POLICE AND CRIME COMMISSIONER FOR LINCOLNSHIRE

&

CHIEF CONSTABLE FOR LINCOLNSHIRE

FINANCIAL STATEMENTS 2012/2013

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Role of the Audit Committee

CIPFA Framework:
"Delivering Good Governance in Local Government: Guidance Note for Police"

Defines the role of the Audit Committee as:

To review the financial statements, external auditor's opinion and reports to members, and monitor management action in response to the issues raised by external audit.

- An important element of the Governance Framework.
- To enhance the profile of risk management and effective internal control.

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Audit and Inspection

Internal Audit

- Reviews and reports on internal control.
- Prepares an annual report, including an assessment of the overall internal control framework.

External Audit

- Reviews the Annual Governance Statement.
- Responsible for the audit of the Financial Statements.
- Reports “to those charged with governance” and publicly on issues including the audit opinion on the financial statements and the value for money opinion.

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Policing and Social Responsibility Act 2011

The establishment of both the PCC and the Chief Constable (CC) as corporations sole has resulted in major change to Financial Accounting and Reporting.

- Both the PCC and force are subject to the Accounts and Audit (England) Regulations 2011.
- Both have to prepare a set of accounts in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting and are subject to audit.

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Policing and Social Responsibility Act 2011

- Group accounts must be completed by the PCC for the PCC and the Chief Constable.
- The CC must complete individual accounts.
- Both are required to produce an annual governance statement.

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The Financial Statements

Timescales

- The accounts are prepared as at 31st March each year.
- Draft Financial Statements must be approved by the Responsible Financial Officer by the 30th June each year. For this reason since this version was produced for Committee, the accounts have been further refined.
- The accounts are subject to a period of public inspection and the auditor will take questions from an elector on the accounts.
- The accounts are subject to an External Audit in July
- Audited Statements to be considered by the Committee and published by 30th September.

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The Audit of the Financial Statements

- The auditor examines the statements and working papers prepared.
- The statements should be free from material misstatement to receive an unqualified audit opinion.
- The accounts are prepared to present a “true and fair” view of the PCC Group and Chief Constable’s finances.
- “Trivial” and “Non-trivial” errors identified will be reported to the September meeting of the Committee.
- Detailed comments on the accounts will be included in an audit letter prepared by the auditor for the committee and subsequently a public document.

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Who are the Financial Statements for?

The Accounts are written to provide information for:

- Council tax payers.
- Business rate payers.
- PCC Panel members – as community representatives.
- Employees
- Lenders
- Suppliers
- Government & Agencies
- General Public

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How are the Financial Statements produced?

The accounts are prepared by the G4S Finance Team who:

- Commission professional advisors for IFRS and Pensions and Property valuations.
- Obtain information from other professionals e.g. EMSOU & Council tax balances and challenge the figures produced for Lincolnshire.
- Interpret and consolidate into the accounts the requirements of rules and regulations.
- Calculate where a provision in the accounts is required.
- Undertake checks and balances as the accounts are being prepared.
- Produce detailed Working Papers for Audit

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How are the Financial Statements produced?

The PCC and Chief Constable's Chief Finance Officers:

- Prepare their respective Foreword and Annual Governance Statements
- Challenge estimates and assumptions made in the accounts.
- Identify where a provision or other disclosure in the accounts is required.
- Cross-check the accounts as they are being prepared

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How are the Financial Statements produced?

The Accounts are based on the management accounting information produced and held on the General Ledger System during the year.

However, these are then augmented and adjusted for:

- Accruals
- Requirements of –

  Accounts and Audit Regulations
  Code of Practice on Local Authority Accounting
  IFRS
  Service Reporting Code of Practice

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Accruals

The Accounts are drawn up using an important set of principles:

- **The cost of goods and services must be shown in the financial statements for the year in which they are consumed.**
- **Income must be shown in the financial statements for the year in which the service was provided.**
- **Transactions which are incomplete at the year end will be adjusted as appropriate.**

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The Financial Statements

There are two fundamentally different sets of accounts presented:

Police and Crime Commissioner Group Accounts includes –

- all transactions for income and expenditure, assets and liabilities, reserves and commitments.
- full range of statements and disclosure.
- additional Comprehensive Income and Expenditure Statement for the PCC alone.

Chief Constable for Lincolnshire Accounts includes –

- Operating Cost Statement limited to the cost of Police Officer Salaries.
- Limited Statements and Disclosure.

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The PCC Group Statements

The Accounts consist of:

Explanatory Foreword
Statement of Responsibilities
Annual Governance Statement

Main Statements:

- Movement in Reserves Statement
- Comprehensive Income and Expenditure Statement
- Comprehensive Income and Expenditure Statement PCC Only
- The Balance Sheet
- The Cash Flow Statement
- Notes to the Accounts
- Police Officer Pensions Memorandum Account

Note: All of the main accounting statements include amounts in relation to the East Midlands Special Operations Unit

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The Chief Constable's Statements

The Accounts consist of:

Explanatory Foreword
Statement of Responsibilities
Annual Governance Statement

Main Statements:

- Movement in Reserves Statement
- Operating Cost Statement
- The Balance Sheet
- The Cash Flow Statement
- Notes to the Accounts
- Police Officer Pensions Memorandum Account

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The Financial Statements

Explanatory Foreword

- Provides an overview of the accounts in a non-technical manner
- Highlights future and current issues

Statement of Responsibilities

- Formal declaration

Annual Governance Statement

- Review and consideration by this Committee

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Movement in Reserves Statement

This Account reconciles the Comprehensive Income and Expenditure Statement to the actual outturn reflected by the movement in the General Reserve Fund. As reserves are not held by the Chief Constable this is a Group Accounting statement only.

Balance at 31 March 2012 carried forward	**545**	**5,780**	**5,667**	**11,992**	**(856,170)**	**(844,178)**
Movement in Reserves during 2012/13						
Surplus on the provision of services	-	-	(30,663)	(30,663)	-	(30,663)
Other Comprehensive Income and Expenditure	-	-	-	-	(107,582)	(107,582)
Total Comprehensive Income and Expenditure	**-**	**-**	**(30,663)**	**(30,663)**	**(107,582)**	**(138,245)**
Adjustments between accounting basis and funding basis under regulations (Note 6)	(312)	-	33,098	32,786	(32,786)	-
Net Increase / Decrease before Transfers to Earmarked Reserves	(312)	**-**	**2,435**	**2,123**	**(140,368)**	**(138,245)**
Transfers to/from Earmarked Reserves (Note 7)	-	2,439	(2,439)	-	-	-
Increase/(Decrease) in 2012/13	**(312)**	**2,439**	**(4)**	**2,123**	**(140,368)**	**(138,245)**
Balance at 31 March 2013 carried forward	**233**	**8,219**	**5,663**	**14,115**	**(996,538)**	**(982,423)**

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Comprehensive Income and Expenditure Statement

This Account provides details of the cost of providing policing services in 2012/13. However, this is in accordance with accounting practices rather than the actual costs incurred against grant and council tax. This year there are two statements one for the Group as a whole and secondly for the PCC only transactions.

- IFRS Structure and Layout
- Service analysis under SeRCOP, based on apportionments.
- Expenditure includes IAS 19 (Pensions) and capital accounting entries.
- Therefore, the Deficit on the account is not the same as our spend against the approved budget.

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Group & PCC Comprehensive Income and Expenditure Statement

Main Variances

- SeRCOP Analysis for 2012/13 shows significant changes in proportionality.
- Non Distributed costs – pension adjustments (RPI to CPI)
- Actuarial Gains / Losses on Pensions Assets and Liabilities (Note 54, page 89)
- Intra Group Funding

Questions?

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Chief Constable Operating Cost Statement

Main Variances

- SeRCOP Analysis for 2012/13 shows significant changes in proportionality.
- Intra Group Funding

Questions?

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Balance Sheet

This statement provides a summary of the PCC Group's financial position at 31st March 2013. No Balances are shown on the Chief Constables Accounts as none are held.

Points to Note:

- Balances include EMSOU figures
- IFRS Terminology and Layout
- "Third" Balance Sheet is shown for comparison

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Balance Sheet

The Balance Sheet can be split into five main areas:

1. **Long Term Assets**
   The value of assets with a future potential for providing services.
2. **Current Assets**
   The value of cash or other assets held in the short term or amounts owed to the Group.
3. **Current Liabilities**
   Amounts owed by the Group and due to be paid within the next 12 months.
4. **Long-term Liabilities**
   Outstanding long term borrowing and provisions also capital and pensions liabilities.
5. **Reserves**
   Analysed between those which are usable by the Group and unusable held purely for accounting purposes.

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Balance Sheet

Main Variances

Notes to the accounts provide a further breakdown of the figures on the face of the Balance sheet. Key Variances are:

- Long Term Assets +15%
- Short-Term Investments £0k
- Cash & Cash Equivalents -23%
- Other Short Term Liabilities £112k
- Pensions Liability -16%
- Usable Reserves +18%
- Unusable Reserve -16%

Questions?

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Cash Flow Statement

The Cash Flow is used to illustrate the movement in cash and cash equivalent items during the year. It is formed from an analysis of the other main statements.

- Analysis given in notes rather than on face of statement.
- Starting point is Surplus or deficit on the Provision of Services in the Consolidated Income and Expenditure Account.
- Adjustments made using revenue and Balance Sheet items to reconcile Cash Flow Statement to the movement in cash and cash equivalents.

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Cash Flow Statement

Main Variances

Notes to the accounts provide a further breakdown of the figures on the face of the Statement. Key Variances are:

- Investment Activities (Note 35)
- Financing Activities (Note 36)

Questions?

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Notes to the Accounts

These notes were significantly changed under IFRS to provide greater disclosure for compliance rather than explanation.

Significant Notes:

- Statement of Accounting Policies
  The basis under which the accounts are prepared is included as note 1 in both sets of accounts.

- Judgments and Assumptions - Notes 3 & 4.

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Notes to the Accounts

Main Notes

The following notes are highlighted:

- Note 7 – Breakdown of Earmarked Reserves
- Note 11 to 17 - Assets and Capital Spend.
- Note 24 – Revenue Provisions
- Notes 25 – 31 - Usable and Unusable Reserves

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Notes to the Accounts

Main Notes

- Note 42 – Jointly Controlled Assets
- Note 45 – Senior Staff Remuneration
- Note 51 - Leases
- Note 54 – Retirement Benefits
- Note 57 - Post Balance Sheet Events
- Note 58 – Prior Period Adjustments

Questions?

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Other Accounts

Police Officer Pensions – Home Office Memorandum Account

Included in both PCC Group and Chief Constable's Accounts

- Separate Account.
- Details Transactions and their funding.

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