



# Year End Report to the Joint Audit Committee

**The Police & Crime Commissioner for  
Bedfordshire and the Chief Constable for  
Bedfordshire Police**

**Year end report for the year ended 31 March 2024**

—  
February 2025

# Introduction

## To the Joint Audit Committee of The Police & Crime Commissioner for Bedfordshire and the Chief Constable for Bedfordshire Police

We are pleased to have the opportunity to meet with you on 27 February 2025 to discuss the results of our audit of the Police & Crime Commissioner for Bedfordshire (PCC) and the Chief Constable for Bedfordshire Police (CC), known in this report as “the Group” as at and for the year ended 31 March 2024.

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, presented on 22<sup>nd</sup> March 2024. We will be pleased to elaborate on the matters covered in this report when we meet.

## The engagement team

We expect to be in a position to sign our audit opinion on the approval of the financial statements and auditor’s representation letter by the 28 of February 2025, provided that the outstanding matters noted on page 6 of this report are satisfactorily resolved.

We will be issuing a disclaimer audit opinion for the reasons outlined on page 4.

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
- Status of our audit and the implications of the statutory backstop.

Yours sincerely,

Katie Henry

**Director – KPMG LLP**

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



# 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 Bedfordshire and the standalone financial statements of the Chief Constable for Bedfordshire Police, prepared in accordance with International Financial Reporting Standards ('IFRSs') as adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, as at and for the year ended 31 March 2024.

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 in the following reports:

- Planning Report – 22<sup>nd</sup> March 2024

## 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 and implications of the statutory backstop

Page 4 'Our audit and the implications of the statutory backstop' explains the impact of the statutory backstop and our resulting conclusion to issue a disclaimer opinion on the financial statements.

Our audit is now complete.

This report is addressed to the Police and Crime Commissioner for Bedfordshire (PCC) and the Chief Constable for Bedfordshire Police (CC). We take no responsibility to any member of staff acting in their individual capacities, or to third parties.

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.



# Our audit and the implications of the statutory backstop



## Measures to resolve the backlog

The Government has introduced measures to resolve the local government financial reporting and audit backlog. Amendments have been made to the Accounts and Audit Regulations and NAO's Code of Audit Practice which have allowed auditors to give disclaimed opinions over any open, incomplete audits up to the period ending 31 March 2023. These were required to be delivered by 13th December 2024. For Group, this has resulted in a disclaimed audit opinion for the financial year 2023/24.

Those same amendments to the Accounts and Audit Regulations require the Group to publish its audited 2023/24 financial statements and accompanying information on or before 28 February 2025. In accordance with the Code, as auditors we are required to provide our audit report on those financial statements in sufficient time to enable the Group to publish its audited financial statements by this date, irrespective of if the audit is complete or not.

The Appendix 'Local Audit - Reset and Recovery' provides more detailed information regarding this. The appendix also provides more detail on the implication of this in future audits, in respect of rebuilding assurance.

## Impact on our audit of the financial statements

The impact of the above means that for the financial year 2023/24 we have not been able to obtain sufficient appropriate audit evidence in respect of the 2023/24 opening balances and the comparatives balances relating to 2022/23. The work we have performed in 2023/24 is explained on the next page.

As explained in the previously referenced appendix, the level of rebuilding assurance has been limited in 2023/24 as we have determined that there is insufficient time to complete our audit to obtain sufficient appropriate audit evidence, and, in our view, this is pervasive to the financial statements as a whole.

As a result of the above and irrespective of the level of work completed on 2023/24 balances, we intend to issue a disclaimer opinion on the financial statements.

## Other matters

As required by the ISAs (UK) when we are disclaiming our audit opinion, our audit report will not report on other matters that we would usually report on, most notably the use of the going concern assumption in the preparation of the financial statements; the extent to which our audit was considered capable of detecting irregularities, including fraud; and whether there are material misstatements in the other information presented within the Statement of Accounts.

Although we are disclaiming our audit opinion we have, in this report, reported matters that have come to our attention and, where appropriate, we intend to include in our audit report.

## Value for Money

The amendments to the Accounts and Audit Regulations do not impact on our responsibilities in relation to the Group's Value for Money arrangements. We are responsible for forming a view on the arrangements that the Group has in place to secure economy, efficiency and effectiveness in its use of resources. Details are also available in our Auditor's Annual Report for 2023/24.

# Our audit and the implications of the statutory backstop



## Work completed in 2023/24

Our audit plan, presented to you on 22<sup>nd</sup> March 2024, set out our audit approach including our significant risks and other audit risks. We have updated our response to those significant risks, in the pages overleaf, identifying the work we have and have not been able to complete.

Although we are disclaiming our audit opinion, we have reported matters that have come to our attention during the audit and, where appropriate, we intend to include in our audit report.

Specifically in relation to 2023/24 we have completed our work on the following areas in addition to our planning and risk assessment work:

### Significant risks

- Management override of controls
- Valuation of post retirement benefit obligations
- Fraud risk from expenditure

### Other areas

- Income
- Expenditure and creditors
- Staff costs
- Cash and cash equivalent
- Going concern
- Other various areas of accounts

We have been unable to complete a full programme of work in relation to the following areas:

- Opening balances;
- Movements in usable and unusable reserves for the year ended 31 March 2024
- Valuation of land and buildings;
- Provision for accumulated absences
- Police pension fund accounting statements
- Remuneration disclosures
- Disclosure checklists

## Challenges with progressing work

As well as the impact of the backstop reported on the previous page we experienced some delays and challenges in responses to audit queries from the land and building valuer and differences identified in several floor areas.

We have considered the impact of this on our audit. As we do not received requested responses yet, we were not able to completed necessary testing. Considering the timing, we expect no further work to be done on valuations. Due to the nature of the audit opinion being issued this does not have a wider impact on our work, however, we will work with the finance team and the valuer to establish an agreed way of working for the 2024/25 audit to reduce the risk of similar delays occurring next year.



# Our audit findings

## Significant audit risks

Page 8-13

### Significant audit risks

### Our findings

Management override of controls

Our final procedures in respect of the risk are complete. We have no matters to report as a result of our work.

Valuation of post retirement benefit obligations

Our final procedures in respect of the risk are complete. We have no matters to report as a result of our work.

Fraud risk – expenditure recognition

Our final procedures in respect of the risk are complete. We have no matters to report as a result of our work.



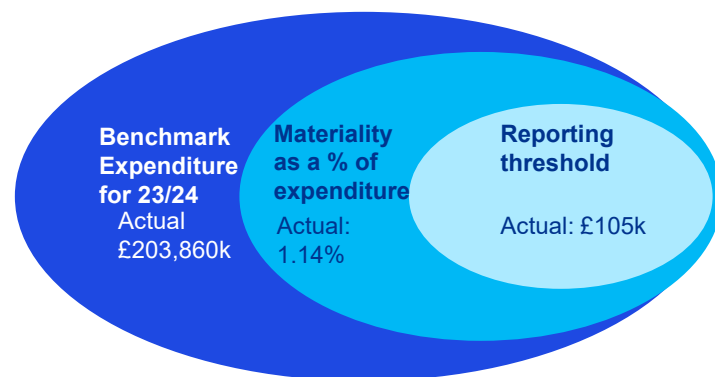
# Key changes to our audit plan

We have not made any changes to our audit plan as communicated to you on 22 March 2024, other than as follows (excluding the implications of the statutory backstop which are dealt with on page 4 and page 5:

## Materiality

Materiality for PCC has been revised because the change in the benchmark following risk re-assessment at the year end.

During the planning phase, the benchmark was initially set as total assets. However, it was later revised to total expenditure, which we deemed to be a more suitable focus for the users of the financial statements.





# Audit risks and our audit approach (cont.)

## 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 14) and have not identified any indicators of management bias in these nor did we identify any significant unusual transactions that impacted both our assessment or response to this area of significant risk.
- We assessed the underlying assumptions used to prepare accounting estimates.
- We evaluated the selection and application of accounting policies.
- We analysed all journals through the year end focused our testing on those with a higher risk, such as journals impacting non pay expenditure, journals impacting on borrowing and journals impacting on 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.)

## 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 findings

- We identified journal entries meeting our high- risk criteria and have not identified any issues with these journals.
- We noted that a formal IT process to ensure segregation of duties over journal postings and authorisation is not currently in place. Management have ultimate ownership over the journal postings and management perform a review of journals. The level of documentation of this review is not sufficient for us to place reliance on the control. We are aware that management have implemented a review process for all manual journals to provide an element of segregation but there is no restricted access or segregation of duties to posting & approving of journals. We have made no recommendation in respect of this control, but we are required to report this to you.
- Our procedures to identify high risk journal entries undertake testing of these journals is complete. Our procedures did not identify any significant unusual transactions. We have no 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 (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 CC.
- 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 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.
- Recent changes to market conditions have meant that more bodies 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 PCC



### Our response

We have performed the following procedures:

- 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;
- 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 the FIRS and the CIPFA Code of Practice;
- Considered the adequacy of the Group's disclosures in respect of the sensitivity of the deficit or surplus to these assumptions;
- Evaluated the design and implementation of controls in place for the Group to determine the appropriateness of the assumptions used by the actuaries in valuing the liability;



# 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 CC.
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Note: This risk is not applicable for PCC

### ⚙️ Our findings

- We were unable to identify a suitable and formal management control to respond to the significant risk of defined benefit obligations linked to estimation uncertainty. We have however considered management's response and consider it proportionate given the circumstances;
- For the police pension scheme, our specialists have assessed the overall assumptions used by the actuary to be balanced and within a reasonable range. All of the individual assumptions were assessed to be balanced with the exception of the mortality rates and CPI inflation rate. The demographic assumption was assessed as cautious but still within appropriate range. The CPI inflation rate was assessed as optimistic but again, still within appropriate range. As these are within the range and are a difference in estimation approach rather than an error, we have not requested that an amendment is made to the reported balance;
- For the LGPS pension scheme, our specialists have assessed the overall assumptions used by the actuary to be balanced and within a reasonable range. All of the individual assumptions were assessed to be balanced with the exception of the discount rate. This was assessed as optimistic but within appropriate range. As this is within the range and is difference in estimation approach rather than an error, we have not requested that an amendment is made to the reported balance;
- Our procedures to undertake testing of this account is complete. We have no further issues to report as a result of our work.



# Audit risks and our audit approach (cont.)

3

## Fraud risk from expenditure recognition

Liabilities and related expenses for purchases of goods or services are not completely identified and recorded



### Significant audit 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.
- The Group have a fiduciary duty to balance their annual budget. Where they do not meet the budget, this creates pressures on the usable reserves and this in turn provides a pressure on the following year's budget.
- We consider this would be most likely to occur through understating accruals, for example to push back expenditure to 2024-25 to mitigate financial pressures.

Note: This risk is not applicable for PCC



### Our response

We have performed the following procedures :

- We evaluated the design and implementation of controls for developing manual expenditure accruals at the end of the year to verify that they have been completely and accurately recorded;
- We inspected a sample of invoices of expenditure, in the period around 31 March 2024, to determine whether expenditure has been recognised in the correct accounting period and whether accruals are complete;
- We selected a sample of year end accruals and inspect evidence of the actual amount paid after year end in order to assess whether the accruals have been accurately recorded;
- We have performed a retrospective review of prior year accruals in order to assess the completeness with which accruals had been recorded at 31 March 2023 and consider the impact on our assessment of the accruals at 31 March 2024.
- We also compared the items that were accrued at 31 March 2023 to those accrued at 31 March 2024 in order to assess whether any items of expenditure not accrued for as at 31 March 2024 have been done so appropriately.



# Audit risks and our audit approach (cont.)

3

## Fraud risk from expenditure recognition

Liabilities and related expenses for purchases of goods or services are not completely identified and recorded



### Significant audit 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.
- The Group have a fiduciary duty to balance their annual budget. Where they do not meet the budget, this creates pressures on the usable reserves and this in turn provides a pressure on the following year's budget.
- We consider this would be most likely to occur through understating accruals, for example to push back expenditure to 2024-25 to mitigate financial pressures.

Note: This risk is not applicable for PCC



### Our finding:

- The Group has existing high level controls in place designed to detect the risk of misstatement of accruals (such as review of management accounts) and we understand that meetings take place to review budgets and expected spend versus actuals as at year-end as part of preparation of the financial statements. However, these controls are not formally documented, and lack the precision specified in order to meet the requirements per auditing standards. As such we have not been able to evaluate the effectiveness of these controls. The Group consider the existing controls to be proportionate to address the associated operational risk and we have not raised a formal recommendation in this regard. Since the control relates to a significant risk we are required to bring this to your attention.
- We sampled a number of invoices of expenditure and cash payments in the period around 31 March 2024, and did not identify any inappropriate entries.
- We performed a retrospective review (both through consideration of prior year accruals and through comparison to current year accruals), and did not identify any inappropriate entries.



# Key accounting estimates and management judgements – Overview



## 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
<b>LGPS defined benefit obligation</b>		<b>229,304</b>	<b>6,428</b>		<p>No indication of management bias has been indicated from our testing; the valuation is deferred to the administrator who provide them with a report which they directly input into the valuation.</p> <p>The net liability in the balance sheet is £7.7m. the assumptions that underpin the assets valuation are deemed to be balanced.</p>
<b>Police pension scheme defined benefit obligation</b>		<b>941,400</b>	<b>14,610</b>		<p>No indication of management bias has been indicated from our testing; the valuation is deferred to the administrator who provide them with a report which they directly input into the valuation.</p>



# Other matters

## Narrative report

While we are disclaiming our audit opinion and not reporting on the narrative report, we have identified the following based on the work performed:

- 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 Group's performance, model and strategy.

However, we note that we have not obtained sufficient appropriate audit evidence to issue an unmodified audit opinion. Due to this, and the possible consequential effect on the related disclosures in the Narrative Report, we are unable to determine whether there are material misstatements in the Narrative Report.

## Annual Governance Statement

While we are disclaiming our audit opinion and not reporting on the Annual Governance Statement, we have identified the following based on the work performed:

- We have completed the work to consider 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.

However note that we have not obtained sufficient appropriate audit evidence to issue an unmodified audit opinion. Due to this, and the possible consequential effect on the related disclosures in the Annual Governance Statement, we are unable to determine whether there are material misstatements in the Annual Governance Statement.

## 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 have confirmed that, for the Group, the threshold at which detailed testing is required has not been exceeded. We have not completed our work in respect of the WGA consolidation pack, until we have completed this work, we are unable to certify the we have completed the audit of the financial statements.

## 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

Refer to page 28 for more details.

# 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 Force's arrangements for securing economy, efficiency and effectiveness in its use of resources irrespective of the statutory backstop as explained on page 4.**

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 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.

## 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	One significant risk identified	No significant weaknesses identified
Governance	No significant risks identified	No significant weaknesses identified
Improving economy, efficiency and effectiveness	No significant risks identified	No significant weaknesses identified



# Value for money arrangements

## Financial sustainability

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

- The processes for setting the 2023/24 financial plan to ensure that it is achievable and based on realistic assumptions;
- How the 2023/24 efficiency plan was developed and monitoring of delivery against the requirements;
- Processes for ensuring consistency between the financial plan set for 2023/24 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

#### 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.

The Group formulate a “Medium Term Plan” (MTP) encompassing the financial implications of the known challenges encountered to maintain current operations whilst pursuing the goals and objectives. The MTP 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 MTP. 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 MTP undergo review and approval by the Force Executive Boards (FEB) and the Police and Crime Panel (PCP). 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 Performance Board and the FEB closely monitor and scrutinise the financial position and the funding gaps. Significant variances and cost-saving plans are subject to review and scrutiny by the FEB. Monthly budget monitoring reports are provided and present at monthly performance review meetings, where the budget performance undergoes detailed examination and review.

... *Continued*



# Value for money arrangements

## Financial sustainability

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

- The processes for setting the 2023/24 financial plan to ensure that it is achievable and based on realistic assumptions;
- How the 2023/24 efficiency plan was developed and monitoring of delivery against the requirements;
- Processes for ensuring consistency between the financial plan set for 2023/24 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*

Each budget manager will need to submit a written report to the Chief Financial Officer, detailing the estimated outturn against the budget on a line by line basis. This report should also provide explanations for any variations and propose remedial actions to address these variations.

The MTP presented in November highlighted a shortfall of between £2.6m and £4.2m in 2024/25, with projected funding gaps of approximately £3m per annum in subsequent years. Multiple iterations of the proposed budget have been evaluated, leading to adjustments to ensure a balanced budget presentation. The MTP underwent regular review and updates to reflect actual figures. In December, the MTP was revised to reflect the current economic situation and any movements, resulting in an improvement with gap reduced to £1.7m. For instance, the council tax rate increase does not meet the expectations, contributing to the widening of the funding gap. However, the improved funding position helped to mitigate this gap.

### **Risk assessment conclusion**

Based on the risk assessment procedures performed we have identified a significant risk associated with financial sustainability.

The underlying deficit, together with continued pressures within the wider economic including increased costs of living and inflation, means that **there is a significant risk** to being able to maintain financial sustainability in the medium term.



# Value for money arrangements

## Governance

In assessing whether there was a significant risk relating to governance we are reviewing

- Processes for the identification, monitoring and management of risk;
- Controls in place to prevent and detect fraud;
- The review and approval of the 2023/24 financial plan, including how financial risks were communicated;
- Processes for monitoring performance against budgets and taking actions in response to adverse variances;
- 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 decisions receive appropriate scrutiny.

### Summary of risk assessment

#### Risk management

The OPCC has a risk management process in place, which allows the OPCC to identify and monitor 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 sufficiently 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 17 and 18 for our assessment of these arrangements.

#### Framework of control and audit arrangements

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

The Group have in place the role profiles and BCH financial regulations, which are aligned to best practice and show clear delegated responsibilities. There are Terms of References for the sub- committee including Performance Board and Joint Audit Committee which are reviewed on regular basis to ensure they remain fit for purposes.

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

#### Decision Making

The OPCC operates under the oversight of governance boards responsible for managing and approving critical decisions. The decision making process is in line with Terms of References for each Committee. The key decisions made by the Joint Audit Committee and the Performance Board are reported to the Force Executive Board meetings.

The Police and Crime Panel scrutinise decisions made by the OPCC and the meetings are available for public to attend.

#### Risk assessment conclusion

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



# 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 are reviewing:

- The processes in place for assessing the level of value for money being achieved and where there are opportunities for these to be improved;
- How the performance of services is monitored and actions identified in response to areas of poor performance; and
- How the OPCC and CC engaged with other stakeholder and wider partners in development of the organisation.

### Summary of risk assessment

#### Planning and delivery of efficiency plans

The PCC have Priority Based Budgeting (PBB). This process entails identifying both demand pressures and potential savings, as well as evaluating service levels to determine where savings can be made or where enhancements are warranted while still achieving the objectives.

Budget savings are reported through monitoring reports presented to the Force Executive meetings. A comprehensive review of the 2023/24 Group's outturn report, indicates that savings and efficiencies are progressing well for the upcoming year, with ongoing efforts to develop saving proposals for future years underway.

#### Performance reporting

Performance is benchmarked to identify and drive improvements across all aspects of the PCC. Internal and external sources are used depending on the type of activity, including utilising outliers reports provided by CIPFA.

Performance of services at the PCC is considered at a wider range of meetings and sub- committees, with actions inherently considered as part of discussions at different levels.

#### Response to reports from regulators

The most recent police efficiency, effectiveness and legitimacy (PEEL) inspection was released in September 2024. The Group has proactively addressed the recommendations, primarily, concerning areas "Responding to the public". The Group's Learning, Demand and Futures Board provides governance for the Force's response to all areas for improvement and causes for concern in PEEL inspection reports.

#### Risk assessment conclusion

Based on the risk assessment procedures performed we have not identified a significant risk associated with improving economy, efficiency and effectiveness.



# Significant value for money risks

1

## Funding gap in MTFP

Risk that value for money arrangements may contain a significant weakness linked to financial sustainability



### Significant Value for Money Risk

#### Description

Upon reviewing the budget for FY 2024/25, we identified an estimated shortfall of £7,236k. However, this is expected to be offset through savings and increased grant funding. For FY 2025/26, a budget gap has been projected with further shortfall of £2,884k and £2,883k forecasted for FY 2026/27 and FY 2027/28, respectively.

While the FY 2024/25 budget achieves a balanced position, the funding gaps for FY 2025/26 and FY 2026/27 have increased by £1,884k and £1,883k compared to the forecasts outlined in the FY2023/24 budget.

The increased funding gap highlights a potential risk that the Group may not have sufficient arrangements in plan to effectively mitigate the shortfall in future years.



### Our response

#### Response

We will perform the following procedures:

- Evaluate the Group has developed appropriate savings and efficiency arrangements to mitigate funding gap in future years;
- Review budget monitoring reports in the period to year end, specifically considering the overspend during the year, if have any
- Review reserves strategy and assess whether sufficient reserves level is retained and if have any additional reserves need be utilized to mitigate funding gap



### Our findings

#### Findings

As outlined in the FY2023/ 24 budget, the Group planned to transfer £500k from the budget assistance reserve, which aligns with the actual year-end financial results. In the 2024/25 MTFP, no reserve usage was planned to address the funding gap. However, from FY 2025/26 onwards, the use of the budget assistance reserves will be necessary. A review of the reserve strategy indicates that the Group has estimated reserves at 3% of the net revenue budget which is deemed appropriate.

A review of the FY2023/24 outturn report indicates that an underspend of £425k was achieved, primarily driven by planned and managed savings within a specific project. This outcome demonstrates that the Group's budget and reserve strategy were effectively reflected in actual results and that the Group remains on track with its efficiency and saving plans.

#### Conclusion

Based on the findings above we have not identified any significant weaknesses in arrangement.

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ISA (UK) 600 Revised: summary of changes



# Local Audit - Reset and Recovery

## Background

It has been widely reported the level of delays in Local audit had grown to an unacceptable level. As a result, Central Government has been working with the Financial Reporting Council (FRC), as incoming shadow system leader and other system partners to develop proposals to address issues in the local audit. These consist of three stages:

Phase 1: **Reset** involving clearing backlog of historical audit opinions.

Phase 2: **Recovery** from Phase 1 in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycle.

Phase 3: **Reform** involving address systemic challenge in the local audit system and embedding timely financial reporting and audit.

## Implementation of Reset and Recovery

The Accounts and Audit (Amendment) Regulations 2024, introduced backstop dates by which local bodies must publish audited accounts and the NAO have also issued the revised 'Code of Audit Practice 2024' [Code of Audit Practice](#) that requires auditors to give an opinion in time to enable local bodies to comply with the backstop date. The table overleaf identifies the backstop dates and the status of your audits where impacted.

The NAO has also published Local Audit Rest And Recovery Implementation Guidance (LARRIGs), which have been prepared and published with the endorsement of the FRC and are intended to support auditors in meeting their requirements under the Act <https://www.nao.org.uk/code-audit-practice/guidance-and-information-for-auditors>



# Local Audit - Reset and Recovery

Financial year	Date
Up to 2022/23	13 December 2024
2023/24	28 February 2025
2024/25	27 February 2026
2025/26	31 January 2027
2026/27	30 November 2027
2027/28	30 November 2028

## Recovery period and audit work

The implication of receiving a disclaimed audit opinion for the financial year 2023/24 means that for the financial year 2023/24 we have not been able to rely on the opening balances from 2022/23.

To obtain sufficient appropriate audit evidence over opening balances, auditing standards identify two approaches. One of those is to use the working papers and other information available on the prior year audit file, which as noted above has not been possible as the outgoing auditor has not been able to complete their audit. An alternative approach is the performance of specific audit procedures to obtain evidence regarding opening balances.

The LARRIGs, in particular LARRIG 05 *Rebuilding assurance following a disclaimed audit opinion*, was only finally published in September 2024 and further guidance, mentioned in the LARRIG in the format of a case study was only released in December 2024.

We also note there is an ongoing sector wide process, convened by the Financial Reporting Council (FRC) with other stakeholders to determine the appropriate level of work to perform to obtain sufficient appropriate audit evidence over opening balances. This, along with the backstop date for 2022/23 being only 2 months prior to that of the 2023/24 period, has limited the extent of building back assurance that has been possible in 2023/24.

During our audit of 2023/24 we have completed certain work on the closing balances for 2023/24 and in year transactions (see pages 4 to 6) and this will contribute to rebuilding assurance.

The table overleaf identifies an indicative pathway to returning to an unmodified opinion. However, it must be noted this is only an indicative pathway and the speed of progress will depend on a range of factors including the level of work required to provide assurance on opening balances, in particular PPE balances and reserves balances.



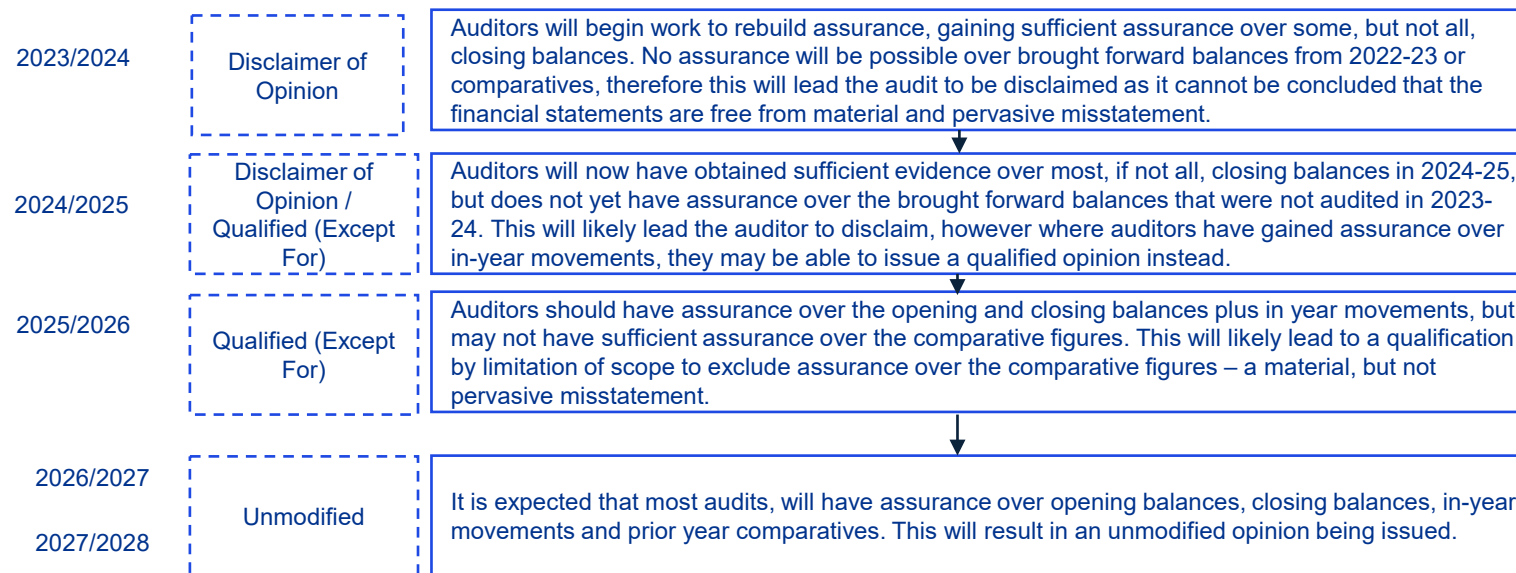
# Local Audit – Reset and Recovery

## Rebuilding assurance

Given the importance and complexity of reserves balances and management, a detailed risk assessment will be undertaken to understand the level of work required to obtain sufficient appropriate audit evidence on the reserves balances. As noted on the previous page, there is an ongoing sector wide process with other stakeholders to determine the appropriate level of work to perform to obtain sufficient appropriate audit evidence over opening balances.

We note there may be other factors which impact on the speed of this work – such as the support provided by the audited entity and availability and quality of audit evidence. Where such support is not provided and the availability and quality of audit evidence is not present this will significantly impact on the time taken to build back assurance and the likely cost of such a process in terms of audit fees. We note the challenges identified on page 5 regarding this year’s audit. As we complete our debrief with management, we can discuss how assurance can be gained on individual account balances and ultimately lead to a position that unmodified opinions can be issued in future years.

**Indicative pathway based is reproduced from the LARRIGs**





# Required communications

Our response to these required communications reflects the status of the audit at the point of the backstop.

Type	Response
<b>Our draft management representation letter</b>	<input checked="" type="checkbox"/> OK 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 2024
<b>Adjusted audit differences</b>	<input checked="" type="checkbox"/> OK There were nil adjusted audit differences.
<b>Unadjusted audit differences</b>	<input checked="" type="checkbox"/> OK There was one unadjusted audit differences that would impact the financial statement balances. There were immaterial disclosure errors within Note 15. They will have no effect on the opinion in the auditor's report, individually or in aggregate.
<b>Related parties</b>	<input checked="" type="checkbox"/> OK There were no significant matters that arose during the audit in connection with the entity's related parties
<b>Other matters warranting attention by the Joint Audit Committee</b>	<input checked="" type="checkbox"/> OK 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.
<b>Control deficiencies</b>	<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.
<b>Actual or suspected fraud, noncompliance with laws or regulations or illegal acts</b>	<input checked="" type="checkbox"/> OK No actual or suspected fraud involving the 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.
<b>Issue a report in the public interest</b>	<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. We have not identified any such matters.

Type	Response
<b>Significant difficulties</b>	<input checked="" type="checkbox"/> OK No significant difficulties were encountered during the audit.
<b>Modifications to auditor's report</b>	<input checked="" type="checkbox"/> OK Our audit opinion will be disclaimed.
<b>Disagreements with management or scope limitations</b>	<input checked="" type="checkbox"/> OK The engagement team had no disagreements with management and no scope limitations were imposed by management during the audit.
<b>Other information</b>	<input checked="" type="checkbox"/> OK No material inconsistencies were identified related to other information in the annual report, Strategic and Directors' reports. The Strategic report is fair, balanced and comprehensive, and complies with the law.
<b>Breaches of independence</b>	<input checked="" type="checkbox"/> OK No matters to report. The engagement team and others in the firm, as appropriate, have complied with relevant ethical requirements regarding independence.
<b>Accounting practices</b>	<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. In general, we believe these are appropriate.
<b>Significant matters discussed or subject to correspondence with management</b>	<input checked="" type="checkbox"/> OK No significant matters arising from the audit were discussed, or subject to correspondence, with management.
<b>Certify the audit as complete</b>	<input type="checkbox"/> X We have not yet certified the audit as complete because our work on WGA is outstanding.
<b>Provide a statement to the NAO on your consolidation schedule</b>	<input type="checkbox"/> X As the Group is below the reporting threshold we will not have to provide this report. As noted on page 15, we are not able to finalise our work in this area

# Fees

## Audit fee

Our fees for the year ending 31 March 2024 are set out in the PSAA Scale Fees communication and are shown below.

Entity - Police and Crime Commissioner for Bedfordshire (PCC)	2023/24 (£')
Statutory audit	87,037
*ISA 315r and ISA240	7,610
*Value for Money Significant Risk	3,936
*Opening balances and reporting	7,146
*Group accounts	7,292
<b>TOTAL</b>	<b>113,021</b>

Entity - Chief Constable of Bedfordshire (CC)	2023/24 (£')
Statutory audit	47,040
*ISA 315r and ISA240	3,318
*Value for Money Significant Risk	1,326
*Opening balances and reporting	2,107
<b>TOTAL</b>	<b>53,791</b>

\*These fees are subject to PSAA approval.  
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.
- As per PSAA's Scale Fees Consultation, the scale fees did not include new requirements of ISA315 revised (risk of material misstatement); or ISA 240 (auditor's responsibilities relating to fraud).
- Additional fees have been to the fees variation process as outlined 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 Partner and audit staff is not impaired.**

## To the Joint Audit Committee members

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

See page 28 for our fee breakdown.

## 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

Given we are disclaiming our audit opinion as described on page 4 there may be other audit misstatements our audit procedures would have identified if we completed our audit procedures as initially planned. In this section, we have reported uncorrected audit misstatements that we have identified.

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 Joint Audit Committee, details of all adjustments greater than £214k are shown below:

Uncorrected audit differences (£'000s)				
No.	Detail	CIES Dr/(cr)	Balance Sheet Dr/(cr)	Comments
1	Dr Long term borrowings		320	We noted that £320k within long term borrowings balance should be re-classified as current borrowing as the repayment dates are due within 12 months.
	Cr Short term creditors		(320)	
<b>Total</b>		<b>0</b>	<b>0</b>	

We also identified presentation adjustments on Note 12 Property, Plant and Equipment.

# Control Deficiencies



Although we are disclaiming our audit opinion we have reported recommendations 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	<b>3</b>	<p>Preparation and review of fixed asset register reconciliation</p> <p>We noted that whilst management prepare the fixed asset register reconciliation at the year end, the reconciliation is not reviewed to ensure all additions, disposals and revaluation adjustments are correctly included.</p> <p>We recommended that management prepare and review fixed asset reconciliations on a timely basis. The management should maintain the full audit trail of documentation evidencing the date of preparation and review of the reconciliations in particular of any reconciling items.</p>	<p>Management response: The fixed asset register will be reviewed and this stage in the closure process will be incorporated into the closedown timetable with a full audit trail maintained.</p> <p>Responsible Officer: Principal Accountant- Hannah Broadbank</p> <p>Due date: 1<sup>st</sup> June 2025</p>



# ISA (UK) 240 Revised: changes embedded in our practices

## Ongoing impact of the revisions to ISA (UK) 240

ISA (UK) 240 (revised May 2021, effective for periods commencing on or after 15 December 2021) The auditor's responsibilities relating to fraud in an audit of financial statements included revisions introduced to clarify the auditor's obligations with respect to fraud and enhance the quality of audit work performed in this area. These changes are embedded into our practices and we will continue to maintain an increased focus on applying professional scepticism in our audit approach and to plan and perform the audit in a manner that is not biased towards obtaining evidence that may be corroborative, or towards excluding evidence that may be contradictory.

We will communicate, unless prohibited by law or regulation, with those charged with governance any matters related to fraud that are, in our judgment, relevant to their responsibilities. In doing so, we will consider the matters, if any, to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud.

## Matters related to fraud that are, in our judgement, relevant to the responsibilities of Those Charged with Governance

Our assessment of the risks of material misstatement due to fraud may be found on page 12 and page 13. We also considered the following matters required by ISA (UK) 240 (revised May 2021, effective for periods commencing on or after 15 December 2021) *The auditor's responsibilities relating to fraud in an audit of financial statements*, to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud:

- Concerns about the nature, extent and frequency of management's assessments of the controls in place to prevent and detect fraud and of the risk that the financial statements may be misstated.
- A failure by management to address appropriately the identified significant deficiencies in internal control, or to respond appropriately to an identified fraud.
- Our evaluation of the entity's control environment, including questions regarding the competence and integrity of management.
- Actions by management that may be indicative of fraudulent financial reporting, such as management's selection and application of accounting policies that may be indicative of management's effort to manage earnings in order to deceive financial statement users by influencing their perceptions as to the entity's performance and profitability.
- Concerns about the adequacy and completeness of the authorization of transactions that appear to be outside the normal course of business.

Based on our assessment, we have no matters to report to Those Charged with Governance



# ISA (UK) 315 Revised: changes embedded in our practices

## Summary

**In the prior period, ISA (UK) 315 Revised “Identifying and assessing the risks of material misstatement” was introduced and incorporated significant changes from the previous version of the ISA.**

These were introduced to achieve a more rigorous risk identification and assessment process and thereby promote more specificity in the response to the identified risks. The revised ISA was effective for periods commencing on or after **15 December 2021**.

The revised standard expanded on concepts in the existing standards but also introduced new risk assessment process requirements – the changes had a significant impact on our audit methodology and therefore audit approach.

### What impact did the revision have on audited entities?

With the changes in the environment, including financial reporting frameworks becoming more complex, technology being used to a greater extent and entities (and their governance structures) becoming more complicated, standard setters recognised that audits need to have a more robust and comprehensive risk identification and assessment mechanism.

The changes result in additional audit awareness and therefore clear and impactful communication to those charged with governance in relation to (i) promoting consistency in effective risk identification and assessment, (ii) modernising the standard by increasing the focus on IT, (iii) enhancing the standard’s scalability through a principle based approach, and (iv) focusing auditor attention on exercising professional scepticism throughout risk assessment procedures.

### Implementing year 1 findings into the subsequent audit plan

Entering the second year of the standard, the auditors will have demonstrated, and communicated their enhanced insight into their understanding of your wider control environment, notably within the area of IT.

In year 2 the audit team will apply their enhanced learning and insight into providing a targeted audit approach reflective of the specific scenarios of each entity’s audit.

A key area of focus for the auditor will be understanding how the entity responded to the observations communicated to those charged with governance in the prior period.

Where an entity has responded to those observations a re-evaluation of the control environment will establish if the responses by entity management have been proportionate and successful in their implementation.

Where no response to the observations has been applied by entity, or the auditor deems the remediation has not been effective, the audit team will understand the context and respond with proportionate application of professional scepticism in planning and performance of the subsequent audit procedures.

### What will this mean for our on-going audits?

To meet the on-going requirements of the standard, auditors will each year continue to focus on risk assessment process, including the detailed consideration of the IT environment.

Subsequent year auditor observations on whether entity actions to address any control observations are proportionate and have been successfully implemented will represent an on-going audit deliverable.

Each year the impact of the on-going standard on your audit will be dependent on a combination of prior period observations, changes in the entity control environment and developments during the period. This on-going focus is likely to result in the continuation of enhanced risk assessment procedures and appropriate involvement of technical specialists (particularly IT Audit professionals) in our audits which will, in turn, influence auditor remuneration.



# ISA (UK) 600 Revised: Summary of changes



**Summary**

ISA (UK) 600 (Revised): Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors) is effective for periods commencing on or after 15 December 2023.

The new and revised requirements better aligns the standard with recently revised standards such as ISQM 1, ISA (UK) 220 (Revised) and ISA (UK) 315 (Revised). The revisions also strengthen the auditor’s responsibilities related to professional scepticism, planning and performing a group audit, two-way communications between the group auditor and component auditors, and documentation.

Area	Summary of changes and impact	Effect on audit effort
Risk-based approach	The nature and extent of risk assessment procedures performed by the group auditor at group level may increase, which may include further inquires of group and/or component management and those charged with governance; analytical procedures, attendance of walkthroughs at components, and inspection and/or observation of additional component information. Consequently, while we will continue to work across the group audit to be as efficient in our interactions with you as possible, group and component management will typically receive additional, and more specific/granular requests, for information from both the group and component auditors.	
Group auditor responsibilities	Through a more targeted audit response to address the group Risks of Material Misstatement, we may perform audit work and communicate with component management at a greater number of components within the group, and we may request less information from component management at certain components where we previously performed full scope audits for the Group audit, if we determine that a full scope audit is no longer necessary. While statutory audit requirements will still apply, this change may be beneficial for overall audit effort where a statutory audit is not required.	
Flexibility in defining components	You may also see changes in the planned scope and timing of the audit in communications to group management and those charged with governance, such as changes to the identification of components and the work to be performed on their financial information, and/or changes to the nature of the group auditor’s planned involvement in the work to be performed by component auditors. The impact will be greater where there are more components.	
Quality management	Enhanced leadership, direction, supervision and review responsibilities of the group engagement partner may result in the group engagement partner needing to engage more extensively with group management, your component management and component auditors throughout the audit.	
Robust communication	If the group auditor determines that the increased work effort is needed, this determination will impact how much, and the type of, information you will need to provide to the group auditor or component auditors. The group auditor is required to prescribe required work at a more granular level. This may mean there is increased work for component auditors, particularly in year one, to align the requirements of the group audit and local statutory audits. We will continue to work closely to minimise this.	
Application of materiality and aggregation risk	Changes in component performance materiality may result in changes to the nature, timing and extent of component auditor’s work. If so, this may impact how much, and the type of, information you will need to provide to the group auditor or component auditors.	
Revised independence principles	This may make it more challenging to address auditor rotation and other independence requirements for component auditors we may plan to involve in the group audit and mean more matters impacting independence may need to be communicated to you. Potential changes to the component auditor firms engaged to perform work on financial information of components.	





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The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

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