APPENDIX A

Lincolnshire POLICE & CRIME COMMISSIONER SAFER TOGETHER

Julie Flint – Inquiries of Management **DRAFT**

1) What are the management processes in relation to:
• 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); *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 CFO's. 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 Resources Governance Meeting receives 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 approves their individual/group accounts for publication.*
• Identifying and responding to risks of fraud in the organisation including any specific risks of fraud which management have identified or that have been brought to its attention, or classes of transactions, account balances, or disclosure for which a risk of fraud is likely to exist; *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).* *The Vetting Unit identifies potential risks and operates controls to manage these, including staff training.* *The Internal Audit annual work programme addresses potential fraudulent activities.* *The organisation has complied with the CIPFA Code of Practice on Managing the risk of Fraud since 2015.* *Internal Audit review compliance with Financial & Procurement Regulations and report any instances of control weaknesses or poor practice to the Joint Independent Audit Committee.* *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. 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.* *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 and with the requirements of the ACPO Community Security Policy.*
• Communicating to employees its views on business practice and ethical behavior (for example by updating, communicating and monitoring against the organisation code of conduct); *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.* *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.* *Police Officers receive initial training and further guidance through regular communications from the Professional Standards Department (PSD).* *Relevant staff are made aware of the PCC's Scheme of Arrangements, Financial, Contract & Procurement Regulations and the Scheme of Delegation.* *New entrants to the Force are required to undertake mandatory training on counter corruption through NCALT*
• Encouraging employees to report their concerns about fraud; *Proactive anti-fraud and corruption work is undertaken by PSD. The Force operates a confidential "whistle blowing" web page ("Bad Apple") to support the detection and reporting of fraud.* and:
• Communicating to the Police and Crime Commissioner (i.e. those charged with

governance) and the Joint Independent Audit Committee the processes for identifying and responding to fraud or error?

Section 151 Officer has a direct line in to the Police & Crime Commissioner.
The JIAC receive a paper on Compliance with Governance Arrangements at every formal committee meeting.
The internal audit outcomes are reported to the JIAC.
The work of PSD is reported to the PCC's Professional Standards Governance Meeting.
Regular liaison takes place between PSD and Internal Audit through the quarterly Anti-Fraud & Corruption meetings.
JIAC receives the PCC's Annual Governance Statements (AGS), which is approved by the PCC & Chief Executive.
A Code of Corporate Governance is in place for each body and is reviewed by JIAC annually.
JIAC also receives and considers both Internal and External Audit plans and reports and scrutinises the annual financial statements.

2) What are Management's views about whether there are areas within the organisation that are at risk of fraud?

Regular Anti Fraud & Corruption meetings with appropriate representation including Internal Audit provide the management overview of risks, emerging issues, relevant cases, best practice and actions for improvement.
Evidence to date does not indicate that the risk of fraud is higher in particular locations or departments.
The PCC and CC Financial & Contract Regulations require notification to the relevant CFO of any matter involving irregularities concerning cash, stores or property.
Procedures are in place limiting the value of cash or property which may be held at particular locations.

3) Does Management have knowledge of any actual or suspected or alleged instances of fraud or fraudulent financial reporting?

There have been no instances of fraud in the last financial year that I am aware of. PSD have confirmed that they have no recorded cases of Fraud Investigations.

4) Where the answer to question 3 above is 'yes', what was Management's response to the situation(s) identified? *n/a depending on PSD confirmation*

5) Is Management satisfied that internal controls to prevent and detect fraud, including segregation of duties, exist and work effectively? *Yes, internal audit of core financial controls demonstrate significant assurance in most cases.*

6) Are there any deficiencies in internal control? *None that I am aware of.*

7) Are you aware of any instances where controls have been overridden? *None that I am aware of in 2018/19.*

8) Is there is any organisational or management pressure to meet financial or operating targets?

None that I am aware of. Whilst the force as a whole is operating with limited resources due to funding levels, individual budget managers are not subjected to management pressure. The force financial position is monitored on a monthly basis at Resource Governance Meetings and cost pressures emerging due to operational pressures are discussed. OPCC budgets are monitored at the OPCC Management Meeting, and the overall group position is circulated by me as the CFO.

9) Are there any particular areas of the accounts that are more susceptible to false entries or omissions or other forms of manipulation? Are management aware of any such manipulation having occurred? *None that I am aware of. I am aware that the Force CFO, undertakes a detailed review of the monthly financial reports querying significant fluctuations and variances in expenditure, before reporting to the Resource Governance Meeting.*

10) How does management gain assurance that all relevant laws and regulations have been complied with? Have there been any instances of non-compliance during 2018/19? - *No*

The Statements of Account for the PCC are prepared in accordance with the statutory framework established for England by the Accounts and Audit Regulations 2015. This means that the SoAs are prepared in accordance with The Code of Practice on Local Authority Accounting and the Service Reporting Code of Practice (SeRCOP) in compliance with International Financial reporting Standards (IFRS).
Financial, Contract & Procurement Regulations form part of the system of internal control reviewed by Internal Audit and reported to JIAC.
Her Majesty's Inspectorate of Constabulary & Fire & Rescue Services (HMICFRS) conducts independent assessments of police forces and policing activities in the public interest.
HMICFRS's inspection programme includes elements relating to compliance with legal and regulatory frameworks where appropriate. Final reports are provided to the PCC and the Chief Constable and are published in the public domain (unless containing Official information).
The PCC Constitution and Scheme of Arrangements for the discharge of functions including the Scheme of Consent, Delegations to Officers, Financial, Procurement and Contract Regulations provide the framework for governance arrangements.
Legal implications are included in reports to the PCC/CC to ensure compliance. Financial consequences are also included in PCC/CC reports.
The PCC and Force operate a strong system of internal control, which is subject to regular compliance review by Internal Audit.
The PCC and Force have a robust Risk Management Strategy which assesses and monitors key risks and

mitigations.
Specialist legal advice is provided by the East Midlands Police Legal Services (EMPLS) collaboration across the five East Midlands forces. EMPLS alert forces to changes in legislative and regulatory frameworks. Access is also available to specialist external solicitors.
Formal PCC decision notices record any legal considerations/implications.

11) Are there any actual or potential litigation or claims that would affect the financial statements?

The PCC and Force have an established system for reporting, assessing and conducting litigation claims. EMPLS provide all legal advice. The Deputy Chief Constable is the nominated lead for the Force and protocols have been established for the reporting and commissioning of actions to be taken. I am made aware of potentially significant claims.
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.
Contingent liabilities, including those arising from litigation or insurance claims, are included within the notes to the SoA.
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

12) How does Management satisfy itself that it is appropriate to adopt the going concern basis in preparing the financial statements?

The PCC has made an assessment of the organisation's 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 finalising plans to bridge the gaps in future. 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.
Management therefore considers that the organisation can currently continue as a going concern.

13) In respect of related parties:

To be completed once returns from individuals are received 12/04/19

- Have there been any changes in related party relationships and transactions from the prior period?

- What is the nature of the relationship with the identified related parties, how have these been accounted for and disclosed?

The notes to the SoA include a disclosure note explaining the extent and nature of related party transactions.
The chief officers have completed a related party transaction declaration in respect of themselves and close family members.

- Have there been any transactions with related parties during the period that have been conducted outside of the organisation normal course of business?

- What is the purpose of material transactions entered into with related parties?