

The Police & Crime Commissioner for Cambridgeshire and the Chief Constable for Cambridgeshire Police

DRAFT – 2024/25 Planning Report to
the Joint Audit Committee

External Audit Plan & Strategy
for the year ended 31 March 2025

May 2025

Introduction

To the Joint Audit Committee of the Police & Crime Commissioner for Cambridgeshire and the Chief Constable for Cambridgeshire Police

We are pleased to have the opportunity to meet with you on 01 May 2025 to discuss our audit of the consolidated and standalone financial statements of the Police & Crime Commissioner for Cambridgeshire (PCC) and the Chief Constable for Cambridgeshire Police (CC), known in this report as “the Group” for the year ended 31 March 2025.

This report provides the Joint Audit Committee with an opportunity to review our planned audit approach and scope for the 2024/25 audit. The audit is governed by the provisions of the Local Audit and Accountability Act 2014 and in compliance with the NAO’s 2024/25 Code of Audit Practice, auditing standards and other professional requirements.

This report outlines our risk assessment and planned audit approach. Our planning activities are still ongoing and we will communicate any significant changes to the planned audit approach.

We provide this report to you in advance of the meeting to allow you sufficient time to consider the key matters and formulate your questions.

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The engagement team

Katie Henry is the engagement partner on the audit. She has 12 years of experience and has previously worked with the Local Government audit sector.

Nicole Guo shall lead the engagement and is responsible for the work supporting our audit opinion.

Other key members of the engagement team include Natalie Reid, who will lead our fieldwork.

Yours sincerely,

Katie Henry

Director - KPMG LLP

22 April 2025

How we deliver audit quality

Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion. We consider risks to the quality of our audit in our engagement risk assessment and planning discussions.

We define ‘audit quality’ as being the outcome when audits are:

- Executed consistently, in line with the requirements and intent of applicable professional standards within a strong system of quality controls and
- All of our related activities are undertaken in an environment of the utmost level of objectivity, independence, ethics and integrity.

We depend on well planned timing of our audit work to avoid compromising the quality of the audit. This is also heavily dependent on receiving information from management and those charged with governance in a timely manner.

We aim to complete all audit work no later than 2 days before audit signing. As you are aware, we will not issue our audit opinion until we have completed all relevant procedures, including audit documentation.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG’s work, in the first instance you should contact Katie Henry, (Katie.Henry7@kpmg.co.uk), the engagement lead to the Group, who will try to resolve your complaint. If you are dissatisfied with the response, please contact the national lead partner for all of KPMG’s work under our contract with Public Sector Audit Appointments Limited, Tim Cutler (tim.culter@kpmg.co.uk). After this, if you are still dissatisfied with how your complaint has been handled you can raise your complaint as per the following process [Complaints](#).

Overview of planned scope including materiality

Our materiality levels

We determined materiality for the consolidated financial statements at a level which could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. We used a benchmark of expenditure which we consider to be appropriate given the sector in which the entity operates, its ownership and financing structure, and the focus of users.

We considered qualitative factors such as ownership structure, debt arrangements, business environment, and users of accounts when determining materiality for the financial statements as a whole.

To respond to aggregation risk from individually immaterial misstatements, we design our procedures to detect misstatements at a lower level of materiality (performance materiality) which is driven by our expectations of normal level of undetected or uncorrected misstatements in the period. The impact of the group control environment is reflected in our planned audit procedures.

We will report misstatements to the audit committee including:

- Corrected and uncorrected audit misstatements above £176k for the group, £87.5k for PCC and £132k for CC.
- Errors and omissions in disclosure (corrected and uncorrected) and the effect that they, individually or in aggregate, may have on our opinion.
- Other misstatements we include due to the nature of the item.

Financial Statement Audit

We have completed our initial audit planning and risk assessment procedures and have identified the following risks on which we will focus our work.

Significant Risk	Page	Movement since 23/24	24/25 comments
Management override of controls	5	No change	Mandated as per professional standards. We have not identified any specific additional risks of management override relating to this audit.
Valuation of post retirement benefit obligations	6	No change	The level of estimation uncertainty within this account caption could result in a material error.

Materiality	Group	PCC	CC
Materiality for the consolidated financial statements as a whole	£3.52m (2024: £3.6m 2% of Expenditure)	£1.75m (2024: £1.8m 2% of Expenditure)	£3.27m (2024: £3.27m 2% of Expenditure)
Performance Materiality	£2.64m (2024: £2.34m 75% of materiality)	£1.31m (2024: £1.17m 75% of materiality)	£2.45m (2024: £2.125m 75% of materiality)
Misstatements reported to the audit committee	£176k (2024: £180k)	£87.5k (2024: £90k)	£132k (2024: £163k)

Overview of planned scope including materiality (cont.)

Value for money

We are required to provide commentary on the arrangements in place for ensuring Value for Money is achieved at the Group and report on this via our Auditor's Annual Report. This will be published on the Office of the Police & Crime Commissioner (OPCC)'s website and include a commentary on our view of the appropriateness of the Council's arrangements against each of the three specified domains of Value for Money: financial sustainability; governance; and improving economy, efficiency and effectiveness.

We have outlined the result of our risk assessment procedures on page 15.

Timing of our audit and communications

- We will maintain communication led by the engagement partner and manager throughout the audit. We set out below the form, timing and general content of our planned communications:
- Kick-off meeting with management in April 2025 where we present our draft audit plan outlining our audit approach and discuss management's progress in key areas;
- Joint Audit Committee meeting in May 2025 where we present our final audit plan;
- Status meetings with management where we communicate progress on the audit plan, any misstatements, control deficiencies and significant issues;
- Closing meeting with management where we discuss the auditor's report and any outstanding deliverables;

- Joint Audit Committee meeting on where we communicate audit misstatements and significant control deficiencies; and
- Biannual private meetings can also be arranged with the Committee chair if there is interest.

Using the work of others and areas requiring specialised skill

We outline below where, in our planned audit response to audit risks, we expect to use the work of others such as Internal Audit or require specialised skill/knowledge to perform planned audit procedures and evaluate results.

- **Internal Audit** - We will review the work of internal audit as part of our risk assessment procedures but will not place reliance on their work
- **IT Audit team members** - Our IT audit colleagues will perform our documentation of understanding the IT environment and any associated testing of general IT controls and/or automated controls where identified. At the time of planning, we have not identified any IT or automated controls which we will place reliance on.
- **KPMG Pensions Centre of Excellence** - We will involve our pensions colleagues to review the pension liability valuation on the balance sheet during our audit.
- **Actuaries** - Our actuaries will review and challenge our actuarial assumptions underpinning the valuation of LGPS liabilities and police officers scheme liabilities.

Audit risks and our audit approach (cont.)

1 Management override of controls(a)

Fraud risk related to unpredictable way management override of controls may occur



Significant audit risk

- Professional standards require us to communicate the fraud risk from management override of controls as significant.
- Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.
- We have not identified any specific additional risks of management override relating to this audit.

Note: (a) Significant risk that professional standards require us to assess in all cases.

(b) This risk is applicable for both PCC and CC.



Planned response

Our audit methodology incorporates the risk of management override as a default significant risk.

- Assess accounting estimates for biases by evaluating whether judgements and decisions in making accounting estimates, even if individually reasonable, indicate a possible bias.
- Evaluate the selection and application of accounting policies.
- In line with our methodology, evaluate the design and implementation of controls over journal entries and post closing adjustments.
- Assess the appropriateness of changes compared to the prior year to the methods and underlying assumptions used to prepare accounting estimates.
- Assess the business rationale and the appropriateness of the accounting for significant transactions that are outside the normal course of business, or are otherwise unusual.
- We will analyse all journals through the year and focus our testing on those with a higher risk, such as journals posted do unusual accounts in combination with cash.

Audit risks and our audit approach (cont.)

2

Valuation of post retirement benefit obligations

An inappropriate amount is estimated and recorded for the defined benefit obligation



Significant audit risk

- The valuation of the post retirement benefit obligations involves the selection of appropriate actuarial assumptions, most notably the discount rate applied to the scheme liabilities, inflation rates and mortality rates. The selection of these assumptions is inherently subjective and small changes in the assumptions and estimates used to value the pension liability could have a significant effect on the financial position of the Chief Constable.
- The effect of these matters is that, as part of our risk assessment, we determined that post retirement benefits obligation has a high degree of estimation uncertainty. The financial statements disclose the assumptions used by in completing the year end valuation of the pension deficit and the year on year movements.
- We have identified this in relation to the following pension scheme memberships: Local Government Pension Scheme and the Police Officer Scheme.



Planned response

We will perform the following procedures:

- Understand the processes the Chief Constable have in place to set the assumptions used in the valuation;
- Evaluate the competency, objectivity of the actuaries to confirm their qualifications and the basis for their calculations;
- Perform inquiries of the accounting actuaries to assess the methodology and key assumptions made, including actual figures where estimates have been used by the actuaries, such as the rate of return on pension fund assets;
- Agree the data provided by the audited entity to the Scheme Administrator for use within the calculation of the scheme valuation;
- Evaluate the design and implementation of controls in place for the Chief Constable to determine the appropriateness of the assumptions used by the actuaries in valuing the liability;
- Challenge, with the support of our own actuarial specialists, the key assumptions applied, being the discount rate, inflation rate and mortality/life expectancy against externally derived data;
- Confirm that the accounting treatment and entries applied by the Group are in line with IFRS and the CIPFA Code of Practice;
- Consider the adequacy of the Chief Constable's disclosures in respect of the sensitivity of the deficit or surplus to these assumptions;

Continued overleaf

Audit risks and our audit approach (cont.)

2 Valuation of post retirement benefit obligations (cont.)

An inappropriate amount is estimated and recorded for the defined benefit obligation



Significant audit risk

- Also, recent changes to market conditions have meant that more councils are finding themselves moving into surplus in their Local Government Pension Scheme (or surpluses have grown and have become material). The requirements of the accounting standards on recognition of these surplus are complicated and requires actuarial involvement.

Note: This risk is not applicable for the Police & Crime Commissioner



Planned response

- Where applicable, assess the level of surplus that should be recognised by the entity; and
- Assess the impact of a new triennial valuation model and/or any special events, where applicable.

Audit risks and our audit approach

Expenditure – rebuttal of Significant Risk

Practice Note 10 states that the risk of material misstatement due to fraudulent financial reporting may arise from the manipulation of expenditure recognition is required to be considered. We have considered the risk factors relevant to the Force and the nature of expenditure within the Group, we have provisionally determined that a significant risk relating to expenditure recognition is not required.

As per Month 11 budget monitoring report, Group's revenue budget was operating at an underspend of £243k with inclusive of £3,908k overspend. These overspends mostly correspond to pay costs, rather than non-pay costs, which provide less room or incentive to fraudulently misstate. As an underspend exists there could be incentive to overstate expenditure to breakeven and secure additional funding. The amount of underspend is small, and they are projected to breakeven meaning little to no incentive to overstate.

We inspected the 2025/26 MTFS and noted that the budget gaps have been projected for 26/27-28/29 with a total savings requirement of £11.40m needed to breakeven over these years. This could provide pressure to understate expenditure in an attempt to smooth these gaps. However, the Force has a savings and efficiencies plan in place and has a good track record of achieving desired levels, reaching 96% of 2025/26's target by P12.

Whilst the Force's medium term financial strategy (MTFS) does require the use of reserves to help balance annual budgets in the short term, the Group maintains an ample reserves balance over the course of the four-year MTFS suggesting the Group is not struggling to balance its budget so further reducing the incentive or pressure to fraudulently manipulate the financial statements.

Furthermore, the Force's provisional capital outturn of £23.0m compares to the budget of £41.3m. This forecasts an underspend of £18.3m. Whilst this could be indicative of under-recognition of expenditure, the majority of this (£17.4m) is due to delays in the progressing of Estates projects. The progress of these projects has been well communicated and they are working with external contractors. We therefore do not believe there is any heightened incentive or pressure to under-recognise expenditure.

We also considered if the level of the Group's minimum revenue provision (MRP) could indicate potential fraudulent recognition of MRP expenditure. The purpose of MRP is to spread the charge to the revenue account over the life of the related assets for capital expenditure met from borrowing or from credit arrangements. The 2024/25's finance cost is only 0.51% of the net budget requirement and therefore this is not material compared to the total net budget requirement. No new facilities have been drawn in 2024/25. The interest costs associated with existing borrowings can be calculated using a straightforward method. The Group's capital program is mainly funded through external borrowing and its MRP reflects the major capital schemes that are capitalised through the capital programme. The Group's MRP is £1.2m for 2024/25, and its expected to be increased in the future years to reflect the future capitalisation of new programs including the Milton Police station.

Additionally, as indicated in above paragraph, there is limited incentive or pressure to manipulate the capital expenditure. Therefore, there is limited opportunity to fraudulently misstate the financial statements through manipulation of MRP.

Audit risks and our audit approach

Revenue – Rebuttal of Significant Risk

Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk. Due to the nature of the revenue within the sector we have rebutted this significant risk. We have set out the rationale for the rebuttal of key types of income in the table below.

Description of Income	Nature of Income	Rationale for Rebuttal
Council tax	This is the income received from local residents paid in accordance with an annual bill based on the banding of the property concerned.	The income is highly predictable and is broadly known at the beginning of the year, due to the number of properties in the area and the fixed price on a band D property: it is highly unlikely for there to be a material error in the population.
Fees and charges	Revenue recognised from receipt of fixed fee services, in line with the fees and charges schedules agreed and approved annually.	The income stream represents high volume, low value sales, with simple recognition. We do not deem there to be any incentive or opportunity to manipulate the income.
Grant income	Predictable income received primarily from central government.	Grant income at a local authority typically involves a small number of high value items and an immaterial residual population. These high value items frequently have simple recognition criteria and can be traced easily to third party documentation, most often from central government source data. There is limited incentive or opportunity to manipulate these figures.

Mandatory communications - additional reporting

Going concern

Under NAO guidance, including Practice Note 10 – The PCC and CC financial statements shall be prepared on a going concern basis; this is, the accounts should be prepared on the assumption that the functions of the Group will continue in operational existence for the foreseeable future. Transfers of services under combinations of public sector bodies (such as local government reorganization) do not negate the presumption of going concern.






However, financial sustainability is a core area of focus for our Value for Money opinion.

Additional reporting

Your audit is undertaken to comply with the Local Audit and Accountability Act 2014 which gives the NAO the responsibility to prepare an Audit Code (the Code), which places responsibilities in addition to those derived from audit standards on us. We also have responsibilities which come specifically from acting as a component auditor to the NAO. In considering these matters at the planning stage we indicate whether:

Work is completed throughout our audit and we can confirm the matters are progressing satisfactorily 	We have identified issues that we may need to report 	Work is completed at a later stage of our audit so we have nothing to report 
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We have summarised the status of all these various requirements at the time of planning our audit below and will update you as our work progresses:

Type	Status	Response
Our declaration of independence		No matters to report. The engagement team and others in the firm, as appropriate, have complied with relevant ethical requirements regarding independence.
Issue a report in the public interest		We are required to consider if we should issue a public interest report on any matters which come to our attention during the audit. We have not identified any such matters to date.
Provide a statement to the NAO on your consolidation schedule		This “Whole of Government Accounts” requirement is fulfilled when we complete any work required of us by the NAO to assist their audit of the consolidated accounts.
Provide a summary of risks of significant weakness in arrangements to provide value for money		We are required to report significant weaknesses in arrangements. Based on work performed to date, we have not identified any significant weakness in arrangements.
Certify the audit as complete		We are required to certify the audit as complete when we have fulfilled all of our responsibilities relating to the accounts and use of resources as well as those other matters highlighted above.

Mandatory communications

Type	Statements
Management’s responsibilities (and, where appropriate, those charged with governance)	<p>Prepare financial statements in accordance with the applicable financial reporting framework that are free from material misstatement, whether due to fraud or error.</p> <p>Provide the auditor with access to all information relevant to the preparation of the financial statements, additional information requested and unrestricted access to persons within the entity.</p>
Auditor’s responsibilities	<p>Our responsibilities set out through the NAO Code (communicated to you by the PSAA) and can be also found on their website, which include our responsibilities to form and express an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.</p>
Auditor’s responsibilities – Fraud	<p>This report communicates how we plan to identify, assess and obtain sufficient appropriate evidence regarding the risks of material misstatement of the financial statements due to fraud and to implement appropriate responses to fraud or suspected fraud identified during the audit.</p>
Auditor’s responsibilities – Other information	<p>Our responsibilities are communicated to you by the PSAA and can be also found on their website, which communicates our responsibilities with respect to other information in documents containing audited financial statements. We will report to you on material inconsistencies and misstatements in other information.</p>
Independence	<p>Our independence confirmation at page 27 discloses matters relating to our independence and objectivity including any relationships that may bear on the firm’s independence and the integrity and objectivity of the audit engagement partner and audit staff.</p>



Value for money risk assessment

Value for money

Our value for money reporting requirements have been designed to follow the guidance in the Audit Code of Practice.

Our responsibility is to conclude on significant weaknesses in value for money arrangements.

The main output is a narrative on each of the three domains, summarising the work performed, any significant weaknesses and any recommendations for improvement.

We have set out the key methodology and reporting requirements on this slide and provided an overview of the process and reporting on the following page.

Risk assessment processes

Our responsibility is to assess whether there are any significant weaknesses in the Group arrangements to secure value for money. Our risk assessment will consider whether there are any significant risks that the Group does not have appropriate arrangements in place.

In undertaking our risk assessment we will be required to obtain an understanding of the key processes the Group has in place to ensure this, including financial management, risk management and partnership working arrangements. We will complete this through review of the Group documentation in these areas and performing inquiries of management as well as reviewing reports, such as internal audit assessments.

Reporting

Our approach to value for money reporting aligns to the NAO guidance and includes:

- A summary of our commentary on the arrangements in place against each of the three value for money criteria, setting out our view of the arrangements in place compared to industry standards;
- A summary of any further work undertaken against identified significant risks and the findings from this work; and
- Recommendations raised as a result of any significant weaknesses identified and follow up of previous recommendations.

The Group will be required to publish the commentary on its website at the same time as publishing its annual report online.

Financial sustainability

How the body manages its resources to ensure it can continue to deliver its services.

Governance

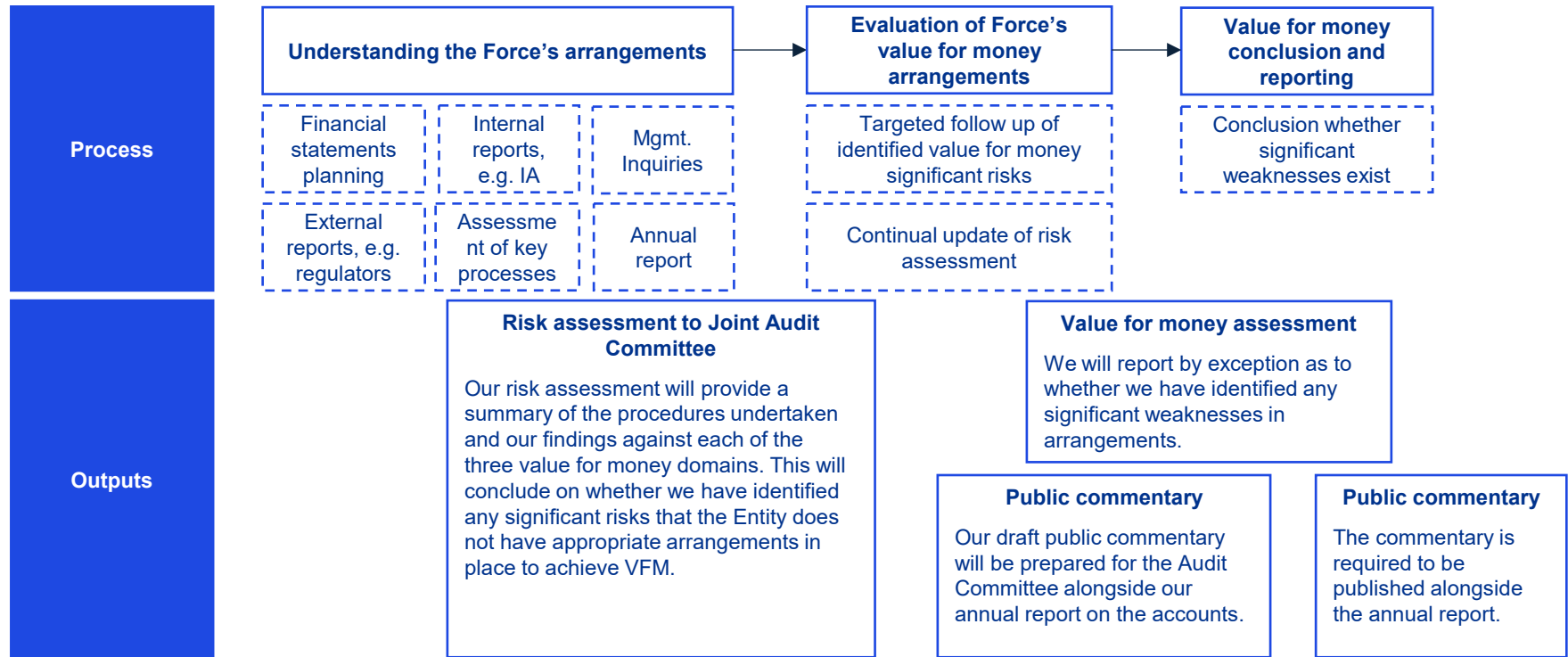
How the body ensures that it makes informed decisions and properly manages its risks.

Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services.

Value for money

Approach we take to completing our work to form and report our conclusion:



Summary of risk assessment

Summary of risk assessment

As set out in our methodology we have evaluated the design of controls in place for a number of systems, reviewed reports from external organisations and internal audit and performed inquiries of management. These procedures are consistent with prior year.

Based on these procedures the table below summarises our assessment of whether there is a significant risk that appropriate arrangements are not in place to achieve value for money for each of the relevant domains:

Domain	Significant risk identified?
Financial sustainability	No significant risk identified
Governance	One significant risk identified
Improving economy, efficiency and effectiveness	

Response to significant risk

We have identified one significant risk associated with both Governance and Improving economy, efficiency and effectiveness. We have provided a summary of the risk description and procedures to be performed on page 22.

Value for money arrangements

Financial sustainability

In assessing whether there was a significant risk of financial sustainability we reviewed:

- The processes for setting the 2024/25 financial plan to ensure that it is achievable and based on realistic assumptions;
- How the 2024/25 efficiency plan was developed and monitoring of delivery against the requirements;
- Processes for ensuring consistency between the financial plan set for 2024/25 and the workforce and operational plans;
- The process for assessing risks to financial sustainability;
- Processes in place for managing identified financial sustainability risks; and;
- Performance for the year to date against the financial plan.

Summary of risk assessment to date

Financial Planning:

The Group has a statutory duty to breakeven within the budget. The budget setting process involves stakeholders at all levels of management hierarchy and takes place as part of the annual business planning process.

A “Medium Term Financial Strategy” (MTFS) has been formulated encompassing the financial implications of the known challenges encountered to maintain current operations whilst pursuing the goals and objectives. The MTFS takes into account the financial forecast, encompassing both internal and external resources, over the medium term, and serves as the foundation for compiling the budget for the ensuing years.

A revenue budget is prepared alongside a capital program that are both strategically aligned with the aims and objectives outlined in the MTFS. This process takes into consideration local pressures as well as efficiency savings necessary to achieve the aims and objectives. It is seamlessly integrated into the annual budget setting process.

The budgets and MTFS undergo review and approval by the Force Executive Boards (FEB), the Police and Crime Panel (PCP) and Business Coordination Board (BCB). This multi-tiered approval process ensures thorough consideration of the budgets by key stakeholders across all levels within the organisation. Presenting reports at these meetings facilitates open discussion, allowing for issues to be raised, deliberated upon, and appropriate actions agreed upon. Subsequently, these actions are monitored for implementation through the Committee action takers.

Monitoring of ongoing financial performance:

Various stakeholders including the FEB and BCB closely monitor and scrutinise the financial position. On a monthly basis, budget stakeholders receive a comprehensive package detailing year-to-date expenditures, commitments, previous month’s forecasts, and current allocations. Subsequently, they convene with their financial counterparts to scrutinize forecasts and address any emergent fiscal pressures. The variances are documented in the FEB report, necessitating detailed action plans from budget stakeholders to rectify identified issues.

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Value for money arrangements

Financial sustainability

In assessing whether there was a significant risk of financial sustainability we reviewed:

- The processes for setting the 2024/25 financial plan to ensure that it is achievable and based on realistic assumptions;
- How the 2024/25 efficiency plan was developed and monitoring of delivery against the requirements;
- Processes for ensuring consistency between the financial plan set for 2024/25 and the workforce and operational plans;
- The process for assessing risks to financial sustainability;
- Processes in place for managing identified financial sustainability risks; and;
- Performance for the year to date against the financial plan.

... Continued

Monthly financial reports are presented to the FEB by the Chief Financial Officer (CFO) from P3, encompassing funding budgets, capital allocations, and treasury management components such as cash flow, borrowing status, and reserves. Additionally, these reports are furnished to BCB on a quarterly basis for review and strategic considerations.

The 25/26 MTFS outlined a balanced financial stance for 24/25 and 25/26, while also highlighting budget gaps in the magnitude of several £million that may necessitate utilising budget assistance reserves from 2026/27. These gaps arise from several challenges, notably the operational landscape and reduced central funding. Plans for implementing savings and efficiencies are in place and actions to improve funding prospects such as augmenting base funding through a precept increase, aligning with government allowances for flexibilities, have been proposed.

Projected revenue for 2024 was budgeted at £188.7m with actual position as at Feb 25 of £188.4m. Analysis from the February monitoring report reveals an underspend of £243k within the Group's budget for 24/25 position reducing the risk of utilising funding reserves. Furthermore, capital expenditure shows an underspend of £18.4m, primarily attributed to delays in relevant projects but despite these challenges, the capital plan continues to undergo regular review and updates in the MTFS. Consequently, the overall financial position of the Group for 24/25 is deemed to be robust.

Risk assessment conclusion

Based on the risk assessment procedures performed we have not identified a significant risk associated with financial sustainability.

Value for money arrangements

Governance

In assessing whether there was a significant risk relating to governance we reviewed:

- Processes for the identification, monitoring and management of risk;
- The design of the governance structures in place at the Force;
- Controls in place to prevent and detect fraud;
- The review and approval of the 2024/25 financial plan by the Force, including how financial risks were communicated;
- How compliance with laws and regulations is monitored;
- Processes in place to monitor officer compliance with expected standards of behaviour, including recording of interests, gifts and hospitality; and
- How the Force ensures decisions receive appropriate scrutiny.

Summary of risk assessment to date

Risk Management:

The OPCC has a risk management process in place, which allows the OPCC to identify and monitor risks. The PESTELO spectrum is utilised as part of the risk assessment process to measure the potential impact of identified risks. All identified risks are subject to scrutiny and challenge to ensure an appropriate risk score and mitigations in place. Our review of the risk register found this was sufficiently detailed to effectively manage key risks, and sufficient actions identified which set out how the PCC intends to achieve a target risk level. Relevant reporting of current and open risks takes place on a regular basis to Joint Audit Committee.

Financial Planning/Monitoring

Please see page 16 and 17 for our assessment of these arrangements.

Framework of control and audit arrangements

The Group have in place the Corporate Framework and Cambridgeshire specific Force Financial Instructions alongside BCH financial regulations, which align to best practice and show clear delegated responsibilities. There are Terms of References for each sub-committee and board which are reviewed on regular basis to ensure they remain fit for purposes.

The Group conducted an internal anti-fraud audit last year, resulting in actionable recommendations currently being implemented. These measures include training personnel in key departments and establishing a fraud risk register. Additionally, an annual fraud report is presented to the Joint Audit Committee for oversight.

The Group maintains a robust internal control system to prevent and detect fraud. Annually, a comprehensive threat assessment is conducted to evaluate misconduct and corruption risks, encompassing theft, fraud, financial vulnerabilities, and other misconduct themes. This assessment informs strategic priorities for the upcoming year.

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Value for money arrangements

Governance

In assessing whether there was a significant risk relating to governance we reviewed:

- Processes for the identification, monitoring and management of risk;
- The design of the governance structures in place at the Force;
- Controls in place to prevent and detect fraud;
- The review and approval of the 2024/25 financial plan by the Force, including how financial risks were communicated;
- How compliance with laws and regulations is monitored;
- Processes in place to monitor officer compliance with expected standards of behaviour, including recording of interests, gifts and hospitality; and
- How the Force ensures decisions receive appropriate scrutiny.

...Continued

Internal audit services are outsourced by the Group, covering both Cambridgeshire specifically and BCH level reviews. Detailed management responses and action plans are devised to address any deficiencies identified in the audit recommendations.

Policies and frameworks

The Group has a number of policies and frameworks in place, including abuse of authority and gifts and hospitality policies. These are regularly updated and ensures compliance with expected behaviours throughout the Group.

Decision Making

The OPCC operates under the oversight of governance boards responsible for managing and approving critical decisions. The only Decision Board run by the OPCC is the BCB. The Terms of Reference (ToR) governing BCB's operations undergo regular review to ensure compliance and effectiveness in monitoring processes.

In terms of business case development, the Group adheres to the principles outlines in the Treasury Green Book to ensure thoroughness and consistency. Decision- making processes are subject to scrutiny by PCP, and the Group maintains transparency by allowing public attendance at meetings. Moreover, all decision notices are promptly disseminated on the public website to uphold transparency and accountability

Response to reports from regulators

The most recent HMICFRS PEEL Assessment was released in March 2024. The report highlighted two areas rated as 'Inadequate'. One of these areas was closed as a cause for concern due to swift action from the Force on the issue highlighted. For the remaining area, the Force has developed an improvement plan in response to the findings.

Risk assessment conclusion

Due to the importance of proper governance arrangements over an improvement plan and based on the outstanding nature of the 'Inadequate' rating, we have determined there **is a significant risk** in relation to the Governance domain. See page 22 for details.

Value for money arrangements

Improving economy, efficiency and effectiveness

In assessing whether there was a significant risk relating to improving economy, efficiency and effectiveness we reviewed:

- The processes in place for assessing the level of value for money being achieved and where there are opportunities for these to be improved;
- The development of efficiency plans and how the implementation of these is monitored;
- How the performance of services is monitored and actions identified in response to areas of poor performance;
- How the Force has engaged with partners in development of the organisation and system wide plans and arrangements;
- The engagement with wider partnerships and how the performance of those partnerships is monitored and reported; and
- The monitoring of outsourced services to verify that they are delivering expected standards.

Summary of risk assessment to date

Planning and delivery of efficiency plans

The identification of cost improvements and efficiency requirements stem from CAMSTRA proposals and the discussions with budget managers and Senior Leadership Team (SLT) members. A dedicated segment of SLT meetings is allocated to discuss identified savings and efficiencies. The Chief Officer Team (COT) provides strategic guidance, shaping planned savings through collaborative efforts, which are then integrated into the financial planning stage. These plans are developed through various meetings, including FEB.

Currently, the performance and efficiency plan for the 2024/25 remains on track, based on actuals to date. However, given the economic uncertainty and the Group's challenging financial landscape, achieving planned efficiencies in future periods may prove more arduous. Monitoring savings through budget monitoring reports plays an important role in overseeing delivery, with the SLT Part 2 meeting maintaining its focus on savings delivery.

Budget savings are reported through monitoring reports presented to the monthly FEB meetings and quarterly BCB meetings. To streamline operations, the Group has developed a Corporate Change and Benefits Management Framework, covering the entire project lifecycle, including post-implementation reviews at the 6- month and 12- month mark.

A comprehensive review of the 2025/26 MTFs, indicates that savings and efficiencies are progressing well for the upcoming year, with ongoing efforts to develop saving proposals for future years also underway. A saving tracker has been developed to delineate these proposals, accompanied by a risk assessment by the owner. The risk rating is integrated into the tracker and discussed during the SLT Part 2 meeting and Resource Board in the development of the MTFs.

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Value for money arrangements

Improving economy, efficiency and effectiveness

In assessing whether there was a significant risk relating to improving economy, efficiency and effectiveness we reviewed:

- The processes in place for assessing the level of value for money being achieved and where there are opportunities for these to be improved;
- The development of efficiency plans and how the implementation of these is monitored;
- How the performance of services is monitored and actions identified in response to areas of poor performance;
- How the Force has engaged with partners in development of the organisation and system wide plans and arrangements;
- The engagement with wider partnerships and how the performance of those partnerships is monitored and reported; and
- The monitoring of outsourced services to verify that they are delivering expected standards.

... Continued

Performance reporting

The Group employs a rigorous performance monitoring framework, starting with daily local meetings where specific actions are assigned to address low-level issues. Monthly performance meetings are conducted across all departments, contributing insights to the overarching monthly Force Performance Board (FPB). These gatherings are focused on evaluating performance against the Constabulary Corporate Plan Objectives, leveraging a blend of high-level performance indicators and granular management information to identify obstacles to performance and areas requiring improvements.

The FPB convenes to receive comprehensive updates from department heads, strategic priority owners, and lead officers. These updates are presented in both written and verbal formats. The FPB assumes an active role in driving improvement by initiating necessary actions. Monthly, the FPB delivers a strategic high-level report to the FEB, providing a summary of current performance delivery, thereby ensuring alignment with the Group's goals and objectives.

Response to reports from regulators

As highlighted on page 19, the most recent HMICFRS PEEL Assessment report was released in March 2024. The report highlighted two areas rated as 'Inadequate'. One of these areas was closed as a cause for concern due to swift action from the Force on the issue highlighted. For the remaining area, the Force has developed an improvement plan in response to the findings.

Risk assessment conclusion

Based on the risk assessment procedures performed and due to the outstanding nature of the 'Inadequate' rating, we have identified **a significant risk** associated with improving economy, efficiency and effectiveness. See page 22 for details.

Significant Value for Money Risks

1 HMICFRS PEEL Assessment findings



Significant Value for Money Risk

From inspection of the most recent PEEL Assessment, two areas are highlighted as 'Inadequate'.

While one has since been removed as a cause for concern, the other remains, citing call pick-up and call response times as factors of concern.

Without improvement this could lead to a significant impact on the quality and effectiveness of the services the Force delivers.



Planned Response

We will perform the following actions:

- We will gain an understanding of the governance arrangements in place to respond to the inspection report, including identifying key actions, ensuring they are responded to, and that actions are regularly followed up with responsible individuals and due dates.
- We will gain an understanding of how the Force works with the inspectorate to assess progress made.
- We will gain an understanding of how identified key actions relating to the improvement of services provided are fed into the budget setting process.

Appendix

Audit team and rotation

Your audit team has been drawn from our specialist local government audit department and is led by key members of staff who will be supported by auditors and specialists as necessary to complete our work. We also ensure that we consider rotation of your audit partner and firm.



Katie is the director responsible for our audit. They will lead our audit work, attend the Joint Audit Committee and be responsible for the opinions that we issue.



Nicole is the manager responsible for our audit. They will co-ordinate our audit work, attend the Joint Audit Committee and ensure we are co-ordinated across our accounts and VFM work.



Natalie is the in-charge responsible for our audit for the second year. They will be responsible for our on-site fieldwork. She will complete work on more complex sections of the audit.

To comply with professional standard we need to ensure that you appropriately rotate your external audit partner. There are no other members of your team which we will need to consider this requirement for:



This will be Katie's second year as your engagement lead. They are required to rotate every five years, extendable to seven with PSAA approval.

Audit timeline

We have developed our audit timeline based on management’s financial reporting timetable. If we need to make significant changes to the audit timeline below, then we will communicate the reasons to you on a timely basis.

	2025								
Activity	March	April	May	June	July	Aug	Sept	Oct	Nov
Risk assessment and planning	█			█					
Evaluate and test controls				█					
Audit complex accounting estimates					█				
Year-end audit fieldwork					█				
Procedures on financial statements/annual report						█			

* Dates for issuing deliverables are preliminary and based on information available at planning. They are therefore subject to change.

Fees

Audit fee

Our fees for the year ended 31 March 2025 are set out in the PSAA Scale Fees communication and are shown below.

Entity	2024/25 (£')	2023/24 (£')
Chief Constable of Cambridgeshire statutory audit	48,216	59,746
Police and Crime Commissioner for Cambridgeshire statutory audit	91,287	107,092
TOTAL	139,503	166,838

The above scale fees assume no significant risks are identified as part of the Value for Money risk assessment and no additional costs in relation to any changes in auditing standards or building back assurance on previous disclaimed opinions. Additional fees in relation to these areas will be subject to the fees variation process as outlined by the PSAA.

Expenses for vetting will be billed in due course.

Billing arrangements

Fees will be billed in accordance with the milestone completion phasing that has been communicated by the PSAA.

Basis of fee information

Our fees are subject to the following assumptions:

- Audit evidence files are completed to an appropriate standard (we will liaise with you separately on this);
- Draft statutory accounts are presented to us for audit subject to audit and tax adjustments;
- Supporting schedules to figures in the accounts are supplied;
- A trial balance together with reconciled control accounts are presented to us;
- All deadlines agreed with us are met;
- We find no weaknesses in controls that cause us to significantly extend procedures beyond those planned;
- Management will be available to us as necessary throughout the audit process; and
- There will be no changes in deadlines or reporting requirements.

We will provide a list of schedules to be prepared by management stating the due dates together with pro-formas as necessary.

Our ability to deliver the services outlined to the agreed timetable and fee will depend on these schedules being available on the due dates in the agreed form and content.

Any variations to the above plan will be subject to the PSAA fee variation process.

Confirmation of Independence

We confirm that, in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and that the objectivity of the engagement lead and audit staff is not impaired.

To the Audit and Risk Committee members

Assessment of our objectivity and independence as auditor of The Police & Crime Commissioner for Cambridgeshire and the Chief Constable for Cambridgeshire Police

Professional ethical standards require us to provide to you at the planning stage of the audit a written disclosure of relationships (including the provision of non-audit services) that bear on KPMG LLP's objectivity and independence, the threats to KPMG LLP's independence that these create, any safeguards that have been put in place and why they address such threats, together with any other information necessary to enable KPMG LLP's objectivity and independence to be assessed.

This letter is intended to comply with this requirement and facilitate a subsequent discussion with you on audit independence and addresses:

- General procedures to safeguard independence and objectivity;
- Independence and objectivity considerations relating to the provision of non-audit services; and
- Independence and objectivity considerations relating to other matters.

General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP partners/directors and staff annually confirm their compliance with our ethics and independence policies

and procedures including in particular that they have no prohibited shareholdings. Our ethics and independence policies and procedures are fully consistent with the requirements of the FRC Ethical Standard. As a result we have underlying safeguards in place to maintain independence through:

- Instilling professional values.
- Communications.
- Internal accountability.
- Risk management.
- Independent reviews.

We are satisfied that our general procedures support our independence and objectivity.

Independence and objectivity considerations relating to the provision of non-audit services

Summary of non-audit services

No non-audit services provided.

Confirmation of Independence (cont.)

Summary of fees

We have considered the fees charged by us to the Group and its affiliates for professional services provided by us during the reporting period.

Fee ratio

The ratio of non-audit fees to audit fees for the year is anticipated to be 0:1. We do not consider that the total non-audit fees create a self-interest threat since the absolute level of fees is not significant to our firm as a whole.

	2024/25
	£'000
Chief Constable of Cambridgeshire	48
Police and Crime Commissioner for Cambridgeshire	92
Total Fees	140

Independence and objectivity considerations relating to other matters

There are no other matters that, in our professional judgment, bear on our independence which need to be disclosed to the Audit and Risk Committee.

Confirmation of audit independence

We confirm that as of the date of this letter, in our professional judgment, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the partner and audit staff is not impaired.

This report is intended solely for the information of the Audit and Risk Committee of the Group and should not be used for any other purposes.

We would be very happy to discuss the matters identified above (or any other matters relating to our objectivity and independence) should you wish to do so.

Yours faithfully

KPMG LLP

KPMG's Audit quality framework

Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion.

To ensure that every partner and employee concentrates on the fundamental skills and behaviours required to deliver an appropriate and independent opinion, we have developed our global Audit Quality Framework.

Responsibility for quality starts at the top through our governance structures as the UK Board is supported by the Audit Oversight Committee, and accountability is reinforced through the complete chain of command in all our teams.

■ Commitment to continuous improvement

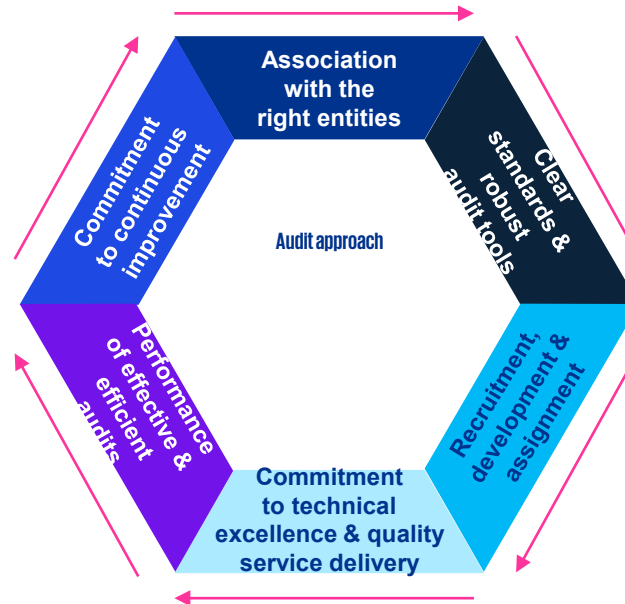
- Comprehensive effective monitoring processes
- Significant investment in technology to achieve consistency and enhance audits
- Obtain feedback from key stakeholders
- Evaluate and appropriately respond to feedback and findings

■ Performance of effective & efficient audits

- Professional judgement and scepticism
- Direction, supervision and review
- Ongoing mentoring and on the job coaching, including the second line of defence model
- Critical assessment of audit evidence
- Appropriately supported and documented conclusions
- Insightful, open and honest two way communications

■ Commitment to technical excellence & quality service delivery

- Technical training and support
- Accreditation and licensing
- Access to specialist networks
- Consultation processes
- Business understanding and industry knowledge
- Capacity to deliver valued insights



■ Association with the right entities

- Select entities within risk tolerance
- Manage audit responses to risk
- Robust client and engagement acceptance and continuance processes
- Client portfolio management

■ Clear standards & robust audit tools

- KPMG Audit and Risk Management Manuals
- Audit technology tools, templates and guidance
- KPMG Clara incorporating monitoring capabilities at engagement level
- Independence policies

■ Recruitment, development & assignment of appropriately qualified personnel

- Recruitment, promotion, retention
- Development of core competencies, skills and personal qualities
- Recognition and reward for quality work
- Capacity and resource management
- Assignment of team members and specialists

Statement on the Effectiveness of our system of quality management

Based on the annual evaluation of the Firm's System of Quality Management as of 30 September 2023, the System of Quality Management provides the Firm with reasonable assurance that the objectives of the System of Quality Management are being achieved.

Our full Statement on the effectiveness of the System of Quality Management of KPMG UK LLP as at 30 September 2023 can be found [here](#).

The extract below is the Statement on the Effectiveness of our system of quality management taken from our Transparency Report:

As required by the International Auditing and Assurance Standards Board (IAASB)'s, International Standard on Quality Management (ISQM1), the Financial Reporting Council (FRC)'s International Standard on Quality Management (UK) 1 (ISQM (UK) 1), and KPMG International Limited Policy, KPMG UK LLP (the "Firm" and/or "KPMG UK") has responsibility to design, implement and operate a System of Quality Management for audits or reviews of financial statements, or other assurance or related services engagements performed by the Firm.

The objectives of the System of Quality Management are to provide the Firm with reasonable assurance that:

- a) The Firm and its personnel fulfil their responsibilities in accordance with professional standards and applicable legal and regulatory requirements, and conduct engagements in accordance with such standards and requirements; and
- b) Engagement reports issued by the Firm or engagement partners are appropriate in the circumstances.

KPMG UK outlines how its System of Quality Management supports the consistent performance of quality engagements in the 2023 Transparency Report.

Integrated quality monitoring and compliance programmes enable KPMG UK to identify and respond to findings and quality deficiencies both in respect of individual engagements and the overall System of Quality Management.

If deficiencies are identified when KPMG UK performs its annual evaluation of the System of Quality Management, KPMG UK evaluates the severity and pervasiveness of the identified deficiencies by investigating the root causes, and by evaluating the effect of the identified deficiencies individually and in the aggregate, on the System of Quality Management, with consideration of remedial actions taken as of the date of the evaluation.

Based on the annual evaluation of the Firm's System of Quality Management as of 30 September 2023, the System of Quality Management provides the Firm with reasonable assurance that the objectives of the System of Quality Management are being achieved.



Understanding of IT

Effect on audit effort



Summary

The release of ISA 315 (UK) revised brought an increased focus on Understanding of IT in the audit, and it continues to be an area of focus.

Stakeholders now expect auditors to not only understand IT in detail, but also to consider the impact of the findings from their risk assessment procedures on their planned audit approach.

Why is Understanding of IT so important?

Businesses continue to embrace increasingly complex and sophisticated IT systems and place more and more reliance on automated IT processing not simply for a competitive advantage, but also for "business as usual" operations.

This increased reliance means that to effectively audit accounts, balances and transactions, auditors are required to understand and challenge more around how those IT system and process work.

Therefore, Understanding of IT is a crucial building block of our audit strategy and influences our planned audit approach at every stage.

This is true regardless of whether controls reliance is planned or the audit is expected to be fully substantive in nature.

What kind of things might we identify?

As part of our risk assessment procedures, we perform:

- An assessment of the formality, or otherwise, of certain financially relevant IT processes
- An evaluation of the design and implementation of related general IT controls
- An evaluation of the design and implementation of automated process level controls

As a result of these procedures, we may identify IT control deficiencies or IT process informalities that may have an impact on our planned audit approach.

Additionally, we may identify findings related to the wider control environment or threats to the accuracy or completeness of the information used by both entity management and auditors alike.

What does this mean for our audits?

Auditors are being asked to consider the findings from their risk assessment procedures over IT in relation to the planned audit approach.

The findings may impact any area of the audit, however there are three main areas of focus where we anticipate that most impact as a result of identifying IT deficiencies or IT process informality;

- Increased risk to data integrity
- Additional fraud risk factors
- Additional high-risk criteria to be used in journals analysis

It is important to understand that these findings may have an impact regardless of planned reliance on automated controls and general IT controls.

FRC's areas of focus

The FRC released their **Annual Review of Corporate Reporting 2023/24 ('the Review')** in September 2024 having already issued three thematic reviews during the year.

The Review and thematic reviews identify where the FRC believes companies can improve their reporting. These slides give a high level summary of the key topics covered. We encourage management and those charged with governance to read further on those areas which are significant to their entity.



Key expectations for 2024/25 annual reports

Overview

The Review identifies that the quality of reporting across FTSE 350 companies has been maintained this year, but there is a widening gap in standards between FTSE 350 and non-FTSE 350 companies. This is noticeable in the FRC's top two focus areas, 'Impairment of assets' and 'Cash Flow Statements'.

'Provisions and contingencies' has fallen out of the top ten issues for the first time in over five years. This issue is replaced by 'Taskforce for Climate-related Financial Disclosures (TCFD) and climate-related narrative reporting'.

The FRC re-iterates that companies should apply careful judgement to tell a consistent and coherent story whilst ensuring the annual report is clear, concise and company-specific.

Pre-issuance checks and restatements

The FRC expects companies to have in place a sufficiently robust self-review process to identify common technical compliance issues. The FRC continues to be frustrated by the increasing level of restatements affecting the presentation of primary statements. This indicates that thorough, 'step-back' reviews are not happening in all cases.

Risks and uncertainties

Geopolitical tensions continue and low growth remains a concern in many economies, particularly with respect to going concern, impairment and recognition/recoverability of tax assets and liabilities. The FRC continue to push for enhanced disclosures of risks and uncertainties. Disclosures should be sufficient to allow users to understand the position taken in the financial statements, and how this position has been impacted by the wider risks and uncertainties discussed elsewhere in the annual report.

Financial reporting framework

The FRC reminds preparers to consider the overarching requirements of the UK financial reporting framework in determining the information to be presented. In particular the requirements for a true and fair view, along with a fair, balanced, and comprehensive review of the company's development, position, performance, and future prospects.

The FRC does not expect companies to provide information that is not relevant and material to users, and companies should exercise judgement in determining what information to include.

Companies should also consider including disclosures beyond the specific requirements of the accounting standards where this is necessary to enable users to understand the impact of particular transactions or other events and conditions on the entities financial position, performance and cash flows.

FRC's areas of focus

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Companies should also consider including disclosures beyond the specific requirements of the accounting standards where this is necessary to enable users to understand the impact of particular transactions or other events and conditions on the entities financial position, performance and cash flows.

FRC's areas of focus (cont.)

Impairment of assets

Impairment remains a key topic of concern, exacerbated in the current year by an increase in restatements of parent company investments in subsidiaries.

Disclosures should provide adequate information about key inputs and assumptions, which should be consistent with events, operations and risks noted elsewhere in the annual report and be supported by a reasonably possible sensitivity analysis as required.

Forecasts should reflect the asset in its current condition when using a value in use approach and should not extend beyond five years without explanation.

Preparers should consider whether there is an indicator of impairment in the parent when its net assets exceed the group's market capitalisation. They should also consider how intercompany loans are factored into these impairment assessments.

Cash flow statements

Cash flow statements remain the most common cause of prior year restatements.

Companies must carefully consider the classification of cash flows and whether cash and cash equivalents meet the definitions and criteria in the standard. The FRC encourage a clear disclosure of the rationale for the treatment of cash flows for key transactions.

Cash flow netting is a frequent cause of restatements and this was highlighted in the '[Offsetting in the financial statements](#)' thematic.

Preparers should ensure the descriptions and amounts of cash flows are consistent with those reported elsewhere and that non-cash transactions are excluded but reported elsewhere if material.

Climate

This is a top-ten issue for the first time this year, following the implementation of TCFD.

Companies should clearly state the extent of compliance with TCFD, the reasons for any non-compliance and the steps and timeframe for remedying that non-compliance. Where a company is also applying the Companies Act 2006 Climate-related Financial Disclosures, these are mandatory and cannot be 'explained', further the required location in the annual report differs.

Companies are reminded of the importance of focusing only on material climate-related information. Disclosures should be concise and company specific and provide sufficient detail without obscuring material information.

It is also important that there is consistency within the annual report, and that material climate related matters are addressed within the financial statements.

Financial instruments

The number of queries on this topic remains high, with Expected Credit Loss (ECL) provisions being a common topic outside of the FTSE 350 and for non-financial and parent companies.

Disclosures on ECL provisions should explain the significant assumptions applied, including concentrations of risk where material. These disclosures should be consistent with circumstances described elsewhere in the annual report.

Companies should ensure sufficient explanation is provided of material financial instruments, including company-specific accounting policies.

Lastly, the FRC reminds companies that cash and overdraft balances should be offset only when the qualifying criteria have been met.

Judgements and estimates

Disclosures over judgements and estimates are improving, however these remain vital to allow users to understand the position taken by the company. This is particularly important during periods of economic and geopolitical uncertainty.

These disclosures should describe the significant judgements and uncertainties with sufficient, appropriate detail and in simple language.

Estimation uncertainty with a significant risk of a material adjustment within one year should be distinguished from other estimates.

Further, sensitivities and the range of possible outcomes should be provided to allow users to understand the significant judgements and estimates.

FRC's areas of focus (cont.)

Revenue

Disclosures should be specific and, for each material revenue stream, give details of the timing and basis of revenue recognition, and the methodology applied. Where this results in a significant judgement, this should be clear.

Presentation

Disclosures should be consistent with information elsewhere in the annual report and cover company-specific material accounting policy information.

A thorough review should be performed for common non-compliance areas of IAS 1.

Income taxes

Evidence supporting the recognition of deferred tax assets should be disclosed in sufficient detail and be consistent with information reported elsewhere in the annual report.

The effect of Pillar Two income taxes should be disclosed where applicable.

Strategic report and Companies Act

The strategic report must be 'fair, balanced and comprehensive'. Including covering all aspects of performance, economic uncertainty and significant movements in the primary statements.

Companies should ensure they comply with all the statutory requirements for making distributions and repurchasing shares.

Fair value measurement

Explanations of the valuation techniques and assumptions used should be clear and specific to the company.

Significant unobservable inputs should be quantified and the sensitivity of the fair value to reasonably possible changes in these inputs should provide meaningful information to readers.

Thematic reviews

The FRC has issued three thematic reviews this year: 'Reporting by the UK's largest private companies' (see below), 'Offsetting in the financial statements', and 'IFRS 17 Insurance contracts – Disclosures in the first year of application'. The FRC have also performed Retail sector research (see below).

UK's largest private companies

The quality of reporting by these entities was found to be mixed, particularly in explaining complex or judgemental matters. The FRC would expect a critical review of the draft annual report to consider:

- internal consistency
- whether the report as a whole is clear, concise, and understandable; notably with respect to the strategic report
- whether it omits immaterial information, or
- whether additional information is necessary for the users understanding particularly with respect to revenue, judgments and estimates and provisions

Retail sector focus



Retail is a priority sector for the FRC and the research considered issues of particular relevance to the sector including:

- Impairment testing and the impact of online sales and related infrastructure
- Alternative performance measures including like for like (LFL) and adjusted e.g. pre-IFRS 16 measures
- Leased property and the disclosure of lease term judgements, particularly for expired leases.
- Supplier income arrangements and the clarity of accounting policies and significant judgements around measurement and presentation of these.

2024/25 review priorities

The FRC has indicated that its 2024/25 reviews will focus on the following sectors which are considered by the FRC to be higher risk by virtue of economic or other pressures:

 Industrial metals and mining
 Retail

 Construction and materials
 Gas, water and multi-utilities

 Food producers
 Financial Services



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