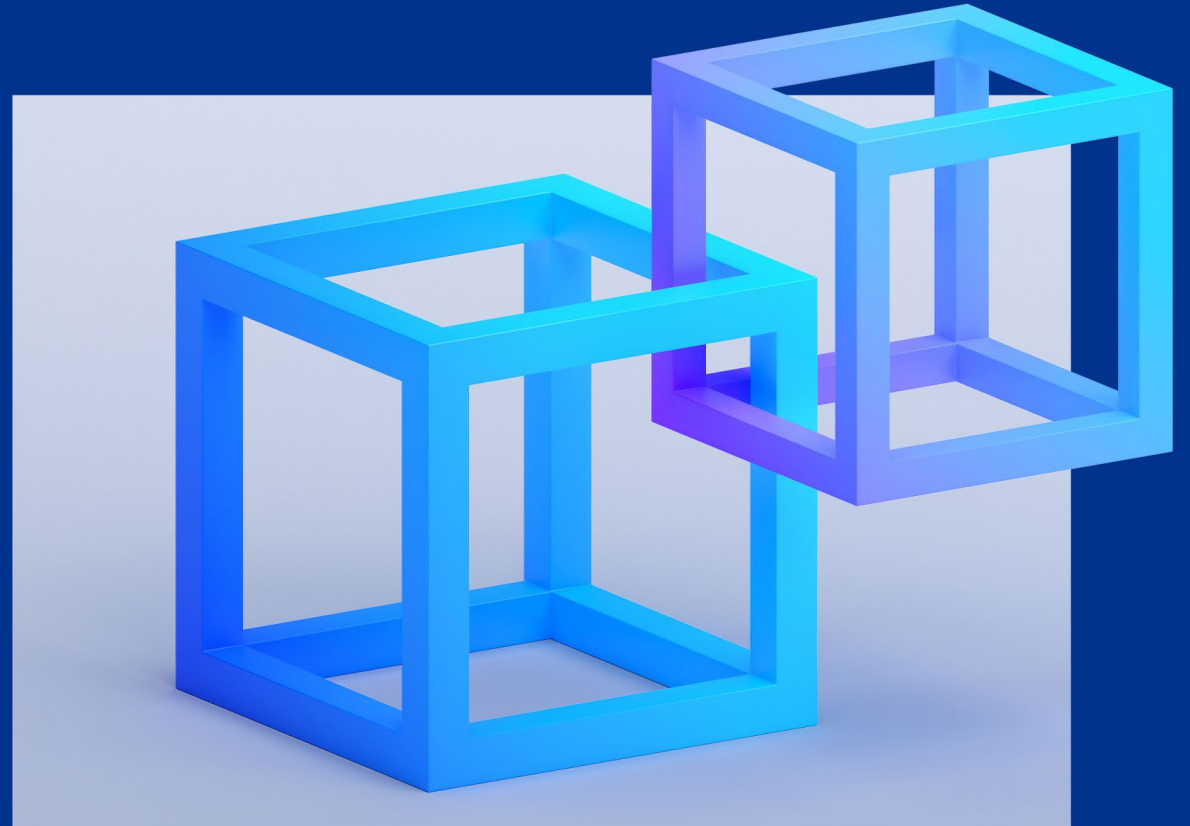




# The Police and Crime Commissioner for Cambridgeshire and Peterborough and the Chief Constable of Cambridgeshire Constabulary

DRAFT Year End Report to the Joint Audit Committee  
for the year ended 31 March 2025

21 October 2025



# Introduction

## To the Joint Audit Committee of The Police and Crime Commissioner for Cambridgeshire and Peterborough and the Chief Constable of Cambridgeshire Constabulary

We are pleased to have the opportunity to meet with you on 27th October to discuss the results of our audit of the consolidated financial statements of The Police and Crime Commissioner for Cambridgeshire and Peterborough (PCC) and the Chief Constable of Cambridgeshire Constabulary (CC), known in their report as “The Group” as at and for the year ended 31 March 2025.

We are providing this report in advance of our meeting to enable you to consider our findings and hence enhance the quality of our discussions. This report should be read in conjunction with our audit plan and strategy report, presented on 1 May 2025. We will be pleased to elaborate on the matters covered in this report when we meet.

## 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 management; and,
- All of our related activities are undertaken in an environment of the utmost level of objectivity, independence, ethics and integrity.

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 Richard Lee (Richard.Lee@KPMG.co.uk), the engagement lead to the Authority, 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](mailto:tim.culter@kpmg.co.uk)). After this, if you are still dissatisfied with how your complaint has been handled you can access KPMG’s complaints process here: [Complaints](#)

## The engagement team

Our audit is still ongoing and we have prepared this report to provide you with an update on our progress as at 21 October 2025. The outstanding matters are detailed on page 5 and we will issue an updated version of this report once the audit is complete.

There have been no significant changes to our audit plan and strategy.

We expect to issue a disclaimer audit opinion.

We draw your attention to the important notice on page 3 of this report, which explains:

- The purpose of this report
- Limitations on work performed
- Restrictions on distribution of this report

Yours sincerely,

**Richard Lee**

21 October 2025

## Contents

	Page
Introduction	2
Important notice	3
Our audit findings	4
Outstanding matters	5
Audit risks and our audit approach	6
Key accounting estimates and management judgement	10
Other matters	11
Value for money	12
Appendix	15



# Important notice

**This report is presented under the terms of our audit under Public Sector Audit Appointments (PSAA) contract..**

The content of this report is based solely on the procedures necessary for our audit.

## Purpose of this report

This Report has been prepared in connection with our audit of the consolidated and standalone financial statements of The Police and Crime Commissioner for Cambridgeshire and Peterborough and the Chief Constable of Cambridgeshire Constabulary, prepared, in accordance with [International Financial Reporting Standards ('IFRSs') as adapted Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, as at and for the year ended 31 March 2025.

This Report has been prepared for the Group's Joint Audit Committee, a sub-group of those charged with governance, in order to communicate matters that are significant to the responsibility of those charged with oversight of the financial reporting process as required by ISAs (UK), and other matters coming to our attention during our audit work that we consider might be of interest, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone (beyond that which we may have as auditors) for this Report, or for the opinions we have formed in respect of this Report.

This report summarises the key issues identified during our audit but does not repeat matters we have previously communicated to you by written communication on 22/04/2025.

## Limitations on work performed

This Report is separate from our audit report and does not provide an additional opinion on the Group's financial statements, nor does it add to or extend or alter our duties and responsibilities as auditors.

We have not designed or performed procedures outside those required of us as auditors for the purpose of identifying or communicating any of the matters covered by this Report.

The matters reported are based on the knowledge gained as a result of being your auditors. We have not verified the accuracy or completeness of any such information other than in connection with and to the extent required for the purposes of our audit.

## Status of our audit

Our audit is not yet complete and matters communicated in this Report may change pending signature of our audit report. Page 5 outlines the outstanding matters in relation to the audit. Our conclusions will be discussed with you before our audit report is signed.

## Restrictions on distribution

The report is provided on the basis that it is only for the information of the Joint Audit Committee of the Group; that it will not be quoted or referred to, in whole or in part, without our prior written consent; and that we accept no responsibility to any third party in relation to it.





# Our audit findings

Significant audit risks	Page 6 –9
Significant audit risks	Our findings
Management override of controls	Our final procedures in respect of this risk are complete. We have not identified any instances of management override of controls, however we have raised a control deficiency over the posting of journals, as set out on page 22.
Valuation of post retirement benefit obligations	Our final procedures in respect of this are in progress. Based on work performed to date, we have identified a misstatement as a part of this, as set out on page 21.

Misstatements in respect of Disclosures	Page 21
Misstatement in respect of Disclosures	Our findings
<b>Expenditure and Income Analysed by Nature</b>	Misclassification of income between Income from Fees and Charges and Government Grants, with a nil impact on the accounts.

Number of Control deficiencies	Page 22
Control deficiencies	2



# Outstanding matters

DRAFT

Our audit is substantially complete except for the following outstanding matters

Areas subject to review comments clear:

- Valuation of Land and Buildings
- Government Grant income
- Accruals
- Value for money

Areas are in progress subject to complete:

- Fees and Charges income – Extended our testing due to the identification of misstatement (outlined on page 21)
- Payroll Testing including staff costs and officer remuneration related disclosures
- Absence Accruals
- Pensions fund statement and valuation of post retirement benefits- outlined on page 9
- Review of related party transactions
- Disclosure work including consolidation, cash flow, reserves and IFRS 16 leases
- Review of accounts (including front end and disclosure checklist)

Areas that have not yet started:

- Build back assurance
- Management representation letter
- Draft annual report to KPMG
- Finalise audit report and sign

# Audit risks and our audit approach

DRAFT

## 1 Management override of controls<sup>(a)</sup>

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



### Our response

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

- We evaluated accounting estimates (see page 10) and have not identified any indicators of management bias in these, nor did we identify any significant unusual transactions that impacted both our assessed response to this area or significant risk.
- We assessed the selection and application of accounting policies.
- In line with our methodology, evaluated the design and implementation of controls over journal entries and post closing adjustments.
- Assessed the appropriateness of changes compared to the prior year to the methods and underlying assumptions used to prepare accounting estimates.
- Assessed the business rationale and the appropriateness of the accounting for significant transactions that are outside the Groups normal course of business, or are otherwise unusual.
- We analysed all journals through the year and focus our testing on those with a higher risk, such as journals posted to unusual accounts in combination with cash.

Note: (a) Significant risk that professional standards require us to assess in all cases  
(b) This risk is applicable for both PCC and CC

# Audit risks and our audit approach (cont.)

DRAFT

## 1 Management override of controls(cont.)<sup>(a)</sup>

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.



### Our findings

- We observed that there is no formal IT process to ensure segregation of duties over journal postings and authorization. Although management reviews journal postings, there is no enforced segregation of duties.
- We identified 8 high-risk journal entries and other adjustments. Among these, 1 journal incorrectly credited expenditure instead of income due to a transposition error in the account code.
- Additionally, during our screening procedures, we found 9 instances of miscodes between income and expenditure codes. We considered whether these errors indicate management override of controls. These errors, caused by misinterpretation of account descriptions or transposition errors, indicate that management's review of journal posting is insufficient.
- In response to these findings, we have raised a recommendation on page 22.
- Our procedures did not identify any significant unusual transactions. We have no other issues to report as a result of our work.

Note: (a) Significant risk that professional standards require us to assess in all cases  
(b) This risk is applicable for both PCC and CC

# Audit risks and our audit approach

DRAFT

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 the Chief Constable in completing the year end valuation of the net pension position and the year on year movements.
- We have identified this significant risk in relation to Chief Constable's participations in both the Local Government Pension Scheme and the Police Pension Scheme.
- 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 such as IFRIC 14 on recognition of these surplus or minimum funding obligations are complicated and requires actuarial involvement.

Note: (a) This risk is not applicable for Police and Crime Commissioner's participation in the Local Governance Pension Scheme as it is not assessed as have a risk of material misstatement



### Our response

We have performed the following procedures :

- Understood the processes the Chief Constable has in place to set the assumptions used in the valuation;
- Evaluated the competency, objectivity of the actuaries to confirm their qualifications and the basis for their calculations;
- **Performed 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;**
- **Agreed the data provided by the audited entity to the Scheme Administrator for use within the calculation of the scheme valuation;**
- Evaluated 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;
- **Challenged, 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;**
- **Confirmed that the accounting treatment and entries applied by the Group are in line with IFRS and the CIPFA Code of Practice;**
- **Considered the adequacy of the Chief Constable's disclosures in respect of the sensitivity of the deficit to these assumptions; and**
- **Where applicable, assessed the level of surplus that should be recognized by the entity.**

Procedures highlighted in red are incomplete at date of this report.

# Audit risks and our audit approach (cont.)

DRAFT

2

## Valuation of post retirement benefit obligations (cont.)

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.
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- 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 such as IFRIC 14 on recognition of these surplus or minimum funding obligations are complicated and requires actuarial involvement.



### Our findings

- We confirmed that the competency, objectivity and capabilities of the actuaries was appropriate and relevant to perform their calculations.
- As in the prior year, we were unable to identify a suitable and formal management review control in respect of key assumptions and inputs that would address the risk that inappropriate assumptions and information have been used by the actuary when calculating the defined benefit obligation.  
Our specialists assessed the overall assumptions to be balanced and within reasonable range. We are currently reviewing our specialists report and will be updating management on any follow up areas.
- Our review of the disclosure is still ongoing. Based on testing performed to date, we identified an audit misstatement of £103.5m with respect to the classification of the IFRIC 14 adjustment in respect of minimum funding obligations (see page 21). Our remaining work on the inputs including cashflows into the pension valuations is ongoing.

Note: This risk is not applicable for Police and Crime Commissioner's participation in the Local Governance Pension Scheme as it is not assessed as have a risk of material misstatement



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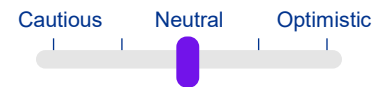


# Key accounting estimates and management judgements- Overview

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## Our view of management judgement

Our views on management judgments with respect to accounting estimates are based solely on the work performed in the context of our audit of the financial statements as a whole. We express no assurance on individual financial statement captions.



Asset/liability class	Our view of management judgement	Balance (£k)	YoY change (£k)	Our view of disclosure of judgements & estimates	Further comments
LGPS defined benefit obligation (gross liability)	Cautious Neutral Optimistic	182,818	(30,170)	Needs improvement Neutral Best practice	No indication of management bias has been indicated from our testing. The valuation is deferred to the LGPS Actuary who provide a report containing the IAS 19 balances & disclosures. The gross LGPS liability of £182,818k has been audited as a significant risk. The LGPS assets & IFRIC 14 adjustment are not considered significant risks.
Police pension scheme defined benefit obligation (unfunded)	Cautious Neutral Optimistic	1,093,836	(118,378)	Needs improvement Neutral Best practice	No indication of management bias has been indicated from our testing. The valuation is deferred to the Government Actuary who provide a report containing the IAS 19 balances & disclosures. The gross PPS liability of £1,093,836k has been audited as a significant risk. The scheme is unfunded & therefore there are no assets or IFRIC 14 adjustment to audit.



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# Other matters

## Narrative report

We have read the contents of the Narrative Report and checked compliance with the requirements of the Annual Report and financial statements with the Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 ('the Code'). Based on the work performed to date:

- We have not identified any inconsistencies between the contents of the Narrative Report and the financial statements.
- We have not identified any material inconsistencies between the knowledge acquired during our audit and the statements of the Group. As Joint Audit Committee members you confirm that you consider that the Narrative Report and financial statements taken as a whole are fair, balanced and understandable and provides the information necessary for regulators and other stakeholders to assess the PCC's and CC's performance, model and strategy.

## Annual Governance Statement

We have reviewed the PCC's and CC's 2024/25 Annual Governance Statement and based on testing performed to date, we confirmed that:

It complies with Delivering Good Governance in Local Government: A Framework published by CIPFA/SOLACE; and

It is not misleading and is consistent with other information we are aware of from our audit of the financial statements.

## Whole of Government Accounts

As required by the National Audit Office (NAO) we carry out specified procedures on the Whole of Government Accounts (WGA) consolidation pack.

We are yet to receive instructions from NAO regarding WGA.

## Independence and Objectivity

ISA 260 also requires us to make an annual declaration that we are in a position of sufficient independence and objectivity to act as your auditors, which we completed at planning and no further work or matters have arisen since then.

## Audit Fees

Our scale fee for the 2024/25 audit, as set by PSAA is £150,468. See page 17 for details.

We have not completed any non-audit work at the Group during the year.

**01**

# **Value for money**



# Value for Money

**We are required under the Audit Code of Practice to confirm whether we have identified any significant weaknesses in the Group's arrangements for securing economy, efficiency and effectiveness in its use of resources.**

In discharging these responsibilities we include a statement within the opinion on your accounts to confirm whether we have identified any significant weaknesses. We also prepare a commentary on your arrangements that is included within our Auditor's Annual Report, which is required to be published on your website alongside your annual report and accounts.

## Commentary on arrangements

We have prepared our indicative Auditor's Annual Report and a copy of the report is included within the papers for the Committee alongside this report. The report is required to be published on your website alongside the publication of the annual report and accounts.

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## Summary of findings

We have set out in the table below the outcomes from our procedures against each of the domains of value for money:

Domain	Risk assessment	Summary of arrangements
Financial sustainability	No significant risks identified	No significant weaknesses identified
Governance	One significant risk identified	No significant weaknesses identified
Improving economy, efficiency and effectiveness		No significant weaknesses identified



# Significant Value for Money Risk

DRAFT

1

## HMICFRS PEEL Assessment findings

Risk that value for money arrangements may contain a significant weakness linked to governance, improve economics, efficiency and effectiveness

### Significant Value for Money Risk

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

Whilst 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 Group delivers.

### Our response

We performed the following actions:

- We gained 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 gained an understanding of how the Group works with the inspectorate to assess progress made;
- We gained an understanding of how identified key actions relating to the improvement of services provided are fed into the budget setting process.

### Our findings

#### Findings

Our work is still ongoing however based on the work to date, we have noted that the Service have developed action plan for the PEEL inspection report which was managed via the Business Assurance Meeting. The annual improvement plan was presented to the Business Coordination Board. We noted that there is sufficient details disclosed in the 24/25 Annual Governance Statement for the Chief Constable. As such, we do not make a recommendation on this.

We inspected the 2025-26 MTFS and noted that the budget considered the PEEL inspection finding from operational perspective. As per the action plan the Group also plan to improve respond to the public finding by utilising new technology and this is budgeted within the 2025-26 MTFS

#### Conclusion

Based on the testing performed to date, we have not identified any significant weaknesses in arrangement.

We will provide an update on the commentary and conclusion on this risk once the work is complete.

# Appendix

## Contents

	Page
Required communications	16
Fees	17
Confirmation of Independence	18
Uncorrected audit misstatements	20
Corrected audit misstatements	21
Control Deficiencies	22



# Required communications

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Type	Response
Our draft management representation letter	<input checked="" type="checkbox"/> OK Based on work performed to date, we have not requested any specific representations in addition to those areas normally covered by our standard representation letter for the year ended 31 March 2025.
Adjusted audit differences	<input checked="" type="checkbox"/> OK Based on work performed to date, there were 2 adjusted audit differences. See page 21.
Unadjusted audit differences	<input checked="" type="checkbox"/> OK There have been no unadjusted Audit differences identified as a result of our work thus far.
Related parties	<input checked="" type="checkbox"/> OK Based on work performed to date, there were no significant matters that arose during the audit in connection with the entity's related parties.
Other matters warranting attention by the Joint Audit Committee	<input checked="" type="checkbox"/> OK Based on work performed to date, there were no matters to report arising from the audit that, in our professional judgment, are significant to the oversight of the financial reporting process.
Control deficiencies	<input checked="" type="checkbox"/> OK We communicated to management in writing all deficiencies in internal control over financial reporting of a lesser magnitude than significant deficiencies identified during the audit that had not previously been communicated in writing.
Actual or suspected fraud, noncompliance with laws or regulations or illegal acts	<input checked="" type="checkbox"/> OK Based on work performed to date, no actual or suspected fraud involving Group management, employees with significant roles in group-wide internal control, or where fraud results in a material misstatement in the financial statements identified during the audit.
Issue a report in the public interest	<input checked="" type="checkbox"/> OK We are required to consider if we should issue a public interest report on any matters which come to our attention during the audit. Based on work performed to date, we have not identified any such matters..

Note: Procedures in red font are not yet finalised.

Type	Response
Significant difficulties	<input checked="" type="checkbox"/> OK Based on work performed to date, no significant difficulties were encountered during the audit.
Modifications to auditor's report	<input checked="" type="checkbox"/> OK Our audit opinion will be disclaimed.
Disagreements with management or scope limitations	<input checked="" type="checkbox"/> OK The engagement team had no disagreements with management, and no scope limitations were imposed by management during the audit.
Other information	<input checked="" type="checkbox"/> OK Based on work performed to date, no material inconsistencies were identified related to other information in the statement of accounts.
Breaches of independence	<input checked="" type="checkbox"/> OK No matters to report. The engagement team and others in the firm, as appropriate, the firm and, when applicable, KPMG member firms have complied with relevant ethical requirements regarding independence.
Accounting practices	<input checked="" type="checkbox"/> OK Over the course of our audit, we have evaluated the appropriateness of the Group's accounting policies, accounting estimates and financial statement disclosures. Based on work performed to date, we believe these are appropriate.
Significant matters discussed or subject to correspondence with management	<input checked="" type="checkbox"/> OK No significant matters arising from the audit were discussed, or subject to correspondence, with management.
Certify the audit as complete	<input type="checkbox"/> X OK We have not yet certified the audit as complete because our work on WGA is outstanding.



# Fees

DRAFT

## Audit fee

Our fees for the year ending 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	53,510	59,746
*Value for money significant risk for Chief Constable of Cambridgeshire	TBC	
Police and Crime Commissioner for Cambridgeshire statutory audit	96,958	107,092
* Value for money significant risk for Police and Crime Commissioner for Cambridgeshire	TBC	
<b>TOTAL</b>	<b>150,468</b>	<b>166,838</b>

\*Fee variation to be agreed to cover additional work required and subject to PSAA's approval.

The above scale fee for FY2024/25 assume 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 fee variation process as outlined by the PSAA.

Expenses for vetting will be billed in due course.

## Billing arrangements

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

# 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 Director and audit staff is not impaired.

## To the Joint Audit Committee members

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

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.



# Confirmation of Independence (cont.)

- Internal accountability.
- Risk management.
- Independent reviews.

We are satisfied that our general procedures support our independence and objectivity [except for those detailed below where additional safeguards are in place].

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

### Summary of non-audit services

There are no non-audit services applicable.

## 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, as none have been provided in the year.

See page 17 for our fee breakdown.

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## Application of the FRC Ethical Standard 2019

Your previous auditors will have communicated to you the effect of the application of the FRC Ethical Standard 2019. That standard became effective for the first period commencing on or after 15 March 2020, except for the restrictions on non-audit and additional services that became effective immediately at that date, subject to grandfathering provisions.

AGN 01 states that when the auditor provides non-audit services, the total fees for such services to the audited entity and its controlled entities in any one year should not exceed 70% of the total fee for all audit work carried out in respect of the audited entity and its controlled entities for that year.

We confirm that as at 15 March 2020 we were not providing any non-audit or additional services that required to be grandfathered.

## 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 Joint Audit 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 director and audit staff is not impaired.

This report is intended solely for the information of the Joint Audit 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

# Uncorrected audit misstatements

DRAFT

Under UK auditing standards (ISA (UK) 260) we are required to provide the Joint Audit Committee with a summary of uncorrected audit differences (including disclosure misstatements) identified during the course of our audit, other than those which are 'clearly trivial', which are not reflected in the financial statements. In line with ISA (UK) 450 we request that you correct uncorrected misstatements. However, they will have no effect on the opinion in our auditor's report, individually or in aggregate. As communicated previously with the Joint Audit Committee, details of all adjustments greater than £176k for Group, £87.5k for PCC and £163k for CC are considered.

We have not identified any uncorrected audit misstatements as a part of our ongoing work at the time of issuing; however our work is still ongoing.



# Corrected audit misstatements

DRAFT

Under UK auditing standards (ISA (UK) 260) we are required to provide the Joint Audit Committee with a summary of corrected audit differences (including disclosures) identified during the course of our audit. The adjustments below have been included in the financial statements.

Corrected audit misstatements (£'000s)				
No.	Detail	SOCI Dr/(cr)	SOPF Dr/(cr)	Comments
1	Dr Other Comprehensive Income	£103,500k		<ul style="list-style-type: none"> <li>- We identified issues with the classification of an IFRIC 14 adjustment with respect to minimum funding obligations. The Chief Constable is committed to making deficit contributions in respect of past service to the LGPS with a present value of £103.5m. However, this additional liability was recorded against Police Staff and Pay Allowances, rather than within Other Comprehensive Income. This additional liability was also recorded in the accounts against the gross valuation of pension liabilities, rather than against the net surplus or deficit. There is therefore a reallocation within the breakdown of the SOCI, and a reallocation within the full pensions note, but not on the face of the SOPF itself. Please note that as there is also an IFRIC 14 adjustment for the Police &amp; Crime Commissioner, this adjustment may change once finalised.</li> </ul>
	Cr Police Staff Pay and Allowances	(£103,500k)		
	Dr Gross defined benefit obligations	-	£103,500k	
	Cr Net defined benefit obligations	-	(£103,500k)	
2	Dr Income from Fees and Charges	£3,200k,		<ul style="list-style-type: none"> <li>- We identified an issue within our Income from Fees and Charges testing that showed revenue from Government Grants had been misclassified as Fees and Charges, therefore overstating Fees and Charges and understating Government Grants. As this relates to the classification of income, the overall net impact on the accounts is nil. Please note that this is ongoing at the time of issuing, so the value of the adjustment may change once finalised.</li> </ul>
	Cr Government Grants and Contributions	(£3,200k)		
<b>Total</b>		-	-	



# Control Deficiencies

DRAFT

The recommendations raised as a result of our work in the current year are as follows:

## Priority rating for recommendations

- 1 Priority one:** issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.
- 2 Priority two:** issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.
- 3 Priority three:** issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.

#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date
1	2	<p><b>Journal review process</b></p> <p>We noticed that there is no enforced segregation of duties in journal review process. In addition, we identified 9 instances of miscodes between income and expenditure code, as well as one relating to a transposition error of the account code. These errors had been made due to a misinterpretation of the account code, and the error had not been identified in management review.</p> <p>We recommend that all journal postings should be subject to segregation of duties. Evidence should be retained to demonstrate who prepared the journal and who approved the journal. Approval should be by an authorised more senior member of the team than the preparer. In addition, management should ensure that all journals are subject to a thorough and robust review process. This should involve reviewing each journal before it is posted to the ledger, ensuring that all supporting evidence has been subject to appropriate review.</p>	<p>Management Response:</p> <p>To be confirmed</p>
2	2	<p><b>Related parties</b></p> <p>We observed that there is no formal process in place to identify whether a related party transaction could occur when entering a new contract or arrangement.</p> <p>We recommend that management use the register of interests as a tool to identify potential related party transactions when entering new agreements and contracts. Evidence should be retained to demonstrate this control has operated effectively throughout the year.</p>	<p>Management Response:</p> <p>We will discuss with Beds and Herts Finance Team, the anti corruption unit and also 7Force Procurement to establish where/if a check against related parties/ business interests can be identified at contract/ new arrangement stage. This ideally would be done at the procurement stage before supplier set up requests are made. The Business Interest Register is currently owned by the Anti Corruption Unit.</p> <p>Officer: BCH Heads of Finance</p> <p>Due Date: 31/03/2026</p>



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