HUMBERSIDE
POLICE & CRIME
COMMISSIONER

The Office of Keith Hunter
Police and Crime Commissioner
The Lawns
Harland Way
Cottingham
HU16 5SN

KPMG LLP
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA

Contact: John Bates

Tel: 01482 220785
e-mail: john.bates@humberside.pnn.police.uk

24 September 2018

Dear Mr Khangura

This representation letter is provided in connection with your audit of the financial statements of the Police and Crime Commissioner for Humberside ("the PCC"), for the year ended 31 March 2018, for the purpose of expressing an opinion:

i. as to whether these financial statements give a true and fair view of the financial position of the PCC and Group as at 31 March 2018 and of the PCC and Group expenditure and income for the year then ended; and

ii. whether the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

These financial statements comprise the Expenditure and Funding Analysis, the PCC and Group Movement in Reserves Statements, the PCC and Group Comprehensive Income and Expenditure Statement, the PCC and Group Balance Sheet, the Group Cash Flow Statement and the related notes (including the Expenditure and Funding Analysis) and the Police Pension Fund Accounts, Net Assets Statement (and related notes).

The PCC confirms that the representations made in this letter are in accordance with the definitions set out in the Appendix to this letter.

The PCC confirms that, to the best of his knowledge and belief, having made such inquiries as considered necessary for the purpose of appropriately informing himself:

Financial statements

1. The PCC has fulfilled the responsibilities, as set out in the Accounts and Audit Regulations 2015, for the preparation of financial statements that:

   i. give a true and fair view of the financial position of the PCC and Group as at 31 March 2018 and of the PCC and Group expenditure and income for the year then ended; and

   ii. have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

The financial statements have been prepared on a going concern basis.

2. Measurement methods and significant assumptions used by the PCC in making accounting estimates, including those measured at fair value, are reasonable.

3. All events subsequent to the date of the financial statements and for which IAS 10 *Events after the reporting period* requires adjustment or disclosure have been adjusted or disclosed.

4. The effect of the uncorrected misstatement is immaterial to the financial statements as a whole. The uncorrected misstatement is detailed in Appendix 2 to this representation letter.

Information provided

5. The PCC has provided you with:

    - access to all information of which we are aware, that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
    - additional information that you have requested from the PCC for the purpose of the audit; and
    - unrestricted access to persons within the PCC and the Group from whom you determined it necessary to obtain audit evidence.

6. All transactions have been recorded in the accounting records and are reflected in the financial statements.

7. The PCC confirms the following:

    i) The PCC has disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud. *(Note:- Included in the Appendix to this letter are the definitions of fraud, including misstatements arising from fraudulent financial reporting and from misappropriation of assets).*

    ii) The PCC has disclosed to you all information in relation to:

    a) Fraud or suspected fraud that we are aware of and that affects the PCC and Group and involves:
        - management;
        - employees who have significant roles in internal control; or
        - others where the fraud could have a material effect on the financial statements; and

    b) allegations of fraud, or suspected fraud, affecting the PCC and Group financial statements communicated by employees, former employees, analysts, regulators or others.

In respect of the above, the PCC acknowledges his responsibility for such internal control as he determines necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In particular, the PCC acknowledges his responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

8. The PCC has disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

9. The PCC has disclosed to you and has appropriately accounted for and/or disclosed in the financial statements, in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

10. The PCC has disclosed to you the identity of the PCC and Group related parties and all the related party relationships and transactions of which we are aware. All related party relationships and transactions have been appropriately accounted for and disclosed in accordance with IAS 24 *Related Party Disclosures*. *(Note:- Included in the Appendix to this letter are the definitions of both a related transaction as we understand them as defined in IAS 24 and the CIPFA/LASAAC Code of Practice on Local Authority Accounts in the United Kingdom 2017/18).*

11. The PCC confirms that:

    a) The financial statements disclose all of the key risk factors, assumptions made and uncertainties surrounding the PCC and Group's ability to continue as a going concern as required to provide a true and fair view.

    b) Any uncertainties disclosed are not considered to be material and therefore do not cast significant doubt on the ability of the PCC and Group to continue as a going concern.

12. On the basis of the process established by the PCC and having made appropriate enquiries, the PCC is satisfied that the actuarial assumptions underlying the valuation of defined benefit obligations are consistent with his knowledge of the business and are in accordance with the requirements of IAS 19 (Revised) Employee Benefits.

    The PCC further confirms that:

    a) all significant retirement benefits, including any arrangements that are:
        - statutory, contractual or implicit in the employer's actions;
        - arise in the UK and the Republic of Ireland or overseas;
        - funded or unfunded; and
        - approved or unapproved,

    have been identified and properly accounted for; and

    b) all plan amendments, curtailments and settlements have been identified and properly accounted for.

This letter was tabled and agreed at the meeting of the Joint Independent Audit Committee on 24 September 2018.

Yours faithfully

John Bates
Deputy Chief Executive and Treasurer

Appendix 1
Appendix to the Police and Crime Commissioner for Humberside's Representation Letter: Definitions

Financial Statements

A complete set of financial statements comprises:

- A Comprehensive Income and Expenditure Statement for the period;
- A Balance Sheet as at the end of the period;
- A Movement in Reserves Statement for the period;
- A Cash Flow Statement for the period; and
- Notes, comprising a summary of significant accounting policies and other explanatory information and the Expenduture and Funding Analysis.

A local authority is required to present group accounts in addition to its single entity accounts where required by chapter nine of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

An entity may use titles for the statements other than those used in IAS 1. For example, an entity may use the title 'statement of comprehensive income' instead of 'statement of profit or loss and other comprehensive income'.

Material Matters

Certain representations in this letter are described as being limited to matters that are material.

IAS 1.7 and IAS 8.5 state that:

> "Material omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor."

Fraud

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorisation.

Error

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

Prior period errors are omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

a) was available when financial statements for those periods were authorised for issue; and
b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

Management

For the purposes of this letter, references to "management" should be read as "management and, where appropriate, those charged with governance".

Related Party and Related Party Transaction

Related party:

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24 *Related Party Disclosures* as the "reporting entity").

a) A person or a close member of that person's family is related to a reporting entity if that person:
   i. has control or joint control over the reporting entity;
   ii. has significant influence over the reporting entity; or
   iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
b) An entity is related to a reporting entity if any of the following conditions applies:
   i. The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
   ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
   iii. Both entities are joint ventures of the same third party.
   iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
   v. The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
   vi. The entity is controlled, or jointly controlled by a person identified in (a).
   vii. A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
   viii. The entity or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Key management personnel in a local authority context are all chief officers (or equivalent), elected members, the chief executive of the authority and other persons having the authority and responsibility for planning, directing and controlling the activities of the authority, including the oversight of these activities.

A reporting entity is exempt from the disclosure requirements of IAS 24.18 in relation to related party transactions and outstanding balances, including commitments, with:

a) a government that has control, joint control or significant influence over the reporting entity; and
b) another entity that is a related party because the same government has control, joint control or significant influence over both the reporting entity and the other entity.

Related party transaction:

A transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

Appendix 2

Unadjustedaudit differences (£'000)						
No.	**Income and expenditure statement**	**Movement in reserves statement**	**Assets**	**Liabilities**	**Reserves**	Basis of audit difference
1	Dr Surplus on revaluation of Non-Current Assets 1,150	Cr Capital Accounting Balances 1,510	Cr PPE £1,510		Dr Revaluation Reserve 1,510	From our testing of revaluations, we identified that the revaluation of Land and buildings does not appear to have been accounted for correctly. When an asset has had a capital addition in the year, this has been added to the value of the asset as per the valuation report. As this report is dated 31st January, this should already have taken into account any additions up to this time. The total additions in year (excluding the South Bank Custody, which is still under construction, and as such not included within the revaluation) are £1,510k. As such this issue would not have a material effect upon the accounts. The range of the misstatement therefore would be between nil (if all additions occurred after 31st January) and £1,510k (if all additions occurred before 31st January). £1,510k is therefore worst casse.