

Group

Performance materiality has been set at £8.8 million, which represents 75% of planning materiality.

PCC

Performance materiality has been set at £3.8 million, which represents 75% of planning materiality.

CC

Performance materiality has been set at £7.1 million, which represents 75% of planning materiality.

Audit differences £0.59m

Group – 0.59 million

PCC – 0.26 million

CC – 0.49 million

We will report all uncorrected misstatements relating to the primary statements (comprehensive income and expenditure statement, balance sheet, movement in reserves statement, cash flow statement) greater than thresholds set out left.

Other misstatements identified will be communicated to the extent that they merit the attention of the PCC and CC.

2025/26 audit strategy overview: Value for Money

Our risk assessment

Under the NAO Code we are required to:

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

In undertaking our risk assessment, we obtain an understanding of the key processes the PCC and CC has in place, including financial management, risk management and partnership working arrangements. Our draft Auditor's Annual Report, which will be issued before 30 November 2026 will include a summary of our commentary on the arrangements in place against each of the three value for money criteria and recommendations raised as a result of any significant weaknesses identified.

	Financial sustainability How the Authority plans and manages its resources to ensure it can continue to deliver its services.	Governance How the Authority ensures that it makes informed decisions and properly manages its risks.	Improving economy, efficiency and effectiveness How the Authority uses information about its costs and performance to improve the way it manages and delivers its services.
Risks of significant weaknesses in arrangements identified in 2025/26:	▪ There is a significant risk concerning the former PFI contract and the impact of the legal case and subsequent settlement decision taken during the year. Given the material and non-routine nature of the transaction, the need for additional borrowing and the heightened risk over the impact on financial sustainability, we consider this issue to give rise to a risk of significant weakness.	▪ Risk described under financial sustainability also impacts on governance arrangements.	▪ No risk identified

02 Audit risks

Our response to significant risks

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

Presumptive risk of management override of controls - **- Misstatement due to fraud or error***

What is the risk, and the key judgements and estimates?	Our response: Key areas of challenge and professional judgement
In accordance with ISA 240, the presumptive risk of management override of controls is present at every entity and we design the appropriate procedures to consider such risk. ▪ Management has the primary responsibility to prevent and detect fraud. It is important that management, with the oversight of those charged with governance, has put in place a culture of ethical behaviour and a strong control environment that both deters and prevents fraud. ▪ Our responsibility is to plan and perform audits to obtain reasonable assurance about whether the Financial Statements as a whole are free of material misstatements whether caused by error or fraud. We consider this risk to be relevant to the Group , PCC and CC.	In order to address the risks outlined we will carry out a range of procedures including: ▪ Identifying fraud risks during the planning stages; ▪ Inquiry of management about risks of fraud and the controls put in place to address those risks; ▪ Understanding the oversight given by those charged with governance of management's processes over fraud; ▪ Discussing with those charged with governance the risks of fraud in the entity, including those risks that are specific to the entity's business sector (those that may arise from economic industry and operating conditions).; ▪ Considering whether there are any fraud risk factors associated with related party relationships and transactions and if so, whether they give rise to a risk of material misstatement due to fraud; ▪ Considering the effectiveness of management's controls designed to address the risk of fraud and determining an appropriate strategy to address those identified risks of fraud; ▪ Determining an appropriate strategy to address those identified risks of fraud; ▪ Performing mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the Financial Statements; ▪ Undertaking procedures to identify significant unusual transactions; and ▪ Considering whether management bias was present in the key accounting estimates and judgements in the Financial Statements. Having evaluated this risk, we have considered whether we need to perform other audit procedures not referred to above. We concluded that those procedures included under 'Inappropriate capitalisation of revenue expenditure' are required.

Our response to significant risks

Risk of fraud in revenue and expenditure recognition - Inappropriate capitalisation of revenue expenditure*

Financial statement impact	What is the risk, and the key judgements and estimates?	Our response: Key areas of challenge and professional judgement
We have assessed that the risk of misreporting revenue outturn in the Financial Statements is most likely to be achieved through: ▪ Revenue expenditure being inappropriately recognised as capital expenditure at the point it is posted to the general ledger. If this were to happen it would have the impact of understating revenue expenditure and overstating Property, Plant and Equipment (PPE) in the Financial Statements.	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. As a Police body operating within a budgetary control framework, there is a risk that revenue expenditure is inappropriately capitalised through management judgement in applying CIPFA/LASAAC, resulting in the understatement of revenue expenditure and overstatement of Property, Plant and equipment only. The risk is relevant to PCC and Group.	In order to address the risks outlined we will carry out a range of procedures including: ▪ Testing Property, Plant and Equipment (PPE) additions to ensure that the expenditure incurred and capitalised is clearly capital in nature; ▪ Assessing whether the capitalised spend clearly enhances or extends the useful life of an asset rather than simply repairing or maintaining the asset on which it is incurred; and ▪ Considering whether any development, demolition or other related costs that have been capitalised are reasonable to capitalize, i.e., the costs incurred are directly attributable to bringing the asset into operational use.

Our response to significant risks

Risk of fraud in revenue and expenditure recognition - incorrect recognition of collaboration and recharge income*

Financial statement impact	What is the risk, and the key judgements and estimates?	Our response: Key areas of challenge and professional judgement
Misstatements that occur in relation to incorrect recognition of recharge and collaboration income would affect the income statement accounts. These accounts had the following balances in the P9 of 2025/26 : ▪ Recharges - £13.9 million ▪ Other Local Authorities Contributions: £6.9 million	Under ISA (UK) 240, there is a presumed risk of material misstatement due to fraud arising from improper revenue recognition. The Authority recognizes income during the year from collaboration and recharge arrangements with other partners organisations. Income is calculated by applying agreed cost sharing arrangements to expenditure incurred, based on the terms of the underlying collaboration agreements. There is a risk that income recognised during the year is not fully supported by the terms of the collaboration and recharge arrangements. This risk arises where management judgement is applied in determining the appropriateness and completeness of costs , or in applying the agreed cost sharing basis. Where costs that are not recoverable under the arrangements are included, the income may be overstated. The risk is relevant to the Group, PCC and CC.	In order to address the risks outlined we will carry out a range of procedures including: ▪ Obtain an understanding of the collaboration and recharge arrangements, including the nature of the agreements in place and the processes for calculating and raising collaboration and recharge income. ▪ Perform substantive testing by selecting samples of in year collaboration and recharge transactions at a lower level of materiality and inspecting supporting evidence, including collaboration agreements, recharge calculations and source expenditure records. ▪ Agree costs included in collaboration and recharge calculations to the underlying general ledger and supporting documentation including consideration of inappropriate offsetting of expenditure. ▪ Reperform recharge calculations to confirm that agreed apportionment bases and percentages have been accurately applied. ▪ Evaluate whether collaboration and recharge income has been accounted for in accordance with the substance of the arrangements, including whether income recognition has resulted in inappropriate offsetting of expenditure.

Other areas of audit focus

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

Financial statement impact	What is the risk, and the key judgements and estimates?	Our response: Key areas of challenge and professional judgement
Valuation of Land & Buildings in Property, Plant and Equipment (PPE) under EUV and DRC		
The relevant 2024/25 account balances in the audited Financial Statements were: ▪ Relating to Land and Building : £166.3million	In the 2025/26 Financial Statements the PCC and CC will be required to apply CIPFA Bulletin 22 which reassesses the current regime of valuation for non-investment assets across the public sector. The guidance mandates a quinquennial revaluation or a five-year rolling programme for formal valuations, supported by annual indexation in the intervening years. The valuation of Land and Buildings relies on management's specialist and involves significant judgement and estimation uncertainty, including the selection and application of appropriate valuation methodologies and assumptions, in accordance with the CIPFA Code and related guidance (CIPFA 22). Given the size of the asset base and the inherent subjectivity in valuation techniques and assumptions applied to reflect changes in asset values during the year, there is an increased risk of material misstatement in the valuation of Land and Buildings. This risk is relevant to Group and PCC only.	In response to the risk, we will: ▪ Review and assess management's assessment and planned approach to CIPFA Bulletin 22, in the context of other challenges in the application. In particular considering the appropriateness of indices applied to assets not revalued during intervening years and triggers for revaluation where applicable. ▪ Review 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. ▪ Consider the appropriateness of key assumptions (e.g. build costs, floor area, condition of the property) used to inform the valuation and of the basis on which the valuation has been undertaken. ▪ Sample test key asset information used by the valuers in performing their valuation (e.g. floor plans to support price per square meter, yield, rental income). ▪ Assess any changes to useful economic lives against the most recent valuer assessments. ▪ Test accounting entries have been correctly processed in the Financial Statements. ▪ Our testing will follow a fully substantive approach and consider the judgements and assumptions employed by the PCC's valuer. ▪ We will understand the valuation methodology employed by the PCC's valuer and consider whether we are required to employ an EY internal specialist valuer to support our audit procedures.

Other areas of audit focus

Financial statement impact	What is the risk, and the key judgements and estimates?	Our response: Key areas of challenge and professional judgement
Valuation of Pension Liabilities (Local Government and Police Pension Scheme)		
Kent Police's net pension liability is measured as the sum of the long-term payments due to members as they retire against the PCC and CC'S share of the Kent Pension Fund investments. Misstatements that occur in relation to this risk would affect the Authority's balances of 2024/25: Police Staff Pension Liability: ▪ Present value of Defined Benefit Obligation: £446.7 million ▪ Fair value of Assets : £600.9 million ▪ Asset Ceiling: £155.1 million Police Pension Scheme: ▪ Present value of Defined Benefit Obligation : 2,322.8 million	The Local Authority Accounting Code of Practice and IAS19 requires the PCC, Group and CC 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. The requirements are also applicable for the Police Pension Scheme, which is an unfunded, statutory scheme administered locally through the Police Pension Fund, where pension benefits are paid as they fall due, with any shortfall between contributions and payments met through a top-up grant from the Home Office. The Group and CC pension fund balance is a material estimated balance and the Code requires that this asset be disclosed on the CC balance sheet. Accounting for these schemes involves significant estimation and judgement and therefore management engages actuaries to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates. This risk is relevant for Group Financial Statements.	In response to the risk, we will perform for both schemes: ▪ Engage our actuarial specialists to assess the work of management's actuaries, including consideration of the appropriateness of the net pension liability recognised and, where relevant, any assessment of asset ceiling restrictions in accordance with IFRIC 14. ▪ Assessing the work of PwC, appointed to consider actuarial assumptions used at the year end for all local government sector bodies. ▪ Perform roll-forward using our EY internal specialist to assess whether the movement from prior year to current year pension balances has been appropriately calculated and reflected in the Financial Statements. ▪ Review and test the accounting entries and disclosures made within the Group, PCC and CC's Financial Statements in relation to IAS19. Procedures for Local Government Pension Scheme only: ▪ Liaise with the auditor of Kent Pension Fund to obtain assurances over the information supplied to the actuary, Barnett Waddingham, and confirm joint assurances in respect of employer and employee contributions. For this year this also includes assurance over membership data used in the triennial valuation. ▪ Request and review an updated IAS19 report in July to ensure that there have been no material movement in the value of pension fund assets between the initial IAS19 report, and the signing of the Financial Statements. Procedures for Police Pension Scheme only: ▪ 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; and ▪ Evaluate the consistency and completeness of contributions receivable and benefits payable data provided to the actuary by reconciling it to the Police Pension Fund Account. Our actuarial specialists will review the asset ceiling report to satisfy themselves that it is materially correct. Following review, we will also ensure that pension assets and liabilities are appropriately recorded within the Financial Statements.

Other areas of audit focus

Financial statement impact	What is the risk, and the key judgements and estimates?	Our response: Key areas of challenge and professional judgement
Accounting for Private Finance Initiative (PFI) Schemes		
Kent Police has one active PFI contract (Medway Police Station) recognised in the Financial Statements. The liability and payments for services are dependent upon assumptions within the accounting model that underpins the PFI scheme. As such management is required to apply estimation techniques to support the disclosures within the Financial Statements. At 31 March 2025, the PFI liability for this scheme was £14.1m on the balance sheet.	Kent Police has one active PFI contract recognised in the Financial Statements. Accounting for the arrangement is based on an underlying accounting model that incorporates significant assumptions, estimation techniques and management judgement to determine the PFI liability, related expenditure and associated disclosures. The model also requires consideration of the requirements of IFRS 16 in respect of the identification, measurement and subsequent treatment of any lease components within the arrangement. Given the inherent complexity of PFI accounting and the level of estimation uncertainty involved, there is a risk of material misstatement if the assumptions applied within the accounting model are not appropriately reflected in the Financial Statements. This risk is relevant for Police and Crime Commissioner and Group Financial Statements	In response to the risk, we will: ▪ Obtain and review the underlying PFI contracts and supporting documentation to understand the commercial substance of the arrangements, including service, financing and asset components, and assess whether management's accounting treatment is consistent with the applicable financial reporting framework. ▪ Assess whether management's judgements and estimates are consistent with applicable financial reporting requirements and sector guidance. ▪ Evaluate whether the PFI arrangement, including any lease components, has been subsequently measured in accordance with IFRS 16, including consideration of the ongoing measurement of the lease liability and service elements. ▪ Agree the output of the PFI model to disclosures within the Financial Statements.

03 Value for money

Value for money

Authority's responsibilities for value for money

Kent Police is 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 the Financial Statements, Kent Police is required to bring together a commentary on the governance framework and how this has operated during the period in a governance statement. In preparing the governance statement, Kent Police tailors the content to reflect its own individual circumstances, consistent with the requirements of the relevant accounting and reporting framework and having regard to any guidance issued in support of that framework. This includes a requirement to provide commentary on arrangements for securing value for money from the use of resources.

Auditor responsibilities

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

The specified reporting criteria are:

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.

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.

Value for money

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

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

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

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

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

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

Reporting on value for money arrangements

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

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

Our 2025/26 Auditor's Annual Report must be issued in draft by 30 November 2026 to comply with the revised requirements of the NAO Code.

Value for money

Value for money risk assessment

We have completed our initial value for money planning, where we have considered:

- Our entity level controls and understanding the business assessment
- The Risk Register/the Annual Governance Statement
- Meeting minutes and/or or planning meetings with management
- Key financial and budget information
- Key performance reports/internal audit reports
- Findings of other inspectorates, review agencies and other relevant bodies including HMICFRS.

As part of our initial planning work, we considered whether there were any risks of significant weakness in the body's arrangements for securing value for money that we needed to perform further procedures on. The risks we have identified are detailed on the table overleaf along with the further procedures we will perform. We will continue to review the body's arrangements and report our findings as part of our value for money reporting.

Value for money

Value for money risk assessment

Criteria	2024/25 judgements on arrangements	2025/26 risk assessment	2025/26 expected procedures to respond
Financial sustainability	The PCC and CC had proper arrangement in place in 2024/25 to plan and manage its resources to ensure it continues to deliver its services.	▪ A risk of significant weakness has been identified relating to financial sustainability arrangements	• Obtain an understanding of the circumstances leading to the termination of the PFI contract and the subsequent settlement, including the governance and decision-making processes. • Review key documentation supporting the settlement decision, including legal advice, external expert input and engagement with the Home Office, to understand how the PCC satisfied themselves that the settlement represented an appropriate outcome. • Assess how the financial impact of the PFI settlement has been incorporated into medium-term financial planning, including forecasts, reserves planning and affordability assessments. • Consider the role and oversight of the Chief Finance Officer in monitoring the financial implications of the settlement and advising the PCC on financial sustainability. • Evaluate whether the PCC and CC had appropriately identified and communicated associated risks within its financial and governance reporting.
Governance	The PCC and CC had proper arrangements in place in 2024/25 to make informed decisions and properly manage risk.	▪ The risk of significant weakness described above also has the potential to impact on Governance arrangements	▪ Consider whether the PCC and CC's arrangements demonstrate that it is taking informed decisions and appropriate action to maintain financial sustainability in the context of funding uncertainty and future service pressures. ▪ We will continue to assess the PCC and CC's arrangements for the production of Financial Statements and supporting working papers by the statutory deadline of 30 June 2026.
Improving economy, efficiency and effectiveness	The PCC and CC had proper arrangements in place in 2024/25 in how it uses information about its costs and performance to improve the way it manages and delivers its services.	▪ No risk of significant weakness has been identified	▪ We will consider how the PCC and CC responds to any new information that may have a bearing on the 2025/26 arrangements.

04 Audit materiality

Audit Materiality - Group

Audit materiality

For planning purposes, Group materiality for 2025/26 has been set at £11.7 million. This represents 2% of the Group's 2024/25 gross expenditure on provision of services. It will be reassessed throughout the audit process.

Group Gross expenditure on provision of services

£586.98 m

Group Planning materiality **£11.7m**

Group Performance materiality **£8.8m**

Group Audit differences **£0.59m**

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

Changes from prior year:

Planning materiality has increased from 1.8% in the prior year to 2.0% for 2025/26, reflecting the increase in the Major Local Audit (MLA) threshold from £500 million to £875 million, as a result of which the Group, PCC and CC is no longer classified as an MLA for the current year.

Key definitions

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

Performance materiality – the amount we use to determine the extent of our audit procedures. We have set performance materiality at £8.8 million which represents 75% of group planning materiality.

Audit difference threshold – We will report to you all uncorrected misstatements over £0.59 million, relating to the income statement and balance sheet that have an effect on income and misstatements in the OCI.

We will report to you all uncorrected misstatements above this threshold.

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

Audit Materiality - PCC

Audit materiality

For planning purposes, PCC materiality for 2025/26 has been set at £5.1 million. This represents 2% of the PCC's 2024/25 gross asset. It will be reassessed throughout the audit process.

Gross asset of PCC
£256.26 m

PCC Planning materiality
£5.1m

PCC Performance materiality
£3.8m

PCC Audit differences
£0.26m

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

Key definitions

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

Performance materiality – the amount we use to determine the extent of our audit procedures. We have set performance materiality at £3.8 million which represents 75% of group planning materiality.

Audit difference threshold – We will report to you all uncorrected misstatements over £0.26 million, relating to the income statement and balance sheet that have an effect on income and misstatements in the OCI.

We will report to you all uncorrected misstatements for threshold as provided on page 11.

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

Audit Materiality - CC

Audit materiality

For planning purposes, CC materiality for 2025/26 has been set at £9.4 million. This represents 2% of the PCC's 2024/25 gross expenditure on provision of services. It will be reassessed throughout the audit process.

Gross expenditure on provision of services of CC

£471.11 m

CC Planning materiality
£9.4m

CC Performance materiality
£7.1m

CC Audit differences
£0.47m

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

Key definitions

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

Performance materiality – the amount we use to determine the extent of our audit procedures. We have set performance materiality at £7.1 million which represents 75% of group planning materiality.

Audit difference threshold – We will report to you all uncorrected misstatements over £0.47 million, relating to the income statement and balance sheet that have an effect on income and misstatements in the OCI.

We will report to you all uncorrected misstatements for threshold as provided on page 11.

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

05 Scope of our audit

Audit process and strategy

Objectives of our audit scoping

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

1. Financial statement audit

Our opinion on the Financial Statements:

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

Our opinion on other matters:

- whether other information published together with the audited Financial Statements is consistent with the Financial Statements.

Other procedures required by the Code:

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

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

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

Internal audit

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

In 2024/25, the Authority's Internal Audit Annual Report concluded that Kent Police has an Adequate internal control environment which is generally operating effectively.

06 Audit team

Audit team

Audit team leadership

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

Change in the audit team

Elizabeth Jackson is been replaced by Chloe Wilkinson.

The Manager has changed from Lesly Moya to Muhammad Haris Sohaib.

Our approach to the use of specialists

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

Area	Specialists
Valuation of Land and Buildings	EY Valuations team (if required)
Pensions disclosure	EY Actuaries

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

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

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

Lead audit partner name *
Chloe Wilkinson

Muhammad Haris Sohaib
Manager

Jackline Stambuli
Lead Senior

Specialist 1
(EY Valuations)
Note- Only if required

Specialist 2
(Specialist PWC consulting actuary and EY Actuaries)

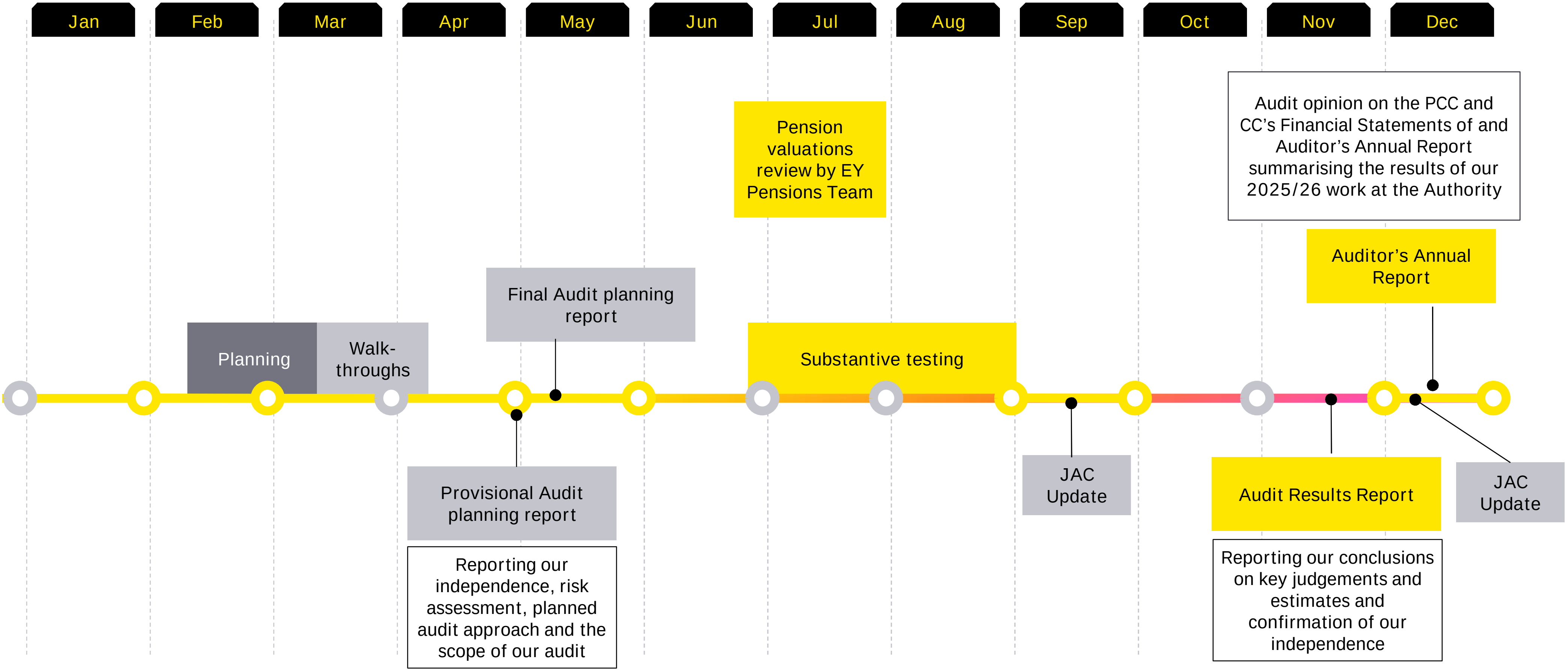
07 Audit timeline

Timetable of communication and deliverables

Timeline

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

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



08 Appendices

Appendix A – Rebuilding assurance: responsibilities

The PCC and CC's responsibilities

As set out in Appendix B our fee is based on the assumption that the PCC and CC 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 Authority should have regard to paragraphs 26-28 of the Statement of Responsibilities which clearly set out what is expected of audited bodies in preparing their Financial Statements. We set out these paragraphs in full below:

Preparation of the statement of accounts

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

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

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

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

Observations from 2024/25

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

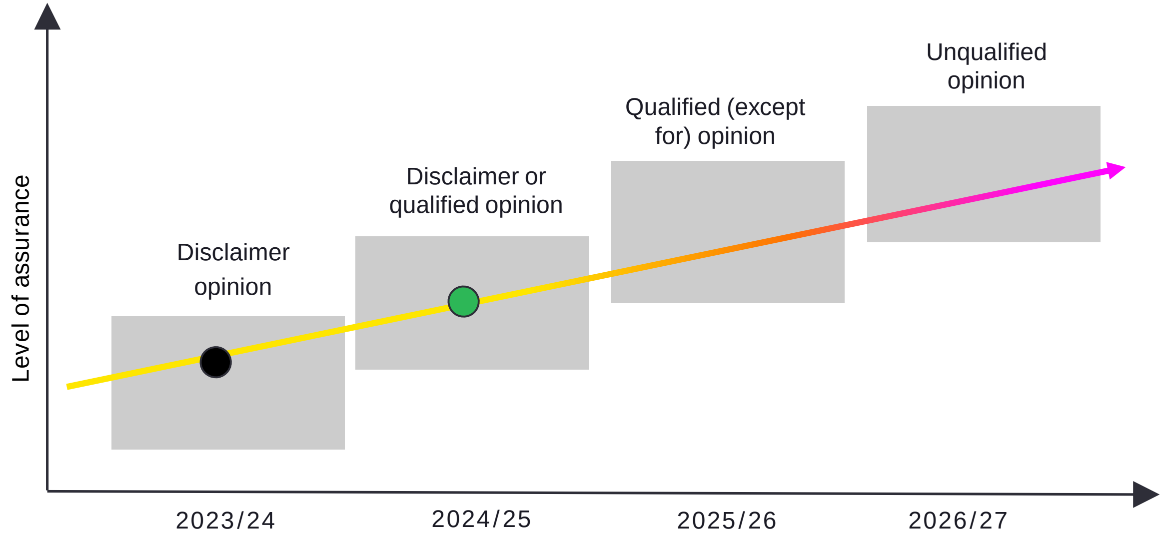
We have repeated this assessment on the following page.

Appendix A – Rebuilding assurance continued

Progress to full assurance

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

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



Kent Police progress

In the audit report for the year ended 31 March 2025, a qualified audit opinion was issued which drew attention to I&E transactions, PPE valuations and Reserves accounts which we do not have sufficient appropriate audit evidence over.

In the audit report for the year ended 31 March 2024 a disclaimer of opinion was issued due to the application of the backstop.

In our view, the Authority's progress is in line with the expected timescales set out in LARRIG 01.

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

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

Our risk assessment for 2025/26 is expected to be completed by 30 June 2026 and is essential to determining whether the pre-2023/24 gaps in assurance - particularly those relating to reserves and other cumulative balances - can be sufficiently addressed to support future progression towards unmodified audit opinions.

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

Appendix A – Rebuilding assurance: responsibilities continued

Factors impacting the execution of the 2024/25 audit

Area	Status (R / A / G)	Explanation	Further detail
Timeliness of the draft Financial Statements	Effective	The Financial Statements were published by the 30th June 2025 deadline set out in the Accounts and Audit Regulations.	N/A
Quality and completeness of the draft Financial Statements	Effective	There are a small number of immaterial internal inconsistencies, typographical and arithmetic errors in the draft Financial Statements that should have been detected through internal quality review prior to publication.	N/A
Delivery of working papers in accordance with agreed client assistance schedule	Effective	Working papers were provided to the agreed timetable.	N/A
Quality of working papers and supporting evidence	Effective	Working papers and supporting evidence were generally of a good standard.	N/A
Timeliness and quality of evidence supporting key accounting estimates	Effective	Supporting evidence and explanations from valuer for the valuation of PPE assets were provided promptly and to a high standard, enabling the audit process to proceed efficiently without delay.	N/A
Access to finance team and personnel to support the audit in accordance with agreed project plan	Effective	Access to the finance team and key personnel were readily available throughout the audit as planned. This ensured that our procedures progressed efficiently, with no issues encountered.	N/A
Volume and value of identified misstatements	Effective	A small number of immaterial misstatements were detected as a result of our work.	These have been reported in the PY Audit Results Report.
Volume of misstatements in disclosure	Effective	A relatively small number of immaterial misstatements in disclosure were detected in our work.	N/A

Key:

- Red: Ineffective. In our judgement, significant improvements are required in the Authority's arrangements to support the rebuilding of assurance. Action should be taken to respond immediately.
- Amber: Requires Improvement. Matters and/or issues had an impact on the delivery of the audit and should be addressed in future years.
- Green: Effective. There were no significant matters that impacted the timing or effectiveness of audit procedures.

Appendix B - Independence and Fees

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

Required communications

Planning stage	Final stage
▪ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between you, your affiliates and directors and us; ▪ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review; ▪ The overall assessment of threats and safeguards; ▪ Information about the general policies and process within EY to maintain objectivity and independence ▪ The IESBA Code requires EY to provide an independence assessment of any proposed non-audit service (NAS) to the PIE audit client and will need to obtain and document pre-concurrence from the audit committee/those charged with governance for the provision of all NAS prior to the commencement of the service (i.e., similar to obtaining a “pre-approval” to provide the service).	▪ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed; ▪ Details of non-audit/additional services provided and the fees charged in relation thereto; ▪ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us; ▪ Details of any non-audit/additional services to a UK PIE audit client where there are differences of professional opinion concerning the engagement between the Ethics Partner and Engagement Partner and where the final conclusion differs from the professional opinion of the Ethics Partner ▪ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy; ▪ Details of all breaches of the IESBA Code of Ethics, the FRC Ethical Standard and professional standards, and of any safeguards applied and actions taken by EY to address any threats to independence (for breaches of the FRC Ethical Standard include details of its significance); and ▪ An opportunity to discuss auditor independence issues.

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

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

Appendix B - Independence and Fees continued

Relationships, services and related threats and safeguards

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

Overall Assessment

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

Self interest threats

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

We perform no non-audit/additional services as set out in Section 5.40 of the FRC Ethical Standard 2024 (FRC ES), and we will comply with the policies that you have approved.

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

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

Self review threats

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

Management threats

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

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

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

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

Appendix B - Independence and Fees continued

EY Transparency Report

EY has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the period ended 30 June 2025 and can be found here: EY UK 2025 Transparency Report.

Appendix B – Independence and Fees continued

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

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

The agreed fee presented is based on the following assumptions:

- officers meeting the agreed timetable of deliverables;
- our financial statement opinion and value for money conclusion being unqualified;
- appropriate quality of documentation is provided by the Authority;
- an effective control environment; and
- compliance 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 Authority should have regard to paragraphs 26–28 of the Statement of Responsibilities which clearly sets out what is expected of audited bodies in preparing their Financial Statements. These are set out in full on the previous page.

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

	Current Year 2025/26	Prior Year 2024/25
	£m	£m
Scale (PCC & CC) Fee – Code Work	196,413	194,958
Proposed (PCC & CC) additional audit fee (Note-1 and 2)	TBC	TBC
Total fees	TBC	TBC

All fees exclude VAT

1) As set in our 2024/25 Audit Results Report a scale fee variation was submitted to PSAA covering the following areas:
   - Work of on internal expert over Pension valuations
   - Disclaimer Reporting for issuing disclaimed opinion
   - Risk assessment on Re-building assurance on PCC and CC
   - Additions procedures following the introduction of IFRS 16
   - Additional work on the impact of IFRIC 14 (asset ceiling)

At the date of this report, the scale fee variation has not yet been confirmed by PSAA.

2) The scale fee also may be impacted by a range of other factors which will result in additional work, which include but are not limited to:
   - Consideration of correspondence from the public and formal objections;
   - Non-compliance with law and regulation with an impact on the Financial Statements;
   - VFM risks of, or actual, significant weaknesses in arrangements and related reporting impacts;
   - The need to exercise auditor statutory powers;
   - Prior period adjustments; and
   - Modified financial statement opinions.

Appendix C – Required communications with the PCC and CC

We have detailed the communications that we must provide to the PCC and CC. We present our reports to the Joint Audit Committee as the committee responsible for review of finance issues referred by the PCC and CC.

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Terms of engagement	Confirmation by the PCC and CCof 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 – April 2026
Planning and audit approach	Communication of: ▪ The planned scope and timing of the audit ▪ The planned use of internal audit ▪ The significant risks identified	Audit planning report – April 2026
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 ▪ Other significant matters, if any, arising from the audit that were discussed, or subject to correspondence with management ▪ Circumstances that affect the form and content of our auditor's report ▪ Other matters if any, significant to the oversight of the financial reporting process	Audit results report – (Expected November 2026)
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 results report – (Expected November 2026)
Misstatements	▪ A request that any uncorrected misstatement be corrected ▪ Material misstatements corrected by management ▪ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▪ The effect of uncorrected misstatements related to prior periods	Audit results report – (Expected November 2026)

Appendix C – Required communications with the PCC and CC

		Our Reporting to you
Required communications	**What is reported?**	**When and where**

Fraud	▪ Enquiries of the 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, unless prohibited by law or regulation any identified or suspected fraud involving:
	  ▪ Management;
	  ▪ Employees who have significant roles in internal control; or
	  ▪ Others, when the identified or suspected fraud is other than clearly inconsequential.
	▪ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected
	▪ Matters, if any, to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud
	▪ Any other matters related to fraud, relevant to the PCC and CC responsibility
		Audit results report – (Expected November 2026)

Related parties	Significant matters arising during the audit in connection with the entity's related parties	Audit results report – (Expected November 2026)
Independence	Communication of the relevant ethical requirements, including those related to independence, that we apply for the audit engagement, including any independence requirements specific to audits of Financial Statements of the entity. 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 ▪ Breaches of IESBA Code of Ethics, local independence regulations or professional standards (for breaches of the FRC Ethical Standard, include details of the breach and its significance)	Audit Planning Report – April 2026 Audit results report – (Expected November 2026)

Appendix C – Required communications with the PCC and CC

Required communications	What is reported?	Our Reporting to you When and where
Independence	Communication whenever significant judgements are made about threats to integrity, objectivity and independence and the appropriateness of safeguards put in place. Communication of relevant information to those charged with governance, to enable them to provide concurrence on the non-audit services being provided. ▪ A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit ▪ 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 ▪ Details of any breaches of the requirements in this Ethical Standard, and of any safeguards applied and actions taken by the firm to address any threats to independence ▪ Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard ▪ The audit committee should also be provided an opportunity to discuss matters affecting auditor independence	Audit Planning Report – April 2026 Audit results report – (Expected November 2026)
External confirmations	▪ Management's refusal for us to request confirmations ▪ Inability to obtain relevant and reliable audit evidence from other procedures	Audit results report – (Expected November 2026)
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 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 audit committee may be aware of	Audit results report – (Expected November 2026)
Internal controls	▪ Significant deficiencies in internal controls identified during the audit	Audit results report – (Expected November 2026)
Representations	Written representations we are requesting from management and/or those charged with governance	Audit results report – (Expected November 2026)
System of quality management	How the system of quality management (SQM) supports the consistent performance of a quality audit	Audit results report – (Expected November 2026)
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit results report – (Expected November 2026)

Appendix C – Required communications with the PCC and CC

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
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 results report – (Expected November 2026)

Appendix D – Additional audit information

Objective of our audit

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

Other required procedures during the course of the audit

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

Purpose and evaluation of materiality

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

Materiality determines:

- The locations at which we conduct audit procedures to support the opinion given on the Group Financial Statements
- The level of work performed on individual account balances and financial statement disclosures

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

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