

# Hampshire Police – Police Crime Commissioner and Chief Constable

Audit results report for the year ended 31 March 2013

September 2013

Ernst & Young LLP



Building a better  
working world



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**Private and confidential**

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13 September 2013

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Dear Simon and Andy

**Audit results report**

We are pleased to attach our audit results report for you as Those Charged with Governance (TCwG). This report summarises our preliminary audit conclusion in relation to Hampshire Police Group's financial position and results of operations for 2012/13. We will issue our final conclusion after the Joint Audit Committee on 24 September 2013.

The audit is designed to express an opinion on the 2012/13 financial statements for both the Police and Crime Commissioner (PCC) and the Chief Constable (CC), reach a conclusion on the PCC's and the CC's arrangements for securing economy, efficiency and effectiveness in the use of resources, and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit emphasis, our views on the PCC's and the CC's accounting policies and judgements and material internal control findings.

This report is intended solely for the information and use of the PCC, the CC and the Joint Audit Committee. It is not intended to be and should not be used by anyone other than these specified parties. A copy of this report will be sent to the Audit Commission in accordance with the requirements of its Standing Guidance.

We welcome the opportunity to discuss the contents of this report with you.

Yours sincerely

Kate Handy

Director  
For and on behalf of Ernst & Young LLP

## Contents

<b>1. Overview of the audit</b> .....	<b>2</b>
<b>2. Scope update</b> .....	<b>4</b>
<b>3. Significant findings from the financial statement audit</b> .....	<b>5</b>
<b>4. Economy, efficiency and effectiveness</b> .....	<b>7</b>
<b>5. Control themes and observations</b> .....	<b>10</b>
<b>6. Status of our work</b> .....	<b>11</b>
<b>7. Fees update</b> .....	<b>12</b>
<b>8. Summary of audit differences</b> .....	<b>13</b>
<b>9. Independence confirmation: update</b> .....	<b>14</b>
<b>Appendix A Required communications with Those Charged with Governance</b> .....	<b>15</b>
<b>Appendix B PCC – Request for Letter of representation</b> .....	<b>17</b>
<b>Appendix C CC – Request for Letter of representation</b> .....	<b>21</b>

In March 2010 the Audit Commission issued a revised version of the 'Statement of responsibilities of auditors and audited bodies' (Statement of responsibilities). It is available from each audited body and via the [Audit Commission's website](#).

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

The Standing Guidance serves as our terms of appointment as auditors appointed by the Audit Commission. The Standing Guidance sets out additional requirements that auditors must comply with, over and above those set out in the Code of Audit Practice 2010 (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Results Report is prepared in the context of the Statement of responsibilities. It is addressed to the Police and Crime Commissioner and the Chief Constable and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

## 1. Overview of the audit

The Office of the Police and Crime Commissioner is responsible for preparing and publishing two Statements of Accounts, one for the Police and Crime Commissioner Group (PCC) and one for the Chief Constable (CC), with each set of statements accompanied by an Annual Governance Statement. In the Annual Governance Statements, the PCC and the CC report publicly on the extent to which they comply with their own code of governance, including how they have monitored and evaluated the effectiveness of their governance arrangements in the year, and on any planned changes in the coming period. The PCC and the CC are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in their use of resources.

As auditors we are responsible for:

- ▶ forming an opinion on each set of financial statements, one for the PCC and one for the CC;
- ▶ forming a conclusion on the arrangements that both the PCC and the CC have in place to secure economy, efficiency and effectiveness in their use of resources;
- ▶ review and reporting to the National Audit Office ('NAO'), to the extent and in the form required by them, on your Whole of Government Accounts return; and
- ▶ undertaking any other work specified by the Audit Commission.

Summarised below are the conclusions from all elements of our work:

### Financial statements

Following the performance of the procedures outlined in our Audit Plan, we anticipate issuing an unqualified opinion on both the PCC's financial statements and those of the CC. Our main findings in relation to the significant risks included in our joint Audit Plan for the PCC and the CC are set out below.

#### Significant risk: Preparation of the financial statements for the PCC and for the CC, including group accounting

- ▶ The statements, for the PCC and the CC, comply with the proper practices contained in the IFRS-based CIPFA Code of Practice on Local Group Accounting.
- ▶ Assets, liabilities, income and expenditure are correctly recognised in the PCC's financial statements, as the PCC is parent of the Group.

### **Economy, efficiency and effectiveness**

Following the performance of the procedures outlined in our Audit Plan, we anticipate issuing an unqualified value for money conclusion for both the PCC and the CC. Our main findings in relation to the significant risk included in our joint Audit Plan for the PCC and the CC are set out below.

#### **Significant risk: Effectiveness of the new governance arrangements for the PCC and the CC**

- ▶ The PCC's and the CC's governance arrangements are generally effective and comply with the requirements of the Home Office's Code of Financial Management.
- ▶ The JAC needs greater clarity on how the Committee may best fulfill its responsibilities in supporting Those Charged with Governance, the PCC and the CC.

### **Whole of Government accounts**

We have yet to complete the work required to issue our report to the National Audit Office on the accuracy of the consolidation pack the Group is required to prepare for the Whole of Government Accounts. [\[We have no issues to report – TBC\]](#).

### **Control themes and observations**

Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you any significant deficiencies. Any matters of minor deficiency have been dealt with separately in a letter to management.

### **Summary of audit differences**

Management prepared comprehensive financial statements for both the PCC and the CC. Whilst there were a few amendments from the audit, there are no uncorrected misstatements above our reporting threshold that we need to report to those charged with governance and the Joint Audit Committee. Corrected errors above our tolerable error amount of £5.4 million are explained in the detail of our report. As these were disclosure errors there was no impact on the primary statements nor on council tax.

Scope update

## 2. Scope update

Our 2012/13 audit work has been undertaken in accordance with the Joint Audit Plan for the PCC and the CC, presented to the Audit Committee on 25 June 2013, and is conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

Our work comprises a number of elements. In our Audit Plan, we provided an overview of our audit scope and approach for the audit of the financial statements of the PCC and the CC, our conclusion on both the PCC and the CC's arrangements for securing economy, efficiency and effectiveness in the use of resources, and the work we are required to perform on the Whole of Government Accounts return.

We carried out our work in accordance with our Audit Plan.

### 3. Significant findings from the financial statement audit

In this section of our report we outline the main findings from our audit, including our conclusions on the areas of risk outlined in our Audit Plan.

#### Significant risk:

##### Preparation of the financial statements for the PCC and for the CC, including group accounting

<p>The establishment of new organisations part way through the financial year presents a significant challenge for your finance officers in preparing two sets of financial statements for the PCC and the CC for the first time.</p> <p>Officers will need to prepare these statements with limited professional guidance as the accounting treatment will depend on judgement based on local arrangements between the PCC and the CC.</p> <p>The accounts should be produced as if the PCC and the CC had been in existence throughout the financial year.</p>	<p>We found that:</p> <ul style="list-style-type: none"><li>▶ The statements comply with the proper practices contained in the IFRS-based CIPFA Code of Practice on Local Group Accounting.</li><li>▶ Assets, liabilities, income and expenditure are correctly recognised in the PCC's financial statements, as parent of the Group.</li><li>▶ Merger accounting has been properly applied.</li><li>▶ The approach to the allocation of indirect costs was correct.</li></ul>
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#### Other financial statement risk 1

##### Impact of the Estates Strategy

<p>The new Estates Strategy, launched on 22 May 2013, includes plans to sell the Winchester HQ and Alpha Park. There may be a risk that these properties are incorrectly valued and their accounting treatment may not be appropriately disclosed.</p> <p>We reviewed whether the valuation of the assets and disclosures, in the PCC's financial statements, are in accordance with the accounting standards and correctly reflect the date the decision to sell these assets was made.</p>	<ul style="list-style-type: none"><li>• Winchester HQ is correctly classified as an operational asset with a reasonable professional valuation.</li><li>• Alpha Park is correctly re-classified as a "surplus asset" rather than as an "Asset Under Construction (AUC)" in the Balance Sheet. It has been revalued to reflect its market value and the loss is recognised in the accounts.</li><li>• However the impairment was incorrectly applied to the AUC balance, which should only reflect historic cost. Note 21: PPE Movements has been amended to reflect the correct accounting treatment of the reduction in value against the surplus asset value rather than the AUC value, as discussed in detail in Section 8 of this report.</li></ul>
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**Other financial statement risk 2**

**Risk of misstatement due to fraud and error**

Management has the primary responsibility to prevent and detect fraud. It is important that management, with the oversight of those charged with governance, has put in place a culture of ethical behaviour and a strong control environment that both deters and prevents fraud.

Our responsibility is to plan and perform audits to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatements whether caused by error or fraud. As auditors, we approach each engagement with a questioning mind that accepts the possibility that a material misstatement due to fraud could occur, and design the appropriate procedures to consider such risk.

We found that:

- ▶ No fraud risks were identified during the planning stages.
- ▶ Management confirmed by letter that appropriate local controls are in place to prevent and detect fraud and error. We evaluated their response. Those charged with governance confirmed by letter the oversight given by them of management's processes over fraud. We evaluated their response. We focused our audit work on those areas of the financial statements subject to a higher degree of estimation and uncertainty. We have performed our mandatory procedures.
- ▶ There are no issues we need to report from this work or from the results of the National Fraud Initiative



## 4. Economy, efficiency and effectiveness

Our work focussed on the management of the transition of functions from the Police Authority to the PCC and CC as new bodies. Review of these transition risks also included consideration of relevant aspects of the following two specified value for money (vfm) criteria:

- ▶ 1. Whether there were proper arrangements in place for securing financial resilience at the PCC and the CC; and
- ▶ 2. Whether there were proper arrangements in place at the PCC and the CC to secure economy, efficiency and effectiveness in the use of resources.

The table below presents the findings of our work in response to the risk areas or areas of focus in our Audit Plan.

Significant risk:	Impacts arrangements for securing:	Key findings:
<b>Effectiveness of the new governance arrangements for the PCC and the CC</b>		
<ul style="list-style-type: none"> <li>• The transition from police authorities to two separate legal entities, the PCC and the CC, required the timely establishment of effective governance arrangements.</li> <li>• Whilst they are separate bodies, to succeed the PCC and the CC must dovetail their governance arrangements and strategic and operational plans so that they can work seamlessly to deliver a challenging agenda.</li> </ul>	<p>Transition to new effective governance of the PCC and the CC</p>	<ul style="list-style-type: none"> <li>• We found that the PCC's and the CC's governance arrangements are generally effective and comply with the requirements of the Home Office's Code of Financial Management. The new Joint Audit Committee (JAC) met for the first time in May 2013. The JAC needs greater clarity on how the Committee may best fulfill its responsibilities in supporting Those Charged with Governance, the PCC and the CC. This is recognised in both the PCC's and the CC's Annual Governance Statements which acknowledge that further training is required</li> <li>• The PCC is transparent and discloses, on the Hampshire PCC website, how well he is working with the Chief Constable and partners. He meets with the CC regularly and more formally monitors both the operational and financial performance of the Force in private every month and in public every two months at the Compass meetings. The PCC has embraced his commissioning role and awarded £1.3 million of grants to his partners to help deliver one or more of the four key priorities in the Police and Crime Plan. Following an independent review by the PCC of the Estates Strategy, a new Strategy was approved, in May 2013, which better reflects the Police and Crime Plan, operational policing requirements and the challenging financial climate.</li> <li>• The Police and Crime Panel is effectively scrutinising the work of the PCC and has reviewed the 13/14 precept, the 2013/17 Police and Crime Plan and the PCC's 12/13 Annual Report. In line with good practice, it publishes its 2013/14 work programme so the public are aware of its planned business and how it is monitoring the PCC's progress on the Police and Crime Plan.</li> <li>• The PCC will submit the Stage Two transition plan to the Home Office for evaluation in September 2013. The PCC plans to transfer the majority of the Constabulary's staff to the CC and maintain responsibility for the assets and liabilities of the Group.</li> </ul>

Other risks/areas of focus:	Impacts arrangements for securing:	Key findings:
<b>Delivery of a medium term financial plan</b>		
<p>The significant financial management challenges for police over the coming years will be:</p> <ul style="list-style-type: none"> <li>managing the implications of the current economic climate;</li> <li>the significant reductions in the level of future central government funding; and</li> <li>the outcome of the Winsor pay reform review.</li> <li>To meet this significant challenge, forces must improve their efficiency and productivity, reduce their costs, and have sustainable financial plans to ensure they are financially resilient.</li> </ul>	<p>Financial resilience</p> <p><i>The PCC and the CC have proper arrangements in place for securing financial resilience.</i></p>	<ul style="list-style-type: none"> <li>The quality of financial governance and leadership at the PCC and the CC is good. Both the PCC and the CC understand the significant challenges they face and have responded appropriately managing the finances to achieve an under spend of some £6 million in 2012/13. HMIC stated that “<i>Hampshire Constabulary’s savings requirement is broadly in line with other forces. However, for a range of reasons the constabulary has faced a comparatively more difficult challenge than many other forces. Its response to that challenge has been impressive.</i>” The PCC and the CC have systems and processes in place to manage their financial risks and opportunities effectively and these have worked well to date. HMIC stated that “<i>The constabulary has a strong track record in delivering savings and has managed its change plan and engaged its staff effectively.</i>”</li> <li>HMIC commented that “<i>Hampshire Constabulary has identified that it needs to save £54.2m over the four years of the spending review (i.e. between March 2011 and March 2015). It has planned how it will save £49.6m, however it still has £4.5m to find. The constabulary has identified how to close this gap, although these plans have yet to be incorporated into its financial plans. Nonetheless, HMIC is satisfied by the level of detail provided at the time of the inspection that the required savings will be achieved.</i>” Principles of good financial modelling have been applied for the Strategic Estates Review which indicates expected revenue budget net savings year on year of around £1-2m for the reduced accommodation requirements.</li> </ul>

**Arrangements for securing economy, efficiency and effectiveness**

<p>The PCC and the CC are addressing the significant strategic, financial and operational challenges facing them both now and in the medium term. The two corporations face a huge challenge in meeting the expectations for a more visible and responsive policing service with reduced resources.</p>	<p>Economy, efficiency and effectiveness</p> <p><i>The PCC and the CC have proper arrangements for challenging how they secure economy, efficiency and effectiveness.</i></p>	<ul style="list-style-type: none"> <li>▶ The PCC and CC are working with partners to achieve their priorities set in the Police and Crime Plan. The PCC’s Annual Report for 2012/13 highlighted good achievements to date. Challenging targets have been set to continue to improve operational performance and sustain financial performance. Collaboration, as an alternative approach, helps deliver effective policing and achieve savings. Hampshire Constabulary collaborates with a number of partners, principally Thames Valley Police, in a number of ways. HMIC noted, in their July 2013 Inspection Report, that “<i>Overall, collaboration is expected to contribute to 12% of the constabulary’s savings requirement, which is above the 7% figure for England. The constabulary has identified that it should expect more savings from joint working and collaboration. There is still more for the constabulary to do if it is to maximise the efficiencies that effective collaboration presents.</i>”</li> <li>▶ In terms of the Estates Review, officers report that “<i>The entire estate has been reviewed and the Operational Requirement produced by the Force Change Team ensures that the estate being delivered matches the needs of the organisation,</i></li> </ul>
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Economy, efficiency and effectiveness

both in terms of operational effectiveness and financial efficiency. Work has taken place with partner organisations to look at all options. The minutes of the meetings show an increasing partnership with Hampshire Fire and Rescue Service (HFRS) for co-location of resources as a modern, best value for money solution.

- ▶ Costs and productivity of key services are consistent with or better than other forces. HMIC commented that *“The Constabulary spends less per head of population than most other forces in England and Wales.”* *“Over the first two years of the spending review, recorded crime (excluding fraud) in Hampshire Constabulary fell by 18%. This is a good outcome and is considerably greater than the 13% reduction recorded across England and Wales. It plans to place 95% of its officers in frontline roles by March 2015, which is higher than most other forces”.*
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## 5. Control themes and observations

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

Any matters of minor deficiency have been dealt with separately in a letter to management.

## 6. Status of our work

### 6.1 Financial statement audit

Our audit work on the PCC and the CC's financial statements is substantially complete. The following items were outstanding at the date of this report.

Item	Actions to resolve	Responsibility
Review of final set of PCC and CC financial statements	EY to review and agree	EY
Whole of Government Accounts	EY work to complete w/c 23 Sept	Management and EY
Letter of representation	To be tabled at the Joint Audit Committee on 24 September 2013.	Management, PCC and CC
Annual accounts	<ul style="list-style-type: none"><li>▶ Approval of PCC and CC accounts.</li><li>▶ Accounts re-certified by CFOs.</li></ul>	Management, PCC and CC

On the basis of our work performed to date, we anticipate issuing an unqualified auditor's report on both the PCC and the CC's financial statements. However, until we have completed our outstanding procedures, it is possible that further matters requiring amendment may arise.

### 6.2 Economy, efficiency and effectiveness

Our work in respect of our conclusion on the PCC and CC arrangements for securing economy, efficiency and effectiveness in its use of resources is complete.

We expect to present unqualified value for money conclusions on the PCC and CC arrangements to ensure economy, efficiency and effectiveness in its use of resources.

### 6.3 Objections

We have received no objections to the 2012/13 accounts from members of the public.

Fees update

## 7. Fees update

A breakdown of our agreed fee is shown below.

	Proposed final fee 2012/13 £'000	Planned fee 2012/13 £'000	Scale fee 2012/13 £'000
<b>Total Audit Fee – PCC Code work</b>	<b>61</b>	61	61
<b>Total Audit Fee – CC Code work</b>	<b>25</b>	25	25
Non-audit work	0	0	-

Our actual fee is in line with the agreed fee.

## 8. Summary of audit differences

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

We are required to report all adjusted amounts, as a result of the audit, greater than £5.4 million which is our tolerable error based on the gross expenditure of the Group.

Management prepared comprehensive financial statements for both the PCC Group and the CC. The following are the corrected misstatements above our reporting threshold that we need to report to those charged with governance and the Joint Audit Committee. All were disclosure errors with no impact on the prime statements or council tax:

- Note 21: PPE Movements
- Alpha Park was correctly re-classified as a "surplus asset" rather than as an "Asset Under Construction (AUC)" in Note 21 – PPE Movements. However, the note has been amended to reflect the correct accounting treatment for the revaluation.
- The revaluation loss should be applied to the gross book value of the surplus asset rather than the AUC asset value which should only show the historic cost of the asset.
- This also impacts on the accumulated depreciation and impairment, the "*impairment (losses)/reversals recognised in the surplus/deficit on the provision of services*" line in note 21 where the loss should be shown under surplus assets instead of AUC.

## 9. Independence confirmation: update

We confirm there are no changes in our assessment of independence since our confirmation in our Audit Plan dated 25 June 2013. We complied with the Ethical Standards for Auditors and the requirements of the Standing Guidance and in our professional judgement the firm is independent, and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter that should be reviewed by both you and us. It is therefore important that you consider the facts of which you are aware and come to a view. If you wish to discuss any matters concerning our independence, we will be pleased to do so at the forthcoming meeting of the Joint Audit Committee on 24 September 2013.



## Appendix A Required communications with Those Charged with Governance

We must provide certain communications to Those Charged with Governance (TCwG). These are:

Required communication	Reference
<b>Terms of engagement</b>	The Statement of responsibilities serves as the formal terms of engagement between the Audit Commission's appointed auditors and audited bodies.
<b>Planning and audit approach</b> Communication of the planned scope and timing of the audit including any limitations.	Audit Plan
<b>Significant findings from the audit</b> <ul style="list-style-type: none"> <li>▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>▶ Significant difficulties, if any, encountered during the audit</li> <li>▶ Significant matters, if any, arising from the audit that were discussed with management</li> <li>▶ Written representations we are seeking</li> <li>▶ Expected modifications to the audit report</li> <li>▶ Other matters, if any, significant to the oversight of the financial reporting process</li> <li>▶ Findings and issues regarding the opening balance on initial audits</li> </ul>	Audit results report
<b>Misstatements</b> <ul style="list-style-type: none"> <li>▶ Uncorrected misstatements and their effect on our audit opinion</li> <li>▶ The effect of uncorrected misstatements relating to prior periods</li> <li>▶ A request that any uncorrected misstatement be corrected</li> <li>▶ In writing, corrected significant misstatements</li> </ul>	Audit results report
<b>Fraud</b> <ul style="list-style-type: none"> <li>▶ Enquiries of TCwG to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Group</li> <li>▶ Any fraud we have identified or information we have obtained that indicates that a fraud may exist</li> <li>▶ A discussion of any other matters related to fraud</li> </ul>	Audit results report
<b>Related parties</b> Significant matters arising during the audit in connection with the Group's related parties including, when applicable: <ul style="list-style-type: none"> <li>▶ Non-disclosure by management</li> <li>▶ Inappropriate authorisation and approval of transactions</li> <li>▶ Disagreement over disclosures</li> <li>▶ Non-compliance with laws and regulations</li> <li>▶ Difficulty in identifying the party that ultimately controls the Group</li> </ul>	Audit results report
<b>External confirmations</b> <ul style="list-style-type: none"> <li>▶ Management's refusal for us to request confirmations</li> <li>▶ Inability to obtain relevant and reliable audit evidence from other procedures</li> </ul>	Not applicable

Required communication	Reference
<p><b>Consideration of laws and regulations</b></p> <ul style="list-style-type: none"> <li>▶ Audit findings regarding non-compliance where it is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off</li> <li>▶ Enquiry of TCwG into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the committee may be aware of</li> </ul>	Audit results report
<p><b>Independence</b></p> <p>Communication of all significant facts and matters that bear on Ernst &amp; Young's objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> <li>▶ The principal threats</li> <li>▶ Safeguards adopted and their effectiveness</li> <li>▶ An overall assessment of threats and safeguards</li> <li>▶ Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul>	Audit Plan and update in section 8 of this report
<p><b>Going concern</b></p> <p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> <li>▶ Whether the events or conditions constitute a material uncertainty</li> <li>▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>▶ The adequacy of related disclosures in the financial statements</li> </ul>	Audit results report
<p><b>Significant deficiencies in internal controls identified during the audit</b></p>	Audit results report
<p><b>Group audits</b></p> <ul style="list-style-type: none"> <li>▶ An overview of the type of work to be performed on the financial information of the components</li> <li>▶ An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components</li> <li>▶ Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work</li> <li>▶ Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted</li> <li>▶ Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements</li> </ul>	Audit Plan and Audit results report
<p><b>Opening Balances (initial audits only)</b></p> <ul style="list-style-type: none"> <li>▶ Findings and issues regarding the opening balance of initial audits</li> </ul>	Audit results report
<p><b>Fee reporting</b></p> <ul style="list-style-type: none"> <li>▶ Final, planned and scale fee broken down into the headings of Code audit work; certification of claims and returns; and any non-audit work (or a statement to confirm that no non-audit work has been undertaken for the Group).</li> </ul>	Audit Plan and Audit results report

## Appendix B PCC – Request for Letter of representation

### Office of the Police & Crime Commissioner for Hampshire and Group – 2012/13 financial year

#### Request for a letter of representation

International Standards on Auditing set out guidance on the use by auditors of management representations (ISA (UK&I) 580) and on possible non-compliance with laws and regulations (ISA (UK&I) 250). I have interpreted this guidance as it affects Police bodies and I expect the following points to apply:

- auditors may wish to obtain written representation where they are relying on management's representations in respect of judgemental matters (for example the level of likely incidence of a claim), which may not be readily corroborated by other evidence;
- auditors are likely to request written representations on the completeness of information provided;
- auditors may wish to obtain written representation on issues other than those directly related to the Statement of Accounts;
- the letter is dated on the date on which the auditor signs the opinion and certificate;
- the letter is signed by the person or persons with specific responsibility for the financial statements; and
- the letter is formally acknowledged as having been discussed and approved by the Audit Committee, as those charged with governance of the Office of the Police & Crime Commissioner and Group.

This representation letter is to be provided in connection with our audit of the financial statements of The Office of the Police and Crime Commissioner for Hampshire ("the Office") for the year ended 31<sup>st</sup> March 2013. Confirm you recognise that obtaining representations from you concerning the information contained in this letter is a significant procedure in enabling us to form an opinion as to whether the financial statements give a true and fair view of the financial position of The Office of the Police and Crime Commissioner for Hampshire as of 31<sup>st</sup> March 2013 and of its expenditure and income for the year then ended in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

Confirm you understand that the purpose of our audit of your financial statements is to express an opinion thereon and that our audit was 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 would expect the letter of representation to include the following matters, which are true to the best of your knowledge and belief.

#### A. Financial Statements and Financial Records

1. That you have fulfilled your responsibilities, under the relevant statutory authorities, for the preparation of the financial statements, including Group Accounts, in accordance with the CIPFA Code of Practice on Local Authority Accounting (CIPFA Code).
2. That you acknowledge your responsibility for the fair presentation of the financial statements. You believe the financial statements referred to above give a true and fair view of the financial position, financial performance and cash flows of the Office in accordance with the CIPFA Code and are free of material misstatements, including omissions. You have approved the financial statements. You confirm that the Responsible Officer has:
  - Reviewed the accounts
  - Reviewed all relevant written assurances relating to the accounts, and

- Made other enquiries as appropriate.
3. That the significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.

That you believe that the Office of the Police & Crime Commissioner and Group (the Office) has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA Code that are free from material misstatement, whether due to fraud or error.

**B. Fraud**

1. You acknowledge that you are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud
2. You have disclosed to us the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
3. That you have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the Office's internal controls over financial reporting. In addition, you have no knowledge of any fraud or suspected fraud involving other employees in which the fraud could have a material effect on the financial statements. You have no knowledge of any allegations of financial improprieties, including fraud or suspected fraud, (regardless of the source or form and including without limitation, any allegations by "whistleblowers") which could result in a misstatement of the financial statements or otherwise affect the financial reporting of the Office

**C. Compliance with Laws and Regulations**

1. You have disclosed to us all known actual or suspected noncompliance with laws and regulations whose effects should be considered when preparing the financial statements.

**D. Information Provided and Completeness of Information and Transactions**

1. You have provided us 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 we have requested from us for the purpose of the audit; and
  - Unrestricted access to persons within the entity from whom we determined it necessary to obtain audit evidence.
2. That all material transactions have been recorded in the accounting records and are reflected in the financial statements.
3. That you have made available to us all minutes of the meetings of the Office 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: X September 2013.
4. That you confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Office related parties and all related party relationships and transactions of which you are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.

That you have disclosed to us, and the Office 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.

#### **E. Liabilities and Contingencies**

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

#### **F. Subsequent Events**

1. That other than described in the financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

#### **G. Accounting Estimates**

1. That you believe that the significant assumptions you 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:
  - That you 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.
  - That the disclosures relating to accounting estimates are complete and appropriate in accordance with the applicable financial reporting framework.
  - That the assumptions you used in making accounting estimates appropriately reflects your intent and ability to carry out specific courses of action on behalf of the entity, where relevant to the accounting estimates and disclosures.
  - That no subsequent event requires an adjustment to the accounting estimates and disclosures included in the financial statements.

#### **H Segmental reporting**

1. That you have reviewed the operating segments reported internally to the Board and that you are satisfied that it is appropriate to aggregate these as, in accordance with IFRS 8: Operating Segments, they are similar in each of the following respects:
  - The nature of the products and services
  - The nature of the production processes
  - The type or class of customer for their products and services
  - The methods used to distribute their products

#### **I Going Concern**

1. That you have made us aware of any issues that are relevant to the Office's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

#### **J Specific Representations**

We do not require any specific representations in addition to those above.

I would be grateful if you could provide a letter of representation, which is appropriately signed and dated on the proposed audit opinion date, on formal headed paper.

PCC – Request for Letter of representation

Yours sincerely

Kate Handy  
Director  
Ernst & Young LLP  
United Kingdom

## Appendix C CC – Request for Letter of representation

Dear xxxx

### **Office of the Chief Constable for Hampshire – 2012/13 financial year Request for a letter of representation**

International Standards on Auditing set out guidance on the use by auditors of management representations (ISA (UK&I) 580) and on possible non-compliance with laws and regulations (ISA (UK&I) 250). I have interpreted this guidance as it affects Police bodies and I expect the following points to apply:

- auditors may wish to obtain written representation where they are relying on management's representations in respect of judgemental matters (for example the level of likely incidence of a claim), which may not be readily corroborated by other evidence;
- auditors are likely to request written representations on the completeness of information provided;
- auditors may wish to obtain written representation on issues other than those directly related to the Statement of Accounts;
- the letter is dated on the date on which the auditor signs the opinion and certificate;
- the letter is signed by the person or persons with specific responsibility for the financial statements; and
- the letter is formally acknowledged as having been discussed and approved by the Audit Committee, as those charged with governance of the Office of the Chief Constable.

This representation letter is to be provided in connection with our audit of the financial statements of The Office of the Chief Constable for Hampshire ("the Office") for the year ended 31<sup>st</sup> March 2013. Confirm you recognise that obtaining representations from you concerning the information contained in this letter is a significant procedure in enabling us to form an opinion as to whether the financial statements give a true and fair view of the financial position of The Office of the Chief Constable for Hampshire as of 31<sup>st</sup> March 2013 and of its expenditure and income for the year then ended in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

Confirm you understand that the purpose of our audit of your financial statements is to express an opinion thereon and that our audit was 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 would expect the letter of representation to include the following matters, which are true to the best of your knowledge and belief.

#### **A. Financial Statements and Financial Records**

4. That you have fulfilled your responsibilities, under the relevant statutory authorities, for the preparation of the financial statements, in accordance with the CIPFA Code of Practice on Local Authority Accounting (CIPFA Code).
5. That you acknowledge your responsibility for the fair presentation of the financial statements. You believe the financial statements referred to above give a true and fair view of the financial position, financial performance and cash flows of the Office in accordance with the CIPFA Code and are free of material misstatements, including omissions. You have approved the financial statements.
6. You confirm that the Responsible Officer has:
  - Reviewed the accounts
  - Reviewed all relevant written assurances relating to the accounts, and
  - Made other enquiries as appropriate.
7. That the significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.

8. That you believe that the Office of the Chief Constable (the Office) has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA Code that are free from material misstatement, whether due to fraud or error.
9. You believe that the effects of any unadjusted audit differences, summarised in Appendix 1, accumulated by us 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. Please specify the reasons for not correcting these misstatements.

**B. Fraud**

3. You acknowledge that you are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud
4. You have disclosed to us the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
3. That you have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the Office's internal controls over financial reporting. In addition, you have no knowledge of any fraud or suspected fraud involving other employees in which the fraud could have a material effect on the financial statements. You have no knowledge of any allegations of financial improprieties, including fraud or suspected fraud, (regardless of the source or form and including without limitation, any allegations by "whistleblowers") which could result in a misstatement of the financial statements or otherwise affect the financial reporting of the Office.

**C. Compliance with Laws and Regulations**

1. You have disclosed to us all known actual or suspected noncompliance with laws and regulations whose effects should be considered when preparing the financial statements.

**D. Information Provided and Completeness of Information and Transactions**

5. You have provided us 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 we have requested from us for the purpose of the audit; and
  - Unrestricted access to persons within the entity from whom we determined it necessary to obtain audit evidence.
6. That all material transactions have been recorded in the accounting records and are reflected in the financial statements.
7. That you have made available to us all minutes of the meetings of the Office 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: X September 2013.
8. That you confirm the completeness of information provided regarding the identification of related parties.
9. That you have disclosed to us, and the Office 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.

**E. Liabilities and Contingencies**

4. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to us and are appropriately reflected in the financial statements.
5. That you have informed us of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
6. That you have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in the financial statements all guarantees that you have given to third parties.

**F. Subsequent Events**

1. That other than described in the financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.



PCC – Request for Letter of representation

**G. Going Concern**

1, That you have made us aware of any issues that are relevant to the Office's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

**H. Specific Representations**

We do / do not require any specific representations in addition to those above.

I would be grateful if you could provide a letter of representation, which is appropriately signed and dated on the proposed audit opinion date, on formal headed paper.

Yours sincerely

Kate Handy  
Director  
Ernst & Young LLP  
United Kingdom

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Assurance | Tax | Transaction | Advisory

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