

November 2020

Mr Mark Hodgson
Associate Partner

Ernst & Young LLP

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Cambridge

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Dear Mark

**The Police and Crime Commissioner for Surrey and The Chief Constable of Surrey – Letter of Representation for the financial year 2019/20**

**General statement**

This letter of representations is provided in connection with your audit of the financial statements of the Office of the Police & Crime Commissioner for Surrey (PCC) / Chief Constable (CC) for Surrey (“the PCC/CC”) for the year ended 31 March 2020 and includes the Group reporting consolidation.

I 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 financial statements give a true and fair view of the financial position of the PCC and CC as of 31 March 2020and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20*.*

I understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit is conducted in accordance with International Standards on Auditing (UK and Ireland), 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, I make the following representations, which are true to the best of my knowledge and belief, having made such inquiries as I considered necessary for the purpose of appropriately informing myself:

 **A. Financial Statements and Financial Records**

1. I have fulfilled your responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 (as amended in 2020 for Covid-19) and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.
2. I acknowledge as a member of management of the PCC/CC, my responsibility for the fair presentation of the PCC/CC’s financial statements. I believe the PCC/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 PCC/CC in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20and are free of material misstatements, including omissions. I have approved the PCC/CC financial statements.
3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. As a member of management of the PCC/CC, I believe that the PCC/CC has 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 2019/20, that are free from material misstatement, whether due to fraud or error. I have disclosed to you any significant changes in our processes, controls, policies and procedures that have been made to address the effects of the COVID-19 pandemic on the system of internal controls.
5. I believe that the effects of any unadjusted audit differences, summarised in the Audit Results Report, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

I have not corrected these differences identified and brought to our attention by you as follows on that basis:
* PCC and Group: Referral Centre commitment of £0.286m to NHS England for 2018/19 which was not recognised until 2019/20. This invoice was missed out of the 2018/19 accounts in error but as these costs do not change the meaning of the accounts and have now been recognised in the current year accounts we do not see it necessary to adjust the prior year accounts and we do not feel it would benefit the reader.
* CC and Group: 2018/19 expenditure; relates to an extrapolated difference of £0.752m in relation to expenditure that was incorrectly recognised in 2019/20. This was due to expenditure relating to 2018/19 not being accrued for in that year and therefore being incorrectly recognised in 2019/20 instead. This is difference is estimated by the External Audit team via extrapolation and is not therefore necessarily an accurate reflection of the actual error within the accounts. We do not believe it would change the meaning of the accounts to the reader and it would not be good value for money to ascertain the exact figure for the year based on actual expenditure rather than extrapolation from sample testing. We have therefore not adjusted the accounts for this error.
* Pension Fund: During audit testing a lump sum payment of £0.128m was identified as being recognised within the 2019/20 accounts but which related to the 2018/19 year. We do not believe this would change the meaning of the accounts to the reader. As the cost has now been recognised in the current year accounts we do not see it necessary to adjust the prior year accounts and we do not feel it would benefit the reader.
* LGPS Surrey Pension Fund Audit: Following independent external audit of the LGPS Surrey Pension Fund administered by Surrey County Council, it was found that the Pension Fund assets were overstated by £16.1m at the total fund level. Surrey Police Group’s share of this amount is 8% [£1.288m] with 1% [£0.161m] relating to the PCC and 7% [£1.127m] relating to the Chief Constable.

We know the liability would increase as a result of the Pension Fund asset overstatement, although we do not have an accurate assessment of the actual impact on the liability that would result if that overstatement was put through the actuarial model. Usually an increase in liability would be greater than the reduction in asset value and that multiplier effect could range from 25% to 53%.

Materiality this year is assessed as £6.125m for the Surrey Police Group, £3.466m for the PCC and £6.054m for the Chief Constable. This provides materiality cover against the pension asset overstatement of 4.8 times for the Group, 21.5 times for the PCC and 5.4 times for the Chief Constable. Even if we applied a multiplier of 100% to the asset overstatement to estimate the liability then we would still be well within the materiality limits for this financial year.

I do not believe this error changes the meaning of the accounts to the reader. Further actuarial valuations would be required to estimate this error more accurately, which I do not believe would represent good value for money given that the error is within our materiality limits. I have therefore decided not to adjust this error in the accounts for the Group, PCC or Chief Constable on the basis of materiality.

**B. Non-compliance with law and regulations, including fraud**

1. I acknowledge that I am responsible to determine that the PCC/CC’s activities are conducted in accordance with laws and regulations and that I am responsible for identifying and addressing any non-compliance with applicable laws and regulations, including fraud.
2. I acknowledge that I am responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. I have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
4. I have no knowledge of any identified or suspected non-compliance with laws and regulations, including fraud that may have affected the Group or PCC/CC (regardless of the source or form and including without limitation, any allegations by “whistleblowers”) including non-compliance matters:
* involving financial statements;
* related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the PCC/CC’s financial statements;
* related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the PCC/CC’s activities, its ability to continue to operate, or to avoid material penalties;
* involving management, or employees who have significant roles in internal controls, or others; or
* 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. I 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 as agreed in terms of the audit engagement.
* 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.
1. All material transactions have been recorded in the accounting records and are reflected in the financial statements, including those related to the COVID-19 pandemic.
2. I have made available to you all minutes of the meetings of the PCC/CC and its relevant committees (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: 25 November 2020*.*
3. I confirm the completeness of information provided regarding the identification of related parties. I have disclosed to you the identity of the PCC/CC related parties and all related party relationships and transactions of which I am 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 year end. These transactions have been appropriately accounted for and disclosed in the financial statements.
4. I believe that the significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable.
5. I have disclosed to you, and the PCC/CC has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
6. From the date of our last management representation letter to you, through to the date of this letter, I have disclosed to you any unauthorized access to our information technology systems that either occurred or to the best of my knowledge is reasonably likely to have occurred based on our investigation, 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 impact to the financial statements, in each case or in the aggregate.

**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 financial statements.
2. I have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. I have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in the financial statements (please specify the Note) all guarantees that I have given to third parties.

**E. Subsequent Events**

1. That other than the disclosure described in Note 3 to the PCC/CC’s financial statements, there have been no events, including events related to the COVID-19 pandemic, subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

**F. Accounting Estimates**

1. I believe that the significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable.

2. In respect of accounting estimates recognised or disclosed in the financial statements:

* I believe the measurement processes, including related assumptions and models, you used in determining accounting estimates is appropriate and the application of these processes is consistent.
* The disclosures relating to accounting estimates are complete and appropriate in accordance with the applicable financial reporting framework.
* The assumptions used in making accounting estimates appropriately reflects our intent and ability to carry out specific courses of action on behalf of the entity, where relevant to the accounting estimates and disclosures.
* No subsequent event requires an adjustment to the accounting estimates and disclosures included in the financial statements.

**G. Expenditure Funding Analysis**

1. I confirm that the financial statements reflect the operating segments reported internally to the PCC/CC.

**H. Going Concern**

1.The PCC/CC has prepared the financial statements on a going concern basis and that Note 2 to the financial statements discloses all of the matters of which I am aware that are relevant to the PCC/CC’s ability to continue as a going concern, including significant conditions and events, our future financial plans and the veracity of the associated future funding allocations from the Home Office, the sufficiency of cash flows to support those financial plans.

**I. Ownership of Assets**

1. Except for assets capitalised under finance leases, the PCC/CC has satisfactory title to all assets appearing in the balance sheet(s), and there are no liens or encumbrances on the PCC/CC’s assets, nor has any asset been pledged as collateral. All assets to which the PCC/CC has satisfactory title appear in the balance sheet(s).

**J. Reserves**

1. I have properly recorded or disclosed in the PCC/CC financial statements the usable and unusable reserves.

**K. Valuation of Property, Plant and Equipment Assets**

1. I agree with the findings of the experts engaged to evaluate the values of the PCC/CC's land and buildings and have adequately considered the qualifications of the experts in determining the amounts and disclosures included within the PCC/CC’s financial statements and the underlying accounting records. I did not give or cause any instructions to be given to the experts with respect to the values or amounts derived in an attempt to bias their work, and I am not otherwise aware of any matters that have had an effect on the independence or objectivity of the experts.
2. I believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context ofthe CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.
3. I confirm that the significant assumptions used in making the valuation of assets appropriately reflect my intent and ability to carry out specific courses of action on behalf of the entity.
4. I confirm that the disclosures made in the PCC/CC financial statements with respect to the accounting estimate(s) are complete and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20*.*
5. I confirm that no adjustments are required to the accounting estimate(s) and disclosures in the PCC/CC financial statements due to subsequent events.
6. I confirm that I have performed a desktop review of all assets not subject to revaluation as part of the 5 year rolling programme for valuations and that each asset category is not materially misstated.
7. I confirm that for assets carried at historic cost, that no impairment is required.

**L. Retirement benefits**

1. On the basis of the process established by me and having made appropriate enquiries, I am satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with my knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.
2. I agree with the findings of the specialists engaged to evaluate the Valuation of Pension Liabilities and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the consolidated and PCC/CC financial statements and the underlying accounting records. I 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 I am not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.
3. I believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context ofthe CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.
4. I confirm that the significant assumptions used in making the valuation of the pension liability appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.
5. I confirm that the disclosures made in the consolidated and PCC/CC financial statements with respect to the accounting estimate(s) are complete and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20*.*
6. I confirm that no adjustments are required to the accounting estimate(s) and disclosures in the consolidated and PCC/CC financial statements due to subsequent events.

**M. Other information**

1. I acknowledge my responsibility for the preparation of the other information. The other information comprises the Narrative Report included in the “*Statement of Accounts for the year 2019/20*”.
2. I confirm that the content contained within the other information is consistent with the financial statements.

**N. Group audits**

1. I confirm that the necessary adjustments have been made to eliminate all material intra-group unrealised profits on transactions amongst the PCC and its subsidiary undertaking (Chief Constable).

**O. Specific Representations**

I have no further specific representations in addition to those above.

**Yours Sincerely**

**David Munro**

**Police and Crime Commissioner for Surrey**

*On behalf of the PCC for Surrey*

**Kelvin Menon**

**Chief Finance Officer**

*On behalf of the PCC for Surrey*

**Gavin Stevens**

**Chief Constable of Surrey**

*On behalf of the Chief Constable of Surrey*

**Peter Gillet**

**Executive Director of Commercial & Finance Services**

**Chief Finance Officer**

*On behalf of the Chief Constable of Surrey*