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

Draft Audit Results Report

Year ended 31 March 2025

December 2025

Office of the Police and Crime Commissioner for Surrey / Chief Constable for Surrey
PO Box 412
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Surrey
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1 December 2025

Dear Commissioner and Chief Constable

2024/25 Draft Audit Results Report

We attach our draft audit results report, summarising the status of our audit for the forthcoming meeting of the Joint Audit Committee. We will update the Audit Committee at its meeting scheduled for 12 December 2025 on further progress to that date and explain the remaining steps to the issue of our final opinion.

The audit is designed to express an opinion on the 2024/25 financial statements and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit emphasis, our views on the Police and Crime Commissioner for Surrey Groups' (the PCC and CC's) accounting policies and judgements and material internal control findings. Each year sees further enhancements to the level of audit challenge, the exercise of professional judgement and the quality of evidence required to achieve the robust professional scepticism that society expects. We thank the management team for supporting this process.

The Police and Crime Commissioner and Chief Constable, as those charged with governance, have an essential role in ensuring that they have assurance over both the quality of the draft financial statements prepared by management and the wider arrangements to support the delivery of a timely and efficient audit. We consider and report on the adequacy of external financial reporting arrangements and the effectiveness of those charged with governance in fulfilling their role in those arrangements as part of our assessment of Value for Money arrangements; and consider the use of other statutory reporting powers to draw attention to weaknesses in those arrangements where we consider it necessary to do so. We draw those charged with governance's and officers' attention to the Public Sector Audit Appointment Limited's Statement of Responsibilities (paragraphs 26-28) which clearly sets out what is expected of audited bodies in preparing their financial statements.

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

We welcome the opportunity to discuss the contents of this report with you at the Joint Audit Committee meeting on 12 December 2025.

Yours faithfully

Kevin Suter

Partner, For and on behalf of Ernst & Young LLP

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Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits)

The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment and further guidance (updated July 2021)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code), and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the PCC, CC, Joint Audit Committee and management of Surrey Police in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the PCC, CC, Joint Audit Committee and management of Surrey Police those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the PCC, CC, Joint Audit Committee and management of Surrey Police for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.

01 Executive Summary

Executive Summary – Context for the audit

Context for the audit - Measures to address local audit delays

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

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

MHCLG has worked collaboratively with the FRC and other system partners, to develop and implement measures to clear the backlog. The approach to addressing the backlog consists of three phases:

- Phase 1: Reset involving clearing the backlog of historic audit opinions up to and including financial year 2022/23 by 13 December 2024. This has now been delivered.
- Phase 2: Recovery from Phase 1, starting from 2023/24, in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycles. The backstop date for audit of the 2024/25 financial statements is 27 February 2026. This process of rebuilding assurance will take several years to achieve. The NAO, supported by the MHCLG and the FRC, are responsible for issuing guidance and have been liaising with audit firms to understand the complexities involved and to seek to ensure a more consistent approach for restoring assurance for disclaimed periods. The NAO has now published its Local Audit Reset and Recovery Implementation Guidance (LARRIG) 06 setting out considerations for rebuilding assurance following the issue of disclaimed audit opinions under the backstop arrangements. The guidance predominantly focuses on the rebuilding of assurance over reserves, where it is more difficult to obtain assurance because of the way in which they accumulate over successive years. It also continues to recognise that the approach needed to rebuild assurance will differ authority to authority and will need to be considered in the context of both inherent risk factors which all authorities subject to recently disclaimed opinions will share, and factors specific to each individual authority's system of internal control and financial reporting. We will continue to consider the impact of this on our audit approach. In 2024/25 we have continued to audit the closing balance sheet and in-year transactions, which allows the build back of assurances over a large number of balances within the financial statements where audit procedures can be completed for successive years.
- Phase 3: Reform involving addressing systemic challenges in the system and embedding timely financial reporting and audit.

As reported in our 20/02/2025 Audit Results Report we issued a disclaimer of opinion on the PCC and CC's 2023/24 financial statements, and the PCC and CC's 2022/23 financial statements under these arrangements to reset and recover local government audit.

In 2024/25, we have continued to audit the closing balance sheet and in-year transactions. Although the level of assurance gained has increased, we have not yet obtained sufficient evidence to have reasonable assurance over all in-year movements and closing balances. As a result of the disclaimer of opinion on the 2023/24 financial statements, we do not have assurance over some brought forward balances from 2023/24 where we did not gain assurance (the opening balances). This means we do not have assurance over all 2024/25 in-year movements and the comparative prior year movements. We also do not have assurance over all the 2023/24 comparative balances disclosed in the 2024/25 financial statements. However, we note that the balances for which assurance is unlikely to be obtained is limited to the Reserves balances. Taking into account the requirement to conclude our work by the 2024/25 back stop date, we will not be able to rebuild assurance over these balances as part of the 2024/25 audit. We are considering the form of the audit report, and whether we can move from a disclaimer to a qualified 2024/25 audit opinion.

Appendix A sets out the current position of the Police & Crime Commissioner for Surrey and Chief Constable for Surrey Police in rebuilding to return to a position of full assurance on its financial statements as compared with the timeline envisaged by the NAO's LARRIG 01. This is informed by the summary of the assurances we have gained from our 2023/24 and 2024/25 audit procedures, set out at Appendix B.

Executive Summary – Context for the audit

Scope update

In our Audit Planning Report presented at the 31 March 2025 Joint Audit Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with the following exceptions:

Changes in materiality

In our Audit Planning Report, we communicated that our audit procedures would be performed using a materiality as follows:

	Group	PCC	CC
Materiality basis	2% of 2023/24 gross expenditure on provision of services	2% of 2023/24 gross assets	2% of 2023/24 gross expenditure on provision of services
Planning materiality	£5.9m	£5m	£5.8m
Performance materiality	£4.5m	£3.8m	£4.3m
Audit differences threshold	£0.3m	£0.25m	£0.29m

We updated our planning materiality assessment using the draft consolidated results and have also reconsidered our risk assessment. Based on our materiality measurements, we have updated our overall materiality assessment to the following:

	Group	PCC	CC
Materiality basis	2% of 2024/25 gross expenditure on provision of services	2% of 2024/25 gross assets	2% of 2024/25 gross expenditure on provision of services
Planning materiality	£6.3m	£5.6m	£6.1m
Performance materiality	£4.7m	£4.2m	£4.6m
Audit differences threshold	£0.3m	£0.28m	£0.3m

Executive Summary (cont’d)

Status of the audit

Our audit work in respect of the PCC and CC opinion is ongoing. Details of each outstanding item, actions required to resolve and responsibility is included in Appendix D.

Given that the audit process is still ongoing, we will continue to challenge the remaining evidence provided and the final disclosures in the Annual Report and Accounts which could influence our final audit.

Value for Money

In our Audit Planning Report dated 10 March 2025, we reported that we had not completed our value for money (VFM) risk assessment. We have since completed our VFM risk assessment and identified no risks of significant weakness in arrangements. Having updated and completed the planned procedures in these areas we did not identify a significant weakness. See Section 03 of the report for further details.

Audit differences to date

- Uncorrected misstatements of £750k where a VAT invoice relating to 2024/25 was not included in the 2024/25 financial statements
- Corrected misclassification errors of £6,486k where items had incorrectly been classified as creditors instead of reserves.
- In addition to the above, disclosure misstatements have been identified, including typographical misstatements. These have been adjusted within the financial statements.

Other reporting issues

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

We have not yet completed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts.

Executive Summary (cont'd)

Areas of audit focus

In our Audit Planning Report we identified a number of key areas of focus for our audit of the financial report of the PCC and CC. This report sets out our observations and status in relation to these areas, including our views on areas which might be conservative and areas where there is potential risk and exposure. Our consideration of these matters and others identified during the period is explained within the 'Areas of Audit Focus' section of this report and summarised below.

Risk	Status of our work
Misstatement due to fraud or error – management override of controls	We are still completing our work on journals testing where we have had to ask some follow up questions or clarify the evidence requested. We have not identified any issues or misstatements to date.
Risk of fraud in revenue and expenditure recognition, through inappropriate capitalisation of revenue expenditure	We have completed our testing and have not identified any misstatements or instances of inappropriate capitalisation of costs. However, we note that our testing of significant journals transferring expenditure from revenue to capital codes on the general ledger at the end of the year remains ongoing.
Implementation of IFRS 16 from 1st April 2024	We are still completing our work on the implementation of IFRS 16.
Valuation of land and buildings (including investment properties)	We are still completing our work on the land and property valuations.
Pension liability valuation	We are still completing our work on the pension liability valuation.

We request that you review these and other matters set out in this report to ensure:

- There are no further considerations or matters that could impact these issues
- You concur with the resolution of the issue
- There are no further significant issues you are aware of to be considered before the financial report is finalised

There are no matters, other than those reported by management or disclosed in this report, which we believe should be brought to the attention of the Police and Crime Commissioner, Chief Constable, Joint Audit Committee or Management.

Executive Summary (cont’d)

Control observations

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

As part of our work, we have obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of the testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control identified during our audit.

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

However, during the audit we identified observations and improvement recommendations in relation to management’s financial processes and controls for the following issues:

- Preparation of Creditors Listings at Year-End: As part of our audit testing of creditors, we experienced difficulties in obtained breakdowns of creditors balances, clearly showing the outstanding amount at 31 March 2025. On review, these contained some items that should not have been classified as creditors for 2024/25. When listings cannot be provided, this can require additional or alternative procedures to be performed which exceeds those initially planned.

Independence

Please refer to Section 08 for our update on Independence. We have identified no matters that impact on our independence and objectivity.

Executive Summary (cont'd)

Factors impacting the execution of the audit

Management, and the Police and Crime Commissioner and Chief Constable, as the PCC and CC's body charged with governance, have an essential role in supporting the delivery of an efficient and effective audit. Our ability to complete the audit is dependent on the timely formulation of appropriately supported accounting judgements, provision of accurate and relevant supporting evidence, access to the finance team and management's responsiveness to issues identified during the audit. The table below sets out our views on the effectiveness of the PCC and CC's arrangements to support external financial across a range of relevant measures, based on the current status of the audit.

Area	Status (R / A / G)	Explanation	Further detail
Timeliness of the draft financial statements	Effective	The financial statements were published by the 30th June 2025 deadline set out in the Accounts and Audit Regulations.	N/A
Quality and completeness of the draft financial statements	Effective	Whilst numerous typographical errors were identified in the draft financial statements, we did not identify a significant number of material internal inconsistencies or arithmetic errors in the draft financial statements. The typographical errors were not fundamental to the understanding of users of the financial statements. However, we observe that these could have been reduced by a more thorough proof-read prior to publication.	N/A
Delivery of working papers in accordance with agreed client assistance schedule	Requires improvement	Working papers were not provided to the agreed timetable. During the opinion audit, there were several occasions where the working papers weren't produced on time, making the audit inefficient.	Emails were sent to the finance team to chase the outstanding requests on a regular basis.
Quality of working papers and supporting evidence	Effective	Working papers and supporting evidence were generally of a good standard.	N/A
Timeliness and quality of evidence supporting key accounting estimates	Effective	We are still auditing Property, Plant & Equipment (PPE) and are in discussions with the PPE valuer.	N/A
Access to finance team and personnel to support the audit in accordance with agreed project plan	Effective	Generally, there were no issues with access to the finance team and key personnel.	N/A
Volume and value of identified misstatements	Effective	To date, no material misstatements were detected as a result of our work which have been corrected by management.	N/A
Volume of misstatements in disclosure	Effective	A relatively small number of misstatements in disclosure were detected in our work.	N/A

02 Areas of Audit Focus

Areas of Audit Focus

Misstatement due to fraud or error – management override of controls (Fraud risk)

What is the risk, and the key judgements and estimates?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

We identify and respond to this fraud risk on every audit engagement.

What is the status of our work?

Our audit work in this area is ongoing.

We have not yet completed our testing in respect of estimates, but we have not identified any indications of management bias to date.

Our testing of journal entries for proper posting for genuine business reasons is ongoing.

From the work performed to date, we have not identified any material issues, inappropriate judgements or significant unusual transactions which indicated that there had been any misreporting of the PCC or CC's financial position, or that management had overridden control.

Our response to the key areas of challenge and professional judgement

In response to this risk, we undertook the following procedures:

- We identified fraud risks during the planning stages.
- We inquired of management about risks of fraud and the controls put in place to address those risks.
- We gained an understanding of the oversight given by those charged with governance of management's processes over fraud.
- We discussed with those charged with governance the risks of fraud in the entity, including those risks that are specific to the entity's business sector (those that may arise from economic industry and operating conditions).
- We considered whether there were any fraud risk factors associated with related party relationships and transactions and if so, whether they gave rise to a risk of material misstatement due to fraud.
- We considered the effectiveness of management's controls designed to address the risk of fraud.
- We determined an appropriate strategy to address those identified risks of fraud.
- We performed mandatory procedures regardless of specifically identified fraud risks, including:
    - Testing of journal entries and other adjustments in the preparation of the financial statements.
    - Undertaking procedures to identify significant unusual transactions.
    - Considering whether management bias was present in the key accounting estimates and judgments in the financial statements.

What else did we do?

As part of our risk evaluation, we considered whether we need to perform other audit procedures not referred to above. We concluded that those procedures included under 'Inappropriate capitalisation of revenue expenditure' are required.

Areas of Audit Focus (cont'd)

Risk of fraud in revenue and expenditure recognition, through inappropriate capitalisation of revenue expenditure (Fraud risk)

What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

We have assessed the risk is most likely to occur through the inappropriate capitalisation of revenue expenditure.

Our response to the key areas of challenge and professional judgement

In response to this risk, we undertook the following procedures:

- We tested Property, Plant and Equipment (PPE) / Investment Property (IP) additions to ensure that the expenditure incurred and capitalised is clearly capital in nature.
- We assessed whether the capitalised spend clearly enhances or extends the useful like of asset rather than simply repairing or maintaining the asset on which it is incurred.
- We considered whether any development or other related costs that have been capitalised are reasonable to capitalise i.e. the costs incurred are directly attributable to bringing the asset into operational use.
- We sought to identify and understand the basis for any significant journals transferring expenditure from revenue to capital codes on the general ledger at the end of the year.

What is the status of our work?

Subject to the review process, we have completed our testing of Property, Plant and Equipment and Investment Property additions and have not identified any evidence of inappropriate capitalisation of revenue expenditure.

Based on our sample testing of PPE and IP additions, we have not identified any instances where costs were not capital in nature, i.e. addition costs were directly attributable to the assets.

Our work over significant journals transferring expenditure from revenue to capital codes on the general ledger at the end of the year remains ongoing.

Areas of Audit Focus (cont'd)

Implementation of IFRS 16 from 1st April 2024 (Risk of Material Misstatement)

What is the risk?

IFRS 16 Leases is applicable in local government for periods beginning 1 April 2024. It has been adopted, interpreted and adapted in the 2024/24 CIPFA Code of Practice on Local Authority Accounting which sets out the financial reporting framework for the PCC, CC and Group 2024/25 accounts.

IFRS 16 eliminates the operating/finance lease distinction for leases and imposes a single model geared towards the recognition of all but low-value or short-term leases. Where the PCC, CC or Group is lessee these will now be recognised on the Balance Sheet as a 'right of use' asset and lease liability reflecting the obligation to make lease payments.

Successful transition will depend on the PCC, CC and Group having captured additional information about leases, both new and existing, especially regarding future minimum lease payments. The PCC, CC and Group will also have had to develop systems for capturing cost information that are fit for purpose, can respond to changes in lease terms and the presence of any variable (e.g. RPI-based) lease terms where forecasts will need to be updated annually based on prevailing indices.

Our response to the key areas of challenge and professional judgement

In response to this risk, we undertook the following procedures:

- We gained an understanding of the processes and controls developed by the PCC, CC and Group relevant to the implementation of IFRS 16. We paid particular attention to the PCC, CC and Group's arrangements to ensure lease and lease-type arrangements considered were complete.
- We reviewed the discount rate that is used to calculate the right of use asset and assess its reasonableness.
- We reviewed management policies, including whether a portfolio approach and / or low value threshold was used, and asset classes where management adopted the practical expedient to non-lease components.
- We gained assurance over the right of use asset included in the 2024/25 financial statements.
- We sample tested leases to ensure that transition arrangements have been correctly applied.
- We considered the accounting for leases provided at below market rate, including peppercorn and nil consideration, and the need to make adjustments to cost in the valuation of right of use assets at the balance sheet date.
- We considered the disclosures which have been included in the PCC financial statements to ensure compliance with the CIPFA Code of Practice of Local Authority Accounting requirements.

What is the status of our work?

Our work in this area is well progressed and is subject to final review.

We have completed the testing listed above and we are satisfied with the processes and controls developed by the PCC, CC and Group relevant to the implementation of IFRS 16.

Management are correcting a peppercorn lease that was still classified as PPE. We are waiting for details of the final adjustments.

Areas of Audit Focus (cont'd)

Valuation of land & buildings (including investment properties) (Risk of Material Misstatement)

What is the risk?

The value of land and buildings in PPE represent significant balances in the financial statements and are subject to valuation changes and impairment reviews.

Management is required to make a high degree of material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the Balance Sheet.

The PCC continues to engage an external valuation expert to support the valuation of these assets. As this is one of the largest accounting estimates on the balance sheet, and one dependent on a high degree of subjectivity, we deem the valuation of land and buildings to represent an inherent risk of material misstatement.

What is the status of our work?

Our work on the valuation of PPE and IP is still ongoing.

We have confirmed that all land & building assets were subject to either a full revaluation or indexation revaluation in 2024/25.

Our work carried out to date showed:
• We gained assurance of the PCC's valuer, including the scope of the work they performed, their professional capabilities and the results of their work.
• We concluded that the annual cycle of valuations ensured that assets were valued at least every 5 years.
• The economic lives used was in line with our expectations.

We are waiting for confirmation from management on the final valuation of Mount Browne.

We are waiting for clarification from management on how Reigate Police Station will be classified.

Our response to the key areas of challenge and professional judgement

In response to this risk, we undertook the following procedures:

- We considered the work performed by Surrey Police's valuers (Wilks, Head & Eve), including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- We considered the appropriateness of key assumptions used to inform the valuation and of the basis on which the valuation has been undertaken e.g. yield, or other comparable market evidence;
- We sample tested key asset information used by the valuers in performing their valuation (e.g. income, floor areas to support market rate basis of valuation);
- We considered the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE and annually for IP. We also considered if there were any specific changes to assets that have occurred and whether these have been communicated to the valuer;
- We reviewed any properties not subject to valuation in 2024/25 to confirm that the remaining asset base was not materially misstated;
- We considered changes to useful economic lives as a result of the most recent valuation; and
- We tested accounting entries have been correctly processed in the financial statements.

What else did we do and further relevant information

Our testing followed a fully substantive approach and considered the judgements and assumptions employed by the PCC's valuer.

We understood the valuation methodology applied by the PCC's valuer and considered whether we were required to employ an EY Specialist valuer to support out audit procedures. We determined that it was necessary to employ such a specialist.

Areas of Audit Focus (cont'd)

Pension liability calculation (Risk of Material Misstatement)

What is the risk?

The Local Authority Accounting Code of Practice and IAS19 requires the PCC, CC and Group to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme (LGPS) administered by Surrey County Council, in which it is an admitted body. The CC must do likewise in respect of the Police Pension Fund.

The PCC, CC and Group pension fund deficits are material estimated balances, and the Code requires that this liability be disclosed on the PCC, CC and Group balance sheets. At 31 March 2025 this totalled £1,308 million.

The information disclosed is based on the IAS 19 report issued to the PCC, CC and Group by the actuary to the Surrey County Council and the Police Pension Fund.

Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

Our response to the key areas of challenge and professional judgement

In response to this risk, we undertook the following procedures:

- We liaised with the auditors of Surrey County Council Pension Fund, to obtain assurances over the information supplied to the actuary in relation to the PCC, CC and Group
- We considered the work performed by LGPS actuary and the Police Pension Fund (PPF) actuary, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work
- We assessed the work of the pension fund actuary (Barnet Waddingham) and the Police Pension fund (GAD) including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all local government sector auditors, and considering any relevant reviews by the EY actuarial team
- We evaluated the reasonableness of the Pension Fund actuary's calculations by comparing them to the outputs of our own auditor's specialist's model; and
- We reviewed and tested the accounting entries and disclosures made within the PCC, CC and Group financial statements in relation to IAS19.

What are our conclusions?

We employed the services of an EY pensions specialist to review the PCC and CC's IAS 19 reports and run a parallel actuarial model which was compared to that produced by Barnet Waddingham and GAD. No misstatements have been identified as a result of this work performed by our EY pensions specialist.

We have recently received the required assurances from the auditors of Surrey County Council Pension Fund. We are still working through the results and implications of their communicated findings.

Some disclosure misstatements were identified in the completion of our testing in this area. However, these have no impact on the overall pension liability balance recorded on the Balance Sheet.

03 Value for Money

Value for Money

The Authority's responsibility for Value for Money (VFM)

The PCC and CC are required to maintain an effective system of internal control that supports the achievement of their policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at their disposal.

As part of the material published with the financial statements, the PCC and CC are required to bring together commentary on their governance framework and how this has operated during the period in a governance statement. In preparing their governance statement, the PCC and CC tailor the content to reflect their own individual circumstances, consistent with the requirements set out in the NAO Code of Audit Practice. This includes a requirement to provide commentary on arrangements for securing value for money from their use of resources.

Risk assessment and status of our work

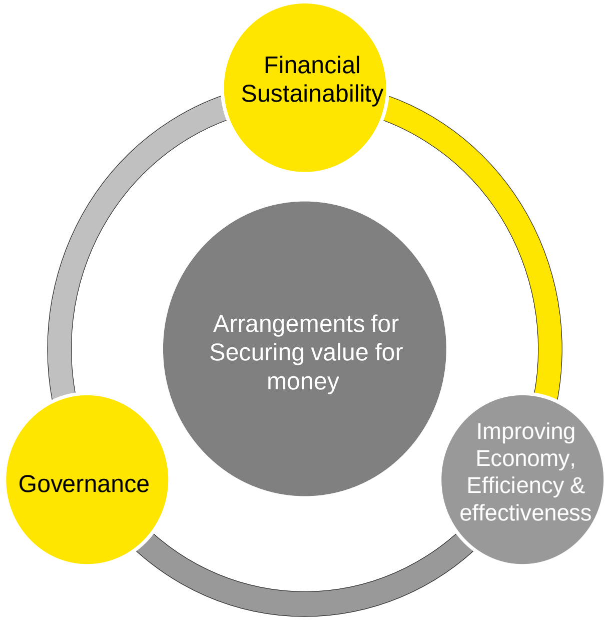
We are required to consider whether the PCC and CC have made 'proper arrangements' to secure economy, efficiency and effectiveness in their use of resources.

Our value for money planning and the associated risk assessment is focused on gathering sufficient evidence to enable us to document our evaluation of the PCC and CC's arrangements, to enable us to draft a commentary under three reporting criteria (see below). This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations.

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

- Financial sustainability - How the PCC and CC plan and manage their resources to ensure they can continue to deliver their services;
- Governance - How the PCC and CC ensure that they make informed decisions and properly manages their risks; and
- Improving economy, efficiency and effectiveness - How the PCC and CC use information about their costs and performance to improve the way they manage and deliver their services.

We have completed our detailed VFM work and identified no risks of significant weaknesses in arrangements and therefore expect to have no matters to report by exception in our audit report.



04 Audit Report

Audit Report

Draft audit report

We anticipate that the audit opinion for both the PCC and the CC will be modified for the reasons explained on page 5 of this report in relation to the disclaimers issued in previous years.

Having implemented our audit strategy in both 2023/24 and 2024/25 focusing on the closing balances sheets and in-year revenue transactions, and subject to the satisfactory completion of all outstanding audit procedures, we are considering whether we can issue a qualified audit report in 2024/25 compared to a disclaimer in the previous year.

05 Audit Differences

Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as ‘known’ or ‘judgemental’. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

Summary of adjusted differences to date

We highlight the following misstatements greater than £0.278m for the PCC and £0.305m for the CC which we anticipate will be corrected by management that were identified during the course of our audit.

Adjusted Differences:

- Corrected misclassification errors of £6,486k where items had incorrectly been classified as creditors instead of reserves.

In addition to the above, a number of disclosure misstatements have been identified, including typographical misstatements. These have also been adjusted within the financial statements.

Audit Differences (cont'd)

Summary of unadjusted differences

In addition we highlight the following misstatements to the financial statements and/or disclosures which were not corrected by management. We ask that the PCC and CC request of management that these uncorrected misstatements be corrected or a rationale as to why they are not corrected be considered and approved by the PCC and CC and provided within the Letter of Representation:

Uncorrected misstatements 2024/25 (£'000)	Effect on the current period: OCI Debit/(Credit)	Effect on the current period: Income statement Debit/(Credit)	Net assets (Decrease)/Increase: Assets current Debit/ (Credit)	Net assets (Decrease)/Increase: Assets non-current Debit/ (Credit)	Net assets (Decrease)/Increase: Liabilities current Debit/ (Credit)	Net assets (Decrease)/Increase: Liabilities non-current Debit/ (Credit)	Equity: Usable and Unusable Reserves Debit/ (Credit)
Errors							
Known differences:							
▪ Short-Term Creditors (PCC): Understatement of Short-Term Creditors and Short-Term Debtors due to the exclusion of a VAT only invoice which was received relating to 2024/25 but was not accounted for within the 2024/25 financial statements.			750		(750)		
Cumulative effect of uncorrected misstatements before turnaround effect			750		(750)		
Turnaround effect. See Note 1 below.							
Cumulative effect of uncorrected misstatements, after turnaround effect			750		(750)		

There are no amounts that we identified that are individually or in aggregate material to the presentation and disclosures of the consolidated financial statements for the year ended 31 March 2025.

Note 1: turnaround effect is the impact of uncorrected misstatements related to the prior period, on results of the current period. There is currently no turnaround effect relating to 2023/24.

06 Assessment of Control Environment

Assessment of Control Environment

Financial controls

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control including group-wide.

We have not identified any significant control deficiencies during the audit for either the PCC or CC.

However, during the audit we identified an observation and improvement recommendation in relation to management's financial processes and controls.

<u>Preparation of Creditors Listings at Year-End:</u>

As part of our audit testing of creditors, we experienced difficulties in obtained breakdowns of creditors balances, showing the outstanding amount at 31 March 2025.

This creditor listing we were given included several opening balance figures from prior years which, when investigated further, were shown not to be creditors. This resulted in them being reclassified to the relevant reserves account.

Recommendation: The PCC should ensure that breakdowns of creditor balances outstanding at year-end are readily available and support the outstanding position, as opposed to in-year movements.

Management Response: We acknowledge the difficulties you encountered in obtaining readily available breakdowns of creditor balances that precisely supported the outstanding position as of March 31 2025 and appreciate your recommendation that year-end listings should specifically reflect outstanding balances rather than in-year movements.

This matter has been investigated internally, and the balances that caused the difficulty were related to old transactions from prior years which had not been cleared from the system, leading to their incorrect appearance on the year-end creditor listing. This resulted in the necessary reclassification to the relevant reserves account, as noted in your report.

We agree that our process for reviewing and clearing aged creditor balances needs strengthening to ensure the accuracy and clarity of our year-end reports. To address this observation and prevent recurrence, we are implementing the following improvement actions:

1. Aged Creditor Review: We are establishing a formal, regular review process to analyse all aged creditor balances. This will ensure that old, non-current transactions are properly investigated and written off or reclassified in a timely manner.

2. Year-End Procedures Enhancement: We will refine our year-end close procedures to explicitly require that all final creditor listings are reconciled to outstanding positions at the reporting date, ensuring they exclude historical movements or mispostings.

3. System Cleanup: We will undertake a comprehensive clean-up of the existing aged balances in our system to ensure the starting position for the 2025/26 financial year is accurate.

07 Other Reporting Issues

Other Reporting Issues

Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the PCC and CC Statement of Accounts 2024/25 with the audited financial statements.

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

Subject to the completion of outstanding testing, financial information in the PCC and CC Statement of Accounts 2024/25 and published with the financial statements was consistent with the audited financial statements.

We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements and we have no other matters to report.

Whole of Government Accounts

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

We have not completed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission as these need to be undertaken near the end of the audit, and the NAO have yet to issue the full group instructions. We cannot issue our Audit Certificate until the NAO has confirmed no further procedures are required.

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 (the Act) to consider whether to report on any matter that comes to our attention in the course of the audit, either for the PCC and CC to consider it or to bring it to the attention of the public (i.e. “a report in the public interest”).

We did not identify any issues which required us to issue a report in the public interest.

08 Independence

Independence

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and your company, and its directors and senior management and its affiliates, including all services provided by us and our network to your company, its directors and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

Confirmation

We are not aware of any inconsistencies between the company's policy for the supply of non-audit services and FRC Ethical Standard. We are not aware of any apparent breach of that policy.

We confirm that, in our professional judgment, EY is independent, our integrity and objectivity is not compromised and we have complied with the FRC Ethical Standard.

We confirm that your engagement team (partners, senior managers, managers and all others involved with the audit) and others within the firm, the firm and network firms have complied with relevant ethical requirements regarding independence.

We confirm that the independence threats created by the level of the audit fees are at an acceptable level.

We confirm that we have communicated with the PCC and CC, information about the proposed non-audit service to enable them to make an informed assessment about the independence impact of the provision of the proposed services. There are no non-audit services in relation to the Police and Crime Commissioner for Surrey and the Chief Constable for Surrey.

We have re-affirmed the general policy/process for pre-concurrence with those charged with governance and obtained specific pre-concurrence for services not covered by the general policy. We re-affirm this annually.

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

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

Relationships

There are no relationships from 1 April 2024 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Services provided by EY

There are no services provided by EY from 1 April 2024 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

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

Independence

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

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

A breakdown of our fees is shown in the table to the right.

As set out in our Audit Planning Report the agreed fee presented was based on the following assumptions:

- Officers meeting the agreed timetable of deliverables;
- Our financial statements opinion and value for money conclusion being unqualified;
- Appropriate quality of documentation is provided by the PCC and CC; and
- The PCC and CC has an effective control environment
- The PCC and CC complies with PSAA's Statement of Responsibilities of auditors and audited bodies. See https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/. In particular, the PCC and CC should have regard to paragraphs 26 - 28 of the Statement of Responsibilities.

If any of the above assumptions prove to be unfounded, we seek a variation to the agreed fee. A narrative summary of the areas where we expect to raise scale fee variations for the audit of the PCC and CC are set out in the fee analysis on this page.

	Current Year	Prior Year
	£	£
Scale Fee – Code Work	179,011	163,705
Proposed scale fee variation	TBD Note 2	TBD Note 1
Total fees	TBD	204,330

All fees exclude VAT

(1) As set in our 2023/24 Auditor's Annual Report, we planned to submit a scale fee variation to PSAA. A scale fee variation has since been submitted to PSAA.

As at the date of this report that scale fee variation has not yet been determined.

(2) We propose to submit a scale fee variation to PSAA for additional 2024/25 work covering the following areas:

- Additional procedures to assess the completeness and accuracy of the PCC and CC's IFRS 16 Leases adjustments and disclosures, arising as a result of the implementation of IFRS 16 in 2024/25. PSAA have previously communicated that any additional work required as a result of the implementation of this new accounting standard has not been accounted for within the Scale Fee.
- Additional procedures required in the testing of trade creditors to ensure that testing is performed over the closing balance as opposed to in year transactions.
- Work performed by EY Pensions to review the assumptions used in the Pensions Liability calculation for the three applicable Pension reports (LGPS balance relating to the PCC, LGPS balance relating to the CC and the Police Pension Fund balance).
- Work performed by EY Real Estates regarding PPE valuations.
- Additional procedures required to review the audit adjustments made to the financial statements.
- Additional procedures required as a result of the modification to our audit report and any work undertaken as part of the build back of assurance risk assessment and planning work.

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

09 Appendices

Appendix A – Progress to full assurance

Progress to full assurance

Set out below is the illustrative timescale for the process of re-building assurance set out in the NAO's Local Audit Reset and Recovery Implementation Guidance (LARRIG) 01, together with our view of the PCC and CC's actual progress against that timescale, the reasons for that and what still needs to be done to successfully rebuild assurance. The timetable set out in LARRIG 01 assumes that disclaimers for 2022/23 and all prior open audit years were issued by the statutory backstop date of 13 December 2024.

EXPECTED STATUS

2023/24

Disclaimer opinion

- Pervasive gaps over opening balances, comparators, and in-year movements.
- Lack of assurance over PPE valued on a cyclical basis, from the 22/23 audit
- Lack of assurance over Reserves (cumulative nature)

Current audit year 2024/25

Disclaimer or qualified opinion

Continuing impact from 2023/24:

- Lack of assurance over all the comparator I&E transactions, PPE and reserves.
- Due to gaps in PPE assurance, there is a likely lack of assurance over related in-year transactions.
- Potential for qualified except for, but more likely to be disclaimed

2025/26

Qualified (except for) opinion

- Assurance in place over opening and closing balances, and assurance gained over each in-year movement.
- Likely gap over specific comparator balances may remain on PPE due to the extent items have not been valued since 2022/23. The impact on the CIES & reserves would require to be assessed.
- However, with the anticipation of incorporating build-back guidance focusing on reserves, there is increasing probability that gaps in assurance can be specifically identified, leading to higher likelihood of a qualified report (not disclaimed).

2026/27

Unqualified opinion

- Expectation that all items resolved.
- Auditor will need to reassess the PPE cyclical valuation impact - but may be able to work with the authority to ensure that items previously valued in 2022/23 were revalued by this time or would be immaterial.

CURRENT AUDIT STATUS OF SURREY POLICE

- The PCC and CC's progress is in line with the expected timescales for rebuilding assurance set out in LARRIG 01.
- The main areas where further work is necessary to rebuild assurance is the assurance over reserves.
- Appendix B sets out in more detail the assurance we have gained by accounts area.

Appendix B – Updated summary of assurances

Summary of Assurances

The table below summarises the audit work we have completed on the 2023/24 and 2024/25 financial statements to demonstrate to the committee the level of assurance that has been obtained as a result of the financial statements audit.

Account area	Assurance rating 2023/24	Assurance rating 2024/25	Summary of work performed
Property, Plant and Equipment ('PPE')	Partial	Partial*	We have completed testing of the 2023/24 and 2024/25 additions and disposals to the fixed asset register. At the time of writing, testing over the valuation of a sample of assets revalued the existence of assets and PPE disclosures remains ongoing. Subject to completion of this work, until we are able to rebuild assurance over PPE additions, disposals and revaluations in the initially disclaimed period 2022/23, we are unable to obtain full assurance over the completeness and valuation of PPE at 31 March 2025.
Right of Use Assets	N/A	Partial*	We have completed our planned work in this area for 2024/25. However, we note that some assets classified as Right of Use assets have been historically held at a revalued amount under Other Land and Buildings. Therefore, we do not have full assurance over the PPE closing balance, due to the disclaimed opinion for 2022/23 meaning we did not test material movements in the fixed asset register such as revaluations in 2022/23.
Investment Property	Substantial	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Short Term Debtors	Substantial	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Cash and Cash equivalents	Substantial	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Creditors	Substantial	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Borrowings (short and long term)	Substantial	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Other Long-Term Liabilities – IFRS 16 Lease Liabilities	N/A	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025. We note that this balance is new in 2024/25 as a result of the implementation of IFRS 16 Leases. As such, no equivalent balances were presented in the 2023/24 financial statements.
Other Long-Term Liabilities – Pensions	Substantial	Substantial*	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Reserves	None	None	We have completed our work on the movements in reserves in 2023/24 and this work remains ongoing in 2024/25 pending finalisation of all other testing. However, due to their cumulative nature, until we have completed our work programme on the rebuilding of assurance following the disclaimed audit opinions, we are unable to obtain assurance over the useable and unusable reserves of the PCC and CC reported in the financial statements.

* Assurance level is subject to completion of our planned audit procedures.

Appendix B – Updated summary of assurances

Summary of Assurances (continued)

Account area	Assurance rating 2023/24	Assurance rating 2024/25	Summary of work performed
Net Cost of Services Expenditure	Partial	Partial	We have completed our planned procedures in this area. However, as we do not have full assurance over expenditure entries relating to PPE, we are unable to obtain assurance that all of the in-year movements recorded in the Net Cost of Services Expenditure are accurate.
Net Cost of Services Income	Partial	Substantial	We have completed our planned procedures in this area and have obtained assurance over the in-year transactions for the 2024/25 financial year.
Intra-Group Funding Transfer	Partial	Substantial	We have completed our planned procedures in this area and have obtained assurance over the in-year transactions for the 2024/25 financial year.
Financing and Investment Income and Expenditure	Partial	Substantial	We have completed our planned procedures in this area and have obtained assurance over the in-year transactions for the 2024/25 financial year.
Taxation and Non-Specific Grant Income	Partial	Substantial	We have completed our planned procedures in this area and have obtained assurance over the in-year transactions for the 2024/25 financial year.
Other Comprehensive Income and Expenditure	Partial	Partial	We have completed our planned procedures in this area. However, as we do not have full assurance over entries relating to PPE, we are unable to obtain assurance that all of the in-year movements recorded in Other Comprehensive Income and Expenditure are accurate.
Police Pension Fund Statement	Partial	Substantial*	Our work in this area remains ongoing, however, we expect to have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Cash Flow Statement	Partial	Substantial*	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.

* Assurance level is subject to completion of our planned audit procedures.

Appendix B – Updated summary of assurances

Summary of Assurances (continued)

Account area	Assurance rating 2023/24	Assurance rating 2024/25	Summary of work performed
Financial Statement Disclosures	Partial	Partial*	Testing over some financial statement disclosures is ongoing but, as we do not have assurance over the opening balance position at 1 April 2024, we are unable to obtain assurance that all of the in-year movements recorded in the disclosures are accurate. Key disclosures for which we do not have full assurance include the Expenditure and Funding Analysis which is impacted for the same reason as the Comprehensive Income and Expenditure Statement.

* Assurance level is subject to completion of our planned audit procedures.

As detailed on page 5 of this report, we are considering our ability to issue a qualified audit opinion in 2024/25 (subject to completion of the outstanding audit work detailed in Appendix D) compared to the disclaimed opinion which was issued in 2023/24. In the 2023/24 financial statements no assurance was obtained over the opening balances and comparatives, being the disclaimed 2022/23 balances for which no procedures were performed for that financial year. In contrast, the opening balances in the 2024/25 financial statements reflect the closing balances contained within the 2023/24 financial statements, for which the assurance obtained is detailed above. It is this change in assurance over opening balances which has materially driven the anticipated change in audit opinion in 2024/25.

As shown in the table above, in 2024/25 we have also obtained further assurance in relation to the Police Pension Fund Statement and the Cash Flow Statement which has assisted in the consideration of a move to a qualified opinion in 2024/25.

Appendix C – Required communications with those charged with governance

Required communications with those charged with governance

There are certain communications that we must provide to those charged with governance. We have detailed these here together with a reference of when and where they were covered:

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Terms of engagement	Confirmation by Those Charged with Governance of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of: ▪ The planned scope and timing of the audit ▪ Any limitations on the planned work to be undertaken ▪ The planned use of internal audit ▪ The significant risks identified When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.	Audit planning report – 31 March 2025 JAC meeting
Significant findings from the audit	▪ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▪ Significant difficulties, if any, encountered during the audit ▪ Significant matters, if any, arising from the audit that were discussed with management ▪ Written representations that we are seeking ▪ Expected modifications to the audit report ▪ Other matters if any, significant to the oversight of the financial reporting process	Draft Audit results report – 17 December 2025 JAC meeting

Appendix C – Required communications with those charged with governance (cont'd)

Required communications	What is reported?	Our Reporting to you When and where
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: ▪ Whether the events or conditions constitute a material uncertainty related to going concern ▪ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▪ The appropriateness of related disclosures in the financial statements	We have identified no issues to report.
Misstatements	▪ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▪ The effect of uncorrected misstatements related to prior periods ▪ A request that any uncorrected misstatement be corrected ▪ Material misstatements corrected by management	Draft Audit results report – 17 December 2025 JAC meeting

Fraud	▪ Enquiries of Those Charged with Governance to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity
	▪ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist
	▪ Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving:
	  ▪ Management;
	  ▪ Employees who have significant roles in internal control; or
	  ▪ Others where the fraud results in a material misstatement in the financial statements.
	▪ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected
	▪ Matters, if any, to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud
	▪ Any other matters related to fraud, relevant to Those Charged with Governance responsibility.
		Draft Audit results report – 17 December 2025 JAC meeting

Appendix C – Required communications with those charged with governance (cont'd)

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Related parties	Significant matters arising during the audit in connection with the entity's related parties including, when applicable: ▪ Non-disclosure by management ▪ Inappropriate authorisation and approval of transactions ▪ Disagreement over disclosures ▪ Non-compliance with laws and regulations ▪ Difficulty in identifying the party that ultimately controls the entity	We have identified no issues to report.
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, integrity, objectivity and independence. Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: ▪ The principal threats ▪ Safeguards adopted and their effectiveness ▪ An overall assessment of threats and safeguards ▪ Information about the general policies and process within the firm to maintain objectivity and independence Communications whenever significant judgements are made about threats to integrity, objectivity and independence and the appropriateness of safeguards put in place.	Audit planning report – 31 March 2025 JAC meeting Draft Audit results report – 17 December 2025 JAC meeting
External confirmations	▪ Management's refusal for us to request confirmations ▪ Inability to obtain relevant and reliable audit evidence from other procedures.	We have identified no issues to report.
Consideration of laws and regulations	▪ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▪ Enquiry of Those Charged with Governance into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of	We have identified no issues to report.
Significant deficiencies in internal controls identified during the audit	▪ Significant deficiencies in internal controls identified during the audit.	Draft Audit results report – 17 December 2025 JAC meeting

Appendix C – Required communications with those charged with governance (cont'd)

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Written representations we are requesting from management and/or those charged with governance	▪ Written representations we are requesting from management and/or those charged with governance	Draft Audit results report – 17 December 2025 JAC meeting
System of quality management	▪ How the system of quality management (SQM) supports the consistent performance of a quality audit	Draft Audit results report – 17 December 2025 JAC meeting
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	▪ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Draft Audit results report – 17 December 2025 JAC meeting
Auditors report	▪ Key audit matters that we will include in our auditor's report ▪ Any circumstances identified that affect the form and content of our auditor's report	Draft Audit results report – 17 December 2025 JAC meeting

Appendix D – Outstanding matters

Outstanding matters

The following items relating to the completion of our audit procedures are outstanding at the date of the release of this report:

Item	Actions to resolv	Responsibility
Disclosures	EY to complete testing over the Officers Remuneration and Related Parties disclosures and to perform an internal review of the work on other financial statement disclosures.	EY and Management
Property, Plant and Equipment & Investments valuation	Management need to provide EY with explanations regarding the valuation and classification of Reigate Police Station. Management need to provide EY with the final valuation for Mount Browne.	EY and Management
IFRS 16 Leases	Management need to provide EY with the details of the misclassification of the peppercorn rent lease.	EY and Management
Pension Scheme Liabilities	Assurance from the LGPS pension fund auditor has only just been received, therefore EY need to complete work in this area.	EY
Police pension fund	EY to complete lump sum payment testing.	EY
Payables testing	EY to complete work in this area.	EY
Narrative statement	EY to complete work in this area.	EY
Journal Entry Testing	EY to complete testing over journals.	EY
Financial Statement Review Procedures	Management to prepare and share updated financial statements and EY to review the changes made.	EY and Management
Whole of Government Accounts	EY to complete Whole of Government Accounts work once instructions have been issued.	EY and NAO
Management Representation Letter	Receipt of signed Management Representation Letter	EY, Management and Those Charged with Governance
Subsequent events review	Completion of subsequent events procedures to the date of signing the audit report	EY and Management
Audit file is subject to our manager and partner review and quality assurance processes	Final reviews to be completed EY	EY

Until all our audit procedures are complete, we cannot confirm the final form of our audit opinion as new issues may emerge or we may not agree on final detailed disclosures in the Financial Statements. At this point no issues have emerged that would cause us to modify our opinion, but we should point out that key disclosures on IFRS 16, Pension, PPE and IP valuations remain to be finalised and audited.

Appendix E – Regulatory update

The English Devolution and Community Empowerment Bill – Audit Measures

Background

On 16 December 2024, the Government published the English Devolution White Paper. The White Paper outlines how England is one of the most centralised countries in the world and contends that over-centralisation is holding back the prosperity of the regions. As a result, there is an intention from Government to widen and deepen devolution to local areas across England. The English Devolution and Community Empowerment Bill (the Bill) in intended to provide the legislative framework to do this by setting out a standardised framework of devolved powers, duties and functions. The bill is in six parts:

- Part 1 introduces the new devolution architecture for England, centred around the new category of "strategic authorities" (SAs). These are organisations designated by Government to have responsibility for strategy development and programme delivery over larger functional economic areas.
- Part 2 outlines the powers and duties which existing and future SAs will have, and the new process by which new powers and duties can be conferred on SAs by Government in the future.
- Part 3 is focused on measures designed to strengthen local government and communities.
- Part 4 in intended to strengthen the accountability of the local government sector by reforming the local audit system, including the establishment of the Local Audit Office (LAO) as the body responsible for overseeing local audit.
- Part 5 concerns the banning of upwards only rent review clauses for commercial leases to prevent vacant shops and regenerate high streets in communities across England.
- Part 6 contains the technical sections related to the Bill, including on regulations, commencement and extent.

The draft legislation can be found in full at [English Devolution and Community Empowerment Bill.]

Part 4 of the Bill - Reforming local audit

The Bill is intended to overhaul the local audit system as is part of the wider measures to address the backlog in local government audit previously considered by this report. Specifically:

- The LAO will be established with the aim of radically simplifying the current audit system and bringing functions together under a single organisation with a clear remit. The LAO will be responsible for coordinating the system, standard setting, contracting, quality oversight and reporting. It will also support and enable wider measures to address pressing challenges, including reforms to financial reporting; strengthening audit capacity and capability; and establishing public provision of audit to support the private market.
- The LAO will be responsible for audit quality and the regulation of audit providers. Regulatory powers can be delegated.
- The LAO will be responsible for auditor appointment to all local audits other than for NHS bodies, will set indicative fees, publish those fees and make final determinations on the fees to be paid. The ability of local authorities to appoint their own auditors is removed.
- Audit firms will be required to nominate 'lead individuals' and have pre-approval of their own eligibility criteria.
- The responsibility for production of the Code of Audit Practice passes from the NAO to LAO. The LAO is also able to determine technical standards that auditors must follow.
- Statutory guidance for Audit Committees will be developed by LAO in conjunction with the Local Government Association, CIPFA and other relevant bodies.

We will continue to keep you updated as these arrangements develop.

Appendix F – Management representation letter

Management representation letter (Draft)

Management Rep Letter

[To be prepared on the entity's letterhead]
[Date]

Ernst & Young LLP
Grosvenor House,
Grosvenor Square,
Southampton
SO15 2BE

The Police and Crime Commissioner for Surrey and The Chief Constable of Surrey – Letter of Representations for the Financial Year 2024/25

This letter of representations is provided in connection with your audit of the consolidated financial statements of PCC/CC "Group" and the Police and Crime Commissioner for Surrey "PCC" and the Chief Constable of Surrey "CC" for the year ended 31 March 2025. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the consolidated, PCC and CC financial statements give a true and fair view of (or 'present fairly, in all material respects,') the Group, PCC and CC financial position as of 31 March 2025 and of its financial performance (or operations) and its cash flows for the year then ended in accordance with, for the Group, PCC and CC, the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.

We understand that the purpose of your audit of our consolidated Group, PCC and CC financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, for the Group, PCC and CC, the Accounts and Audit Regulations 2015 and the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.
2. We acknowledge, as members of management of the Group, PCC and CC, our responsibility for the fair presentation of the consolidated Group, PCC and CC financial statements. We believe the consolidated Group, PCC and CC financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Group, PCC and CC in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, and are free of material misstatements, including omissions. We have approved the financial statements.
3. The material accounting policy information adopted in the preparation of the Group, PCC and CC financial statements are appropriately described in the Group, PCC and CC financial statements.
4. As members of management of the Group, PCC and CC, we believe that the Group, PCC and CC have a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 for the Group, PCC and CC that are free from material misstatement, whether due to fraud or error.
5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the consolidated Group, PCC and CC financial statements taken as a whole. We have not corrected these differences because [specify reasons for not correcting misstatement].
6. We confirm the Group, PCC and CC do not have securities (debt or equity) listed on a recognized exchange.

Appendix F – Management representation letter

Management representation letter (Draft)

Management Rep Letter

B. Non-compliance with laws and regulations, including fraud

1. We acknowledge that we are responsible to determine that the Group, PCC and CC's business activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws or regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of a system of internal control to prevent and detect fraud and that we believe we have appropriately fulfilled those responsibilities.
3. We have disclosed to you the results of our assessment of the risk that the consolidated Group, PCC and CC financial statements may be materially misstated as a result of fraud.
4. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud, that may have affected the Group, PCC or CC (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:
    - Involving financial improprieties
    - Related to laws or regulations that have a direct effect on the determination of material amounts and disclosures in the consolidated Group, PCC and CC financial statements
    - Related to laws or regulations that have an indirect effect on amounts and disclosures in the consolidated Group, PCC and CC financial statements, but compliance with which may be fundamental to the operations of the Group, PCC and CC's business, its ability to continue in business, or to avoid material penalties
    - Involving management, or employees who have significant roles in internal control, or others
    - In relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
    - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
    - Additional information that you have requested from us for the purpose of the audit; and
    - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the consolidated Group, PCC and CC financial statements.
3. We have made available to you all minutes of the meetings of shareholders, directors and committees of directors (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: [list date].
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Group, PCC and CC's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the [period] end. These transactions have been appropriately accounted for and disclosed in the consolidated Group, PCC and CC financial statements.
5. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.

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6. We have disclosed to you, and the Group, PCC and CC have complied with, all aspects of contractual agreements that could have a material effect on the consolidated Group, PCC and CC financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
7. From the date of our last management representation letter through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) unauthorized access to our information technology systems that either occurred or is reasonably likely to have occurred, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material effect on the consolidated Group, PCC and CC financial statements, in each case or in the aggregate, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount.

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the consolidated Group, PCC and CC financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent, and have disclosed in Note 35 to the consolidated Group and PCC financial statements and in Note 19 of the CC financial statements all guarantees that we have given to third parties.

E. Going Concern

1. Note 2 to the consolidated Group, PCC and CC financial statements discloses all the matters of which we are aware that are relevant to the Group, PCC and CC's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

F. Subsequent Events

1. Other than those events described in Note 4 to the consolidated Group, PCC and CC financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the consolidated Group, PCC and CC financial statements or notes thereto.

G. Group audits

1. Necessary adjustments have been made to eliminate all material intra-group unrealised profits on transactions amongst the PCC and CC.

H. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Report and Annual Governance Statement.
2. We confirm that the content contained within the other information is consistent with the financial statements.
3. We confirm that the Annual Governance Statement for 2024/25 is a true reflection, in all material respects, of the governance arrangements and the effectiveness of those arrangements in 2024/25 and includes disclosure of all significant governance issues and findings relating to that financial year, through to the date of this letter.

I. Climate-related matters

1. We confirm that to the best of our knowledge all information that is relevant to the recognition, measurement, presentation and disclosure of climate-related matters has been considered and reflected in the consolidated Group, PCC and CC financial statements.
2. The key assumptions used in preparing the consolidated Group, PCC and CC financial statements are, to the extent allowable under the requirements of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, aligned with the statements we have made in the other information or other public communications made by us.

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Management representation letter (Draft)

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J. Ownership of Assets

1. Except for assets recognised as right-of use assets in accordance with IFRS 16 Leases, the Group, PCC and CC has satisfactory title to all assets appearing in the balance sheets, and there are no liens or encumbrances on the Group, PCC and CC's assets, nor has any asset been pledged as collateral. All assets to which the Group, PCC and CC has satisfactory title appear in the balance sheets.
2. All agreements and options to buy back assets previously sold have been properly recorded and adequately disclosed in the consolidated Group, PCC and CC financial statements.

K. Contingent Liabilities

1. We are unaware of any violations or possible violations of laws or regulations the effects of which should be considered for disclosure in the consolidated Group, PCC and CC financial statements or as the basis of recording a contingent loss (other than those disclosed or accrued in the consolidated Group, PCC and CC financial statements).

L. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the Property Plant & Equipment asset valuations and IAS 19 disclosures and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the consolidated Group, PCC and CC financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

M. Estimates

1. We confirm that the significant judgments made in making the valuation of Property, Plant and Equipment Assets and the valuation of IAS 19 disclosures for the Local Government Pension Scheme and the Police Pension Fund accounting estimates have taken into account all relevant information of which we are aware.
2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the valuation of Property, Plant and Equipment Assets and the valuation of IAS 19 disclosures for the Local Government Pension Scheme and the Police Pension Fund accounting estimates.
3. We confirm that the significant assumptions used in making the valuation of Property, Plant and Equipment Assets and the valuation of IAS 19 disclosures for the Local Government Pension Scheme and the Police Pension Fund accounting estimates appropriately reflect our intent and ability to carry out our purposes and duties on behalf of the entity.

Appendix F – Management representation letter

Management representation letter (Draft)

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4. We confirm that the disclosures made in the consolidated Group, PCC and CC financial statements with respect to the accounting estimates, including those describing estimation uncertainty are complete and are reasonable in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.
5. We confirm that appropriate specialized skills or expertise has been applied in making the valuation of Property, Plant and Equipment Assets and the valuation of IAS 19 disclosures for the Local Government Pension Scheme and the Police Pension Fund accounting estimates.
6. We confirm that no adjustments are required to the accounting estimates and disclosures in the consolidated Group, PCC and CC financial statements.

N. Retirement benefits

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

Yours faithfully,

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Lisa Townsend
(Police and Crime Commissioner for Surrey)
On behalf of the PCC for Surrey

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Tim De Meyer
(Chief Constable of Surrey)
On behalf of the Chief Constable of Surrey

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Kelvin Menon
(Chief Finance Officer)
On behalf of the PCC for Surrey

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Peter Appleton
(Chief Finance Officer)
On behalf of the Chief Constable of Surrey

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