KPMG
AUDIT • TAX • ADVISORY

Inquiries - Management

Name of Interviewee(s) : Julie Flint (PCC CFO)/ Sharon Clark (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?	*There has been no change in the nature of the business or environment or internal control which would give rise to different transactions.*

Category	Short Description	Detailed Description	Comments (optional)
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?	*Ethical behavior 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 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.* *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.*

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?	*There is an active programme of the management of fraud risks through meetings, appropriate policies, Internal Audit and the Professional Standards Department (PSD).* *The Vetting Unit identifies potential risks and operates controls to manage these.* *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.* *The Internal Audit annual work programme addresses potential fraudulent activities.* *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.* *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.*

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?	*Proactive anti-fraud and corruption work is undertaken by PSD and overseen by the PCC's professional Standards Governance meeting. Anti-Fraud and Corruption meetings provide management overview of risks and emerging issues. The Internal Audit annual work programme addresses potential fraudulent activities and financial controls and reporting.*
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 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.*

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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 / 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.*

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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 PSD is reported to the PCC's Professional Standards Governance Meeting. Internal Audit is reported to JIAC.* *Regular liaison takes place between PSD and Internal Audit through the quarterly Anti-Fraud & Corruption meetings.* *JIAC receives the PCC and CC's Annual Governance Statements (AGS), which are approved by the PCC, Chief Executive and Chief Constable.* *A Code of Corporate Governance is in place for each body and is reviewed by JIAC.* *JIAC also receives and considers both Internal and External Audit plans and reports and scrutinizes the annual financial statements.*
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?	*There have been no instances of fraud in the last financial year.*

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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? What fraud risks have been identified? What is the nature, extent, and frequency of such assessment? What is the entity's response to identified fraud risks, including controls to mitigate the risks?	*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 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.*

Category	Short Description	Detailed Description	Comments (optional)
Laws and regulations	REQUIRED Legal and regulatory frameworks applicable to the entity	What legal and regulatory frameworks are applicable to the entity?	*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 (HMIC) conducts independent assessments of police forces and policing activities in the public interest.* *HMIC'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 restricted information).*

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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?	*The Statements of Account for both the PCC and CC are prepared in accordance with the statutory framework established for England by the Accounts and Audit Regulations 2015. This means that the SOA's 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).* *The materiality threshold adopted by the PCC and the CC is 0.1% of gross revenue expenditure as reviewed by JIAC.*

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?	*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 (HMIC) conducts independent assessments of police forces and policing activities in the public interest.* *HMIC'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 restricted information).*
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, and other matters are communicated Force-wide by email. Evidence of compliance with laws and regulations is routine within the business of policing. The Annual Governance Statements of the PCC and CC include review of legal and regulatory compliance.*

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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?	*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.* *The Monitoring Officer is responsible, after consultation, for reporting to the PCC any proposal, decision or omission which would be unlawful.* *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.*
Laws and regulations	REQUIRED Compliance with laws and regulations	Is the entity in compliance with laws and regulations? (Where appropriate, inquire of those charged with governance.)	*The PCC and Chief Constable ensure compliance through the procedures and controls described previously.* *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.*

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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?	*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.* *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.*
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?	*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.*

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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, including ownership structure, between the entity and each related party?	*For the organisation as a whole, government agencies and public sector bodies are related parties. Central government has effective control over operations through funding allocation. Grants are also received from Lincolnshire County Council and connected through collaboration projects such the Blue Light project. The organisation also has material transactions with district councils through Council Tax.* *The Strategic Partnership contract with G4S Govt & Outsourcing is sufficiently material to make them a related party.* *Family and friends of key management personnel are also related parties. Key management personnel would include chief officers, and all other persons with responsibility for planning, directing and controlling the activities of the organisation. Disclosure will be made in the notes to the SOA of any related party transactions, however, 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 disclosure will be made in the notes to the SOA for 2016/17 of related party transactions.* *None identified to date.*

Category	Short Description	Detailed Description	Comments (optional)
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	*The notes to the SOA includes a disclosure note explaining the extent and nature of related party transactions.* *The PCC and chief officers have completed a related party transaction declaration in respect of themselves and close family members.*
Estimates	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 within 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	*There has been no change in the nature of the business which would give rise to changes in existing accounting estimates.* *Material transactions between the PCC and the strategic partner G4S continue to be reported under the existing accounting policies and estimates.* *IAS 19 details the accounting requirements for reporting the cost of retirement benefits in the financial statements. The appointed actuary uses a detailed set of assumptions to make the best estimate of the future cash flows arising under scheme liabilities. The assumptions are reviewed by the CFO's and scrutinised by the Joint Independent Audit Committee (JIAC).*

Category	Short Description	Detailed Description	Comments (optional)
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 annually by both CFO's and scrutinised by JIAC.* *No concerns have been identified.*
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? If so, what are management's plans to address them? (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 arising relating to the funding of the organisation as whole, its assets or potential liabilities which would cast doubt on its status as a going concern.*

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Going concern	REQUIRED Managements assessment of the entitys 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 basis of accounting?	*The PCC and CC have made an assessment of the organisation's ability to continue as a going concern. The Medium Term Financial Plan contains assumptions regarding the outcome of the Funding Formula Review and plans for a prudent level of reserves to cover contingencies. However, given the uncertainty remaining until the funding review is completed, the Force has undertaken a Priority Base Budgeting exercise in 2016/17 to identify potential savings which can be implemented should the need arise.* *Management therefore considers that the organisation can currently continue as a going concern.*
Significant unusual transaction	REQUIRED SUTs – existence	Has the entity entered into any significant unusual transactions?	*The system of controls in place for both revenue and capital expenditure and the procurement and payments system checks and balances ensure that significant or unusual transactions are brought to the attention of management.* *No significant or unusual transactions have been identified.*

Category	Short Description	Detailed Description	Comments (optional)
Significant unusual transaction	REQUIRED SUTs - controls	What are the controls that management has established to authorize and approve significant unusual transactions?	*The Scheme of Arrangements including the Scheme of Delegation and Financial & Contract Regulations provide the basis for the controls for authorisng and approving transactions. Under these arrangements, limits are in place which ensure that breaches of threshold levels will be reported so that the relevant approvals can be given at PCC/CC level on advice from the CFO's.*