KPMG
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Inquiries - Management

Name : **Police & Crime Commissioner for Lincolnshire and Chief Constable**

Date(s) of Completion : **27 June 2013**

Required Inquiries

Category	Short Description	Detailed Description	Comments (optional)
Operations	REQUIRED Changes in the entity's business or environment including internal control	Have there been, or does the entity expect, any significant changes in its business or environment, including internal control?	**No significant changes in the business or the operating environment of the entity are expected.**

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Estimate	REQUIRED Estimates - changes in circumstances	Have there been changes in circumstances that may give rise to new or the need to revise existing accounting estimates? Note: the following are examples of changes in circumstances that may give rise to new or the need to revise existing accounting estimates: - the entity engaged in new types of transactions that may give rise to accounting estimates - the terms of transactions that give rise to accounting estimates changed - accounting policies relating to accounting estimates changed as a result of changes to the requirements of the applicable financial reporting framework or otherwise - regulatory or other changes outside the control of management occurred that may require management to revise or make new accounting estimates - new conditions or events occurred that may give rise to the need for new or revised accounting estimates	**The financial reporting environment has changed as a result of the Police Reform & Social Responsibility Act 2011 which created two corporations sole i.e. the PCC and the Chief Constable in place of the former Police Authority.** **There has been no change in the nature of business which would give rise to different transactions.** **Transactions between the PCC and its strategic partner G4S can be reported within the existing accounting policies and estimates.**
Accounting Policies	REQUIRED Compliance of accounting policies/ practices	Are there any accounting policies / practices used by the entity in preparing its (consolidated) financial statements that are not: - in accordance with the applicable financial reporting framework - appropriate for its business - consistent with accounting policies used in the entity's industry?	**The accounting policies are reviewed by both CFOs and the Audit Committee.** **There are no accounting policies of concern.**

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Fraud	REQUIRED Communications to employees regarding management's views on business practices and ethical behavior	How does management communicate its views about acceptable business practices and ethical behavior to employees?	The "Pride" values (Professionalism, Respect, Integrity, Dedication and Empathy) and the Leadership and Staff Charters are seen as integral to how employees carry out their duties. Employees are made aware of these and police staff terms and conditions upon joining the organisation. Appropriate staff are also made aware of the relevant parts of the PCC's Scheme of Arrangements for the discharge of functions including delegations to officers, financial, contract and procurement regulations. The Force has also developed a mandatory training package through NCALT on counter corruption.
Fraud	REQUIRED Programs and controls to prevent, detect and deter fraud - monitoring	What programs and controls has management established to prevent, detect, deter and mitigate fraud? How does management monitor these programs and controls?	The processes described for identifying and responding to fraud will also have a deterrent effect. The "whistle blowing" and confidential web page reporting support detection of fraud. The Audit Commission Fraud and corruption survey is completed on an annual basis. Financial and procurement regulations (in particular, separation of duties) are important control mechanisms which are reinforced by Internal Audit review. Any control weaknesses or examples of poor practices are reported by Internal Audit to the Audit Committee. The Vetting Unit identify risks and have controls in place.

Category	Short Description	Detailed Description	Comments (optional)
Fraud	REQUIRED Monitoring of operating locations or business segments for fraudulent activities	What is the nature and extent of management monitoring of operating locations or business segments for fraudulent activities, including fraudulent financial reporting?	Pro-active anti-fraud and corruption work is undertaken by the Force Professional Standards Department and overseen by the PCC's Professional Standards Governance Meeting. Anti fraud and corruption meetings involving both CFOs, Head of Professional Standards and the Head of Internal Audit provide management overview of risks and issues. Internal Audit also has an annual work programme which addresses potential fraudulent activities. The Force has also developed a mandatory training package through NCALT on counter corruption.
Fraud	REQUIRED Monitoring of operating locations or business segments with risk of fraud	Are there particular operating locations or business segments for which a risk of fraud may be more likely to exist?	Evidence to date does not indicate that there are particular locations for which a risk of fraud may be more likely. The PCC's Financial Regulations require that whenever any matter arises which involves, or is thought to involve, irregularities concerning cash, stores or property, the Chief Constable, Chief Executive, CFO and Head of Internal Audit shall be notified forthwith and the appropriate action, by way of investigation and report shall be taken.

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Fraud	REQUIRED Management's process for identifying and responding to fraud risks	What process has been established to identify and respond to fraud risks? Note: consider inquiries about whether the process takes into consideration: --Fraud risk related to specific classes of transactions, account balances or disclosures; --Possibility of manipulation of information technology; --Incentive/ pressure, opportunity and attitude/ rationalization for fraud; --Fraud schemes common in the industry/ market?	**A joint PCC and Force anti-fraud and corruption policy is in place and is regularly reviewed and approved by the Audit Committee (This is reviewed annually by the OPCC Chief Executive in consultation with the CFO and Head of Professional Standards. The OPCC also has a Confidential Reporting ("whistleblowing") policy. Pro-active anti-fraud and corruption work is undertaken by the Force Professional Standards Department. A confidential web page reporting system is designed to assist all employees in reporting any suspected misconduct or corrupt practices.**

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Fraud	REQUIRED Management's process for identifying and responding to fraud risks – communications between management and those charged with governance	What is the nature and extent of the communications between management and those charged with governance regarding management's process for identifying and responding to fraud risks?	**The work of the Professional Standards Department is reported to the PCC's Professional Standards Governance Meeting and the work of Internal Audit is reported to the Audit Committee. Arrangements are being put in place to ensure regular liaison between Professional Standards and Internal Audit. The Audit Committee receives the PCC and CC's Annual Governance Statement, which is approved by the PCC and Chief Executive. Anti fraud and corruption meetings involving both CFOs, Head of Professional Standards and the Head of Internal Audit provide oversight of current and emerging risks. Internal and external audit plans and reports are received and considered at each meeting of the Committee and progress against audit recommendations is monitored. The Committee scrutinises the annual financial statements.**
Fraud	REQUIRED Actual, suspected or alleged instances of fraud	Are you aware of or have you identified any instances of actual, suspected, or alleged fraud, including misconduct or unethical behavior related to financial reporting or misappropriation of assets? If so, have the instances been appropriately addressed and how have they been addressed?	**During the last 12 months, the Professional Standards Department has been involved in a number of investigations. These have been at a low level and do not represent any material effect on the financial statements.**

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Fraud	REQUIRED Management's assessment of fraud risks, including the nature, extent and frequency of such assessment	How does management assess the risks that the financial statements may be materially misstated due to fraud?	There are a variety of controls in place to ensure that the PCC's accounts are accurate and reflect properly authorised expenditure: • Accounting – the form of the accounts and accounting processes are agreed by the CFO. There are regular reconciliations and access to make journal entries is restricted. • Orders and payments – access is restricted though formal delegations. Contract and procurement regulations are in place. These have recently been reviewed. • Monitoring expenditure and income – every area of expenditure and income is the responsibility of a named budget holder. The Chief Officer Group and the Resources Governance Committee receive regular budget monitoring reports. • Statement of accounts – there are a variety of year end reconciliations and checks. The CFO ensures that the annual statement of accounts is prepared and certified that it presents a fair and true view of the financial position and the income and expenditure of the PCC. CFOs of both the Chief Constable and the PCC undertake a detailed scrutiny of the accounts prior to and following external audit. The PCC approves the accounts for publication.

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Fraud	REQUIRED Management's assessment of fraud risks, including the nature, extent and frequency of such assessment	What fraud risks have been identified?	The emerging fraud risk areas that have been identified are: debt fraud (economic climate, increase risk of bankruptcy), strategic partner (layers of complexity), computer misuse, drug abuse, disclosure of information and abuse of timesheets and claims. Live and emerging risks are discussed on an ongoing basis at the quarterly Fraud and Corruption meetings, at Confidential Risk board (when required) and at Professional Standards Governance meetings. There is 1 ongoing fraud case at present (March 2013) relating to vulnerability from an officer relationship with a notifiable association.

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Fraud	REQUIRED Management's assessment of fraud risks, including the nature, extent and frequency of such assessment	What is the nature, extent, and frequency of such assessment?	The CFO, Force CFO, Head of Professional Standards, HR rep, Research and Performance Officer and the Audit Manager meet on a quarterly basis to discuss anti-fraud and corruption. (ToR available). Significant risks or issues in relation to fraud are raised at the Professional Standards Governance meeting. The CFO attends the Confidential Risk Board on a quarterly basis. The Fraud and Corruption Survey (Audit Commission) is completed on an annual basis (liaison between CFO, H of PS, Research and Performance Officer).

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Fraud	REQUIRED Management's assessment of fraud risks, including the nature, extent and frequency of such assessment	What is the entity's response to identified fraud risks, including controls to mitigate the risks?	3 anti corruption unit staff have been trained in an accredited fraud detection course. Awareness raising through Intranet - Bad Apple confidential reporting system (co-ordinated by PS Dept) is in place, also opportunities to report via Crime stoppers. Ongoing commitment to raise awareness eg by HoPS at Force Performance Forum. Supervision meetings with line managers provide links to welfare, early signs or identification of potential fraud risks. Mandatory training package through NCALT on counter corruption (including gifts and hospitality) – deadline for completion is end of April 2013.
Going concern	REQUIRED Managements assessment of the entitys ability to continue as a going concern	Has management made an assessment of the entity's ability to continue as a going concern? If so, what is management's assessment of the entity's ability to continue as a going concern? If not, what is management's basis for the intended use of the going concern assumption?	The Police & Crime Commissioner took office on 22 November 2012. The PCC has approved a balanced budget for 2013/14 and plans indicate a balanced budget for 2014/15. The PCC is funded by central government grant and local taxation. The level of the General reserve is in accordance with the risk-based policy. Management's assessment is that the going concern status is not in doubt.

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Going concern	REQUIRED Identified events or conditions (and related business risks) that, individually or collectively, may cast significant doubt on the entity's ability to continue as a going concern	Are there any events or conditions that, individually or collectively, may cast significant doubt on the entity's ability to continue as a going concern during the period of assessment used by management or after such period? (Note: the period of management's assessment shall be at least, but not limited to, twelve months from the date of the financial statements being audited, or a longer period of time if required by the applicable financial reporting framework, by law or regulation or by auditing standards)	**There have been no issues relating to the funding of the organization, its assets or potential public or employee liabilities which would cast doubt on its going concern status.**
Laws and regulations	REQUIRED Legal and regulatory frameworks applicable to the entity	What legal and regulatory frameworks are applicable to the entity?	**Legislation governing Police & Crime Commissioners and Police Forces in England.**
Laws and regulations	REQUIRED Laws and regulations that have a direct effect on material amounts or disclosures in the financial statements	What laws and regulations have a direct effect on the determination of material amounts or disclosures in the financial statements?	**The PCC complies with the Accounts and Audit (England) Regulations 2011 which require the statements to be prepared in accordance with proper accounting practices.** **For the PCC this means following the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13, the Service Reporting Code of Authority Accounting 2012/13 supported by International Financial Reporting Standards.**

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Laws and regulations	REQUIRED Compliance with legal and regulatory framework	How is the entity complying with the legal and regulatory framework?	The PCC's Constitution and scheme of arrangements for the discharge of functions including delegations to officers, financial, procurement and contract regulations provide the framework for the PCC's governance arrangements. In addition:- • The Monitoring Officer is responsible, after consultation, for reporting to the PCC/if it is considered that any proposal decision or omission would give rise to unlawfulness. • Legal comments are contained in reports to the PCC to provide compliance advice where necessary. • Financial considerations are contained in reports to the PCC. • The PCC and Force have a strong overall control environment. Regular internal audit reviews occur to ensure compliance with established controls. • The PCC & Force have an embedded risk management strategy which assesses and monitors controls on the key risks facing them. • Insurance cover helps to minimise exposure to potentially large claims. No material instances of non-compliance have been identified during 2012/13.

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Laws and regulations	REQUIRED Compliance with legal and regulatory framework - directives or periodic representations	Are there directives issued by the entity or periodic representations obtained by the entity from management at appropriate levels of authority, concerning compliance with laws and regulations?	Routine Orders are issued on a weekly basis. Evidence of compliance with laws and regulations is routine within the business of policing.
Laws and regulations	REQUIRED Prevention of noncompliance with laws and regulations	What policies, procedures, and controls has management established to prevent instances of non-compliance with laws and regulations, including illegal acts?	The PCC's constitution and Scheme of Arrangements for the discharge of functions including delegations to officers, financial, procurement and contract regulations provide the framework for governance arrangements. In addition:- • The Monitoring Officer is responsible, after consultation, for reporting to the PCC if it is considered that any proposal decision or omission would give rise to unlawfulness. • Legal comments are contained in reports to the PCC to provide compliance advice where necessary. • Financial considerations are contained in reports to the PCC. • The PCC and Force have a strong overall control environment. Regular internal audit reviews occur to ensure compliance with established controls. • The PCC and Force have an embedded risk management strategy which assesses and monitors controls on the key risks. • Our insurance cover helps us to minimise our exposure to potentially large claims.

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Laws and regulations	REQUIRED Actual, suspected or alleged instances of noncompliance with laws and regulations, including illegal acts	Are you aware of any instances of actual, suspected or alleged non-compliance with laws and regulations, including actual or possible illegal acts?	**No material instances of non-compliance have been identified during 2012/13.**
Litigation, claims and assessments	REQUIRED Identifying and addressing litigation, claims and assessments	What policies, procedures and controls has management established for identifying, evaluating, accounting for and disclosing litigation, claims and assessments?	**Claims against the organisation are received by the Legal Department. They are reviewed, assessed and evaluated by a quarterly meeting of the legal team with insurance brokers. Regular reviews are also conducted between the case manager and Force Solicitor. The Civil Procedure Rules stipulate how such claims are processed.** **The year end accounting process systematically assesses the status of all claims for accounting purposes. Chief Officers are also asked to consider material external events and post balance sheet events as part of the year end accounting timetable.**

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Litigation, claims and assessments	REQUIRED Identified litigation and claims	- Is the entity involved in any litigation, claims or assessments (including those defended by insurance companies)? - What is management's assessment of such matters? - Which litigation, claims and assessments involving the entity may have a material effect on the financial statements and/ or may require disclosure in the financial statements?	Information on contingent liabilities, including those arising from litigation or claims, is detailed at Note 55 to the Financial Statements. A reserve is set on each claim by the organisation for public liability claims and by the insurers for employer's liability claims, based on the estimated value of the claim if successful. The Finance team is updated with reserves estimates and the likelihood of success of claims by the legal team.
Related parties	REQUIRED Policies procedures and controls	What policies procedures and controls has management established for identifying related parties and authorizing approving monitoring accounting for and disclosing related party transactions and arrangements including those outside the normal course of business?	In the 2012/13 accounts Note 48 to the Financial Statements explains the nature and extent of related party transactions. The PCC, all former members of the Police Authority and chief officers have completed a related party transaction declaration in respect of themselves and close family members.

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Related parties	REQUIRED Identified related parties, including any changes from the prior period and the nature of the relationships	Who are the entity's related parties? Are there any changes in related parties from the prior period? - If there are related parties, what is the nature of the relationship between the entity and each related party?	For the organization, government agencies and similar bodies are related parties. UK central government has effective control over operations through its funding. Grants are also received from Lincolnshire County Council. The organization will have material transactions with district councils and so may exercise a degree of control. The contract with G4S Government and Outsourcing is considered material enough to make them a related party. Family and friends of key management personnel are also related parties. Key personnel would include chief officers, and all other persons having responsibility for planning or directing and controlling the activities of the authority. Any required disclosure will appear in the notes to the accounts, but none are expected.
Related parties	REQUIRED Identified transactions with related parties	Have there been any transactions with the identified related parties during the period, including with management or those charged with governance? - If so, who are the parties, what are the transactions and what is the business rationale or purpose for the transactions?	The required disclosures will be made in the notes to the 2012/13 accounts. For 2012/13 they appear at Note 48 of the PCC's accounts.

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Related parties	REQUIRED Transactions with no accounting recognition	Are there any transactions that are not being given accounting recognition? - If so, what is the business and accounting rationale for no accounting recognition?	**There are none.**