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)
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?	*In January 2014 a new Financial system was implemented, which resulted in changes to the processing of transactions across the General Ledger, payments and receipts. In April 2014 the creation of separate Corporations Sole for the PCC and Chief Constable was completed at Stage 2, with a scheme agreed by the Home Secretary for the separation of staff, assets and liabilities. A new scheme of Consent and Delegations of Authority together with Financial and Contract Regulations has been developed.*

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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. 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 has also developed a mandatory training package through NCALT on counter corruption.*
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*

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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?	*Claims against the organisation are received by the Legal Department. (This work with effect from 01/04/14 is undertaken by the East Midlands Region Legal Services Team based in Derbyshire with a local satellite office in Force HQ; this enables access to a much wider range of Legal advice). 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 Legal Advisor (with effect from 01/04/14 East Midlands Legal Services). The Civil Procedure Rules stipulate how such claims are processed.* *The yearend 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.*

Category	Short Description	Detailed Description	Comments (optional)
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 Joint Independent Audit Committee.* *The Vetting Unit identify risks and have controls in place.* *A quarterly Anti-Fraud and Corruption meeting is held to provide updates highlighting any issues or concerns, updates on relevant cases, best practice/lesson learned, new initiatives/actions for improvements.*

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.*

Category	Short Description	Detailed Description	Comments (optional)
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 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. 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.* *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.*

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?	*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 Fraud and Corruption meeting. The Joint Independent Audit Committee receives the PCC and CC's Annual Governance Statement, which is approved by the PCC and Chief Executive. 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 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.*

Category	Short Description	Detailed Description	Comments (optional)
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.*

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 & CC's accounts are accurate and reflect properly authorised expenditure:* *• 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.* *• 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's 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. CFOs of both the Chief Constable and the PCC undertake a detailed scrutiny of the accounts prior to and following external audit in addition to the scrutiny by the Joint Independent Audit Committee. The PCC and CC approve their accounts for publication.*

Fraud	REQUIRED Management's assessment of fraud risks, including the nature, extent and frequency of such assessment	What fraud risks have been identified?	*The 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.*
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 CFOs, H of PS, Research and Performance Officer).*

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?	*Three 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 by HoPS (eg newsletter). 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)*
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 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.*

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 & CC complies with the Accounts and Audit (England) Regulations 2011 which require the statements to be prepared in accordance with proper accounting practices.* *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.* *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.*

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 Scheme of Consent, Delegations to Officers, Financial, Procurement and Contract Regulations provide the framework for the PCC's and CC'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/CC to provide compliance advice where necessary.* *• Financial considerations are contained in reports to the PCC/CC.* *• 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 facing them.* *• Insurance cover helps to minimise exposure to potentially large claims.* *No material instances of non-compliance have been identified during 2013/14.*
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. The Annual Governance Statements of the PCC and CC includes a review of Legal and Regulatory Compliance.*

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?	*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.* *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/CC to provide compliance advice where necessary.* *• Financial considerations are contained in reports to the PCC/CC.* *• 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.*
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 noncompliance with laws and regulations, including actual or possible illegal acts?	*No material instances of non-compliance have been identified during 2013/14.*

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 in a note to the Financial Statements.* *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.* *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 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 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.*
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 2013/14 accounts.*

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.
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. 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.

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 scrutinised by the Joint Independent Audit Committee. There are no accounting policies of concern.*
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?	*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.*
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?	*The PCC has approved and delegated to the CC a balanced budget for 2014/15 and plans indicate a balanced budget for 2015/16. 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.*