



Auditor's Annual Report

**The Office of the Durham Police and Crime Commissioner and Chief Constable for Durham Constabulary
– year ended 31 March 2025**

25 February 2026

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Our reports are prepared in the context of the 'PSAA Statement of Responsibilities of Auditors and of Audited Bodies' and the 'Appointing Person Terms of Appointment' issued by Public Sector Audit Appointments Limited. This document is to be regarded as confidential to the Police and Crime Commissioner (PCC) and Chief Constable (CC). It has been prepared for the sole use of the PCC and CC and for the Joint Independent Audit Committee as the appropriate sub-committee charged with governance. We do not accept any liability or responsibility to any other person in respect of the whole or part of its contents.

01

Introduction

Introduction

Purpose of the Auditor's Annual Report

Our Auditor's Annual Report (AAR) summarises the work we have undertaken as the auditor for the Durham Police and Crime Commissioner (the Commissioner) and Chief Constable of Durham Constabulary (the Chief Constable) for the year ended 31 March 2024. Although this report is addressed to the Commissioner and Chief Constable, it is designed to be read by a wider audience including members of the public and other external stakeholders.

Our responsibilities are defined by the Local Audit and Accountability Act 2014 and the Code of Audit Practice ('the Code') issued by the National Audit Office ('the NAO'). The remaining sections of the AAR outline how we have discharged these responsibilities and the findings from our work. These are summarised below.



Opinion on the financial statements

We issued our audit reports on 25 February 2026. Our opinion on the financial statements was unqualified for both the Commissioner & Group accounts and the Chief Constable's accounts.



Value for Money arrangements

We did not identify any significant weaknesses in the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources. Section 3 provides our commentary on the Authority's arrangements. Prior year significant weaknesses and recommendations for both the Commissioner and Chief Constable were removed and reflected a significant improvement in the arrangements to support the audit.



Reporting to the group auditor

We have not yet received clearance from the National Audit Office in respect of our work on the Authority's Whole of Government Accounts (WGA) submission. We are unable to issue audit certificates until we receive this clearance.

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Audit of the financial statements

Audit of the financial statements

Our audit of the financial statements

Our audit was conducted in accordance with the requirements of the Code, and International Standards on Auditing (UK) (ISAs). The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Commissioner & Group and Chief Constable and whether they give a true and fair view of the Commissioner & Group and Chief Constable's financial position as at 31 March 2025 and of its financial performance for the year then ended. Our audit reports, issued on 25 February 2026 gave an unqualified opinion on the financial statements for the year ended 31 March 2025 for both the Commissioner & Group accounts and the Chief Constable's accounts.

A summary of the significant risks we identified when undertaking our audit of the financial statements and the conclusions we reached on each of these is outlined in Appendix A. In this appendix we also outline the uncorrected misstatements we identified and any internal control recommendations we made.

Re-building assurance

The financial statements received a disclaimed audit opinion in 2023/24. As a result of the backstop arrangements, we determined that there was insufficient time to complete our audit procedures so as to obtain sufficient appropriate evidence, and, in our view, the effects of the resulting lack of evidence was material and pervasive to the financial statements as a whole. We concluded we had not obtained sufficient appropriate audit evidence to enable us to express an opinion on whether the 2023/24 financial statements presented a true and fair view and had been prepared, in all material respects, in line with the Code of Practice on Local Authority Accounting. Consequently, as required by the ISAs, we modified our audit report and issued a disclaimer of opinion. This means, in our audit reports issued on 25 February 2025, we did not express an opinion on the Commissioner & Group financial statements or on the Chief Constable's financial statements.

On 5 June 2025, the National Audit Office issued LARRIG 06, 'Special considerations for rebuilding assurance for specified balances following backstop-related disclaimed audit opinions.' This introduced local audit reset and recovery implementation guidance for local auditors to consider. The guidance introduced the concept of a 'Proof in Total' approach, requiring fewer audit procedures to rebuild assurance where justified by the results of the risk assessment.

In our Audit Strategy Memorandum 2024/25, dated 2 September 2025, we explained that we were hoping that guidance would be available to enable us to rebuild assurance for the disclaimed audit year (2023/24) using a Proof in Total approach.

Unfortunately, on 5 December 2025, we reported via an e-mail update that the 'rebuilding assurance' guidance could not be issued, and that our firm alongside others in the sector, could not come up with a 'proof in total' approach that was consistent with the requirements of International Standards of Auditing (ISAs).

We agreed with management that we would seek to carry out a full audit of the 2023/24 financial year alongside the 2024/25 audit. This would enable us to rebuild assurance over the opening balances and move towards issuing unqualified opinions on the 2024/25 audit. This was only possible because there was only one disclaimed year to address (2023/24) and the Commissioner & Group accounts and the Chief Constable's accounts audit are relatively small compared to our other audits.

We were able to complete the work required to be able to issue unqualified opinions on the 2024/25 audit for both the Commissioner & Group accounts and the Chief Constable's accounts.

Other reporting responsibilities

| Reporting responsibility | Outcome |
|------------------------------------|--|
| Narrative Report | We did not identify any significant inconsistencies between the content of the annual report and our knowledge of the Commissioner & Group and the Chief Constable financial statements. |
| Annual Governance Statement | We did not identify any matters where, in our opinion, the governance statements of the Commissioner & Group and the Chief Constable did not comply with the guidance issued by the CIPFA/LASAAC Code of Practice on Local Authority Accounting. |

03

Our work on Value for Money
arrangements

VFM arrangements


Overall Summary





VFM arrangements – Overall summary

Approach to Value for Money arrangements work

We are required to consider whether the Police and Crime Commissioner and Chief Constable have made proper arrangements for securing economy, efficiency and effectiveness in the use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out and sets out the reporting criteria that we are required to consider. The reporting criteria are:

 **Financial sustainability** - How the Commissioner and Chief Constable plan and manage their resources to ensure they can continue to deliver their services.

 **Governance** - How the Commissioner and Chief Constable ensure that they make informed decisions and properly manage their risks.

 **Improving economy, efficiency and effectiveness** - How the Commissioner and Chief Constable use information about their costs and performance to improve the way they manage and deliver their services.

Our work is carried out in three main phases.

Phase 1 - Planning and risk assessment

At the planning stage of the audit, we undertake work so we can understand the arrangements that the Commissioner and Chief Constable have in place under each of the reporting criteria; as part of this work we may identify risks of significant weaknesses in those arrangements.

We obtain our understanding of arrangements for each of the specified reporting criteria using a variety of information sources which may include:

- NAO guidance and supporting information
- Information from internal and external sources, including regulators
- Knowledge from previous audits and other audit work undertaken in the year
- Interviews and discussions with officers

Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest there are further risks of significant weaknesses.

Phase 2 - Additional risk-based procedures and evaluation

Where we identify risks of significant weaknesses in arrangements, we design a programme of work to enable us to decide whether there are actual significant weaknesses in arrangements. We use our professional judgement and have regard to guidance issued by the NAO in determining the extent to which an identified weakness is significant.

We outline the risks that we have identified and the work we have done to address those risks on page 10.

Phase 3 - Reporting the outcomes of our work and our recommendations

We are required to provide a summary of the work we have undertaken and the judgments we have reached against each of the specified reporting criteria in this Auditor's Annual Report. We do this as part of our Commentary on VFM arrangements which we set out for each criteria later in this section.




We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from the Commissioner or Chief Constable. We refer to two distinct types of recommendation through the remainder of this report:

- **Recommendations arising from significant weaknesses in arrangements** - we make these recommendations for improvement where we have identified a significant weakness in the Commissioner or Chief Constable's arrangements for securing economy, efficiency and effectiveness in their use of resources. Where such significant weaknesses in arrangements are identified, we report these (and our associated recommendations) at any point during the course of the audit.
- **Other recommendations** - we make other recommendations when we identify areas for potential improvement or weaknesses in arrangements which we do not consider to be significant, but which still require action to be taken.

The table on the following page summarises the outcome of our work against each reporting criteria, including whether we have identified any significant weaknesses in arrangements, or made other recommendations.

VFM arrangements – Overall summary

Overall summary by reporting criteria

| Reporting criteria | Commentary page reference | Identified risks of significant weakness? | Actual significant weaknesses identified? | Other recommendations made? |
|---|---------------------------|---|---|-----------------------------|
|  Financial sustainability | 11 | No | No | No |
|  Governance | 14 | Yes – see page 15 | No – see pages 23 and 24 | No |
|  Improving economy, efficiency and effectiveness | 19 | No | No | No |

VFM arrangements

Financial Sustainability

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



VFM arrangements – Financial Sustainability

Overall commentary on Financial Sustainability

How the Commissioner and Chief Constable identify significant financial pressures that are relevant to short and medium-term plans

The Commissioner and Chief Constable are required to set balanced budgets on an annual basis and to agree reserves strategies to manage longer-term risk. The Group has a well-developed budget and MTFP in place, and there is an established process in place for development, approval and reporting of the Medium-Term Financial Plan (MTFP). We confirmed that the MTFP is updated and approved on an annual basis and noted that the Group has a track record of delivery in line with forecasts. There is also regular monitoring and reporting against the MTFP, as confirmed by our review of minutes and supporting papers.

The 2024/25 budgets and MTFP covering the period 2024/25 to 2027/28 were subject to review by the Executive Board and the financial position was presented to the Police and Crime Panel for approval in February 2024. The 2024/25 precept was approved by the Panel in February 2024 and agreed a £13 increase on a band D property. The 2024/25 budget was balanced based on an estimated £3.554m contribution from earmarked reserves. The actual outturn for 2024/25, enabled a contribution of £2.674m to earmarked reserves rather than reducing them. This was against a total net expenditure of £161.6m. Review of the budget report details key assumptions, income and funding, service investment and efficiency improvements and recognised the key risks and uncertainties facing Durham Police. The most recent update shows reserves to be maintained at levels which the Commissioner believes are prudent. Our review has not highlighted any items which would cast significant doubt on the MTFP assumptions or on their overall financial performance.

There is regular reporting of the financial position, and we saw evidence of the 2024/25 budgets being monitored by the Executive Board throughout the year. The position reported highlights the continued financial pressure faced but did not report any issues that would indicate a significant weakness in arrangements for either the Commissioner or Chief Constable.

His Majesty Inspectorate of Constabulary and Fire & Rescue Services (HMIFRS) carried out a Police Effectiveness, Efficiency and Legitimacy (PEEL) inspection of the Force covering 2023-25, and reported that 'The constabulary has sound financial management processes in place'. This is consistent with the previous 2021/22 inspection report in which the Force was rated as 'outstanding' in the 'strategic planning, organisational management and value for money' criteria. This included 'The force makes the best use of its finances, and its plans are both ambitious and sustainable'.

Our work has identified no evidence of a significant weakness in arrangements for either the Commissioner or Chief Constable.

How the Commissioner and Chief Constable plan to bridge funding gaps and identify achievable savings

As noted above, the MTFP for the period 2024/25 to 2027/28 recognises the risks and uncertainties facing Durham Police in coming years. Key risks as noted in the report include loss of funding due to reallocation between Forces, an ageing estate portfolio putting increased pressure on facilities management budgets, police officer capacity to respond to service demands, as well as other risks. The MTFP recognises the difficulties and the need to review the cost base to identify, where possible, reductions. There is also uncertainty in regards future government funding and the impact of any future adjustment to the funding formula. Previous performance has shown that the Commissioner and Chief Constable have been able to successfully balance their budgets.

The MTFP is based on the group having a balanced budget position for 2024/25, but subsequent years show an increasing potential deficit (£8.1m in 2025/26, £12.5m in 2026/27, and £15.7m in 2027/28). The report recognises the difficulties and the need to review the Group's cost base in an effort to identify reductions. There is also uncertainty in regards future government funding and the impact of any future adjustment to the funding formula.

The latest MTFP is based on the Commissioner maintaining general reserves of between 4% and 5% of the revenue estimates which, per the Plan, are currently £6.559m. This is in line with what the Chief Finance Officer believes to be prudent (Chief Finance Officer's report on the robustness of the estimates and the adequacy of reserves and risks in the MTFP). The plan is based on the use of non-general fund reserves which are mainly earmarked to support capital spend in the MTFP. The Commissioner had no external borrowing and the MTFP was based on no external borrowing being required.

We have considered the assumptions in the MTFP and not identified any evidence to suggest they are unrealistic based on the available information at the time. Note that the next iteration of the MTFP will be reviewed and updated to reflect the increasing pressures as a result of inflation, pay awards and energy costs. The Group has a history of meeting its financial targets. It has reasonable levels of reserves relative to its size, is prudently managed and is not an outlier when compared to other similar entities.

Our work has identified no evidence of a significant weakness in arrangements for either the Commissioner or Chief Constable.

VFM arrangements – Financial Sustainability

Overall commentary on Financial Sustainability – continued

How the Commissioner and Chief Constable plan finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

Our review provides assurance that the MTFP continues to be based on reasonable assumptions available at the time of approving the Plan. The MTFP is regularly reviewed, and includes consideration of the main assumptions, and there is regular budget monitoring including quarterly forecast of outturn reports which support the identification of in-year pressures, and reports whether savings are being achieved. The MTFP report also references implications, including key risks and value for money.

The MTFP has been developed alongside the Chief Constable Delivery Plan (CCDP). The CCDP sets out the strategic intentions of the Force. The Plan is in turn aligned to the agreed Local Policing Plan approved by the Commissioner. The MTFP is subject to consultation to ensure that all budget pressures are identified and is signed off by the Executive. The plan incorporates increased police officer numbers associated with Operation Uplift.

We have not identified evidence of significant short-term measures. Our review of the outturn report as well as the financial statements has not highlighted any apparent reliance on significant one-off accounting measures. Furthermore, our review of the MTFP has not identified significant one-off measures to balance the budget.

Our work did not identify any evidence to indicate a significant weakness in arrangements for either the Commissioner or Chief Constable.

How the Commissioner and Chief Constable ensure that financial plans are consistent with other plans

The MTFP report highlights the implications on the workforce, equality, legal, human rights and risks. Saving plans are risk assessed to advise Members of the impact of implementation on the community and service delivery. As noted above, the financial plans are developed alongside the Chief Constable Delivery Plan (CCDP) which is developed in line with the Police and Crime Plan. The MTFP includes a capital plan which links to the strategic priorities of the Force, as detailed in the Estates Strategy. The capital plan is a mix of local schemes, such as the new custody suite, and national programmes, such as the replacement of the Airways system.

The most significant investment in recent years has been in the new custody suite which commenced construction in 2021/22, was delivered in the summer of 2024, and became operational in late 2024. There was a dispute with the contractor over additional costs. This has since been resolved and provided evidence that the Commissioner and Chief Constable had managed the position effectively and achieved a good overall outcome for the public purse.

Our work did not identify any evidence to indicate a significant weakness in arrangements for either the Commissioner or Chief Constable.

How the Commissioner and Chief Constable identify and manage risks to financial resilience

The Commissioner and Chief Constable have an established risk management framework and the Joint Independent Audit Committee receives risk management updates as evidenced by our review of minutes and our attendance at meetings during the year.

Our consideration of the 2024/25 budget outturns does not indicate a weakness in the budgeting arrangements, including the setting of realistic assumptions. The financial plan recognises the risks and uncertainties in terms of cost pressures, future funding arrangements and potential variations in the costs of the delivery. As for many public service organisations, the MTFP recognises that the 2025/26 position onwards is challenging owing to expenditure pressures, and uncertainty around future government funding. This is not, however, considered to be indicative of a significant weakness in the Commissioner's or the Chief Constable's budget setting arrangements but rather a reflection of uncertain economic conditions. Our review of the financial plan shows that there is no evidence that assumptions are unrealistic or that reserves are below the minimum required.

We confirmed through review of minutes there was regular reporting of the financial position throughout 2024/25. Budget reports were presented in a consistent format and compared actual against budget and provided narrative for any variances. The forecast position is not significantly different to the overall outturn and not indicative of a significant weakness in arrangements. Review of Executive Board minutes confirms there was regular reporting of the financial position throughout the year.

We identified no significant unplanned use of reserves and understand that planned use is mainly for capital purposes. Our review of the capital outturn has not identified any significant variances indicating a weakness in arrangements.

Our work did not identify any evidence to indicate a significant weakness in arrangements for either the Commissioner or Chief Constable.

VFM arrangements

Governance

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



VFM arrangements – Governance

Risks of significant weaknesses in arrangements in relation to Governance

We have outlined below the risks of significant weaknesses in arrangements that we have identified as part of our continuous planning procedures, and the work undertaken to respond to each of those risks.

| Risk of significant weakness in arrangements – Police and Crime Commissioner | Work undertaken and the results of our work |
|--|--|
| <p>Delays in responses to the audit of the Commissioner’s accounts</p> <p>In both 2021/22 and 2022/23 we reported a significant weakness in arrangements in how the Commissioner ensures effective processes and systems are in place to support their statutory financial reporting requirements. This followed delays in responses to audit queries.</p> | <p>Work undertaken We have continued to work with officers to address the issues that had previously arisen in the conduct of the 2024/25 audit.</p> <p>Results of our work As reported on page 23 we have concluded that the arrangements for the production of the 2024/25 financial statements were much improved over previous years, and that this significant weakness does not apply to the 2024/25 financial year.</p> |
| Risk of significant weakness in arrangements – Chief Constable | Work undertaken and the results of our work |
| <p>Delays in responses to the audit of the Chief Constable’s accounts</p> <p>In both 2021/22 and 2022/23 we reported a significant weakness in arrangements in how the Commissioner ensures effective processes and systems are in place to support their statutory financial reporting requirements. This followed delays in responses to audit queries.</p> | <p>Work undertaken We have continued to work with officers to address the issues that had previously arisen in the conduct of the 2024/25 audit.</p> <p>Results of our work As reported on page 24 we have concluded that the arrangements for the production of the 2024/25 financial statements were much improved over previous years, and that this significant weakness does not apply to the 2024/25 financial year.</p> |

VFM arrangements – Governance

Overall commentary on Governance

How the Commissioner and Chief Constable monitor and assess risk and how the Commissioner and Chief Constable gain assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

The Commissioner and Chief Constable has approved and adopted a Code of Corporate Governance, consistent with the principles of the CIPFA/SOLACE Framework, Delivering Good Governance in Local Government.

The overarching code of corporate governance, which we confirmed was in place for 2024/25, includes a scheme of delegation, financial regulations and a Counter Fraud and Corruption Strategy. As part of our audit procedures we considered the Commissioner and Chief Constable's Annual Governance Statements and identified no matters indicating a significant weakness in arrangements. The arrangements in place are consistent for the Group (Commissioner and Chief Constable).

Durham Police has a framework of written procedures and controls. Central to these are detailed rules for decision making, and rules of procedure, including; Standing Orders, Financial Regulations, Contract Procedure Rules, Member and Officer Codes of Conduct, and a Whistleblowing Policy. There is a dedicated counter fraud response and strategy which includes fraud governance and arrangements to prevent, detect and pursue fraud including Anti-Fraud, Anti-Bribery & Anti-Corruption Policies.

There is a Joint Independent Audit Committee (JIAC), which although it does not have a statutory role, is designed to provide independent oversight and is able to make recommendations to both the Commissioner and Chief Constable. We have confirmed through attendance at JIAC that both the Commissioner and Chief Constable consider recommendations made by the JIAC. We attended the meetings in the year and confirmed the attendance of senior management, and that the Commissioner and Chief Constable are subject to effective challenge.

The Commissioner also reports to the Police and Crime Panel, however while this group focus is not on overall internal controls it would be made aware of any significant issues. We confirmed through review of minutes that it receives regular performance updates which allows for challenge of the performance of the Commissioner (and therefore the Force).

Internal Audit services are provided to the Commissioner and Chief Constable by Durham County Council. We confirmed through observation that the Internal Audit function developed an Audit Plan which includes consideration of the internal control environment and governance of the Commissioner and Chief Constable. The Internal Audit Plan for 2024/25 was reported to the Executive Board meeting in April 2024.

At the July 2025 Joint Independent Audit Committee, the Head of Internal Audit issued their Annual Internal Audit Opinion and Report, which provided a 'Moderate' overall assurance opinion on the adequacy and effectiveness of internal control operating across the Authority in 2024/25, consistent with the Moderate rating given in 2023/24. The moderate opinion provides assurance that whilst there is basically a sound system of control, there are some weaknesses, which expose objectives to risk. We have reviewed the Internal Audit Report and identified no matters to indicate a significant weakness in arrangements for our reporting. This is supported by our attendance at Joint Independent Audit Committee meetings held in the year.

As well as the Annual Internal Audit Opinion and Report which gives an overall assurance rating over the period, our review of minutes also evidenced that there was regular reporting of progress against the plan throughout the period. Where recommendations are made these have been tracked by Internal Audit and reported on a regular basis to the JIAC. Progress against recommendations has been monitored and explanations sought where recommendations have not been implemented in line with the agreed timeframes. Our review of these reports has not identified any matter to indicate significant weaknesses in the Force's arrangements.

Internal Audit did report limited assurance in two areas in the 2024/25 audit. This was in relation to estates management and fleet management. Management is currently responding to the recommendations made, and these are areas which are agreed require improvement.

The Annual Fraud Report was also presented to the JIAC in July 2025. The report details what the organisation's anti-fraud and anti-corruption arrangements are, and our review has not indicated any significant weaknesses for reporting. We reviewed the document and identified no matters to indicate a risk of weakness in arrangements.

Our work has identified no evidence of a significant weakness in arrangements for the Commissioner or Chief Constable.

How the Commissioner and Chief Constable approach and carries out their annual budget setting processes

The annual budget setting process remains consistent year on year, and the arrangements for the 2025/26 budget setting process have largely followed the arrangements in place for 2024/25. As detailed in the previous section the Commissioner and Chief Constable have established budget setting arrangements.

VFM arrangements – Governance

Overall commentary on Governance - continued

A MTFP has been developed for the period 2025/26 to 2029/30. The financial plan recognises the risks and uncertainties facing the Commissioner and Chief Constable in terms of future cost pressures, funding arrangements and potential variations in the costs of delivery. We have reviewed the budget setting arrangements, and our review of the 2024/25 outturn and the latest MTFP identified no matters to indicate a significant weakness in arrangements.

The council tax precept is set annually and for 2025/26 was approved by the Police and Crime Panel ahead of the financial year and in line with the budget timetable. The 2025/26 precept was approved by the Panel in February 2025 and agreed a £14 increase on a band D property. The report presented to the Panel detailed the consultation exercise the Commissioner had taken ahead of the budget setting.

Our work did not identify any evidence to indicate a significant weakness in arrangements for the Commissioner or Chief Constable.

How the Commissioner and Chief Constable ensure effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); support statutory financial reporting requirements; and ensure corrective action is taken where needed

A shared finance function continues to provide financial services to the Commissioner and Chief Constable, and in 2023/24 the Joint Chief Finance Officer role continued with the same employee covering the Commissioner and Chief Constable. From 2024/25 the Chief Constable and Commissioner have had a separate Chief Finance Officer following the retirement of the previous Joint Chief Finance Officer.

Regular budget reports were prepared during the year which detailed the Commissioner and Chief Constable's financial performance. Durham Police has a good record of delivering a balanced financial position in recent years. Review of minutes confirmed regular reporting of the financial position during 2024/25 financial year. This included detail of movements in the budget and forecast outturn.

As we reported in our previous Auditor's Annual Reports for both the 2021/22 and 2022/23 period, responses to audit queries have involved significant delays. The 2022/23 audit was not completed until the 'backstop' date in December 2024, and consequently we were unable to make necessary progress on our audit of the 2023/24 financial statements. We also note that the 2023/24 Statement of Accounts for the Commissioner and Chief Constable were not published until September 2024, which is significantly later than the deadline for production of draft accounts which were due at the end of May 2024. Because of the delays in prior year accounts, resourcing issues in the audit team, and the late bringing forward of the originally proposed backstop date by three months, the 2023/24 financial statements were given a 'disclaimed' audit opinion as the audit team were unable to complete the necessary audit procedures to issue a clean audit opinion before the backstop deadline date of 28 February 2025.

As a result of this a significant weakness in arrangements and recommendation that management must address remained in place, as described on pages 23 and 24.

We worked closely with the Commissioner, Chief Constable and management to ensure the smooth completion of the 2024/25 audit and proper support arrangements from the finance team.

As reported on pages 23 and 24 we have concluded that the arrangements for the production of the 2024/25 financial statements were much improved over previous years, and that this significant weaknesses did not apply to the 2024/25 financial year.

How the Commissioner and Chief Constable ensure properly informed decisions are made, supported by appropriate evidence and allowing for challenge and transparency

The Force has a joint corporate governance framework with the Commissioner. Decision making is carried out in accordance with the Corporate Governance Framework including Contract Standing Orders, Financial Regulations and Schemes of Delegation. We confirmed the Commissioner publishes key decisions, including financial decisions, on their website.

VFM arrangements – Governance

Overall commentary on Governance - continued

How the Commissioner and Chief Constable ensure properly informed decisions are made, supported by appropriate evidence and allowing for challenge and transparency (continued)

The Police and Crime Panel has the authority to challenge decisions made by the Commissioner using its scrutiny role. The Panel is made up of elected members and independent co-opted members. The Panel has powers and responsibilities including:

- to review the draft Police and Crime Plan;
- to publicly scrutinise the Police and Crime Commissioner's (PCC's) Annual Report;
- to review and scrutinise decisions and actions by the PCC;
- to review and veto (if necessary) the PCC's proposed precept levels;
- to review the PCC's Conduct; and
- to review and confirm the PCC's proposed appointments of Chief Constable, Chief Executive, Chief Finance Officer, and Deputy Police and Crime Commissioner.

We have confirmed the Panel met during the year. We considered the Panel's 2024/25 Annual Report and identified no matters to indicate a significant weakness in arrangements for the Commissioner or Chief Constable.

As part of our review, we confirmed that Codes of conduct for the PCC and staff are in place, noting also that similar arrangements are in place for the Chief Constable, however, police officers are also subject to specific professional rules. Police officer behaviour is regulated by national standards of professional behaviours. The Professional Standards Team monitor any complaints or reports of officers not complying with these standards.

Our work did not identify any evidence to indicate a significant weakness in arrangements for the Commissioner or Chief Constable.

How the Commissioner and Chief Constable monitor and ensure appropriate standards are maintained

As noted in the previous section, the Commissioner and Chief Constable have developed an overarching code of corporate governance. This includes scheme of delegation, financial regulations, Counter Fraud and Corruption Strategy. A register of gifts and hospitality is maintained and a Whistleblowing policy is in place.

Decisions made by the Commissioner are subject to scrutiny, including by the Police and Crime Panel. We have reviewed decisions made by the Commissioner and are not aware of any matters from this that indicate a significant weakness in decision making arrangements. Other arrangements include the Durham Independent Police Ethics Committee and the Independent Complaints Scrutiny Panel.

The Annual Governance Statements (AGS) are published and review the effectiveness of the Commissioner's and Chief Constable's Governance Framework. Our review of the AGS for the Commissioner and Chief Constable did not identify any significant weaknesses in arrangements.

VFM arrangements

Improving Economy, Efficiency and Effectiveness

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



VFM arrangements – Improving Economy, Efficiency and Effectiveness

Overall commentary on Improving Economy, Efficiency and Effectiveness

How financial and performance information has been used to assess performance to identify areas for improvement

There are established processes in place for reviewing financial and performance information and using this to inform areas for improvement. Forecast of Outturn reports to the Senior Leadership team and the Joint Audit Committee highlight variances for discussion including both revenue and capital. These identify where there are under / overspends and highlight mitigating activity where appropriate. We confirmed through minutes review that the Commissioner also provides quarterly performance reports to the Police and Crime Panel.

The Police and Crime Plan is a statutory requirement for all police force areas introduced by the Police Reform and Social Responsibility Act 2011. The Plan is both a planning tool for Police and Crime Commissioners (PCC) and an important mechanism for communicating the PCC's intentions to the public, police, partner agencies, Police and Crime Panel and other stakeholders. Through extensive consultation and analysis, the Plan reflects the voice of the people, and includes measures as to how the PCC will hold the Chief Constable to account for the Constabulary's delivery of the Plan.

Following the Police and Crime Commissioner elections in May 2024, the PCC has developed a new Police, Crime and Justice Plan for 2025-29. This builds on the successes of the previous Police and Crime Plan 2021-24 and provides a revised focus on several key areas that the public and the supporting evidence have identified as priorities. In September 2024, the PCC invited the residents of County Durham and Darlington to complete an online survey to find out which issues, such as anti-social behaviour and drug abuse concern locals the most and what they believe should be the funding priorities. The feedback was used alongside existing evidence to draw up the Police and Crime Plan for 2025-29.

The Chief Constable is accountable to the Commissioner for the delivery of efficient and effective policing, management of resources and expenditure by the police force as outlined in the Policing Protocol and Police Reform and Social Responsibility Act 2011.

The Chief Constable has developed a Chief Constable Delivery Plan (CCDP). The purpose of articulating the CCDP is intended to:

- identify possible areas to examine for efficiency;
- improve understanding of the current state of efficiency;

- identify possible barriers for improvement; and,
- demonstrate the Chief Constable is fulfilling their requirement to provide an efficient service.

Our work did not identify any evidence to indicate a significant weakness in arrangements for the Commissioner or Chief Constable.

The Authority is also subject to review by His Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS). HMICFRS carry out Police Efficiency, Effectiveness and Legitimacy (PEEL) inspections of all police forces in England and Wales to assess their performance.

The most recent PEEL inspection covering the period 2023-25 assessed how good Durham Police performed across eleven areas of policing, giving graded judgements in ten of the eleven areas. There were only two areas which were graded as 'requires improvement' relating to responding to the public and protecting vulnerable people.

One of the eleven areas was graded as 'outstanding', two were graded as 'good', with all other areas graded as 'adequate'. The report summarises that overall the inspection is *"pleased with some aspects of the performance of Durham Constabulary in keeping people safe, reducing crime and providing victims with an effective service. I am satisfied with other aspects of the constabulary's performance, but there are areas in which it needs to improve"*.

There have been no further inspections since the report reviewed above. Our work did not identify any evidence to indicate a significant weakness in arrangements for our reporting relating to the Commissioner or Chief Constable.

How the Commissioner and Chief Constable evaluate service delivery to assess performance and identify areas for improvement

Performance is scrutinised across the organisation. There is regular performance monitoring and reporting, as evidenced by our review of reports including our minutes review.

The Chief Constable maintains a Chief Constable Delivery Plan (CCDP). The Chief Constable monitors the delivery of the CCDP. A risk management approach is used to determine where the Chief Constable is forecast to be in 3 month's time. This is similar to a Strategic Risk Register and is RAG rated (Red; Amber; Green).

VFM arrangements – Improving Economy, Efficiency and Effectiveness

Overall commentary on Improving Economy, Efficiency and Effectiveness (continued)

The Commissioner monitors performance against the Police and Crime Plan. We confirmed quarterly reports are presented to the Police and Crime Panel and subject to scrutiny. We considered these reports and did not identify any matters to indicate a significant weakness in arrangements.

How the Commissioner and Chief Constable ensure roles are delivered within significant partnerships, engage with stakeholders, monitor performance against expectations, and ensure action is taken where necessary to improve

The Commissioner and Chief Constable actively pursue collaboration opportunities with the Police, Ambulance and other Fire Services. The Commissioner and Chief Constable have, for a number of years, collaborated with neighbouring police bodies including Cleveland Police, North Yorkshire Police and Northumbria Police. We confirmed that governance arrangements continue to be in place for collaborations. For example, the NERSOU (North East Regional Special Operations Unit) has a joint committee in place through which the collaboration is monitored. We observed that a Commissioning Board is in place and that decisions made are reported to the Police and Crime Panel.

In the latest inspection report the HMICFRS noted that ‘The constabulary has a rigorous approach to monitor outcomes and review the ongoing benefits from its collaborations to make sure that they continue to offer good value for money.’

No matters have been identified to indicate a significant weakness in arrangements for the Commissioner or Chief Constable.

When the Commissioner and Chief Constable commission or procure services, how the Commissioner and Chief Constable ensure this is done in accordance with relevant legislation, professional standards and internal policies, and how the Commissioner and Chief Constable assess whether expected benefits are realised

There is evidence that the Commissioner and Chief Constable have arrangements in place to ensure procurement is in accordance with relevant legislation, professional standards and internal policies. We have not identified any issues that suggest there is a significant weakness in arrangements.

We considered the arrangements for the new custody suite, including considering the processes in place to procure services. We identified no matters to indicate a significant weakness in arrangements for the Commissioner or Chief Constable.

VFM arrangements

Progress against significant weaknesses and recommendations made in a prior year



VFM arrangements – Prior year significant weaknesses and recommendations

Progress against significant weaknesses and recommendations made in a prior year

As part of our audit work in previous years, we identified the following significant weaknesses, and made recommendations for improvement in the Police and Crime Commissioner and Chief Constable's arrangements to secure economy, efficiency and effectiveness in the use of resources. These identified weaknesses have been outlined in the table below, along with our view on the Police and Crime Commissioner and Chief Constable's progress against the recommendations made, including whether the significant weakness is still relevant in the 2024/25 year. We concluded that these significant weaknesses could be removed and do not apply to the 2024/25 financial year, as explained in the tables below.

| Previously identified significant weakness in arrangements – Police and Crime Commissioner | Reporting criteria | Recommendation for improvement | Our views on the actions taken to date | Overall conclusions |
|--|--------------------|---|---|--|
| <p>Delays in responses to the audit of the Commissioner's accounts</p> <p>There were significant delays in responses to audit queries during the 2021/22 external audits of the Police and Crime Commissioner's and the Chief Constable's accounts, which are both prepared by the Chief Constable's finance team. The audit commenced in November 2022 but all the necessary working papers, correspondence and final accounts to conclude the audit were not received until October 2024.</p> <p>The delays experienced in 2021/22 continued in 2022/23, where the audit commenced in January 2024 and is expected to conclude in December 2024.</p> <p>The significant delays experienced in completing the 2022/23 audit of the Commissioner's accounts are evidence of significant weaknesses in governance arrangements for ensuring effective processes and systems are in place to support the Commissioner's statutory financial reporting requirements.</p> | <p>Governance</p> | <p>The Commissioner should review arrangements for the preparation of draft financial statements and the ability to respond to audit queries. This includes how the Commissioner holds the Chief Constable to account for ensuring sufficient capacity is available to respond to audit queries in a timely and complete manner</p> | <p>Due to the significant delays experienced in responses to audit queries and requests for working papers for previous years, the 2023/24 audit was subject to 'backstop' arrangements as the audit team have been unable to complete the necessary audit procedures to issue a clean audit opinion before the backstop deadline date of 28 February 2025.</p> <p>This means there were limited audit requests made, and therefore we are unable to comment fully on the weakness previously reported regarding delays to audit requests.</p> <p>We note that management have reported that they are increasing the capacity of the finance team involved in preparing the financial statements.</p> | <p>Progress against the recommendation</p> <p>The arrangements for the production of the 2024/25 financial statements were much improved over previous years.</p> <p>The Commissioner, Chief Constable and management made it clear from the outset that the audit was a high priority and any issues identified in previous years would be fully addressed.</p> <p>The audit team and management engaged early to discuss arrangements for the audit, so that any potential pitfalls could be avoided. We met monthly prior to starting the audit, and weekly meetings were in place throughout the fieldwork stage of the audit.</p> <p>Draft accounts were produced by the statutory deadline of 30 June 2025 (2023/24 accounts were not produced until October 2024).</p> <p>We were provided with a full set of working papers at the commencement of the audit. Management prioritised the audit, and there was good responsiveness to our requests for further information and in following up any issues raised.</p> <p>Conclusions</p> <p>This significant risk does not apply to the 2024/25 financial year.</p> |

VFM arrangements – Prior year significant weaknesses and recommendations

Progress against significant weaknesses and recommendations made in a prior year (continued)

| Previously identified significant weakness in arrangements – Chief Constable | Reporting criteria | Recommendation for improvement | Our views on the actions taken to date | Overall conclusions |
|---|--------------------|---|---|--|
| <p>Delays in responses to the audit of the Chief Constable’s accounts</p> <p>There were significant delays in receiving responses to audit queries during the 2021/22 external audit of the Chief Constable’s accounts. The audit commenced in November 2022 but all necessary evidence, correspondence and final accounts to conclude the audit were not received until October 2024.</p> <p>The delays experienced in 2021/22 continued in 2022/23, where the audit commenced in January 2024 and is expected to conclude in December 2024.</p> <p>The significant delays experienced in completing the 2022/23 audit of the Chief Constable’s accounts are evidence of significant weaknesses in governance arrangements for ensuring effective processes and systems are in place to support the Chief Constable’s statutory financial reporting requirements.</p> | <p>Governance</p> | <p>The Chief Constable should review arrangements for the accounts preparation and audit processes and ensure sufficient finance staff capacity is available to respond to audit queries in a timely and complete manner.</p> | <p>Due to the significant delays experienced in responses to audit queries and requests for working papers for previous years, the 2023/24 audit was subject to ‘backstop’ arrangements as the audit team have been unable to complete the necessary audit procedures to issue a clean audit opinion before the backstop deadline date of 28 February 2025.</p> <p>This means there were limited audit requests made, and therefore we are unable to comment fully on the weakness previously reported regarding delays to audit requests.</p> <p>We note that management have reported that they are increasing the capacity of the finance team involved in preparing the financial statements.</p> | <p>Progress against the recommendation</p> <p>The arrangements for the production of the 2024/25 financial statements were much improved over previous years.</p> <p>The Commissioner, Chief Constable and management made it clear from the outset that the audit was a high priority and any issues identified in previous years would be fully addressed.</p> <p>The audit team and management engaged early to discuss arrangements for the audit, so that any potential pitfalls could be avoided. We met monthly prior to starting the audit, and weekly meetings were in place throughout the fieldwork stage of the audit.</p> <p>Draft accounts were produced by the statutory deadline of 30 June 2025 (2023/24 accounts were not produced until October 2024).</p> <p>We were provided with a full set of working papers at the commencement of the audit. Management prioritised the audit, and there was good responsiveness to our requests for further information and in following up any issues raised.</p> <p>Conclusions</p> <p>This significant risk does not apply to the 2024/25 financial year.</p> |

Other reporting responsibilities

Other reporting responsibilities

Matters we report by exception

The Local Audit and Accountability Act 2014 provides auditors with specific powers where matters come to our attention that, in their judgement, require specific reporting action to be taken. Auditors have the power to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to the law; and
- issue an advisory notice.

We have not exercised any of these statutory reporting powers.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. We did not receive any such objections or questions.

Reporting to the NAO in respect of Whole of Government Accounts consolidation data

We have not yet received clearance from the National Audit Office in respect of our work on the Authority's Whole of Government Accounts (WGA) submission. We are unable to issue audit certificates until we receive this clearance.

05

Audit fees and other services

Audit fees and other services

Fees for audit and other services

Our planned fees (exclusive of VAT) for the audit of the Commissioner and the Chief Constable for the year ended 31 March 2025 are outlined below. The scope of our work changed when it was agreed that we would also complete a full audit of the 2023/24 accounts using the historic testing approach to be able to rebuild assurance for opening balances in the disclaimed audit year.

Having completed our work for the 2024/25 financial year, we can confirm that our fees are as follows. All fees are subject to approval by Public Sector Audit Appointments (PSAA) Limited.

Fees for work as the Commissioner's appointed auditor

| Area of work | 2024/25 Proposed Fee | 2024/25 Actual Fee |
|--|----------------------|--------------------|
| Code Audit Work– Scale fee set by Public Sector Audit Appointments (PSAA) Limited | £93,870 | £93,870 |
| Additional fees in respect of 2024/25 audit for new accounting standard IFRS 16, Leases (not included in PSAA scale fee) | £0 | £2,000 |
| Additional fees in respect of 2024/25 audit for the work undertaken to rebuild assurance by completing the historic testing approach on the 2023/24 accounts | £0 | £58,838 |
| Total Fees | £93,870 | £154,708 |

Fees for work as the Chief Constable's appointed auditor

| Area of work | 2024/25 Proposed Fee | 2024/25 Actual Fee |
|--|----------------------|--------------------|
| Code Audit Work– Scale fee set by Public Sector Audit Appointments (PSAA) Limited | £49,017 | £49,017 |
| Additional fees in respect of 2024/25 audit for the work undertaken to rebuild assurance by completing the historic testing approach on the 2023/24 accounts | £0 | £28,473 |
| Total Fees | £49,017 | £77,490 |

Fees for non-PSAA work

We confirm that we have not undertaken any non-audit services for the Commissioner or the Chief Constable in the year.

Appendices

Appendix A: Further information on our audit of the financial statements

Appendix A: Further information on our audit of the financial statements

Significant risks and audit findings

As part of our audit we identified significant risks to our opinion on the financial statements during our risk assessment.

| Risk | Our audit response and findings |
|--|---|
| <p>Rebuilding assurance – (Group and Commissioner / Chief Constable) Government introduced measures intended to resolve the local government financial reporting backlog. Amendments to the Accounts and Audit Regulations required the Commissioner / Chief Constable to publish its audited 2023/24 financial statements and accompanying information on or before 28 February 2025.</p> <p>The financial statements subsequently received a disclaimed audit opinion in 2023/24. As a result of the backstop arrangements, we determined that there was insufficient time to complete our audit procedures to obtain sufficient appropriate evidence, and, in our view, the effects of the resulting lack of evidence was material and pervasive to the financial statements as a whole.</p> <p>On 5 June 2025, the National Audit Office issued LARRIG 06, ‘Special considerations for rebuilding assurance for specified balances following backstop-related disclaimed audit opinions.’ * This introduced local audit reset and recovery implementation guidance for local auditors to consider.</p> <p>There is a risk that opening balances are materially misstated, the risk of which would need to be thoroughly assessed based on detailed risk assessment procedures. The overall risk of fraudulent financial reporting in previous reporting periods subject to disclaimers of opinion will also need to be assessed. The guidance introduces the concept of a Proof in Total approach, requiring fewer audit procedures to rebuild assurance when justified by the results of the risk assessment.</p> | <p>The anticipated ‘rebuilding assurance’ guidance could not be issued, and our firm alongside others in the sector, could not come up with a ‘proof in total’ approach that was consistent with the requirements of International Standards of Auditing (ISAs). We subsequently agreed with the Authority that we would seek to carry out a full audit of the 2023/24 financial year alongside the 2024/25 audit. This was only possible because there was only one disclaimed year to address (2023/24) and the accounts audit is relatively straightforward compared to our other audits.</p> <p>We were able to complete the work required to be able to issue unqualified opinions on the 2024/25 audit.</p> |
| <p>Management override of controls (Group and Commissioner / Chief Constable) Management at various levels within an organisation are 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. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits. You should assess this risk as part of your oversight of the financial reporting process.</p> | <p>We did not identify any significant issues to report.</p> |
| <p>Valuation of property, plant and equipment (Group and Commissioner) The 2024/25 financial statements contain material entries on the balance sheet as well as material disclosure notes in relation to the Commissioner’s holding of property, plant and equipment.</p> <p>Property valuations involve a high degree of estimation uncertainty due to the significant judgements and number of variables involved in providing revaluations. We have therefore identified the revaluation of property, plant and equipment to be an area of significant risk.</p> | <p>We did not identify any significant issues to report.</p> |
| <p>Defined benefit pension valuation (Group, Commissioner and Chief Constable) The financial statements contain material pension entries in respect of the retirement benefits for the Police Pension Scheme (PPS) and the Local Government Scheme (LGPS). The calculation of these pension figures, both assets and liabilities, can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. This results in an increased risk of material misstatement.</p> | <p>We did not identify any significant issues to report.</p> |

Summary of misstatements

Unadjusted misstatements

Our overall materiality, performance materiality, and clearly trivial (reporting) threshold were reported in our Audit Strategy Memorandum, issued on 2 September 2025. Any subsequent changes to those figures are set out in the *'Audit approach and risk summary'* section of this report.

Management has assessed the misstatements in the table below as not being material, individually or in aggregate, to the financial statements and does not plan to adjust. We only report to the Joint Independent Audit Committee unadjusted misstatements that are either material by nature or which exceed our reporting threshold.

2024/25 Group financial statements

See next page.

Summary of misstatements

2024/25 Group financial statements

| Description | | | Comprehensive Income and Expenditure Statement | | Balance Sheet | |
|---|--|--|--|-------------|---------------|-------------|
| | | | Dr (£ '000) | Cr (£ '000) | Dr (£ '000) | Cr (£ '000) |
| Dr. Income Cr. Cash This is the accounting entry to correct the error in recording SCOU cash as reported in Appendix A | | | 11 | | | 11 |
| Dr. Property, plant and equipment Cr. Unusable reserves Dr. MIRS Adjustment Cr. Depreciation Misstatement identified by management due to charging depreciation on assets under construction in error. This is an accounting adjustment and there is no impact on the resources available to the Commissioner or Group. | | | 402 | 402 | 402 | 402 |
| Dr. Revaluation Reserve Cr. Property, Plant and Equipment Adjustment to reflect Peterlee Police Station being charged with depreciation based on an asset life of 23 years instead of an asset life of 25 years. | | | | | 183 | 183 |
| Aggregate effect of unadjusted misstatements | | | 413 | 402 | 585 | 596 |

There was an understatement of Pension Fund assets as per the 2024/25 Pension Fund auditor assurance letter, estimated at £151k for the Group, but this is not reportable as it is below our triviality level.

We will obtain written representations confirming that, after considering the unadjusted misstatements, both individually and in aggregate, in the context of the financial statements taken as a whole, no adjustments are required.

Summary of misstatements

Unadjusted misstatements (continued)

2023/24 Group financial statements

| Description | | | Comprehensive Income and Expenditure Statement | | Balance Sheet | |
|---|--|--|--|-------------|---------------|--------------|
| | | | Dr (£ '000) | Cr (£ '000) | Dr (£ '000) | Cr (£ '000) |
| Dr. Income Cr. Cash This is the accounting entry to correct the error in recording SCOU cash as reported in Appendix A | | | 11 | | | 11 |
| Dr. Pension liabilities Cr. Pension reserve The Pension Fund auditor identified an unadjusted difference in asset values during their audit of the Pension Fund. The above is an estimation of the impact on the Authority's asset valuations based on the Authority's share of Pension Fund assets. This is an understatement of asset values and is not material. | | | | | 1,285 | 1,285 |
| Dr. Revaluation Reserve Cr. Property, Plant and Equipment Adjustment to reflect Peterlee Police Station being charged with depreciation based on an asset life of 23 years instead of an asset life of 25 years. | | | | | 183 | 183 |
| Aggregate effect of unadjusted misstatements | | | 11 | 0 | 1,468 | 1,479 |

Note that the Depreciation error of £402k reported in 2024/25 is not reportable in 2023/24 because the error was £72k which is below our trivial reporting threshold.

We will obtain written representations confirming that, after considering the unadjusted misstatements, both individually and in aggregate, in the context of the financial statements taken as a whole, no adjustments are required.

Summary of misstatements

Unadjusted misstatements

Our overall materiality, performance materiality, and clearly trivial (reporting) threshold were reported in our Audit Strategy Memorandum, issued on 2 September 2025. Any subsequent changes to those figures are set out in the *'Audit approach and risk summary'* section of this report.

Management has assessed the misstatements in the table below as not being material, individually or in aggregate, to the financial statements and does not plan to adjust. We only report to the Joint Independent Audit Committee unadjusted misstatements that are either material by nature or which exceed our reporting threshold.

2024/25 Commissioner financial statements

See next page.

Summary of misstatements

2024/25 Commissioner financial statements

| Description | | | Comprehensive Income and Expenditure Statement | | Balance Sheet | |
|---|--|--|--|-------------|---------------|-------------|
| | | | Dr (£ '000) | Cr (£ '000) | Dr (£ '000) | Cr (£ '000) |
| Dr. Income Cr. Cash This is the accounting entry to correct the error in recording SCOU cash as reported in Appendix A | | | 11 | | | 11 |
| Dr. Property, plant and equipment Cr. Unusable reserves Dr. MIRS Adjustment Cr. Depreciation Misstatement identified by management due to charging depreciation on assets under construction in error. This is an accounting adjustment and there is no impact on the resources available to the Commissioner or Group. | | | 402 | 402 | 402 | 402 |
| Dr. Revaluation Reserve Cr. Property, Plant and Equipment Adjustment to reflect Peterlee Police Station being charged with depreciation based on an asset life of 23 years instead of an asset life of 25 years. | | | | | 183 | 183 |
| Aggregate effect of unadjusted misstatements | | | 413 | 402 | 585 | 596 |

There was an understatement of Pension Fund assets as per the 2024/25 Pension Fund auditor assurance letter, estimated at £2k for the Commissioner, but this is not reportable as it is below our triviality level.

We will obtain written representations confirming that, after considering the unadjusted misstatements, both individually and in aggregate, in the context of the financial statements taken as a whole, no adjustments are required.

Summary of misstatements

Unadjusted misstatements (continued)

2023/24 Commissioner financial statements

| Description | | | Comprehensive Income and Expenditure Statement | | Balance Sheet | |
|--|--|--|--|-------------|---------------|-------------|
| | | | Dr (£ '000) | Cr (£ '000) | Dr (£ '000) | Cr (£ '000) |
| Dr. Income Cr. Cash This is the accounting entry to correct the error in recording SCOU cash as reported in Appendix A | | | 11 | | | 11 |
| Dr. Revaluation Reserve Cr. Property, Plant and Equipment Adjustment to reflect Peterlee Police Station being charged with depreciation based on an asset life of 23 years instead of an asset life of 25 years. | | | | | 183 | 183 |
| Aggregate effect of unadjusted misstatements | | | 11 | 0 | 183 | 194 |

There was an understatement of Pension Fund assets as per the 2023/24 Pension Fund auditor assurance letter, estimated at £18k for the Commissioner, but this is not reportable as it is below our triviality level.

Note that the Depreciation error of £402k reported in 2024/25 is not reportable in 2023/24 because the error was £72k which is below our trivial reporting threshold.

We will obtain written representations confirming that, after considering the unadjusted misstatements, both individually and in aggregate, in the context of the financial statements taken as a whole, no adjustments are required.

Summary of misstatements

Unadjusted misstatements

Our overall materiality, performance materiality, and clearly trivial (reporting) threshold were reported in our Audit Strategy Memorandum, issued on 2 September 2025. Any subsequent changes to those figures are set out in the 'Audit approach and risk summary' section of this report.

Management has assessed the misstatements in the table below as not being material, individually or in aggregate, to the financial statements and does not plan to adjust. We only report to the Joint Independent Audit Committee unadjusted misstatements that are either material by nature or which exceed our reporting threshold.

2024/25 Chief Constable financial statements

| Description | Comprehensive Income and Expenditure Statement | | Balance Sheet | | |
|--|--|-------------|---------------|-------------|------------|
| | Dr (£ '000) | Cr (£ '000) | Dr (£ '000) | Cr (£ '000) | |
| Dr. Trade Creditors | | | 168 | | |
| Cr. Expenditure | | | | 168 | |
| A £168k lease liability accrued in error in the Commissioner's accounts was correctly removed from the Commissioner's accounts, but the corresponding adjustment was not made in the Chief Constable's accounts. | | | | | |
| Aggregate effect of unadjusted misstatements | | 0 | 0 | 168 | 168 |

There was an understatement of Pension Fund assets as per the 2024/25 Pension Fund auditor assurance letter, estimated at £149k for the Chief Constable, but this is not reportable as it is below our triviality level.

We will obtain written representations confirming that, after considering the unadjusted misstatements, both individually and in aggregate, in the context of the financial statements taken as a whole, no adjustments are required.

Summary of misstatements

Unadjusted misstatements (continued)

2023/24 Chief Constable financial statements

| Description | Comprehensive Income and Expenditure Statement | | Balance Sheet | | |
|---|--|-------------|---------------|--------------|--------------|
| | Dr (£ '000) | Cr (£ '000) | Dr (£ '000) | Cr (£ '000) | |
| Dr. Pension liabilities | | | 1,266 | | |
| Cr. Pension reserve | | | | 1,266 | |
| The Pension Fund auditor identified an unadjusted difference in asset values during their audit of the Pension Fund. The above is an estimation of the impact on the Authority's asset valuations based on the Authority's share of Pension Fund assets. This is an understatement of asset values and is not material. | | | | | |
| Aggregate effect of unadjusted misstatements | | 0 | 0 | 1,266 | 1,266 |

We will obtain written representations confirming that, after considering the unadjusted misstatements, both individually and in aggregate, in the context of the financial statements taken as a whole, no adjustments are required.

Appendix A: Internal control conclusions

Other deficiencies in internal control

Accounting for cash held relating to the Specialist Crime Operations Unit (SCOU) – Commissioner and Group accounts

Description of deficiency

During the audit, we asked for evidence to support the £21k cash balance relating to the SCOU. Following various inquiries, it was clarified that there was only a £10k cash balance. The cash has been held securely in a safe for a number of years and has not needed to be utilised. The remaining £11k was not held in cash. Management explained that this was an accounting error, where cash had been debited in error and that this balance should be written off against income. We understand that this error has existed for a number of years. Although an £11k error is not material, and is below our trivial reporting level, auditors view errors in cash as more sensitive and therefore we have included this as an unadjusted misstatement in Section 06, and our view is that this is an important deficiency in internal control which needs to be addressed.

Potential effects

Misstatements in cash balances.

Recommendation

Management should correct this error in 2025/26.

Management response

Agreed.
We have identified that this is an issue, we now have a process in place to ensure that confirmation is received at the end each financial year that the cash is still being retained.

Appendix A: Internal control conclusions

Other deficiencies in internal control

Provision of working papers supporting the financial statements – Commissioner, Group and Chief Constable accounts

Description of deficiency

Draft accounts were received from the Commissioner and Chief Constable on 30 June 2025 and were of a good quality. The working papers supporting the financial statements were also of reasonable quality and we were provided with all of the key information we needed. We have reported elsewhere that the significant weaknesses previously reported as part of our VFM work have now been removed. However, there is scope to further strengthen the quality of supporting working papers.

We would generally expect the working papers provided to be more comprehensive than those received. Although management were very helpful and responsive in filling in the gaps when we followed up or asked questions, there should have been greater clarity in the core working papers.

Bank reconciliation working papers were an example of where improvements could be made. Although management was able to provide all of the relevant information, it took a lot of follow up queries, which were time consuming. The error in the SCOU cash balance (the other reported deficiency in internal control) took considerable time to clarify.

There is a risk that other errors could be masked if working papers are not clear at the outset.

Potential effects

Increased risk of material misstatements going undetected.

Recommendation

Strengthen working paper preparation as part of the 2025/26 closedown of accounts.

Management response

Agreed.

We welcome the opportunity to discuss any areas which can be improved when compiling the working papers which relate to the year end accounts.

Appendix A: Internal control conclusions

Other deficiencies in internal control

Estates information on floor areas used in valuations

Description of deficiency

At present, there is no definitive system for recording the floor areas of properties. There are differences between Estates information and the information used by the valuer in property valuations.

Potential effects

Valuations of property could be misstated, although at present we haven't identified any material differences.

Recommendation

Management carry out a review to ensure that Estates information is complete and accurate, and the relevant information is shared with the external valuer.

Management response

Agreed.

Management is reviewing the Estates structure and planning when this work will be carried out.

Appendix A: Internal control conclusions

Other deficiencies in internal control

Sports centre creditor

Description of deficiency

A Sports Centre creditor of £195k has recurred every year since 2016, despite the sports centre having closed in 2011. Management were unable to confirm what this represents. We were satisfied that this is an isolated case.

Potential effects

Creditors could be misstated, although the amount in question is below materiality.

Recommendation

Review the Sports Centre creditor of £195k and take any remedial action necessary in the 2025/26 closedown of accounts.

Management response

Agreed.

Action will be taken as part of the 2025/26 closedown.

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