

Inquiries - Management

Name of Interviewee(s) : Julie Flint (PCC-CFO)/Tony Tomlinson (CC-CFO)

Name of KPMG Interviewer(s) :

Date(s) of Interview :

Required Inquiries

Category	Short Description	Detailed Description	Comments (optional)
Estimate	REQUIRED Estimates - changes in circumstances	<p>Have there been changes in circumstances that may give rise to new or the need to revise existing accounting estimates?</p> <p>Note: the following are examples of changes in circumstances that may give rise to new or the need to revise existing accounting estimates:</p> <ul style="list-style-type: none"> - 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 	<p><i>There has been no change in the nature of business which would give rise to different transactions.</i></p> <p><i>Transactions between the PCC and its strategic partner G4S can be reported within the existing accounting policies and estimates.</i></p> <p><i>IAS 19 details the requirement for including the cost of retirement benefits in the Financial Statements. Detailed assumptions are used by the appointed actuary to make the best estimate of the future cash flows that will arise under scheme liabilities. These assumptions are reviewed by the CFOs and scrutinised by the Joint Independent Audit Committee.</i></p>

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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?	<i>The accounting policies are reviewed by both CFOs and scrutinised by the Joint Independent Audit Committee. There are no accounting policies of concern.</i>
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?	<i>The Strategic Partner implemented a new financial system in January 2014 as part of an Oracle based ERP system. Significant progress has been made on the embedding of the new system which has been validated by the latest set of Internal Audit reviews of the key financial systems. Further work is required on the realisation of benefits including the review of processes; these will be undertaken during 2016/17.</i>
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)	<i>There have been no issues relating to the funding of the PCC entity, its assets or potential public or employee liabilities which would cast doubt on its going concern status. As the CC entity is funded by the PCC Entity and forms part of the Group similarly no going concern issues have been identified.</i>

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Going concern	REQUIRED Managements assessment of the entity's 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?	<i>The PCC and CC have been highlighting the Financial position in Lincolnshire at a national level in order to highlight the issues being caused by the current Police funding regime. The Home Office has been very clear that it recognizes the difficulties being faced in Lincolnshire. The Funding Formula Review which would have resulted in an additional £8m per annum for Lincolnshire was stopped at the last minute due to a technical error in the Home Office. Ministers have announced that the Review will be restarted during 216/17. In the absence of central guidance on the outcome of the review, The Medium Term Financial Plan makes assumptions which demonstrate a balanced budget from 2016/17, assuming that Lincolnshire is successful in obtaining an additional £6 million per annum from the review by 2019/20 the end of the planning period. The plan allows for the use of a small amount of reserves to provide transitional funding during the process. The current lobbying campaign is focusing on obtaining this fairer funding settlement for Lincolnshire. Management therefore considers that the organisation can currently continue as a going concern.</i>

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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?	<p><i>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. The principles of PRIDE are well established and embedded within the organization.</i></p> <p><i>The national Code of Ethics runs parallel alongside the principles of PRIDE. Police and Crime Commissioners are expected to adhere to the Seven Principles of Public Life published by the Nolan Committee. The PCC also has a Code of Conduct and the Office of the PCC has a staff Code of Conduct.</i></p> <p><i>Police Officers receive initial training and further guidance through regular force wide communications from the Professional Standards Department. 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 continues to operate the mandatory training package through NCALT on counter corruption.</i></p>

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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?	<p><i>Anti-Fraud and Corruption meetings involving the Commissioner's and Chief Constable's CFOs, the Head of Professional Standards, PCC's Research & Performance officer, HR representative and the Internal Audit Manager, provide management overview of risks and issues, updates on relevant cases, best practice/lesson learned, new initiatives/actions for improvements. Internal Audit has an annual work programme which addresses potential fraudulent activities.</i></p> <p><i>Proactive anti-fraud and corruption work is undertaken by the Professional Standards Department. The Force and PCC has an anti-fraud and corruption policy that is reviewed annually. The Force operates a confidential 'whistle blowing' web page (called Bad Apple) that supports the detection of fraud. The CIPFA Code of Practice on Managing the risk of fraud and corruption has been used since 2015. The processes described for identifying and responding to fraud will also have a deterrent effect.</i></p> <p><i>Internal Audit have been commissioned to undertake a specific review of the controls, processes and procedures in place. This work will be completed during 2016.</i></p> <p><i>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 Joint Independent Audit Committee. The Vetting Unit identifies risks and has controls in place.</i></p>

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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?	<i>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.</i> <i>Anti-Fraud and Corruption meetings provide management overview of risks and issues.</i> <i>Internal Audit also has an annual work programme which addresses potential fraudulent activities. The Force continues to offer mandatory training through NCAL T on counter corruption.</i>
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?	<i>Evidence to date does not indicate that there are particular locations for which a risk of fraud may be more likely.</i> <i>The PCC and CC Financial and Contractual Regulations require that whenever any matter arises which involves, or is thought to involve, irregularities concerning cash, stores or property, the relevant CFO shall be notified forthwith and the appropriate action, by way of investigation and report shall be taken.</i>

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Fraud	REQUIRED Management's process for identifying and responding to fraud risks	<p>What process has been established to identify and respond to fraud risks?</p> <p>Note: consider inquiries about whether the process takes into consideration:</p> <ul style="list-style-type: none"> --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? 	<p><i>A joint PCC and Force anti-fraud and corruption policy is in place and is regularly reviewed and considered by the Joint Independent Audit Committee. This is reviewed annually by the OPCC Chief Executive in consultation with the CFO and Head of Professional Standards.</i></p> <p><i>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.</i></p> <p><i>The Information Management Unit undertakes an important role in relation to Information Technology. The Force Security Officer's primary role is to ensure that there is a focal point in the organisation for security issues. This includes formulating, implementing and monitoring compliance with the Force Information Security Strategy and ensuring the force is compliant with the requirements of the ACPO Community Security Policy.</i></p>

Category	Short Description	Detailed Description	Comments (optional)
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?	<i>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 Joint Independent Audit Committee. Arrangements are in place to ensure regular liaison between Professional Standards and Internal Audit including the quarterly Anti-Fraud and Corruption meeting. The Joint Independent Audit Committee receives the PCC and CC's Annual Governance Statement, which are approved by the PCC, Chief Executive and Chief Constable. A Code of Corporate Governance is also in place for each body and is reviewed by the Joint Independent Audit Committee. Anti-fraud and corruption meetings 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.</i>
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?	<i>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.</i>

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Fraud	REQUIRED Management's assessment of fraud risks, including the nature, extent and frequency of such assessment	<p>How does management assess the risks that the financial statements may be materially misstated due to fraud?</p> <p>What fraud risks have been identified?</p> <p>What is the nature, extent, and frequency of such assessment?</p> <p>What is the entity's response to identified fraud risks, including controls to mitigate the risks?</p>	<p><i>There are a variety of controls in place to ensure that the PCC's & CC's accounts are accurate and reflect properly authorised expenditure:</i></p> <ul style="list-style-type: none"> - <i>Accounting – the form of the accounts and accounting processes are agreed by the CFOs. There are regular reconciliations and access to make journal entries is restricted.</i> - <i>Orders and payments – access is restricted though formal delegations. Contract and procurement regulations are in place. These have recently been reviewed. Financial Regulations e-learning training has been introduced and completed by all relevant staff. A programme of ongoing work to embed and reinforce this knowledge is being undertaken.</i> - <i>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.</i> - <i>Statement of accounts – there are a variety of year end reconciliations and checks. The CFOs ensure that the annual statements of account are prepared and certified that they present a true and fair view of the financial position and the income and expenditure of the PCC & CC. Both CFOs undertake a detailed scrutiny of the accounts prior to and following external audit in addition to the scrutiny by the JIAC. The PCC and CC approve their accounts for publication.</i>

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Laws and regulations	REQUIRED Legal and regulatory frameworks applicable to the entity	What legal and regulatory frameworks are applicable to the entity?	<p><i>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 Joint Independent Audit Committee (JIAC).</i></p> <p><i>Her Majesty's Inspectorate of Constabulary (HMIC) independently assesses police forces and policing across activity from neighbourhood teams to serious crime and the fight against terrorism – in the public interest.</i></p> <p><i>HMIC's inspection programme includes elements relating to compliance with legal and regulatory frameworks where appropriate (e.g. data integrity). Final reports are provided to both the Commissioner and the Chief Constable which are published in the public domain (unless they contain restricted information). A report on Inspection activity is provided to the JIAC on a quarterly basis.</i></p>

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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?	<p><i>The PCC & CC complies with the Accounts and Audit (England) Regulations 2011 which require the statements to be prepared in accordance with proper accounting practices.</i></p> <p><i>This means following the Code of Practice on Local Authority Accounting in the United Kingdom, the Service Reporting Code of Authority Accounting supported by International Financial Reporting Standards.</i></p> <p><i>A Materiality Threshold has been adopted by the PCC and CC at 0.1% of gross revenue expenditure, this has been scrutinised by the Joint Independent Audit Committee.</i></p>

Category	Short Description	Detailed Description	Comments (optional)
Laws and regulations	REQUIRED Compliance with legal and regulatory framework	How is the entity complying with the legal and regulatory framework?	<p><i>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 Joint Independent Audit Committee (JIAC).</i></p> <p><i>Her Majesty's Inspectorate of Constabulary (HMIC) independently assesses police forces and policing across activity from neighbourhood teams to serious crime and the fight against terrorism – in the public interest.</i></p> <p><i>HMIC's inspection programme includes elements relating to compliance with legal and regulatory frameworks where appropriate (e.g. data integrity). Final reports are provided to both the Commissioner and the Chief Constable which are published in the public domain (unless they contain restricted information). A report on Inspection activity is provided to the JIAC on a quarterly basis.</i></p>
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?	<p><i>Routine Orders are issued on a weekly basis, important matters are also communicated through the issue of force wide emails.</i></p> <p><i>Evidence of compliance with laws and regulations is routine within the business of policing. The Annual Governance Statements of the PCC and CC includes a review of Legal and Regulatory Compliance.</i></p>

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Laws and regulations	REQUIRED Prevention of noncompliance with laws and regulations	What policies, procedures, and controls has management established to prevent instances of noncompliance with laws and regulations, including illegal acts?	<p><i>The PCC's constitution and Scheme of Arrangements for the discharge of functions including Scheme of Consent, Delegations to Officers, Financial, Procurement and Contract Regulations provide the framework for governance arrangements.</i></p> <p><i>In addition:-</i></p> <ul style="list-style-type: none"> <i>- 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.</i> <i>- Legal comments are contained in reports to the PCC/CC to provide compliance advice where necessary.</i> <i>- Financial considerations are contained in reports to the PCC/CC.</i> <i>- The PCC and Force have a strong overall control environment. Regular internal audit reviews occur to ensure compliance with established controls.</i> <i>- The PCC and Force have an embedded risk management strategy which assesses and monitors controls on the key risks.</i> <i>- Our insurance cover helps us to minimise our exposure to potentially large claims.</i>
Laws and regulations	REQUIRED Compliance with laws and regulations	<p>Is the entity in compliance with laws and regulations?</p> <p>(Where appropriate, inquire of those charged with governance.)</p>	<p><i>The documents and procedures described in the previous boxes on Laws and ~Regulation provide the framework for ensuring the entity is compliant. The PCC and Chief Constable are part of the East Midlands Regional Legal Service Collaboration which provides a focal point for specialist advice and guidance across the 5 forces of the East Midlands Region, alerting all Forces with regard to regulatory issues and leading on Legal matters for the Forces.</i></p>

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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?	<i>The PCC and Force has established Management structures for the reporting and decision making regarding litigation claims and assessments. The East Midlands Regional Legal Services team is commissioned under a section 22 agreement to provide all legal advice. In the Force the Deputy Chief Constable is the nominated lead and protocols are established for the reporting and commissioning of actions to be taken. Claims in relation to third parties, employment and vehicles are monitored in conjunction with Insurers and brokers at quarterly meetings where the position on each claim is monitored. This enables the assessment of the suitability of year end provisions and reserves to be made.</i>
Litigation, claims and assessments	REQUIRED Identified litigation and claims	<ul style="list-style-type: none"> - 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? 	<p><i>Information on contingent liabilities, including those arising from litigation or claims, is detailed in a note to the Financial Statements.</i></p> <p><i>In addition a revenue provision is created where a claim exists but there is uncertainty about the value and timing of the liability and whether there was an obligation to transfer economic benefits at the Balance Sheet date.</i></p> <p><i>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.</i></p>

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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?	<i>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 organisation will have material transactions with district councils and so may exercise a degree of control. The Strategic Partnership 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 entity. Any required disclosure will appear in the notes to the accounts, but none are expected.</i>
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?	<i>The required disclosures will be made in the notes to the 2015/16 accounts.</i>
Related parties	REQUIRED Policies procedures and controls	What are the processes and controls that management has established to: a. identify, account for, and disclose related party relationships and related part transactions b. authorise and approve significant transactions and arrangements with related parties	<i>A note to the Financial Statements explains the nature and extent of related party transactions. The PCC and chief officers have completed a related party transaction declaration in respect of themselves and close family members.</i>

Category	Short Description	Detailed Description	Comments (optional)
Significant Unusual Transaction	REQUIRED SUTs - existence	Has the entity entered into any significant unusual transactions?	<i>Controls over both revenue and capital spend, together with the underpinning procurement and payments system checks and balances ensure that any significant items are drawn to Managements attention. From these approaches no significant unusual transactions have been identified</i>
Significant Unusual Transaction	REQUIRED SUTs - controls	What are the controls that management has established to authorize and approve significant unusual transactions?	<i>The Scheme of Arrangements including relevant Delegations and Contract & Financial Regulations provide the basis for the controls for authorizing and approving transactions. Under these arrangements limits are in place which ensures that breaches of threshold levels will be reported through the organisation for the relevant approvals to be given at PCC or Chief Constable level including the relevant advice from the CFO's.</i>