DRAFT APPENDIX C

Dear Mr Harris

RE: **Understanding how the Monitoring Officer exercises oversight over those charged with governance and Management**.
The Police and Crime Commissioner for Lincolnshire.

Below is my response to each of the questions you posed in your letter of 1st February:

1. ***How do you, as Monitoring Officer, gain assurance that all relevant laws and regulations have been complied with?***

1.1. The Chief Constable and the Police and Crime Commissioner (PCC) operate an Integrated scheme of governance which includes a Scheme of Delegation for each corporation sole, a scheme of consent, financial, contract & procurement regulations. This framework provides procedures and controls to help ensure compliance with all relevant laws and regulations.

1.2. I have access to specialist legal advice through the use of preferred external solicitors.

1.3. I also have access to legal advice through the East Midlands Police Legal Service who also routinely report on changes in Law and regulations.

1.4. I have access to advice and information from role / sector specific representative bodies, for example the Association of Police and Crime Commissioners Chief Executives (APACE). These provide legislative change monitoring information and horizon scanning materials.

1.5. The section 151 officer (CFO) has a direct reporting line to me as head of paid service / chief executive.

1.6. The Professional Standards Governance meeting is convened by the OPCC and the work of the Professional Standards Department is reported to me at this meeting.

1.7. I approve the Annual Governance Statement from the PCC which the JIAC reviews.

1.8. The PCC operates a Code of Corporate Governance in accordance with the CIPFA / SOLACE framework 'Delivering good governance in local government' (*notes for Policing Bodies in England and Wales – 2016*) which describes how the PCC discharges his governance responsibilities in a timely, inclusive, open and accurate manner. This code is reviewed, updated and reported to the JIAC on an annual basis. I am involved in the review process and approve any updates required.

1.9. Financial, contract and procurement regulations form part of the system of internal control reviewed by internal audit and findings are reported to the JIAC.

1.10. Internal audit outcomes are reported to JIAC along with the annual audit plan and any issues arising are reported to me directly by the CFO / section 151 Officer.

1.11. JIAC scrutinises the annual financial statements and any issues arising are reported to me.

1.12. The OPCC has a Data Protection Officer (shared with the force) this role is vital in helping to ensure compliance with data management laws and regulations.

1.13. 'Section 22 Agreements' are signed by the PCC for formal collaborative arrangements entered into. These take account of legal considerations for all parties involved.

1.14. Formal 'decision notices' signed by the PCC record any legal considerations / implications.

2.0 How, as Monitoring Officer, do you exercise oversight over those charged with governance and Management and their arrangements in relation to:

2.1 Assessing and responding to either changes in the legal framework or identified or potential breaches of relevant legal provisions;

2.1.1 If required I have access to specialist legal advice through the use of a preferred external solicitors.

2.1.2 I have access to legal advice through the East Midlands Police Legal Service team who also routinely report on any changes in Law and regulations.

2.1.3 The Professional Standards Governance meeting is convened by the OPCC and the work of the Professional Standards Department is reported at this meeting.

2.1.4 I have access to advice and information from role specific representative bodies eg APACE Association of Police and Crime Commissioners Chief Executives. These incorporate legislative change monitoring and 'horizon scanning' materials

2.1.5 Internal audit report on the adequacy of the controls in place to minimise the risk of non-compliance or breach of relevant legal provisions.

2.1.6 The Joint Independent Audit Committee (JIAC) review and comment on compliance with governance and assurance arrangements for both the PCC and Chief constable.

2.1.7 The OPCC has a Data Protection Officer (shared with the force) this role is vital in helping to ensure compliance with data management laws and regulations.

2.2 ***Ensuring that joint working arrangements and other such similar arrangements operate in a manner consistent with the entity as a single body in respect of law and regulation and do not pose a risk, either operational, reputational or financial;***

2.21 The Chief Constable and the Police and Crime Commissioner (PCC) operate an Integrated scheme of governance which includes a Scheme of Delegation for each corporation sole, a scheme of consent, financial regulations and contract & procurement regulations. This framework makes sure that business is carried out efficiently and is supported by the requisite policies, procedures, plans, strategies and budgets.

2.22 The PCC operates a robust risk management strategy and proactively manages risk through the use of a strategic risk register. This is reviewed bi-monthly at the OPCC management meeting that I attend. In addition the research and performance officer (RPO) who is responsible for maintaining and developing the risk register reports directly to me.

2.23 The CFO attends the confidential risk management board and the RPO attends the force risk management board to ensure the OPCC remains aware of current and emerging risks.

2.30 ***Undertaking an assessment of the risk that the financial statements may be materially misstated due to fraud or error (including the nature, extent and frequency of these assessments);***

2.31 There is a system of controls in place to ensure that expenditure is properly authorised and recorded accurately in the financial accounts.

- Accounting – the form of the financial accounts and the accounting processes are agreed by the CFOs. Control accounts are subject to regular reconciliation and journal entries are restricted.
- Orders & Payments – access is controlled through formal delegations.
- Financial, Contract & Procurement Regulations are in place.

- Income and Expenditure – each area has a named budget holder who is responsible for the income/expenditure.
- The Chief Officer Group and Resources Governance Committee receive monthly financial monitoring reports.
- Statement of Accounts – year end reconciliations are carried out. Both CFOs undertake a detailed scrutiny of the accounts prior to and following external audit. JIAC also scrutinises the SOA. The PCC and CC approve their individual accounts for publication.

2.4 Identifying and responding to risks of fraud in the organisation, including any specific risks of fraud which have been identified or that have been brought to either those charged with governance's or Management's attention, or classes of transactions, account balances, or disclosure for which a risk of fraud is likely to exist;

2.4.1 There is an active programme of the management of fraud risks through meetings, appropriate policies, internal controls, Internal Audit and the Professional Standards Department (PSD).

Key policies that seek to minimise and mitigate the risk of fraudulent activities are:

- Anti-Fraud & Corruption
- Gifts & Hospitality
- Debt
- Notifiable associations
- Business Interests & additional employment

The joint Anti-Fraud & Corruption Policy outlines behaviour indicators of employees who are susceptible to fraud and corruption and highlights activities for supervisors and managers to be aware. The Debt Policy is designed to ensure that employees who become financially burdened are able to be open and honest about their situation and seek support from the organisation. Arrangements can be put in place to ensure that they are not susceptible to approaches from persons wishing to take advantage of their financial position. The Anti-Corruption Unit triangulates data from procurement, business interests and gifts & hospitality to ensure any risks and contractual issues are identified and dealt with.

2.4.2 There is an Anti-fraud and corruption group who meet quarterly, led by the CFO. The purpose of the meeting is to enable the Internal Auditors, the Chief Finance Officer (CFO), the Head of the Professional Standards Unit, the Force Chief Finance Officer (FCFO), the Research and Performance Officer (RPO) and a representative from both the HR department and the East Midlands Legal service to discuss the current and emerging risks and issues in relation to anti-fraud and corruption and actions for improvement. The RPO also represents the OPCC at quarterly meetings of the Lincolnshire Counter-Fraud Partnership (LCFP) which involves local authorities in sharing best practice and fraud related intelligence.

2.4.3 The CFO attends the confidential risk management board and the RPO attends the force risk management board to ensure the OPCC remains aware of current and emerging risks.

2.4.4 The PCC operates a confidential reporting ('Whistleblowing Policy'). There is also the facility for confidential reporting of suspected fraud and corruption issues via a secure email and confidential telephone line this facility is known as the "Bad Apple" reporting system.

2.4.5 The OPCC complies with the CIPFA code of practice on managing the risk of fraud, which was first adopted in 2015.

2.4.6 Internal Audit report on compliance with financial and procurement regulations to the JIAC including any areas of weakness or poor practice.

2.4.7 The Vetting Unit identifies potential risks and operates controls to manage these, including staff training.

2.4.8 The Internal Audit annual work programme addresses potential fraudulent activities.

2.4.9 The OPCC has complied with the CIPFA Code of Practice on Managing the risk of Fraud since 2015.

2.4.10 Internal Audit review compliance with Financial & Procurement Regulations and report any instances of control weaknesses or poor practice to the Joint Independent Audit Committee.

2.4.11 A joint PCC / Force anti-fraud and corruption policy is in place which is regularly reviewed and considered by the Joint Independent Audit Committee (JIAC). This is reviewed annually by the OPCC Chief Executive in consultation with the CFO and Head of PSD.

2.4.12 The OPCC also has a Confidential Reporting ("whistleblowing") policy. Proactive anti-fraud and corruption work is undertaken by the Force PSD and a confidential web page reporting system is in operation for reporting suspected misconduct or corrupt practices.

2.4.13 The Information Management Unit (IMU) plays an important role in relation to IT security. The Force Security Officer's role includes formulating and ensuring compliance with the Force Information Security Strategy.

2.5 Identifying and responding to potential or actual unlawful acts which have been identified or that have been brought to either those charged with governance's or Management's attention.

2.5.1 The PCC operates a confidential reporting ('Whistleblowing Policy'). There is also the facility for confidential reporting of suspected fraud and corruption issues via a secure email and confidential telephone line this facility is known as the "Bad Apple" reporting system.

2.5.2 I have access to specialist legal advice through the use of preferred external solicitors.

2.5.3 I have access to specialist advice and information from representative bodies for example, the Association of Police and Crime Commissioners Chief Executives (APACE).

2.5.4 Please also note points in section 1 relating to compliance with or breaches of the law.

2.5.5 The JIAC reviews a "compliance with governance arrangements" report at each of its formal meetings. This report highlights any significant governance issues including decision notices, any suspension of regulations, breach of controls, and any governance issues the Chief constable or PCC wish to bring to the attention of the JIAC.

2.6 Communicating to employees their views on business practice and ethical behaviour (for example by updating, communicating and monitoring against the organisation's code of conduct);

2.6.1 The PCC operates a Code of Corporate Governance in accordance with the CIPFA / SOLACE framework 'Delivering good governance in local government' (*notes for Policing Bodies in England and Wales – 2016*) which describes how the PCC discharges his governance responsibilities in a timely, inclusive, open and accurate manner. This code is reviewed and updated and reported to the JIAC on an annual basis.

2.6.2 Ethical behaviour and acceptable business practices are promoted through the PRIDE values Professionalism, Respect, Integrity, Dedication and Empathy. The principles of PRIDE are well established and embedded within the organisation's practices. The Leadership and Staff Charters are seen as integral to how employees carry out their duties. The national Code of Ethics runs hand in hand with the PRIDE principles. PCC's are also expected to adhere to the Nolan Committee's "Seven Principles of Public Life". The PCC also has a Code of Conduct and the OPCC has a Staff Code of Conduct in place.

2.7 Encouraging employees to report their concerns about fraud or potential illegal acts;

2.7.1 The PCC operates a confidential reporting ('Whistleblowing Policy'). There is also the facility for confidential reporting of suspected fraud and corruption issues via a secure email and confidential telephone line this facility is known as the "Bad Apple" reporting system.

2.7.2 See also para 2.6.2 above, which refers to the promotion of ethical behaviour and business practices.

2.7.3 There is an Anti-fraud and corruption group whose purpose is to enable the Internal Auditors, the Chief Finance Officer (CFO), the Head of the Professional Standards Department, the Force Chief Finance Officer (FCFO), the Research and Performance Officer (RPO) and a representative from both the HR department and the East Midlands Legal Services team to discuss the current and emerging risks and issues in relation to anti-fraud and corruption including actions for improvement. This work encompasses actions to help raise awareness of Fraud risks across the OPCC and Force and consideration of training requirements.

2.8 Communicating the processes for identifying and responding to fraud or error; and Compliance with internal control arrangements and due process?

2.8.1 The OPCC has a number of policies in place that provide guidance on both identifying and responding to fraud or error, these include;

- Anti-Fraud & Corruption
- Confidential reporting ('Whistleblowing')
- Gifts & Hospitality
- Debt
- Notifiable associations
- Business Interests & additional employment

2.8.2 The JIAC reviews a "compliance with governance arrangements" report at each of its formal meetings. This highlights any significant governance issues including decision notices, any suspension of regulations, breach of controls, and any issues the Chief constable or PCC wish to bring to the attention of the JIAC.

2.8.3 The section 151 Officer (CFO) has a direct line of report to me as the Chief Executive.

2.8.4 The work of PSD is reported to the PCC's Professional Standards Governance Meeting.

2.8.5 The PSD regularly publishes, 'The Standard', this helps to promote lessons learned and best practice advice and raise awareness of current compliance and control issues – The OPCC members of the Anti-fraud and corruption group contribute to the content of this publication.

2.8.6 JIAC also considers both Internal and External Audit plans and reports and scrutinizes on the annual financial statements.

2.8.7 JIAC receives the CC's Annual Governance Statement (AGS), which is approved by me.

2.8.8 The OPCC has a Code of Corporate Governance in place and it is reviewed by JIAC annually

2.8.9 The Information Management unit (IMU) has a key role in information security and associated protocols

2.8.10 The OPCC has a Data Protection Officer (shared with the force) this role is vital in helping to ensure compliance with data management laws and regulations.

.3.0 ***Are you aware of any:***

3.1 ***Breaches of, or deficiencies in, internal control in respect of fraud or compliance with relevant legal provisions that could have a significant effect on the entity or a material impact on the financial statements;***

3.1.1 I am not aware of any such breaches or deficiencies

3.2 ***Actual, suspected or alleged frauds or breaches of legislative requirements during 2018/19;***

3.2.1 I am not aware of any such incidents and the PSD have confirmed there have been no proven cases of fraud during the period.

3.3 ***Excessive or undue pressure to meet financial or operating targets that may unduly influence the actions of either those charged with governance or Management;***

3.3.1 I am not aware of any such circumstance.

3.4 ***Actual or potential litigation or claims that would have a significant effect on the entity or a material impact on the financial statements;***

3.4.1 The PCC and Force have an established system for reporting, assessing and conducting litigation claims. EMPLS provide all legal advice.

3.4.2 Claims in relation to third parties, employment and vehicles are monitored in conjunction with insurers and brokers through quarterly meetings. This enables the estimation of year end provisions and reserves.

3.4.3 Contingent liabilities, including those arising from litigation or insurance claims, are included within the notes to the SOA.

3.4.4 Provision is made where the obligation to transfer economic benefits seems likely at the balance sheet date. A reserve is set on each claim based on the estimated value of the claim if successful. This information is provided to the Finance team to inform the calculation of the provisions required.

3.5 ***Circumstances that would call into question the preparation of the financial statements on a going concern basis?***

3.5.1 I am not aware of any such circumstances - I have made an assessment of the organisations' ability to continue as a going concern. The Medium Term Financial Plan contains plans for a prudent minimum level of reserves to cover contingencies. However, given it is now unlikely that the formula funding review will be implemented before 2021/22, towards the end of the MTFP period, there are budget gaps identified from 2020/21 onwards. The Force have plans for 2019/20 savings and are currently working on plans to bridge these gaps in future years.

3.5.2 The PCC has made a Special Grant Application to the Home Office. The PCC has received confirmation from the Home Office of its intention to award £1.8m of Special Grant to Lincolnshire subject to satisfactory assessment of the claim by HMICFRS. HMICFRS has indicated its intention to carry out the assessment during 2019/20.

3.5.3 I consider that the organisation can currently continue as a going concern.