

# **DEVON & CORNWALL POLICE AUTHORITY**

## **FINANCIAL REGULATIONS**

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### INTRODUCTION

#### **OVERVIEW**

Public sector finance is covered by a range of government legislation and accounting standards that are designed to ensure proper accountability for public funds. In addition, the Home Office has issued a Code of Practice under section 39 of the Police Act 1996, which deals specifically with the financial management of police authorities.

To conduct its business effectively and in compliance with all relevant legislation and guidance, the Police Authority needs to ensure that it has sound financial management policies in place and that they are strictly adhered to. Part of this process is to adopt and implement Financial Regulations.

The Regulations are also designed to provide the public with the reassurance that the Authority is seeking to achieve the high standards of probity and integrity that they have a right to expect.

The Regulations are designed to establish overarching financial responsibilities, to confer duties, rights and powers upon the Police Authority, the Force and its officers and to provide clarity about the financial accountabilities of groups or individuals. They apply to every member and officer of the service and anyone acting on its behalf for example independent custody visitors.

A modern Police Authority should also be committed to innovation, within the regulatory framework, provided that the necessary risk assessment and approval safeguards are in place.

Financial regulations are aimed at achieving four main objectives:

- To maintain sound and proper financial procedures and arrangements for the administration of all the Police Authority's financial affairs
- To demonstrate that proper safeguards and controls do exist
- To provide a framework for financial management which will enable, wherever possible, managerial and financial responsibilities to be aligned
- To safeguard the Members and employees of the Police Authority and the Force

## **STATUS**

The Financial Regulations should not be seen in isolation, but rather as part of the overall governance framework of the Police Authority that includes the role of committees, codes of conduct for Members and officers, the scheme of delegation, standing orders for tenders and contracts and the risk assessment regime.

The Force will maintain its own internal control framework, which will comprise:

- Risk Registers
- Key controls
- Levels of authority (internal Force scheme of delegation)
- Policy documents (including financial policy documents)
- Standing Operating Procedures (SOPs)

This framework will at all times comply with Financial Regulations. The Key controls document will be maintained by the Force Director of Finance and Resources and changes to the key controls document will be approved by the Treasurer in consultation with the Chair of the Corporate Governance Committee. All Members and staff have a general responsibility for taking reasonable action to provide for the security of assets under their control and for ensuring that the use of these resources is legal, properly authorised, sustainable, provides value for money and achieves best value.

The Police Authority is responsible for approving or amending Financial Regulations and the scheme of delegation. The Treasurer is responsible for maintaining a review of Financial Regulations and submitting any additions or amendments to the Police Authority, after consulting with the Chief Executive and Chief Constable.

The Chief Constable is responsible for ensuring that all staff, contractors and agents are aware of the existence and content of the Police Authority's Financial Regulations and that they are complied with (this applies equally to the Chief Executive and Treasurer for staff and contractors under their direct supervision). The Financial Regulations should be well publicised and available for staff reference.

Breaches of Financial Regulations of a serious nature may result in disciplinary proceedings. Such cases shall be reported to the Treasurer who shall determine, after consulting with the Chief Executive and Chief Constable, whether the matter shall be reported to the Police Authority.

Without clearly defined financial procedures and arrangements Members and employees could find themselves in an invidious and vulnerable situation. The observance of these Financial Regulations is very much in each individual's interest.

If anyone reading these regulations is in any doubt over their meaning or how to comply please contact the Treasurer or the Director of Finance and Resources.

The terms Chief Constable, Chief Executive and Treasurer include any member of staff, contractors or agents to whom particular responsibilities may be delegated. However, the level of such delegated responsibility must be evidenced clearly, made to an appropriate level and the member of staff given sufficient authority, training and resources to undertake the duty in hand.

## **DEFINITIONS**

All references within the document to the Treasurer refer to the Police Authority Treasurer and all references to the Chief Executive refer to the Police Authority Chief Executive.

## **UPDATING FINANCIAL REGULATIONS**

Financial Regulations need to be regularly updated to ensure they remain relevant and appropriate. Development of the Police Authority and Constabulary information systems and external influences such as changes in legislation and major reviews of policing will all have an influence on future developments. The next major update of the regulations will be influenced by the Flanagan Review and the resulting Green paper on Policing.

## **SECTION A - FINANCIAL MANAGEMENT**

### **THE POLICE AUTHORITY & ITS COMMITTEES**

#### *THE POLICE AUTHORITY*

The following matters are reserved unto the full Police Authority for decision:

- Setting of Annual Budget
- Matters relating to the borrowing of money
- Matters relating to a substantial variation in or future development of programmes or services for which a committee is responsible
- Matters that raise a question of substantial policy not previously discussed by the Authority
- Matters in which the Authority has established a policy but where a Committee's decision would be at variance with that policy
- Matters involving expenditure for which budget provision is not made
- Matters where there is a disagreement between one committee and another
- Agreement of the following statutory plans and schemes
  - All diversity schemes
  - Three year Strategic Plan including the Authority Strategic Plan
  - Stop and search Plan
- Approval of Code of Corporate Governance
- Delegation of specific functions to a Committee or Group
- Approval of Committee and Group memberships
- Appointment of Independent Members – final approval
- Appointment of Independent Members of the Standards Committee
- Changes to the Constitution

The Police Authority operates a system of Committees and Groups, the terms of reference and delegated powers of Committees and Groups are set out in Appendices E and F of the Constitution. The terms of reference of the Corporate Governance Committee and the Resources Committee which both have a specific role with regard to financial management are reproduced below.

## *THE CORPORATE GOVERNANCE COMMITTEE*

The Home Office Code of Practice on Financial Management requires the establishment of an audit committee. The Corporate Governance Committee fulfils this requirement. It has a specific responsibility within the overall control framework of assessing the audit function. The committee has right of access to all the information it considers necessary and can consult directly with internal and external auditors. The committee is responsible for reviewing the external auditor's reports and the annual audit letter and internal audit's annual report.

The terms of reference of the committee are:

- To develop and monitor a Code of Corporate Governance for adoption by the Police Authority, including the purpose and effectiveness of corporate governance, good practice and areas for improvement
- To review the effectiveness of internal controls in line with statutory requirements and good practice and to determine the annual Statement on Internal Control required for the annual accounts
- To consider and approve arrangements for the risk management policies, processes and documentation, the corporate risk register, new risks and risk mitigation including insurance
- To agree and monitor annual internal and external audit plans, fees and work and to monitor the implementation of recommendations of other reviews such as those by Her Majesty's Inspector of Constabulary or the Force which could affect risk, internal control and corporate control

## *RESOURCES COMMITTEE*

The terms of reference of the committee are:

- To undertake monitoring of the budget for the current financial year
- To give initial consideration to the draft budget for the forthcoming financial year
- To consider and give approval to business cases for major projects
- Capital financing
- Information systems
- Airwave
- Property Strategy
- Acquisitions and Disposals
- Medium Term Financial Strategy
- Treasury Management

## **POLICY & GOVERNANCE FRAMEWORK**

The policy and governance framework is outlined below.

### *PLANNING & RESOURCE ALLOCATION POLICIES*

- Policing Plan
- Medium Term Financial Strategy (MTFS)
- Annual Revenue Budget
- Capital Programme
- Treasury Management Strategy
- Estate Capital Strategy
- Efficiency and Productivity Strategy
- Information and Communications Technology Strategy

### *CORPORATE GOVERNANCE POLICIES*

- Anti-fraud and anti corruption strategy
- Risk management strategy
- Confidential reporting policy
- Members' code of conduct
- Register of interests
- Gifts and hospitality policy
- Sponsorship policy
- Procurement policy
- Partnerships policy
- Human resources policies e.g. anti-discrimination
- Data Protection
- Intellectual Property Policy

## **THE ROLE OF STATUTORY OFFICERS**

### *INTRODUCTION*

The Home Office Code advises on the roles and responsibilities of the Police Authority and Force and the statutory officers. The Treasurer has certain statutory obligations and the Chief Executive has a specific monitoring role. However, within the terms of the policy framework determined by the Police Authority, financial management within the Force is delegated as far as possible to the Chief Constable.

The Police Authority should also encourage the Force to devolve financial management to local police commanders and departmental heads, provided that reliable information systems exist to supply local managers with accurate, complete and timely information and that monitoring procedures ensure accountability.

The Police Authority, advised by its Treasurer, must be satisfied that the Chief Constable exercises delegated financial responsibilities in a proper and effective manner.

Since the Police Authority has ultimate responsibility for all funds spent by the Force, there is no distinction in law between the financial responsibilities of the Police Authority and the financial responsibility of the Force. Therefore, within the framework of delegated financial management, the Chief Constable is accountable to the Police Authority.

Financial Management of the Police Authority Budget lies with the Chief Executive and management of the capital financing budget lies with the Treasurer

The role of each of the statutory officers is set out below. The delegations to statutory officers are set out in the Scheme of Delegation.

#### *THE CHIEF EXECUTIVE*

The Chief Executive is responsible for the general administration of the Police Authority. The Chief Executive shall also be the designated monitoring officer for the Police Authority, appointed under section 5(1) of the Local Government and Housing Act 1989. The Chief Executive has responsibility for ensuring the legality of the actions of the Police Authority and its officers.

In the capacity of monitoring officer, the Chief Executive is responsible for:

- Ensuring that procedures for recording and reporting key decisions are operating effectively
- advising all Members and officers about who has authority to take a particular decision
- advising the Police Authority about whether a decision is likely to be considered contrary or not wholly in accordance with the policy framework

The Chief Executive is responsible for advising Members on its Scheme of Delegation and any relevant issues regarding such delegations.

The Chief Executive has the responsibility to prepare the Annual Governance Statement for approval by the Corporate Governance Committee and is also required to sign the statement.

### *THE TREASURER*

The Treasurer has statutory duties that provide overall responsibility for the financial administration and stewardship of the Police Authority. These statutory responsibilities cannot be overridden. They are set out in detail below.

To act as “Proper Officer” and carry out all of the duties of the officer designated by the Authority for the purposes of S151 of the Local Government Act 1972.

To be responsible for the administration of the Authority’s financial affairs as set out in Sections 112 & 114 of the Local Government Finance Act 1988 and the Accounts and Audit Regulations 2003. Taken together these mean that the Treasurer is responsible for:

- Ensuring that the financial affairs of the Authority and of the Force are properly administered and that the Financial Regulations are observed and kept up to date
- Reporting to the Authority and to the external auditor any unlawful or potentially unlawful expenditure by Members or Officers of the Authority or the Force
- Report to the Authority and to the external auditor when it appears that expenditure is likely to exceed the resources available to meet that expenditure
- Producing a statement of accounts
- Maintaining an adequate and effective internal audit function

To be the Authority’s professional advisor on financial matters, the duties being to:

- Provide financial advice to the Authority on all aspects of its activity including the strategic planning and policy making process
- Assist the Authority in seeking to obtain the best value for money
- Advise the Authority on financial propriety
- Ensure that accurate, complete and timely financial management information is provided to the Authority and the Chief Constable
- Advise in consultation with the Chief Executive and the Chief Constable on the safeguarding of assets, including risk management and insurance
- Arrange for the determination and issue of the precept

- Advise on budgetary matters including any consequent long-term implications

To implement and monitor the Treasury Management Policy Statement.

To be responsible for the investment of the Authority's money and the borrowing of money as necessary in accordance with the Treasury Management Strategy including authority to make investment decisions with regard to the Devon and Cornwall Investment Fund. The Treasurer may arrange for the Chief Constable to undertake day to day cash management activities or he/she may procure these activities from an appropriate source.

To be responsible for all banking arrangements together with the creation, closure or authorisation of any account.

To manage the internal audit function of the Police Authority and to report all matters of concern arising from internal audit activity to the Corporate Governance Committee of the Police Authority as appropriate.

A number of specific matters for decision have been delegated to the Treasurer and these are set out in the Scheme of Delegation and within these Financial Regulations.

The Treasurer, in consultation with the Chief Executive and the Chief Constable, shall be given powers to institute any proceedings or take any action necessary to safeguard the finances of the Police Authority.

To supplement these Financial Regulations and the internal control framework the Chief Constable will produce his/her own detailed policies and procedures. Notably these will be the key controls document, levels of authority, detailed policy / financial policy documents and standard operating procedures. The Treasurer will have the specific responsibility to approve the key controls and levels of authority in consultation with the Chair of the Corporate Governance Committee.

#### *THE CHIEF CONSTABLE*

The Chief Constable is responsible for the day to day financial management of the Force within the framework of the budget, rules of virement and reporting arrangements. In operating day to day financial management, the Chief Constable shall comply with the scheme of delegation and the approved policies of the Police Authority.

To supplement these Financial Regulations the Chief Constable will produce an internal control framework. This will consist of a key controls document, levels of authority, detailed policy / financial policy documents and standard operating procedures. The Chief Constable is responsible for ensuring that all staff are aware of the existence and content and that they are complied with. All staff must have access for reference and receive training and awareness programmes as appropriate.

The Chief Constable will have the responsibility to prepare an Annual Assurance Statement for presentation to the Corporate Governance Committee, in support of the Police Authority's Annual Governance Statement.

### *THE FORCE DIRECTOR OF FINANCE AND RESOURCES*

The Authority shall appoint a suitably qualified Director of Finance and Resources, who shall be responsible to the Chief Constable for all financial activities undertaken within the Force. The Director of Finance and Resources shall be responsible for ensuring the effective and efficient use of the resources available to the Force. In addition he/she will make arrangements to ensure the proper stewardship of assets.

The Force shall have its own finance team to advise the Chief Constable and to provide technical advice to the Treasurer to enable his/her statutory duties to be fulfilled.

## **SECTION B – OTHER FINANCIAL ACCOUNTABILITIES**

### **ACCOUNTING POLICIES**

The Treasurer is required to select suitable accounting policies, in accordance with recognised accounting practices, ensuring they are applied consistently.

### **ACCOUNTING RECORDS**

The financial systems of the Police Authority are used to record the financial transactions of the Police Authority. With possible minor exceptions, these are computerised systems. Maintaining proper accounting records is one of the ways in which the Police Authority discharges its responsibility for stewardship of public resources.

The Treasurer has the responsibility to approve the key controls for the Force and through this mechanism will determine the standards for accounting records.

### **THE ANNUAL STATEMENT OF ACCOUNTS**

The Police Authority has a statutory responsibility to prepare its accounts to present fairly its operations during the year. The accounts must be prepared by the Treasurer in accordance with proper practices as set out in *the Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice (the SORP)*. The Police Authority is responsible for approving these annual accounts.

The accounts are subject to detailed independent review by the external auditor. This audit provides assurance that the accounts are prepared correctly, that proper accounting practices have been followed and that quality arrangements have been made for securing economy, efficiency and effectiveness in the use of the Police Authority's resources.

## **SECTION C - FINANCIAL PLANNING**

### **FINANCIAL PLANNING**

The Police Authority is responsible for agreeing the Police Authority's policy framework and budget. In terms of financial planning, the key elements are :-

- The policing plan
- The annual budget
- The capital programme
- The medium term financial strategy covering at least 3 years

The Police Authority will have oversight of the mechanisms that the Chief Constable puts in place to deliver the policing plan including the Force Development Programme and the Force Vision.

### **THE POLICING PLAN**

The Police Authority has a statutory responsibility to publish a three year policing plan, updated annually.

### **BUDGETING**

#### *FORMAT & TIMETABLE*

The Treasurer is responsible for determining the format and timetable of the budget and the medium term financial plans to be presented to the Police Authority. The format is to comply with all legal requirements and to take account of the latest guidance issued by CIPFA.

#### *MEDIUM TERM FINANCIAL PLANNING AND ANNUAL BUDGET PREPARATION*

The Treasurer shall prepare at least a three year forecast of potential resources, including options for appropriations to and from general balances and reserves and use of provisions, based upon an interpretation of government funding assumptions and the information available at that time. This will include potential implications for local taxation.

The Chief Constable shall prepare detailed budget estimates for the forthcoming financial year and medium term financial plans for subsequent years as prescribed by the Treasurer. It is the Chief Constable's responsibility to ensure that these budget estimates reflect the agreed service plans and Police Authority policy framework. In addition the Chief Constable will set how the target as laid out in the Home Office Efficiency and Productivity Strategy will be met.

Differences may be identified between available resources and required resources. Requirements should be prioritised carefully by the Chief Constable to enable the Police Authority to make the best informed judgements as to future funding levels and planning the use of resources.

The Chief Executive shall ensure that the Police Authority meet to consider formally the budget proposals and that the Police Authority acts in accordance with any legal requirements in respect of budget resolutions and the timely setting of the budget.

The Treasurer and Chief Constable shall submit estimates in the agreed format to the Police Authority budget meeting for approval, including details of council tax implications and precept requirements.

Upon approval of the annual budget, the Treasurer shall submit the Budget Requirement return to central government and precept requests to appropriate bodies in accordance with the legal requirement.

#### *BUDGET MONITORING AND CONTROL*

By continuously identifying and explaining variances against budgetary targets, the Police Authority can identify changes in trends and resource requirements at the earliest opportunity. The Police Authority itself operates within an annual cash limit, approved when setting the overall budget. To ensure that the Police Authority in total does not overspend, each budget holder is required to manage expenditure within their budget allocation, as far as is possible.

For strategic monitoring and management purposes, the budget shall be divided between operational policing (that is spending within the control of the Chief Constable), non operational policing and appropriations as defined below.

##### Operational Policing

- Police officer pay
- Police officer overtime
- Force support staff pay
- Other Force expenditure
- Specific government grants and other Force income

##### Non Operational Policing

- Police Authority
- Pension Awards and Ill Health Contributions
- Interest on Balances
- Revenue contribution to capital

### Appropriations

Contributions to/from reserves

Contributions to/from balance

It is the responsibility of the Chief Constable to provide appropriate financial information to enable budgets to be monitored effectively. The Chief Constable must monitor and control income, expenditure and performance, taking action necessary to avoid exceeding the budget and alert the Treasurer to any problems.

The Chief Constable shall ensure that each element of income or expenditure has a nominated budget holder to take responsibility for that part of the budget. Budget responsibility should be aligned as closely as possible to the decision making process that commits expenditure. Budget managers shall accept accountability for the budgets under their management and the level of service to be delivered and understand their financial responsibility. Management of budgets must not be seen in isolation. It should be measured in conjunction with service outputs and performance measures.

The Chief Executive and Treasurer are responsible for the Police Authority budget and interest on balances and capital financing.

The Chief Constable shall ensure that total spending for operational policing remains within the overall allocation of resources and take corrective action where significant variations from the approved budget are forecast. Where total projected expenditure exceeds the total allocation of resources due to circumstances beyond the control of the Chief Constable, the Treasurer shall be alerted immediately and proposals for remedy should be put forward as part of the regular reporting process to Committee. The same responsibilities apply to the Chief Executive and Treasurer for their budgets.

The Chief Constable and Treasurer shall submit a joint budget monitoring report regularly to the Resources Committee, containing the most recently available financial information. This is subject to updated information being available between Committee meetings. The monitoring reports shall show spending to date and compare projected income and expenditure with the latest budget. No report need be presented until after the first quarter of the financial year. The reports shall be in a format agreed by the Treasurer and Chief Constable, and approved by the Resources Committee. The budget is influenced by a number of issues. Therefore, the format of the reports shall ensure that Members are appraised of developments in key non-financial indicators such as actual and projected staffing numbers, progress on ICT developments and other major projects, partnerships and other requirements that Members may consider necessary.

The Chief Constable and Treasurer retrospectively shall compare income and expenditure forecasts throughout the year with the final outturn to measure the reliability of forecasts. Any subsequent action that may result from this exercise shall be agreed between the Chief Constable and Treasurer and reported to Resources Committee.

## **VIREMENT**

A virement is a planned reallocation of resources between approved budgets or heads of income and expenditure. A budget head is considered to be a line in the approved budget report. The scheme of virement is intended to enable the Chief Constable to manage the budget with a degree of flexibility within the overall policy framework determined by the Police Authority and, therefore, to provide the opportunity to optimise the use of resources for emerging needs.

Virements are not intended to be used as a tool to create future commitments. Therefore, it is vital that virement decisions do not lead to additional future spending without the prior approval of the Police Authority.

Overall, the rules on virement are designed to allow the Chief Constable greater flexibility to meet operational requirements and to facilitate the decision making process. The Chief Constable shall be held to account by the Police Authority for decisions made and the way in which resources are deployed.

No virement shall be permitted between the categories of operational spending, non-operational spending and appropriations without the prior approval of the Police Authority.

No virement shall be permitted between budget headings within the categories of non-operational policing or appropriations without the prior approval of the Police Authority.

No restriction shall apply on virement between budget headings within operational policing.

The Police Authority Chief Executive has delegated power to reallocate resources budget within the overall budget allocated specifically for the Police Authority provided that decisions do not lead to additional future spending without the prior approval of the Police Authority.

As part of the closure of accounts procedures, the Treasurer and Chief Constable shall compare final income and expenditure on budget headings against the budget and explain significant variations.

#### **EXTERNALLY FUNDED PROJECTS**

The Resources Committee approval is required, prior to the submission of the application, for externally funded projects where:

- There is a total one-off call on the revenue or capital resources of the Police Authority of more than £250,000
- There is a total ongoing call on the revenue resources of more than £250,000 per annum

#### **TREATMENT OF YEAR-END BALANCES**

A year end balance is the amount by which actual income and expenditure varies from the final budget, normally identified to devolved budget holder level. Arrangements are necessary for the transfer of resources between accounting years, i.e. a carry forward. This may increase or decrease the resources available to budget holders in the following financial year, dependent upon the direction of the budget variation.

The net level of under / overspend to be carried forward in any one year will be determined by the Police Authority in the light of the overall financial position of the Authority.

As part of the monitoring and control process, reporting of potential variations from budget and proposals for reallocation of resources shall be made as early as possible in the financial year. All reasonable endeavours shall be taken to provide a service that matches the approved budget.

Appropriate accounting procedures must be in place to ensure that totals carried forward into the next financial year are correct.

Devolved budget holders who overspend their budget in any financial year may have their budget reduced for the following financial year, subject to the determination of the Chief Constable.

Budget holders who under-spend their budget in any financial year may have their budget increased for the following financial year. The Police Authority may withdraw this provision in any financial year dependent upon the overall financial position of the Police Authority.

## **THE CAPITAL PROGRAMME**

In consultation with the Treasurer, the Chief Constable shall prepare a three year rolling programme of proposed capital expenditure for submission to the annual budget meeting of the Police Authority. The programme shall be matched to relevant sources of finance, including capital grants, borrowing in accordance with the Prudential Code, capital receipts and revenue contributions.

Capital expenditure on land and buildings should be in accordance with the requirements of the approved Capital and Estates Strategies.

An overriding factor in the determination of the capital programme is the availability of revenue funding to meet the ongoing costs of any borrowing. Any reductions or savings that are required to balance the revenue budget would have an impact on the ability to fund capital expenditure. Requirements should be prioritised carefully by the Chief Constable to enable the Police Authority to make the best informed judgements as to future funding levels and planning the use of resources.

No capital expenditure shall be incurred unless the scheme is contained within the capital programme approved by the Police Authority. In this respect, the vehicle programme and ICT replacement programme shall be regarded each as one scheme.

For all individual projects a business case will be prepared which will include:

- An analysis of user requirements
- A description of the business benefits of the scheme and how they will be measured
- Option appraisal of alternative solutions
- A detailed scheme estimate

In addition, a project plan and progress targets for the project will be developed that indicate the major risk factors for the project. The level of detail of the business case and project plan for each individual scheme will be relative to the level of investment required.

All business cases and scheme estimates will be approved by the Resources Committee prior to the start of the project.

Property leases may constitute a capital liability. The Chief Constable shall notify the Treasurer of all forthcoming proposed property leases or renewals before any agreement is made and these shall be included in the proposed capital programme.

The Chief Constable and Treasurer shall submit joint capital monitoring reports to each Resources Committee, containing the most recently available financial information. This is subject to updated information being available between Committee meetings. The monitoring reports will show spending to date and compare projected income and expenditure with the approved programme. No report need be presented until after the first quarter of the financial year. The reports shall be in a format agreed by the Treasurer and Chief Constable, and approved by the Resources Committee.

The Treasurer shall report capital expenditure for the year and cumulative expenditure on individual schemes to the Police Authority as part of the closure of accounts arrangements.

## **MAINTENANCE OF RESERVES**

It is the responsibility of the Treasurer to advise the Police Authority on the prudent levels for reserves.

The Police Authority shall approve the creation and appropriations to and from general balances and reserves. The purpose, usage and basis of transactions should be clearly identified for each reserve established.

The Police Authority may approve a policy of lower and upper parameters for the level of general balances, between which the Police Authority shall operate.

## **SECTION D - MANAGEMENT OF RISK AND RESOURCES**

### **INTRODUCTION**

Risk management is the planned and systematic approach to the identification, evaluation and control of risk. Its objectives are to secure the assets of the organisation and to ensure the continued corporate and financial well-being of the organisation.

### **RISK MANAGEMENT**

The Police Authority, Treasurer, Chief Executive and the Chief Constable are jointly responsible for preparing the Police Authority's risk management policy statement and for promoting a culture of risk awareness throughout the Police Authority and Force and reviewing risk as an ongoing process.

The Police Authority Chief Executive will maintain a risk register on behalf of the Police Authority. In addition Chief Constable is responsible for the maintenance of the force risk register. Both registers will be reviewed regularly and reported to the Corporate Governance Committee.

The Police Authority is responsible for the review of the effectiveness of risk management. It is also responsible for ensuring that adequate insurance cover is arranged where appropriate. The Chief Constable in consultation with the Treasurer is responsible for advising the Police Authority on insurance arrangements.

The Chief Constable shall be authorised to settle insurance liability claims up to the value shown in Section G. Beyond this value, claims must be referred to the Treasurer, in consultation with the Chair and Vice-Chair of the Resources Committee, for approval.

The Chief Constable shall present a written report to the Resources Committee each year detailing claims experience and significant claims.

The Chief Executive shall evaluate and authorise any terms of indemnity that the Police Authority is requested to give by external parties.

## **MANAGEMENT OF PROJECTS**

For all major projects within the Force programme of change with a budget total of more than £250,000 (excluding existing staff costs) whether funded by capital or revenue resources the Chief Constable will apply a recognised project management approach to ensure that all the risks within the project are properly evaluated and managed. This will include:

- A full analysis of user requirements
- An assessment of the business benefits of the project and the ways in which they are to be measured
- Option appraisal of alternative solutions
- A detailed scheme estimate
- A full consideration of the procurement options and the implications of any contractual arrangements

These projects will be subject to regular scrutiny in accordance with the Police Authority governance arrangements as set out in the Police Authority constitution.

## **INTERNAL CONTROL**

The Police Authority is complex and beyond the direct control of any one individual. Therefore, it requires internal controls to manage and monitor progress towards strategic objectives. The Police Authority has statutory obligations, and, therefore, requires internal controls to identify, meet and monitor compliance with these obligations.

The Police Authority faces a wide range of financial, administrative and commercial risks, both from internal and external factors, which threaten the achievement of its objectives. Effective internal controls are necessary to mitigate these risks. The system of internal controls is established in order to provide measurable achievement of:

- Efficient and effective operations
- Reliable financial information and reporting
- Compliance with laws and regulations
- Risk management

The Police Authority must ensure that key controls are reviewed on a regular basis and make a formal statement annually to the effect that it is satisfied that the systems of internal control are operating effectively. This is completed via the presentation of the Force Annual Assurance Statement to the Corporate Governance Committee and the agreement of the Annual Governance Statement prepared by the Treasurer.

The controls for the Police Authority are complex, and are achieved via these Financial Regulations, the formal role of committees, published codes of conduct for Members and officers, the scheme of delegation and standing orders for tenders and contracts.

The Force has its own policies and procedures to compliment the policies of the Authority. Notably these include the key controls document, levels of authority, detailed policy / financial policy documents and standard operating procedures.

The Treasurer should advise on the implementation of effective systems of internal control.

It is the responsibility of the Chief Constable to ensure that sound arrangements are established for planning, appraising, authorising and controlling their operations in order to achieve continuous improvement, economy, efficiency and effectiveness and for achieving their financial performance targets.

The arrangements established need to ensure compliance with all applicable statutes and regulations, and other relevant statements of best practice. They should ensure that public funds are properly safeguarded and used economically, efficiently and in accordance with the statutory and other authorities that govern their use.

## **AUDIT REQUIREMENTS**

### *INTERNAL AUDIT*

The requirement for an internal audit function for local authorities is implied by section 151 of the Local Government Act 1972, which requires that authorities “make arrangements for the proper administration of their financial affairs”. The Accounts and Audit Regulations 1996 (SI 1996/590), regulation 5, more specifically require that a “relevant body shall maintain an adequate and effective system of internal audit of their accounting records and control systems”. It should operate in accordance with the principles contained in the Auditing Practices Board auditing guidance for internal auditors, CIPFA’s Code of Practice for Internal Audit and any other statutory obligations and regulations.

The Treasurer shall ensure the provision of an effective internal audit service. The Treasurer is also responsible for preparing a risk based annual internal audit plan that is set within a longer term appraisal of the risks to which the Police Authority is exposed. The plan should be presented to the Corporate Governance Committee annually. This plan should only be produced after consulting with internal audit, the Chief Constable and external audit and take account of the characteristics and risks involved.

The Chief Constable shall consider and respond promptly to recommendations in audit reports and ensure that any agreed actions arising from audit recommendations are carried out in a timely and efficient manner.

The Chief Constable shall ensure that new systems for maintaining financial records or records of assets, or significant changes to existing systems, are discussed with and agreed by the Treasurer and internal audit prior to implementation.

Internal audit shall provide an undertaking to respect the confidential nature of the service and to employ suitable staff only.

#### *EXTERNAL AUDIT*

The Audit Commission is responsible for appointing external auditors to each local authority. The basic duties of the external auditor are governed by section 15 of the Local Government Finance Act 1982, the Audit Commission Act 1998 and the Local Government Act 1999.

The Treasurer and the Chief Constable should work closely with the external auditor in developing the external audit plan.

The Police Authority should use the reports of the external auditors to aid in its monitoring role and to ensure that the regulations agreed by the Police Authority and force are being followed.

The Police Authority may, from time to time, be subject to audit, inspection or investigation by external bodies such as HM Revenue and Customs, who have statutory rights of access.

## **PREVENTING FRAUD AND CORRUPTION**

The Treasurer, together with the Chief Executive and Chief Constable are responsible for preparing an effective anti-fraud and anti-corruption policy and maintaining a culture that will not tolerate fraud or corruption. Any policy should be approved by the Police Authority.

Appropriate legislation, including Public Interest Disclosure Act 1998, shall be adhered to.

The Chief Executive shall prepare a policy for the registering of interests and the receipt of hospitality and gifts covering both Members and staff. The Police Authority shall agree and adopt such a policy. A register of interests and a register of hospitality and gifts shall be maintained for Members and staff in a manner to be determined by the Chief Executive, in consultation with the Chief Constable.

## **ASSETS**

The Chief Constable must ensure that assets and records of assets are properly maintained and securely held and that contingency plans for the security of assets and continuity of service in the event of disaster or system failure are in place.

Attractive and portable items such as computers, cameras and video recorders should be identified with security markings as confirming ownership by the Police Authority.

## *VALUATION*

The Chief Constable shall maintain an asset register for all fixed assets with a value in excess of the limits shown in Section G, in a form approved by the Treasurer. Assets are to be recorded when they are acquired by the Police Authority and this record updated as changes occur with respect to location, condition and ownership. Assets are to be valued:

- In accordance with the Code of Practice on Local authority Accounting in the United Kingdom: A Statement of Recommended Practice in accordance with the requirements specified by the Treasurer
- For insurance purpose

## *INVENTORIES*

The Chief Constable shall maintain inventories that record an adequate description of portable and desirable items as defined in the Force Inventory Policy.

There shall be at least an annual check of all items on the inventory in order to verify location, review, and condition and to take action in relation to surpluses or deficiencies, annotating the inventory accordingly. The annual check is to be undertaken by the responsible budget holder and must be independently reviewed.

### *STOCKS AND STORES*

The Chief Constable shall make arrangements for the care, custody and control of the stocks and stores of the Police Authority and maintain detailed stores accounts in a form approved by the Treasurer. Stocks are to be maintained at reasonable levels so as to balance the need for availability and the risk of obsolescence. Annual stock taking exercises will take place in the presence of the Police Authority Internal Auditor.

Discrepancies between the actual level of stock and the book value of stock may be written off by the Chief Constable up to the level shown in Section G. Amounts for write off above this value must be referred to the Resources Committee for approval, supported by a written report explaining the reasons for the write off and any investigation undertaken.

Obsolete stock may be written off by the Chief Constable up to the level shown in Section G. Amounts for write off above this value must be referred to the Resources Committee for approval, supported by a written report explaining the reasons for the write off and any investigation undertaken.

### *INTELLECTUAL POLICY*

The Chief Executive, in conjunction with the Treasurer and the Chief Constable, is jointly responsible for preparing guidance on intellectual property procedures and ensuring that staff are aware of these procedures. Any such policies should be approved by the Police Authority.

### *ASSET DISPOSAL*

Assets shall be disposed of when in the best interests of the Police Authority and in the most economically advantageous way. Where this is not the highest offer, the Chief Constable shall prepare a report for the next meeting of the Resources Committee outlining the reasons. The Chief Constable may dispose of surplus land and buildings, vehicles and items of equipment up to the estimated value shown in Section G. Disposals above this value are to be reported to the Resources Committee for prior approval.

Items above the estimated value shown in Section G shall be disposed of by public auction or sealed bids after advertisement.

## **TREASURY MANAGEMENT AND BANKING ARRANGEMENTS**

The Police Authority has adopted *CIPFA's Treasury Management in the Public Services: Code of Practice (the Code)*.

The Treasurer shall prepare regular reports for the Police Authority on its treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, and an annual report after its close, in the form prescribed in its Treasury Management Practices.

The Police Authority delegates responsibility for the implementation and monitoring of its treasury management policies and practices to the Resources Committee, and for the execution and administration of treasury management decisions to the Treasurer, who will act in accordance with the organisation's policy statement and Treasury Management Practices and, if a CIPFA member, CIPFA's *Standard of Professional Practice on Treasury Management*.

The Treasurer shall have overall responsibility for banking arrangements. The Treasurer, in consultation with the Chief Constable, shall determine a policy for the secure operation of bank accounts. All bank accounts shall be in the name of the Police Authority unless authorised by the Treasurer and Chief Executive. The Chief Constable has authority to open or close imprest accounts in the name of the Police Authority. The opening and closing of other bank accounts requires the authorisation of the Treasurer.

## **STAFFING**

The Chief Constable is responsible for:

- Providing overall management of staff within the Force and ensuring that there is a proper use of the evaluation or other agreed systems for determining the remuneration of a job
- Ensuring that the staffing budget provides an accurate forecast of staffing levels, that it accords with the approved staffing policies of the Police Authority and shall advise the Police Authority on the budget provision necessary to cover estimated staffing levels
- Ensuring that employees are appointed and employed in accordance with the agreed personnel policies of the Police Authority and that service records are properly maintained

## **CUSTODY OF UNOFFICIAL FUNDS AND PRIVATE PROPERTY**

The Chief Constable must ensure that suitable policies are developed for the safe custodianship of unofficial funds. This should include a central register of such funds and annual confirmation from the management bodies of funds that accounts have been audited and accepted as such. Processes and procedures should also be in place to ensure that staff responsible for such funds are aware and comply with their obligations.

Police activities may involve the seizure of cash, drugs, guns and other assets. The Chief Constable is required to exercise a duty of care and safeguard found or seized property pending decisions on its ownership, or private property of an individual e.g. a suspect in custody. This should include the development of policies and procedures for safekeeping of private property of a person, other than a member of staff, under his or her guardianship or supervision or found or seized property. These policies and procedures should also ensure that any loss or diminution in value of such property is reported without delay.

## **SECTION E - SYSTEMS AND PROCEDURES**

### **GENERAL**

The Treasurer, together with the Chief Constable, is responsible for determining the accounting systems, procedures, form of accounts and the supporting financial records.

The Chief Constable is responsible for the proper operation of the financial processes in the Force and should ensure that sufficient guidance, procedures and training is provided to employees acting on the Police Authority's behalf.

The Chief Constable is also responsible for ensuring that computer and other systems are registered in accordance with data protection legislation and that staff are aware of their responsibilities under freedom of information legislation.

### **INCOME**

The Chief Constable should ensure that levels of authority have been established within the Force and are operating effectively. These levels of authority should identify staff authorised to act on the Chief Constable's behalf, in respect of payments, income collection and placing orders, together with the limits of their authority.

The Chief Constable shall make arrangements for the collection of all income due to the Police Authority, including the appropriate and correct charging of VAT.

The Force policy with regard to fees and charges will be approved by the Police Authority. The Chief Constable shall review scales of fees and charges at least annually. All charges should be at full cost recovery except where regulations require otherwise or with the express approval of the Police Authority.

Income due to the Police Authority shall not be written off until the Chief Constable is satisfied that all reasonable steps have been taken for its recovery. Individual amounts may be written off by the Chief Constable up to the level shown in Section G. Amounts for write-off above this value must be referred to the Resources Committee for approval, supported by a written report explaining the reasons for the write-off.

## **ORDERING AND PAYING FOR GOOD AND SERVICES**

Public money should be spent with demonstrable probity and in accordance with the Authority's policies. The Authority has a statutory duty to achieve best value, in part through economy and efficiency. The Authority's procedures should help to ensure that services obtain value for money from their purchasing arrangements.

Every member and officer of the Authority has a responsibility to declare any links or personal interests that they may have with purchasers, suppliers and contractors if they are engaged in contractual or purchasing decision on behalf of the Authority.

The Chief Constable is responsible for preparing a procurement policy covering the principles to be followed for the purchase of goods and services. The Police Authority is responsible for approving the procurement policy.

It is important that procurement arrangements encourage competition by seeking quotations from a number of suppliers whenever this is practicable and cost effective. In addition the Police Authority must comply with EU procurement legislation. The Police Authority Standing Orders for Tenders and Contracts set out the thresholds and procedures that will apply in terms of obtaining written quotations and tenders. These Standing Orders for Tenders and Contracts must be adhered to at all times This is subject to adherence with European legislation and guidelines.

The Chief Constable will introduce robust arrangements to ensure all goods and services are ordered only by appropriate persons and are correctly recorded. In addition that payment mechanisms are in line with all legislation and national guidance and that where possible a different person authorises the payment from the person who approved the order.

## **PAYMENTS TO EMPLOYEES AND MEMBERS**

Proper authorisation procedures are to be in place for starters, leavers, variations and enhancements. Appointments are to be made in accordance with approved establishments, grades and scale of pay and adequate budget provision should be available.

The Chief Constable is responsible for all payments of salaries and wages to all staff, including overtime. The Chief Executive has the same responsibility for the payment of allowances to Members.

## **TAXATION**

It is the responsibility of the Chief Constable to maintain the Police Authority's tax records, making all tax payments, receiving tax credits and submitting tax returns by their due date as appropriate. This responsibility also includes the requirement to ensure that legislative and regulatory changes are identified and implemented accordingly.

The Chief Constable and the Treasurer are jointly responsible for advising the Police Authority on taxation issues and the impact of changes.

## **LIABILITY CLAIMS**

The Police Authority has external insurance for public and employers liability and in addition maintains a self insurance fund to meet claims below the policy excess. The Director of Legal Services deals with all claims against the self insurance fund.

The limits for the approval of payment of such claims are set out in Section G.

## **EX GRATIA PAYMENTS**

The Chief Constable may make ex-gratia payments up to the level shown in Annex G in any individual instance, for damage or loss to property or for personal injury or costs incurred as a result of police action where such a payment is likely to facilitate or is conducive or incidental to the discharge of any of the functions of the Police Authority. The Chief Constable shall maintain details of such payments in a register.

Amounts greater than those specified in Section G must be referred to the Resources Committee for approval.

## **SECTION F - EXTERNAL ARRANGEMENTS**

### **PARTNERSHIPS**

The Police Authority is responsible for approving the partnerships policy, delegations and frameworks for partnerships. This should include determining a budget for partnerships as part of the annual budget setting process where possible. The budget shall be based upon specific partnership allocations determined as part of the planning process within the conditions of the approved policy.

The Chief Executive and the Chief Constable are responsible for promoting and maintaining the same high standards of conduct with regard to financial administration in partnerships that apply throughout the Police Authority.

Police Authority Members and the Chief Constable both have a role with regard to representation of the Police Authority on partnership and external bodies. Where the Chief Constable represents the Police Authority this should be in accordance with the scheme of delegation.

It is important that the accounting arrangements relating to partnerships are satisfactory. Corporate governance, legal issues and risks should be fully appraised and resolved before agreements are entered into with any external bodies.

### **EXTERNAL FUNDING**

The Home Office Financial Management Code of Practice sets out guidance with regard to acceptance of sponsorship and external funding. When seeking external funding or sponsorship the Chief Constable will ensure that the guidance is complied with.

The Chief Constable must ensure that any conditions placed on the Force in relation to external funding are in accordance with the approved policies of the Police Authority.

The Treasurer and the Chief Constable are responsible for ensuring that all funding notified by external bodies is received and properly recorded in the Police Authority's accounts.

## **WORK FOR THIRD PARTIES**

The Chief Constable is responsible for ensuring that proposals for assistance are costed, that proper contract arrangements are established, within delegated limits and that no contracts are subsidised by the Police Authority. All work for third parties will be reviewed by the Force Legal Adviser to ensure that any liabilities are recognised and appropriate insurance cover is arranged.

## **SECTION G – DELEGATED LIMITS**

### **THE CAPITAL PROGRAMME**

Detailed estimates for each scheme in the approved capital programme shall be prepared by the responsible officer before tenders are sought or commitments made. Schemes need not be referred back to the Resources Committee for further approval unless, when negotiating contract details, amendments to the nature of the scheme are sought or the cost of the scheme exceeds the limits below.

*Cost of scheme varies from approved estimate by lesser of 10% or £200,000, subject to a minimum variation of £10,000.*

### **LIABILITY CLAIMS**

The Chief Constable shall be authorised to settle liability claims up to the value shown below. Beyond this value, claims must be referred to the Treasurer, in consultation with the Chair and Vice Chair of Resources Committee, for approval.

*£50,000*

### **ASSETS**

#### *ASSET REGISTERS*

The Chief Constable shall maintain an asset register for all fixed assets with a value in excess of the limits shown below.

<i>Land &amp; Buildings</i>	<i>All values</i>
<i>Vehicles</i>	<i>All values</i>
<i>Computers</i>	<i>All values</i>
<i>Plant &amp; Equipment</i>	<i>£10,000</i>

#### *INVENTORIES*

The Chief Constable shall maintain inventories that record an adequate description of portable and desirable items not already recorded on an asset register.

## STOCK

Discrepancies between the actual level of stock and the book value of stock may be written off by the Chief Constable up to the level shown below. Amounts for write off above this value must be referred to the Resources Committee for approval.

<i>Individual items</i>	<i>£25,000</i>
<i>Cumulative for financial year</i>	<i>£50,000</i>

Obsolete stock may be written off by the Chief Constable up to the level shown below. Amounts for write off above this value must be referred to the Resources Committee for approval.

<i>Individual items</i>	<i>£25,000</i>
<i>Cumulative for financial year</i>	<i>£50,000</i>

The Chief Constable may dispose of surplus land, buildings, vehicles and items of equipment up to the estimated value shown below. Disposals above this value are to be reported to the Resources Committee for prior approval.

<i>Land &amp; Buildings</i>	<i>£100,000</i>
<i>Equipment</i>	<i>£25,000</i>

Items above the estimated value shown below shall be disposed of by public auction or sealed bids after advertisement.

<i>Land &amp; Buildings</i>	<i>£100,000</i>
<i>Equipment</i>	<i>£25,000</i>

## INCOME

Individual amounts may be written off by the Chief Constable up to the level shown below. Amounts for write off above this value must be referred to the Resources Committee for approval.

*£10,000*

## **EX GRATIA PAYMENTS**

The Chief Constable may make ex gratia payments up to the level shown below in any individual instance, for damage or loss to property or for personal injury or costs incurred as a result of police action where such a payment is likely to facilitate or is conducive or incidental to the discharge of any of the functions of the Police Authority. Amounts greater than those specified must be referred to the Treasurer for approval.

*£5,000*