Lincolnshire
POLICE & CRIME COMMISSIONER
SAFER TOGETHER

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Date: 4th October 2023

Mark Hodgson
Ernst & Young LLP
United Kingdom

By Email: MHodgson@uk.ey.com

Dear Mark

The Police and Crime Commissioner for Lincolnshire - Letter of Representation for the Financial Year 2020/21

This letter of representations is provided in connection with your audit of the financial statements for The Police and Crime Commissioner for Lincolnshire (PCC) and consolidated Group (PCC/CC "Group") with the Chief Constable of Lincolnshire (CC) for the year ended 31 March 2021.

We recognised 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 PCC and Group financial position as of 31 March 2021 and of their financial performance (or operations) and their cash flows for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets November 2022).

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that our 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 circumstance, and is not designed to identify – nor necessarily be expected to disclose – all fraud, shortages, errors and other irregularities, should any exist.

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

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts & Audit Regulations 2015 (as amended in 2020 for Covid-19) and CIPFA LASAAC Code of Practice on Local

Authority Accounting in the United Kingdom 2020/21 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets November 2022).

2. We acknowledge as members of management of the PCC and Group, our responsibility for the fair presentation of the consolidated Group and PCC financial statements. We believe the consolidated and PCC financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Group and PCC in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and are free of material misstatements, including omissions. We have approved the consolidated Group and PCC financial statements.

3. The significant accounting policies adopted in the preparation of the Group and PCC financial statements are appropriately described in the Group and PCC financial statements.

4. As members of management of the Group and PCC, we believe that the Group and PCC have a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 for the Group and PCC that are free from material misstatement, whether due to fraud or error. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic on our system of internal controls.

5. We believe that the effects of any unadjusted audit differences, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the consolidated and PCC financial statements taken as a whole.

   The 4 unadjusted audit differences are summarised below:

   - 3 Property, Plant & Equipment (PPE) Valuations had a net impact of £323,500 understatement. These were for the

   - South Park asset, £369k understatement due to incorrect floor areas used in the valuation
   - Lincoln Dog School, £189k understatement due to differing views on the methodology used
   - Former Skegness Magistrates building, £234.5k overstatement due to differing views of investment yields

     We have not corrected these differences identified and brought to our attention by the auditor because we are satisfied this is not material to the accounts and would not therefore mislead a reader of the accounts.

   - Special Grant Income of £195.6k was raised by the External Audit team as income that they thought should have been recognised in the prior year (2019/20). This amount remained on the Balance Sheet at 31 March 2021, however the turnaround impact of this error from 2019/20 is nil on the Comprehensive Income and Expenditure for the year and is not material to the accounts.

     We have not corrected this difference because we did not receive confirmation that we were entitled to it until a subsequent financial year, we therefore consider it to be recorded in the correct year. We are also satisfied that this is not material to the accounts and would not therefore mislead a reader of the accounts.

6. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the conflict and related sanctions in Ukraine, Russia and/or Belarus on our system of internal controls. We do not believe that there are any significant changes.

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B. Non-compliance with Law and Regulations, Including Fraud

1. We acknowledge that we are responsible for determining that the Group and PCC's activities are conducted in accordance with laws and regulations and that we are responsible for identifying and addressing any non-compliance with applicable laws and regulations, including fraud.

2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.

3. We have disclosed to you the results of our assessment of the risk that the consolidated and PCC financial statements may be materially misstated as a result of fraud.

4. We have no knowledge of any identified or suspected non-compliance with laws and regulations, including fraud that may have affected the Group or PCC (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 consolidated or PCC 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 Group or PCC 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. We have provided you with:

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

2. All material transactions have been recorded in the accounting records and are reflected in the consolidated Group and PCC financial statements, including those related to the COVID-19 pandemic and to the conflict and related sanctions in Ukraine, Russia and/or Belarus.

3. We have made available to you all minutes of the meetings of the Group and PCC and their 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: 4 October 2023.

4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Group and PCC related parties and all related party relationships and transactions of which we are aware, including sales,

purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the year 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 consolidated and PCC financial statements.

5. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with applicable financial reporting framework.

6. We have disclosed to you, and the Group and PCC has complied with, all aspects of contractual agreements that could have a material effect on the consolidated and PCC financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

7. From the date of our last management representation letter to you, through to the date of this letter, we have disclosed to you any unauthorized access to our information technology systems that either occurred or to the best of our 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 consolidated and PCC financial statements.

2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.

3. We have recorded and/or disclosed, as appropriate, all liabilities and related litigation and claims, both actual and contingent, and have disclosed in the PCC financial statements (Note 46) all guarantees that we have given to third parties.

E. Subsequent Events

1. Other than the disclosure described in the Notes to the Accounts for 'Non-adjustment events after reporting period', Note 50, there have been no events, including events related to the COVID-19 pandemic, or related to the conflict and related sanctions in Ukraine, Russia and/or Belarus, subsequent to year end which require adjustment of or disclosure in the financial statements or notes thereto.

F. Other Information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Report included in the Statement of Accounts for 2020/21.

2. We confirm that the content contained within the other information is consistent with the financial statements.

G. Accounting Estimates

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

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

   - We believe the measurement processes, including related assumptions and models, we 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 we used in making accounting estimates appropriately reflect our intent and ability to carry out specific courses of action on behalf of the PCC entity, where relevant to the accounting estimates and disclosures; and
   - That no subsequent event requires an adjustment to the accounting estimates and disclosures included in the financial statements.

H. Expenditure Funding Analysis

1. We confirm that the financial statements reflect the operating segments reported internally to the PCC.

I. Going Concern

1. We confirm that the PCC has prepared the financial statements on a going concern basis and that Note 4 to the financial statements discloses all of the matters of which you are aware that are relevant to the PCC's ability to continue as a going concern. This includes significant conditions and events, our future financial plans and the veracity of the associated future funding allocations from the Home Office and the sufficiency of cash flows to support those financial plans.

J. Ownership of Assets

1. Except for assets recognised as right-of-use assets in accordance with IFRS16 Leases, the PCC has satisfactory title to all assets appearing in the balance sheets, and there are no liens or encumbrances on the PCC's assets, nor has any asset been pledged as collateral. All assets to which the PCC has satisfactory title appear in the balance sheets.

K. Reserves

1. We have properly recorded or disclosed in the consolidated and PCC financial statements the usable and unusable reserves.

L. Valuation of Property, Plant and Equipment Assets

1. We agree with the findings of the experts engaged to evaluate the values of the valuation of Property, Plant and Equipment assets and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the consolidated and PCC financial statements and the underlying accounting records. We 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 we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the experts.

2. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimates have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

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3. We confirm that the significant assumptions used in making the valuation of Property, Plant and Equipment appropriate reflect your intent and ability to carry out specific courses of action on behalf of the PCC and CC Group.

4. We confirm that the disclosures made in the PCC's financial statements with respect to the accounting estimates are complete, including the effects of the COVID-19 pandemic on Property, Plant and Equipment valuations and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

5. We confirm that no adjustments are required to the accounting estimates and disclosures in the consolidated and PCC's financial statements due to subsequent events, including due to the COVID-19 pandemic.

6. We confirm that we 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. We confirm that for assets carried at historic cost, no impairment is required.

M. Retirement Benefits

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

2. We agree with the findings of the specialists that we 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 financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

3. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimates have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

4. We confirm that the significant assumptions used in making the valuation of the pension scheme liability appropriately reflect your intent and ability to carry out specific courses of action on behalf of the PCC and CC Group.

5. We confirm that the disclosures made in the consolidated and PCC's financial statements with respect of the accounting estimates are complete, including the effects of the COVID-19 pandemic on the Pension Scheme Liability and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

6. We confirm that no adjustments are required to the accounting estimates and disclosures in the consolidated and PCC's financial statements due to subsequent events, including due to the COVID-19 Pandemic or related to the conflict and related sanctions in Ukraine, Russia and/or Belarus.

N. Group Audits

1. There are no significant restrictions on our ability to distribute the retained profits of the Group because of statutory, contractual, exchange control or other restrictions other than those indicated in the Group financial statements, there are no retained profits in this Group.

2. Necessary adjustments have been made to eliminate all material intra-group unrealised profits on transactions amongst the PCC, subsidiary undertakings (Chief Constable) and associated undertakings.

3. We confirm that entities excluded from the Group financial statements are immaterial on quantitative and qualitative basis. There are no entities that have been excluded from the Group financial statements.

O. Specific Representations

1. We note that you do not require any specific representations in addition to those above.

Yours sincerely

Marc Jones
Police and Crime Commissioner for Lincolnshire

Malcolm Burch
Chief Executive Officer
on behalf of The Police and Crime Commissioner for Lincolnshire

Julie Flint
Chief Finance Officer
on behalf of The Police and Crime Commissioner for Lincolnshire

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