

**DEVON & CORNWALL POLICE AUTHORITY**

**FINANCIAL REGULATIONS**

**JUNE 2002**

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## *INTRODUCTION*

## **OVERVIEW**

1. Public sector accounting 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.
2. To conduct its business effectively, the 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 contained herein have been drawn up in such a way as to ensure that the financial matters of the Authority are conducted properly and in compliance with all necessary requirements.
3. The Regulations are designed to establish overarching financial responsibilities, to confer duties, rights and powers upon the 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.
4. A modern authority should also be committed to innovation, within the regulatory framework, providing that the necessary risk assessment and approval safeguards are in place.

## **STATUS**

5. The Financial Regulations should not be seen in isolation, but rather as part of the overall regulatory framework of the Authority that includes the role of committees, codes of conduct for members and officers, schemes of delegation and standing orders for tenders and contracts.
6. 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, provides value for money and achieves best value.
7. The Police Authority is responsible for approving or amending Financial Regulations. 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 Clerk and Chief Constable.

8. The Chief Constable is responsible for ensuring that all staff, contractors and agents are aware of the existence and content of the Authority's Financial Regulations and that they are complied with (this applies equally to the Clerk and Treasurer for staff under their direct supervision). An adequate number of copies must be available for staff to reference.
9. 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 Clerk and Chief Constable, whether the matter shall be reported to the Police Authority.

## **CONTENT**

10. The Financial Regulations are divided into a number of sections, each with detailed requirements relating to the section heading. References are made throughout the individual sections to delegated limits of authority. The actual level of value is contained in Section F in order to avoid reviewing the whole set of Financial Regulations when changes to delegated limits are requested. Section F contains the appropriate cross-reference to the regulation in question.

- Section A - Financial Management Framework
- Section B - Financial Planning and Control
- Section C - Management of Risk and Resources
- Section D - Systems and Procedures
- Section E - External Arrangements
- Section F - Delegated Limits

## **DEFINITIONS WITHIN THE REGULATIONS**

12. The 'Police Authority' or 'Authority' when used as a generic term shall refer to:
  - Members
  - The Clerk and Treasurer of the Authority and staff under their direction
  - The Force
13. The 'Police Authority' or 'Authority' when used as a body for approving policy decisions shall refer to Members.
14. The 'Force' shall refer to the Chief Constable, uniformed staff, the special constabulary and support staff under his / her direction.

15. Within these Regulations, most of the references have been made to the responsibilities of the Chief Constable since most of the day to day financial management is vested with that post. However, where resources are under the control of the Clerk or Treasurer, the duties, rights and powers as detailed for the Chief Constable shall apply equally to the Clerk or Treasurer.
  
16. The terms Chief Constable, Clerk 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.

## ***SECTION A***

### ***FINANCIAL MANAGEMENT FRAMEWORK***

## **A1 THE ROLE OF THE POLICE AUTHORITY**

- 1.1 In terms of financial management, the Authority is responsible for approving the policy framework and budget, monitoring financial outcomes and the approval of medium term financial plans. It is responsible for approving the overall framework of accountability and control and monitoring compliance of such.
- 1.2 The Police Authority is responsible for approving procedures for recording and reporting decisions taken and for monitoring compliance with agreed policy and related executive decisions. This includes those key decisions delegated to and decisions taken by its sub committees.
- 1.3 The Home Office Code of Practice on Financial Management requires the establishment of an audit committee. The Performance, Management and Audit Committee fulfils this requirement. It has a specific responsibility within the overall control framework of assessing the audit function and Force performance. 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.

## **A2 POLICY FRAMEWORK**

2.1 The Police Authority is responsible for agreeing the policy framework. This may comprise some or all of the following statutory plans and strategies:

- Strategic plan
- Best value performance plan
- Three year forecast of income and expenditure for revenue and capital
- Annual revenue budget
- Capital programme
- Treasury management policy statement
- Property strategy
- Asset management plan
- Intellectual property policy
- Risk management strategy
- Anti fraud and corruption strategy
- Whistle blowing policy
- Members' code of conduct
- Registering of interests
- Gifts and hospitality policy
- Sponsorship policy
- Efficiency plan
- Procurement policy
- Partnerships policy
- Human resource planning
- Human resources policies e.g. anti discrimination
- Information and Communications Technology planning
- Data Protection

2.2 The Police Authority is responsible for approving procedures for agreeing variations to approved budgets, plans and strategies forming the policy framework and for determining the circumstances in which a decision will be deemed to be contrary to the budget or policy framework.

## **A3 THE ROLE OF STATUTORY OFFICERS**

### **Introduction**

- 3.1 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 Clerk has a specific monitoring role. However, within the terms of the policy framework determined by the Police Authority, financial management within the Force should be delegated as far as possible to the Chief Constable. The Police Authority should also encourage the Force itself 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.
- 3.2 Since the Police Authority has ultimate responsibility for all funds spent by the Police 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.

### **The Treasurer**

- 3.3 The Treasurer has statutory duties that provide overall responsibility for the financial administration of the Authority. The statutory duties arise from:
- Section 151 of the Local Government Act 1972
  - The Local Government Finance Act 1988
  - The Local Government and Housing Act 1989
  - The Accounts and Audit Regulations 1996
- 3.4 The Treasurer is the Police Authority's professional adviser on financial matters and shall be responsible for:
- advising on setting and monitoring compliance with financial management standards, including ensuring that financial regulations are observed and kept up to date and that the Chief Constable has effective internal and managerial control systems in place
  - reporting both to the Members of the Police Authority and to the external auditors any unlawful, or potentially unlawful, expenditure by the members or officers of the Police Authority or Force

- advising on the overall financial position of the Authority and on the key financial controls necessary to secure sound financial management
- providing financial advice to the Police Authority on all aspects of its activity, including the strategic planning and policy making process
- preparing the annual statement of accounts
- ensuring the provision of an effective internal audit service
- securing the treasury management function, including loans and investments
- advising, in consultation with the Clerk, on the safeguarding of assets, including risk management and insurance
- arranging for the determination, issue and transfer of the precept

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

### **The Chief Constable**

3.6 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 approved policies and framework of accountability.

3.7 The Chief Constable shall prepare Financial Instructions, in support of the role of the Treasurer, to supplement the Financial Regulations and provide detailed instructions on the operation of the specific financial processes delegated to the Chief Constable. The Chief Constable is responsible for ensuring that all staff are aware of the existence and content of Financial Instructions and that they are complied with. All staff must have access for reference and receive training and awareness programmes as appropriate.

3.8 The Chief Constable shall appoint a suitably qualified Force Finance Director, who shall be responsible to the Chief Constable for all financial activities undertaken within the Force or contracted out under the supervision of the Force. The Force Finance Director shall be responsible for ensuring the effective and efficient use of the resources available to the Force.

3.9 The Force shall have its own finance team to advise the Chief Constable and act as a bridge to the Treasurer.

## **The Clerk**

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

3.11 In the capacity of monitoring officer, the Clerk 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 Authority about whether a decision is likely to be considered contrary or not wholly in accordance with the policy framework

3.12 The Clerk is responsible for advising members on all relevant issues associated with best value.

## **A4 FINANCIAL MANAGEMENT STANDARDS**

### Overview & Control

- 4.1 All members and staff have a duty to abide by the highest standards of probity in dealing with financial issues. This is facilitated by ensuring that everyone is clear about the standards to which they are working and the controls that are in place to ensure that these standards are met.
- 4.2 Members shall receive updates on the financial performance of the Authority by way of ongoing budget monitoring and outturn reports, and also the District Audit management letter.

### Requirements

- 4.3 The Chief Constable shall ensure that all staff are aware of, and comply with, proper financial management standards, including these Financial Regulations.
- 4.4 All staff are to be properly managed, developed, trained and have adequate support to carry out their financial duties effectively.
- 4.5 The Chief Constable shall ensure that specific duties and responsibilities in financial matters are made clear to individual members of staff and that these are properly recorded.

## **A5 ACCOUNTING RECORDS AND RETURNS**

### Overview and Control

- 5.1 The Treasurer is responsible for determining the accounting policies for the Authority, in accordance with recognised accounting practices, and for approving the strategic accounting systems and procedures employed by the Chief Constable. All staff are to operate within the required accounting policies and published timetables.
- 5.2 The financial systems of the Authority are used to record the financial transactions of the Authority. With possible minor exceptions, these are computerised systems. Maintaining proper accounting records is one of the ways in which the Authority discharges its responsibility for stewardship of public resources.
- 5.3 The following rules should be followed as a general principle:
- employees with the duty of examining or checking the accounts of cash transactions must not themselves be engaged in these transactions;
  - the duties of providing information about sums due to or from the Authority and calculating, checking and recording these sums, are to be separated from the duties of collecting or disbursing them.

### Requirements

- 5.4 The Chief Constable shall
- obtain the approval of the Treasurer before making any fundamental changes to accounting records and procedures or accounting systems
  - ensure that all transactions, material commitments and contracts and other essential accounting information are recorded completely, accurately and on a timely basis
  - maintain adequate records to provide a management trail leading from the source of income and expenditure through to the accounting statements
  - ensure that reconciliation procedures are carried out on recognised control accounts on a timetable agreed with the Treasurer to ensure transactions are correctly recorded

5.5 Prime documents are to be retained in accordance with legislative requirements and the internal needs of the Authority. The format of such documents shall satisfy the requirements of internal and external audit. The Treasurer, Clerk and Chief Constable shall be responsible for providing a detailed schedule of requirements and making this available to all appropriate staff.

## **A6 THE ANNUAL STATEMENT OF ACCOUNTS**

### Overview and Control

- 6.1 The Authority has a statutory responsibility to prepare its own 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.
- 6.2 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 Authority's resources.

### Requirements

- 6.3 The Treasurer shall
- draw up the timetable for final accounts preparation, in consultation with the Chief Constable and external auditor
  - select suitable accounting policies and apply them consistently
  - make judgements and estimates that are reasonable and prudent
  - comply with the SORP
  - prepare, sign and date the statement of accounts, stating that it presents fairly the financial position of the Authority at the accounting date and its income and expenditure for the financial year just ended
  - publish the approved and audited accounts of the Authority each year, in accordance with the statutory timetable
- 6.4 The Chief Constable shall comply with accounting guidance provided by the Treasurer and supply the Treasurer with appropriate information upon request within a reasonable timescale.
- 6.5 The Police Authority shall consider for approval the annual accounts in accordance with the statutory timetable.

*SECTION B*

*FINANCIAL PLANNING AND CONTROL*

## **B1 FINANCIAL PLANNING**

### Overview and Control

- 1.1 The Authority is a complex organisation responsible for delivering a range of policing activities. It needs to develop systems to enable scarce resources to be allocated in accordance with carefully weighed priorities. Proper financial planning is essential if an organisation is to function effectively.
- 1.2 The financial planning process should be directed by the approved policy framework, the business planning process and the need to meet key objectives.
- 1.3 The planning process should be continuous and the planning period should cover 3 to 5 years. The process should include a more detailed annual plan, the budget, covering the forthcoming financial year. This allows the Authority and Force to plan, monitor and manage the way funds are allocated and spent.
- 1.4 The format of the annual budget determines the level of detail to which financial control and management will be exercised and shapes how the rules around virement operate.
- 1.5 It is recognised that the impact of financial planning in the police service will be constrained by the quality of information made available by central government on resource allocation. The government is moving towards three year national funding allocations but the value of these is mixed.

### **Medium Term Financial Planning**

#### Requirements

- 1.6 The Treasurer shall determine the format of the medium term financial plans to be presented to the Police Authority, in consultation with the Chief Constable. The format is to comply with all legal requirements and with latest guidance issued by CIPFA.

- 1.7 The Chief Constable, in consultation with the Treasurer, shall prepare at least a three year rolling forecast of proposed income and expenditure for submission to the Police Authority annual budget meeting. This will cover the forthcoming financial year and the two following years. When preparing the forecast, the Chief Constable shall have regard to:
- policy requirements approved by the Police Authority as part of the policy framework
  - unavoidable future commitments, including legislative requirements
  - initiatives already underway
  - spending patterns and pressures revealed through the budget monitoring process
  - proposed service developments and plans
- 1.8 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.
- 1.9 A gap 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.
- 1.10 The Chief Constable shall integrate financial and budget plans into service planning so that such plans can be supported by financial and non financial performance measures.

## **Annual Revenue Budget Preparation**

### Requirements

- 1.11 The Treasurer shall determine the format of the budget to be presented to the Police Authority, in consultation with the Chief Constable. The format is to comply with all legal requirements and with latest guidance issued by CIPFA
- 1.12 The Chief Constable shall prepare detailed budget estimates for the forthcoming financial year in accordance with the timetable agreed with the Treasurer. This will identify the base budget, inflation and other commitments, budget changes, efficiency savings and service development proposals.

- 1.13 The budget estimates shall identify all proposed individual major revenue projects. A major revenue project shall be defined as one in excess of the estimated value shown in Section F.
- 1.14 The Treasurer shall advise on the appropriation to or from general balances, earmarked reserves or provisions.
- 1.15 The Clerk 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.
- 1.16 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.
- 1.17 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.

## **B2 BUDGETARY CONTROL**

### Overview and Control

- 2.1 Budget management ensures that once the Police Authority has approved the budget, resources allocated are used for their intended purpose and are properly accounted for, subject to virement rules. Budgetary control is a continuous process, enabling the Authority to review and adjust its budget targets during the financial year. It also provides the mechanism that calls to account managers responsible for defined elements of the budget.
- 2.2 Budget managers shall accept accountability for the budgets under their management and the level of service to be delivered and understand their financial responsibility.
- 2.3 Management of budgets must not be seen in isolation. It should be measured in conjunction with service outputs and performance measures.
- 2.4 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

Police Officer Pensions

Interest on Balances

Revenue contribution to capital

#### Appropriations

Contributions to/from reserves

## **Revenue Budget Monitoring**

### Overview and Control

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

### Requirements

- 2.6 The Chief Constable is responsible for providing appropriate financial information to enable budgets to be monitored effectively.
- 2.7 The Chief Constable shall ensure that each element of income or expenditure within operational policing 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. The Chief Constable shall ensure also that a nominated officer is responsible for monitoring income and expenditure against the pensions budget.
- 2.8 The Clerk and Treasurer are responsible for the Police Authority budget and interest on balances.
- 2.9 It is the responsibility of budget holders to manage income and expenditure within their area and to monitor performance, taking account of financial information provided by the Chief Constable. They should report to the Chief Constable on variances within their own areas. They should also take any action necessary to avoid exceeding their budget allocation and alert the Chief Constable and Treasurer to any problems. Detailed budget monitoring is to be undertaken by budget holders at least every two months and reported to the Force Finance Director.
- 2.10 The Chief Constable shall ensure that budget holders receive sufficient financial support to enable them to undertake the budgetary control responsibilities.

- 2.11 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 Clerk and Treasurer for their budgets.
- 2.12 The Chief Constable and Treasurer shall submit a joint budget monitoring report 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 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 have in mind.
- 2.13 Major projects 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 shown in Section F.
- 2.14 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**

### Overview and Control

- 2.15 A virement is a planned reallocation of resources between approved budgets or heads of 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 to emerging needs.

- 2.16 The overall budget is agreed by the Police Authority and budget holders are expected to incur expenditure in accordance with the estimates that make up the budget, subject to agreed virement rules, and within the limit of total resources allocated. Virement does not create additional overall budget liability. The Chief Constable is expected to exercise discretion in managing budgets responsibly and prudently. 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.
- 2.17 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 still be held to account by the Police Authority for decisions made and the way in which resources are deployed. The virement rules allow greater freedom but require detailed reports on significant changes.

#### Requirements

- 2.18 No virement shall be permitted between the categories of operational policing, non-operational policing and appropriations without the prior approval of the Police Authority.
- 2.19 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.
- 2.20 No restriction shall apply on virement between budget headings within operational policing.
- 2.21 An exception report shall be submitted to the next scheduled Resources Committee by the Chief Constable where either revised budgets or projected annual income and expenditure on budget headings within operational policing, vary from the original approved budget by more than the percentages defined in Section F. The report shall explain the reasons for the degree of variation.
- 2.22 As part of the closure of accounts procedures, the Treasurer and Chief Constable shall compare final income and expenditure on budget headings against the original approved budget and explain significant variations.

#### **Treatment of Year End Balances**

## Overview and Control

- 2.23 A year end balance is the amount by which actual income and expenditure varies from the final budget, normally identified down 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. Regardless of any specific approval within these regulations, all carry forwards will be reported to the Police Authority as part of the final outturn process.
- 2.24 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.
- 2.25 Appropriate accounting procedures must be in place to ensure that totals carried forward into the next financial year are correct.

## Requirements

- 2.26 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.
- 2.27 Budget holders who underspend their budget in any financial year may have their budget increased for the following financial year, subject to the determination of the Chief Constable and the limits indicated in Section F. The Police Authority may withdraw this provision in any financial year dependant upon the overall financial position of the Authority.
- 2.28 The overall net level of underspend that can be carried forward in any one year without prior Police Authority approval shall be subject to the limit indicated in Section F. The Police Authority may withdraw this provision in any financial year dependant upon the overall financial position of the Authority.
- 2.29 All carry forwards outside of the parameters stipulated in these Regulations, require the prior approval of the Police Authority.

2.30 The Chief Constable and Treasurer shall report to Resources Committee any devolved budget where the variation from budget in any given year exceeds the parameter shown in Section F.

## **B3 CAPITAL PROGRAMME**

### Overview and Control

- 3.1 Capital expenditure involves acquiring or enhancing fixed assets with a long-term value to the authority, such as land, buildings, and major items of plant, equipment or vehicles. Capital assets shape the way services are delivered in the long term and may create financial commitments for the future in the form of financing costs and revenue running costs. The formal definition of capital expenditure is contained in the Local Government and Housing Act 1989 and its associated regulations.
- 3.2 Government places strict controls on the financing capacity of the Authority. This means that capital expenditure should form part of an investment strategy and should be carefully prioritised in order to maximise the benefit of scarce resources.
- 3.3 The capital programme should be linked to a capital strategy and an asset management plan.

### Requirements

- 3.4 Capital expenditure on land and buildings should be in accordance with the requirements of the approved property strategy and with regard to the asset management plan.
- 3.5 Each capital project shall have a named officer responsible for instigating the scheme, monitoring progress and ensuring completion of the scheme.
- 3.6 In the first instance, the responsible officer shall prepare a scheme and estimate, including project plan and progress targets, for each capital project. Capital proposals shall undergo a project appraisal that demonstrates the cost and benefits of the scheme to the service. The results of the project appraisal shall provide evidence for the scheme's viability and inclusion in the proposed capital programme.
- 3.7 The Chief Constable, in consultation with the Treasurer, shall prepare at least a three year rolling programme of proposed capital expenditure for submission to the annual budget meeting of the Police Authority for approval. This shall cover the forthcoming financial year and the following two years. Each scheme shall identify the total capital cost of the project and any additional revenue commitments.

- 3.8 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.
- 3.9 Schemes proposed after the annual budget meeting for inclusion in the capital programme during the current financial year shall be submitted to any Police Authority meeting for approval.
- 3.10 The Treasurer, in consultation with the Chief Constable, shall identify funding for the capital programme. Amendments to the programme increasing its overall cost must demonstrate how such changes are to be funded.
- 3.11 A gap 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.
- 3.12 No capital expenditure shall be incurred unless the scheme is approved by the Police Authority. In this respect, the vehicle programme and ICT replacement programme shall be regarded each as one scheme.
- 3.13 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 shown in Section F.
- 3.14 Arrangements covering variations in contract conditions and prices are covered within Standing Orders for Tenders and Contracts.
- 3.15 Finance leases shall not be entered into without the prior approval of the Chief Constable and Treasurer.
- 3.16 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.

3.17 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.

## **B4 MAINTENANCE OF BALANCES AND RESERVES**

### Control and Overview

- 4.1 General balances are maintained as a matter of prudence. They enable the Authority to provide for cash flow fluctuations and unexpected costly events and thereby help protect it from overspending the annual budget, should such events occur. Reserves for specific purposes may also be maintained where it is likely that a liability will arise in the future.

### **Requirements**

- 4.2 The Treasurer shall advise the Police Authority on reasonable levels of balances and reserves and take account of the views of the external auditor in this matter.
- 4.3 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.
- 4.4 The Police Authority may approve a policy of lower and upper parameters for the level of general balances, between which the Authority shall operate.

*SECTION C*

*MANAGEMENT OF RISK AND RESOURCES*

## **C1 RISK MANAGEMENT**

### Overview and Control

- 1.1 It is essential that robust, integrated systems are developed and maintained for identifying and evaluating all potential significant corporate and operational risks to the Authority. This should include the proactive participation of all those associated with planning and delivering services.
- 1.2 All organisations, whether private or public sector, face risks to people, property and continued operations. Risk is the chance or possibility of loss, damage, injury or failure to achieve objectives caused by an unwanted or uncertain action or event. Risk cannot be eliminated altogether. However, 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. In essence it is, therefore, an integral part of good business practice.
- 1.3 Procedures should be in place to identify, assess, prevent or contain material known risks, with a monitoring process in place to review regularly the effectiveness of risk reduction strategies and the operation of these controls. The risk management process should be formalised and conducted on a continuing basis.

### Requirements

- 1.4 The Clerk, Treasurer and Chief Constable jointly are responsible for preparing the Authority's risk management policy statement. They are responsible for promoting a culture of risk management awareness throughout the Authority and reviewing risk as an ongoing process.
- 1.5 The Clerk and Treasurer are responsible for advising the Police Authority on appropriate arrangements for insurance. Acceptable levels of risk should be determined and insured against where appropriate. Activities leading to levels of risk assessed as unacceptable should not be undertaken.
- 1.6 The Police Authority is responsible for approving the risk management policy statement and strategy, including determining the strategy for insurance, and for reviewing the effectiveness of risk management.
- 1.7 The Chief Constable shall

- ensure that insurance cover is provided within the terms of the approved strategy and take account of all new risks as appropriate
- ensure that claims made by the Force against insurance policies are made promptly
- notify the Treasurer promptly of all new risks that require insurance and of any alterations affecting existing insurance
- make all appropriate staff aware of their responsibilities for managing relevant risks and provide information on risk management initiatives
- ensure that employees, or anyone covered by the Authority's insurance, is instructed not to admit liability or make any offer to pay compensation that may prejudice the assessment of liability in respect of any insurance claim
- approve, before any contract for works is made, the insurance cover to be furnished by the contractor in respect of any act or default unless the Authority chooses to provide insurance cover itself

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

1.9 The Chief Constable shall present a written report to the Resources Committee each year detailing all individual claims settled above the value shown in Section F.

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

## **C2 INTERNAL CONTROLS**

### Overview and Control

- 2.1 Internal control refers to the systems of control devised by management to help ensure the Authority's objectives are achieved in a manner that promotes economical, efficient and effective use of resources and that the Authority's assets and interests are safeguarded.
- 2.2 The Authority is complex and beyond the direct control of individuals. Therefore, it requires internal controls to manage and monitor progress towards strategic objectives. The Authority has statutory obligations, and, therefore, requires internal controls to identify, meet and monitor compliance with these obligations.
- 2.3 The Authority faces a wide range of financial, administrative and commercial risks, both from internal and external factors, which threaten the achievement of its objectives. Internal controls are necessary to manage 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

### Requirements

- 2.4 The Chief Constable is responsible for implementing effective systems of internal control and the Treasurer for advising on such. These arrangements shall ensure compliance with all applicable statutes and regulations, and other relevant statements of best practice. They shall ensure that public resources are properly safeguarded and used economically, efficiently and effectively.
- 2.5 The Chief Constable shall ensure that internal controls exist for managerial control systems, including defining policies, setting objectives and plans, monitoring financial and other performance information and taking appropriate anticipatory and remedial action where necessary. The key objective of these systems is to promote ownership of the control environment by defining roles and responsibilities.

2.6 The Chief Constable shall ensure that internal controls exist for financial and operational systems and procedures. This includes physical safeguard for assets, segregation of duties, authorisation and approval procedures and robust information systems.

## **C3    AUDIT REQUIREMENTS**

### **Internal Audit**

#### Overview and Control

- 3.1    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”.
- 3.2    Internal audit is an independent and objective appraisal function established by an authority for reviewing the system of internal control. It examines, evaluates and reports on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources.
- 3.3    Internal audit is required to comply with the Auditing Practices Board’s guidelines “Guidance for Internal Auditors”, as interpreted by CIPFA’s Code of Practice for Internal Audit in Local Government in the United Kingdom, along with any other statutory obligations and regulations.

#### Requirements

- 3.4    The Treasurer shall ensure the provision of an effective internal audit service.
- 3.5    Internal audit shall have direct access to the Clerk, Treasurer and Chief Constable, all levels of management and directly to members of the Police Authority, where necessary.
- 3.6    The Chief Constable shall ensure that internal auditors have the authority to
- access Authority premises at reasonable times
  - access all assets, records, documents, correspondence, control systems and appropriate personnel
  - receive any information and explanation considered necessary concerning any matter under consideration
  - require any employee of the Authority to account for cash, stores or any other Authority asset under their control

- access records belonging to third parties, such as contractors, when required
- 3.7 Any instances where the Chief Constable considers it inappropriate for internal audit to have the access detailed above, such as items considered to be of a sensitive operational nature, are to be confirmed with the Treasurer.
- 3.8 The Treasurer, taking advice from internal audit and after consulting with the Chief Constable and external auditor, is responsible for preparing a three year rolling audit plan. This will cover the forthcoming financial year and the following two years. The plan is to take account of the characteristics and relative risks of the activities involved.
- 3.9 The Treasurer shall submit an annual internal audit plan to the Performance, Management and Audit Committee for approval prior to the start of the forthcoming financial year, together with the indicative plan for the following two years.
- 3.10 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.
- 3.11 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.
- 3.12 Internal audit shall provide an undertaking to respect the confidential nature of the service and to employ suitable staff only.

## **External Audit**

### Overview and Control

- 3.13 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. In particular, section 4 of the 1998 Act requires the Audit Commission to prepare a code of audit practice, which external auditors follow when carrying out their duties. The code of audit practice issued in March 2002 sets out the auditor's objectives to review and report upon:

- the financial aspects of the audited body's corporate governance arrangements
- the audited body's financial statements
- aspects of the audited body's arrangements to manage its performance, including the preparation and publication of specified performance information and compliance in respect of the preparation and publication of the Best Value Performance Plan.

3.14 The Authority's accounts are scrutinised by external auditors, who must be satisfied that the statement of accounts 'presents fairly' the financial position of the Authority and its income and expenditure for the year in question and complies with the legal requirements.

#### Requirements

3.15 The Treasurer shall liaise with the external auditor and advise the Police Authority on their responsibilities in relation to external audit and ensure there is effective liaison between external and internal audit.

3.16 The Chief Constable shall ensure that the external auditors are given the same levels of access as determined for internal audit in paragraph 3.6 above for the purposes of their work.

#### **Other Inspection Bodies**

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

## **C4 PREVENTING FRAUD AND CORRUPTION**

### Overview and Control

- 4.1 The Authority will not tolerate fraud or corruption in the administration of its responsibilities, whether from inside or outside the Authority.
- 4.2 The Authority's expectation of propriety and accountability is that members and staff at all levels will lead by example in ensuring adherence to legal requirements, rules, procedures and practices.
- 4.3 The Authority also expects that individuals and organisations (e.g. suppliers, contractors, and service providers) with whom it comes into contact will act towards the Authority with integrity and without thought or actions involving fraud or corruption.

### Requirements

- 4.4 All members and staff shall act with integrity and lead by example.
- 4.5 The Clerk, Treasurer and Chief Constable jointly are responsible for preparing an effective anti-fraud and anti-corruption policy and maintaining a culture that will not tolerate fraud or corruption.
- 4.6 The Police Authority is responsible for approving an effective anti-fraud and anti-corruption policy.
- 4.7 Appropriate legislation, including the Public Interest Disclosure Act 1998, shall be adhered to.
- 4.8 The Clerk, in consultation with the Chief Constable, 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 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 Clerk, in consultation with the Chief Constable.

- 4.9 The Clerk, in consultation with the Chief Constable, shall prepare a whistle blowing policy to provide a facility that enables employees, the general public and contractors to make allegations of fraud, misuse and corruption in confidence, and without recrimination, to an independent contact. The Police Authority shall adopt such a policy. Procedures shall ensure that allegations are investigated robustly as to their validity, that they are not malicious and that appropriate action is taken to address any concerns identified. The Chief Constable shall ensure that all staff are aware of any approved whistle blowing policy.
- 4.10 The Chief Constable shall notify the Treasurer immediately if a preliminary investigation gives rise to any suspected fraud, theft, irregularity, improper use or misappropriation of the Authority's property or resources, in accordance with any approved procedures. In such instances, the Chief Constable and Treasurer shall agree any further investigative process. Pending investigation and reporting, the Chief Constable shall take all necessary steps to prevent further loss and to secure records and documentation against removal or alteration.
- 4.11 The Chief Constable may instigate disciplinary procedures where the outcome of an investigation indicates improper behaviour.

## **C5 ASSETS**

### Overview and Control

5.1 The Authority holds assets in the form of land, property, vehicles, equipment, furniture and other items, together worth many millions of pounds. It is important that assets are safeguarded and used efficiently in service delivery, that there are arrangements for the security of both assets and information required for service operations and that proper arrangements exist for the disposal of assets. An up-to-date asset register is a prerequisite for proper fixed asset accounting and sound asset management. The function of the asset register or an asset management plan is to provide the Authority with information about fixed assets so that they are:

- safeguarded
- used efficiently and effectively
- adequately maintained
- valued in accordance with statutory and management requirements

5.2 Intellectual property is a generic term that includes inventions and writing. If these are created by the employee during the course of employment, then, as a general rule, they belong to the employer, not the employee. Various acts of Parliament cover different types of intellectual property. Certain activities undertaken within the Authority may give rise to items that could be patented, for example, software development. These items are collectively known as intellectual property. In the event that the Authority decides to become involved in the commercial exploitation of inventions, the matter should proceed in accordance with an approved intellectual property policy.

### Requirements

#### **Security**

5.3 Resources are only to be used for the purposes of the Authority, are to be available for use when required and are to be properly accounted for.

5.4 The Chief Constable shall 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.

- 5.5 Attractive and portable items such as computers, cameras and video recorders should be identified with security markings as belonging to the Authority.
- 5.6 The Chief Constable shall ensure that all staff are aware of their responsibilities with regard to safeguarding the Authority's assets and information, including the requirements of the Data Protection Act and software copyright legislation.
- 5.7 The Chief Constable shall ensure that title deeds to the Authority's property are held securely.

### **Valuation**

- 5.8 The Chief Constable shall maintain an asset register for all fixed assets with a value in excess of the limits shown in Section F, in a form approved by the Treasurer. Assets are to be recorded when they are acquired by the 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
- 5.9 Assets may also be valued at market rates for asset management planning purposes where this is different from other valuations.

### **Inventories**

- 5.10 The Chief Constable shall maintain inventories that record an adequate description of portable and desirable items such as computers, monitors, printers, facsimile machines, mobile phones and photographic equipment above the value shown in Section F.
- 5.11 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, who shall not be responsible for maintaining the inventory.

### **Stocks and Stores**

- 5.12 The Chief Constable shall make arrangements for the care, custody and control of the stocks and stores of the 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.
- 5.13 A complete stock check is to be undertaken at least once per year either by means of continuous or annual stock take. The stock take shall be undertaken and certified by an authorised member of staff who is independent of the stock keeping function. This procedure will be followed and a complete stock check undertaken whenever stock keeping duties change.
- 5.14 Where significant, values of stocks and stores at 31 March each year are to be certified and included in the annual accounts.
- 5.15 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 F. 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.
- 5.16 Obsolete stock may be written off by the Chief Constable up to the level shown in Section F. 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 Property**

- 5.17 The Clerk, Treasurer and Chief Constable jointly are responsible for preparing guidance on intellectual property procedures and ensuring that staff are aware of these procedures.
- 5.18 The Police Authority is responsible for approving the intellectual property policy.

### **Asset Disposal**

- 5.19 Assets shall be disposed of when in the best interests of the Authority and at the most advantageous price. 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 F. Disposals above this value are to be reported to the Resources Committee for prior approval.
- 5.20 Items above the estimated value shown in Section F shall be disposed of by public auction or sealed bids after advertisement.
- 5.21 All asset disposals shall be recorded in the asset register or inventory as appropriate.
- 5.22 The Chief Constable shall inform the Treasurer of any disposals that may impact upon the balance sheet of the Authority.

## C6 TREASURY MANAGEMENT AND BANKING ARRANGEMENTS

### Control and Overview

- 6.1 The Authority is a large organisation that handles many millions of pounds in each financial year. It is important that the Authority's money is managed properly, in a way that balances risk with return, but with the prime consideration being given to the security of the Authority's capital sum.

### Requirements

- 6.2 The Police Authority adopts the key recommendations of *CIPFA's Treasury Management in the Public Services: Code of Practice (the Code)*, as described in Section 4 of that Code.

- 6.3 Accordingly, the Authority shall create and maintain, as the cornerstone for effective treasury management,

- a treasury management policy statement, stating the policies and objectives of its treasury management activities
- suitable treasury management practices (TMPs), setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

The content of the policy statement and TMPs will follow the recommendations contained in Section 6 and 7 of the Code, subject only to amendment where necessary to reflect the particular circumstances of the Police Authority. Such amendments will not result in the Authority deviating materially from the Code's key recommendations.

- 6.4 The Authority shall receive reports 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 TMPs.

- 6.5 The 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 TMPs and, if a CIPFA member, CIPFA's *Standard of Professional Practice on Treasury Management*.

- 6.6 All investments and borrowings shall be in the name of the Police Authority.
- 6.7 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 Clerk. 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.
- 6.8 The Chief Constable shall provide appropriate employees of the Authority with cash or bank imprests to meet minor expenditure on behalf of the Authority. The Chief Constable shall determine reasonable petty cash limits and maintain a record of all transactions and petty cash advances made, and periodically review the arrangements for the safe custody and control of these advances.
- 6.9 The Chief Constable shall prepare detailed Financial Instructions for dealing with petty cash, to be agreed with the Treasurer, and these shall be issued to all appropriate staff.
- 6.10 The use of credit cards shall be allowed for undertaking Police Authority business. The Treasurer, in consultation with the Chief Constable, shall determine a policy for the secure operation of credit cards.

## **C7 STAFFING**

### Overview and Control

- 7.1 Staffing costs form a significant element of the annual revenue budget of the Police Authority. In order to provide the highest level of service and ensure effective use of resources, it is crucial that the Authority recruits and retains high calibre, knowledgeable staff, qualified to an appropriate level.
- 7.2 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.

### Requirements

- 7.3 The Chief Constable shall ensure 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.
- 7.4 The Chief Constable shall ensure that employees are appointed and employed in accordance with the agreed personnel policies of the Authority and that service records are properly maintained.

## **C8 CUSTODY OF UNOFFICIAL FUNDS AND PRIVATE PROPERTY**

### **Voluntary Unofficial Funds**

#### Overview and Control

- 8.1 These are deemed to be funds, other than those of the Authority, which are controlled wholly or partly by employees of the Authority by reason of their employment e.g. Dependant's Benevolent Fund.

#### Requirements

- 8.2 Any employee controlling such funds shall ensure that a suitably experienced independent person audits the fund in accordance with procedures recommended by the Chief Constable, and arrange for the annual audited accounts to be received by the appropriate management body.
- 8.3 The Chief Constable shall be informed of the existence of all voluntary unofficial funds and receive minutes from the management bodies confirming the adoption of the audited accounts.

### **Custody of Private Property**

#### Overview and Control

- 8.4 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.

#### Requirements

- 8.5 The Chief Constable is responsible for the safekeeping of the private property of a person, other than a member of staff, under his guardianship or supervision, and shall determine procedures for such. These procedures shall be made available to all appropriate staff.
- 8.6 The Chief Constable is responsible for the safekeeping of found or seized property and shall determine procedures for such. These procedures shall be made available to all appropriate staff.
- 8.7 The Chief Constable shall be informed without delay in the case of loss or diminution in value of such private property.

*SECTION D*

*SYSTEMS AND PROCEDURES*

## **D1 GENERAL**

### Overview and Control

- 1.1 There are many systems and procedures relating to the control of the Authority's assets, including purchasing, costing and management systems. The Authority is becoming increasingly reliant on computers for financial management information. This information must be accurate and the systems and procedures sound and well administered. They should contain controls to ensure that transactions are properly processed and errors detected promptly.
- 1.2 It is imperative that operating systems and procedures are secure and that basic data exists to enable the Authority's objectives, targets, budgets and plans to be formulated and measured. Performance measures need to be communicated to appropriate personnel on an accurate, complete and timely basis.

### Requirements

- 1.3 The Chief Constable and Treasurer are responsible for determining the accounting systems, procedures and supporting financial records and issuing guidance and procedures for employees acting on the Authority's behalf.
- 1.4 The Chief Constable shall ensure, in respect of systems and processes, that
  - systems are secure, adequate internal controls exist and accounting records are properly maintained and held securely. This is to include an appropriate segregation of duties to minimise the risk of error, fraud or other malpractice.
  - appropriate controls exist to ensure that all systems input, processing and output is genuine, complete, accurate, timely and not processed previously
  - a complete audit trail is to be maintained, allowing financial transactions to be traced from the accounting records to the original document and vice versa
  - that systems are documented and staff trained in operations
- 1.5 The Chief Constable shall ensure that there is a documented and tested business continuity plan to allow system processing to resume quickly in the event of an interruption. Effective contingency arrangements, including back up procedures, are to be in place in the event of a failure in computer systems.

- 1.6 The Chief Constable shall establish a scheme of delegation, identifying staff authorised to act upon the Chief Constable's behalf in respect of income collection, placing orders, making payments and employing staff. A schedule of staff, their specimen signatures and the delegated limits of their authority shall be maintained.

## **D2 INCOME**

### Overview and Control

- 2.1 Income can be a vulnerable asset and effective income collection systems are necessary to ensure that all income due is identified, collected, receipted and banked properly.
- 2.2 The responsibility for cash collection should be separated from that:
  - for identifying the amount due
  - for reconciling the amount due to the amount received

### Requirements

- 2.3 The Chief Constable shall make arrangements for the collection of all income due to the Authority, including the appropriate and correct charging of VAT.
- 2.4 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.
- 2.5 The Chief Constable shall order and supply to appropriate staff all receipt forms, books or tickets and similar items and be satisfied as to the arrangements for their control. Official receipts or other suitable documentation shall be issued for all income received.
- 2.6 Income is to be paid fully and promptly into the Authority's General Fund Account in the form in which it is received. Appropriate details should be recorded on to paying-in slips to provide an audit trail. Money collected and deposited must be reconciled to the bank account on a monthly basis by the Chief Constable. Income must not be used to cash personal cheques or other payments.
- 2.7 The Police Authority shall determine a policy for the receipt of sponsorship income. Such income shall be brought into the accounts of the Authority and entered into a Sponsorship Register in accordance with the approved policy.
- 2.8 The Chief Constable shall establish and initiate appropriate recovery procedures, including legal action where necessary, for debts that are not paid in accordance with the Authority's terms and conditions.

- 2.9 Income due to the 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 of by the Chief Constable up to the level shown in Section F. 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.
- 2.10 The Chief Constable shall prepare detailed Financial Instructions for dealing with income, to be agreed with the Treasurer, and these shall be issued to all appropriate staff.

## **D3 ORDERING OF GOODS AND SERVICES**

### Overview and Control

- 3.1 Public money should be spent with demonstrable probity and in accordance with the Authority's policies. Authorities have 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. These procedures should be read in conjunction with the Standing Orders on Tenders and Contracts.

### Requirements

- 3.2 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.
- 3.3 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 decisions on behalf of the Authority.
- 3.4 All orders issued shall be in accordance with the Authority's approved procurement policy. Official orders must be issued for all work, goods or services to be supplied to the Authority, except for supplies of utilities, periodic payments such as rent or rates, petty cash purchases or other exceptions approved by the Treasurer. Orders must be in a form approved by the Treasurer.
- 3.5 Official orders must not be raised for any personal or private purchases, nor must personal or private use be made of Authority contracts.
- 3.6 Goods and services ordered must be appropriate and needed, there must be adequate budgetary provision and quotations or tenders must be obtained where necessary.

- 3.7 Written quotations shall be obtained wherever possible from at least three suppliers or contractors before expenditure exceeding the amount shown in Section F is incurred. Quotations should be in writing and justification provided where the lowest quotation is not accepted. It is also good practice to obtain quotations where expenditure is likely to be less than the stipulated amount. Tenders should be sought before expenditure exceeding the amount shown in Section F is incurred, in accordance with the procedures set out in the Standing Orders for Tenders and Contracts. This is subject to adherence with European legislation and guidelines.
- 3.8 Commitments incurred by placing orders are to be shown against the appropriate budget allocation and incorporated within budget monitoring reports.
- 3.9 Where possible, a different person should authorise the payment from the person who signed the order.
- 3.10 The Chief Constable shall prepare detailed Financial Instructions for dealing with ordering, to be agreed with the Treasurer, and these shall be issued to all appropriate staff.

## **D4 PAYMENTS FOR GOODS AND SERVICES**

### Requirements

- 4.1 All payments are to be made in accordance with the Authority's approved procurement policy.
- 4.2 Payments are not to be made unless goods and services have been received by the Authority at the correct price, quantity and quality in accordance with any official order.
- 4.3 Two officers shall be involved in the processing of an invoice for payment. The first officer shall certify the accuracy and validity of the invoice. The second officer shall authorise the invoice for payment.
- 4.4 Procedures should be in place to ensure that all payments are to be made to the correct person, for the correct amount and be recorded properly, regardless of the method of payment.
- 4.5 Where VAT is charged, payment is not to be made unless a proper VAT invoice has been received.
- 4.6 The Chief Constable shall prepare detailed Financial Instructions for dealing with payments, to be agreed with the Treasurer, and these shall be issued to all appropriate staff.

## **D5 PAYMENTS TO EMPLOYEES AND MEMBERS**

### Overview and Control

- 5.1 Staff costs are the largest item of expenditure for most authorities. Therefore, it is important that payments are accurate, timely, made only where they are due for services to the Authority and that payments accord with individuals' conditions of employment. It is also important that all payments are accurately and completely recorded and accounted for and that members' allowances are authorised in accordance with the scheme adopted by the Police Authority.
- 5.2 All overtime claims and other claims for remuneration, travel and subsistence and members' allowances should be submitted on a monthly basis. This is to ensure that monitoring of expenditure is more accurate and that authorisation of claims can be certified properly.

### Requirements

- 5.3 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.
- 5.4 The Chief Constable shall make arrangements for the secure and reliable payment of salaries, wages, pensions, compensation and other emoluments to existing and former employees. Adequate and effective systems are to be in place and procedures operated so that
- payments are only authorised to bona fide employees
  - payments are only made where there is a valid entitlement
  - conditions and contracts of employment are applied correctly
  - employees' names listed on the payroll are checked at regular intervals to verify accuracy and completeness

- 5.5 The Chief Constable shall make arrangements for the payment of all travel and subsistence claims. The Clerk shall make arrangements for the payment of all members' allowances. Such claims should be in the prescribed form, duly completed and certified. Certification is taken to mean that journeys were authorised and expenses incurred properly and necessarily and that allowances are payable properly by the Authority, ensuring that cost effective use of travel arrangements is achieved. Due consideration should be given to tax implications. Payments shall be made to the value of presented receipts up to a maximum level of approved national or local rates.
- 5.6 All overtime payments are to be made on the basis of authorised timesheets or claims.
- 5.7 Payroll transactions are to be processed only through the payroll system. Payments to individuals employed on a self-employed consultant or subcontract basis shall only be made in accordance with Inland Revenue requirements. The Inland Revenue applies a tight definition of employee status, and in cases of doubt, advice should be sought from them.
- 5.8 The Chief Constable shall ensure that full records are maintained of payments in kind and properly accounted for in any returns to the Inland Revenue.
- 5.9 The Chief Constable shall comply with all Inland Revenue regulations and record and make arrangements for the accurate and timely payment of tax, national insurance, superannuation and other statutory or voluntary deductions from pay.
- 5.10 The Chief Constable shall prepare detailed Financial Instructions for dealing with payments to officers, to be agreed with the Treasurer, and these shall be issued to all appropriate staff.

## **D6 TAXATION**

### Overview and Control

- 6.1 Like all organisations, the Authority is responsible for ensuring its tax affairs are in order. Tax issues are often very complex and the penalties for incorrectly accounting for tax are often severe.
- 6.2 It is important that all relevant staff are kept up to date on tax issues and instructed on required record keeping.

### Requirements

- 6.3 The Chief Constable shall ensure the completion of all Inland Revenue returns regarding PAYE and that due payments are made in accordance with statutory requirements.
- 6.4 The Chief Constable shall ensure that the correct VAT liability is attached to all income due and that all VAT receivable on purchases complies with HM Customs and Excise regulations. The Chief Constable shall ensure the completion of VAT claims, receipts and payments are made in accordance with statutory requirements.
- 6.5 Where construction and maintenance works are undertaken, the contractor shall fulfil the necessary construction industry tax deduction requirements. The Chief Constable shall provide details to the Inland Revenue regarding the construction industry tax deduction scheme.
- 6.6 The Chief Constable shall maintain up to date guidance for appropriate Authority employees on taxation issues in a readily accessible tax manual.

## **D7 EX GRATIA PAYMENTS**

### Overview and Control

- 7.1 An ex gratia payment is a payment made by the Authority where no legal obligation exists. An example may be recompense to a police officer for damage to personal property in the execution of duty or to a member of the public for providing assistance to a police officer in the execution of duty.

### Requirements

- 7.2 The Chief Constable may make ex gratia payments to members of the public up to the level shown in Annex F 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 Authority. The Chief Constable shall maintain details of such payments in a register.
- 7.3 The Chief Constable may make ex gratia payments up the level shown in Annex F in any individual instance, for damage or loss of property or for personal injury to a police officer in the execution of duty or to a member of the public assisting the police. The Chief Constable shall maintain details of such payments in a register.
- 7.4 Amounts greater than those specified in Annex F must be referred to the Resources Committee for approval.

*SECTION E*

*EXTERNAL ARRANGEMENTS*

## **E1 PARTNERSHIPS**

### Overview and Control

1.1 Partnerships with other organisations can play a key role in delivering community strategies and in helping to promote and improve the well being of the area. A partner may be defined as:

- an organisation joining with another organisation(s) to undertake, part fund or participate as a beneficiary in a joint project, or
- a body whose nature or status give it a right or obligation to support a joint project

1.2 The main reasons for entering into a partnership with others are:

- to provide new and better ways of delivering services
- to comply with statutory requirements
- the ability to access new resources
- the desire to find new ways to share risk
- to forge new relationships

1.3 Partners undertaking a joint venture have common responsibilities:

- to act in good faith at all times and in the best interests of the partnership's aims and objectives
- to be willing to take on a role in the broader programme, appropriate to the skills and resources of the contributing organisation
- to be open about any conflicts that might arise
- to encourage joint working and promote the sharing of information, resources and skills
- to keep secure any information received as a result of partnership activities or duties that is of a confidential or commercially sensitive nature
- to promote the project

1.4 The Police Authority should welcome the opportunity for forming partnerships with other local organisations to address local needs.

### Requirements

- 1.5 The Clerk, in consultation with the Chief Constable and Treasurer, is responsible for preparing the Authority's policy statement on partnership arrangements. The Police Authority is responsible for approving the policy.
- 1.6 The Police Authority shall determine a budget for partnerships as part of the annual budget setting process. The budget shall be based upon specific partnership allocations determined as part of the planning process within the conditions of the approved policy.
- 1.7 The Chief Constable shall be responsible for undertaking the partnership funding arrangements, in accordance with the policies and approvals of the Police Authority. The Chief Constable shall consider the overall governance arrangements and legal issues when arranging contracts with external bodies.
- 1.8 The Chief Constable, upon taking appropriate advice, shall ensure that:
- before entering into the agreement, a risk management appraisal has been prepared
  - such agreements do not impact adversely upon the services provided by the Authority
  - project appraisal is in place to assess the viability of the project in terms of resources, staffing and expertise
  - all arrangements are properly documented
  - regular communication is held with other partners throughout the project in order to achieve the most successful outcome
  - audit and control requirements are satisfied
- 1.9 The Clerk shall maintain a register of all partnership arrangements.
- 1.10 The Chief Constable shall ensure that all staff involved in partnership arrangements are given access to Financial Regulations and Standing Orders on Tenders and Contracts. On occasion, the possibility of non compliance with these Regulations may arise from entering into partnership arrangements. In such cases, prior approval of the Police Authority should be sought in order to waive the regulations.

## **E2 EXTERNAL FUNDING**

### Overview and Control

- 2.1 External funding can be a very important source of income. The main source of such funding for this Authority will tend to be specific government grants.
- 2.2 Any match funding requirements should be given due consideration prior to entering into agreements and resources identified for future commitments.

### Requirements

- 2.3 The Chief Constable shall ensure that any conditions placed on the Force in relation to external funding are in accordance with the approved policies of the Police Authority. In such cases, The Chief Constable shall comply with the key conditions determined by the funding body and any statutory requirements.
- 2.4 The Chief Constable shall pursue actively any opportunities for additional funding where this is considered to be in the interests of the Police Authority.
- 2.5 The Chief Constable shall ensure that all funding notified by external bodies is received and properly recorded in the Authority's accounts, that all claims for funds are made by the due date and that audit requirements are met.

## **E3 WORK FOR THIRD PARTIES**

### Overview and Control

- 3.1 The Force provides special services to other bodies outside of its normal obligations, for which charges are made e.g. policing inside football grounds. Arrangements should be in place to ensure that any risks associated with this work are minimised and that such work is not ultra vires.

### Requirements

- 3.2 The Chief Constable shall ensure that proposals for assistance are costed, that no contract is subsidised by the Authority, that, where possible, payment is received in advance of the delivery of the service and that the Authority is not put at risk from any bad debts.
- 3.3 The Chief Constable shall ensure that appropriate insurance arrangements in place.

*SECTION F*

*DELEGATED LIMITS*

## SECTION B

### B1 Financial Planning

- 1.13 The budget estimates shall identify all proposed individual major revenue projects. A major revenue project shall be defined as one in excess of the estimated value shown below.

*£200,000*

### B2 Budgetary Control

- 2.13 Major projects need not be referred back to the Resources Committee for further approval unless, when negotiating contract details, amendments to the nature of the project are sought or the cost of the project exceeds the limits shown.

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

- 2.20 An exception report shall be triggered to the next scheduled Resources Committee by the Chief Constable where either revised budgets or projected annual income and expenditure on budget headings within operational policing, vary from the original approved budget by more than the following percentages.

<u>Budget Head</u>	<u>% Variation</u>
<i>Police Officer Pay</i>	<i>0.5</i>
<i>Police Officer Overtime</i>	<i>5.0</i>
<i>Support Staff Pay</i>	<i>1.0</i>
<i>Other Expenditure</i>	<i>1.0</i>
<i>Government Grants &amp; Other Income</i>	<i>2.0</i>

- 2.26 Delegated budget holders who underspend their budget in any financial year may have their budget increased for the following financial year, subject to the determination of the Chief Constable and the limits indicated below (and within the overall constraints shown in paragraph 2.27). The Police Authority may amend this provision in any financial year dependent upon the overall financial position of the Authority.

*75% of level of underspend, subject to a maximum of £200,000*

- 2.27 The overall net level of underspend that can be carried forward in any one year without prior Police Authority approval shall be subject to the limit indicated below. The Police Authority may amend this provision in any financial year dependent upon the overall financial position of the Authority.

*£500,000*

- 2.29 The Chief Constable and Treasurer shall report to Resources Committee on any devolved budget where the variation from budget in any given year exceeds the following parameters.

*7.5% of net devolved budget*

### **B3 Capital Programme**

- 3.13 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.*

## **SECTION C**

### **C1 Risk Management**

- 1.8 The Chief Constable shall be authorised to settle insurance 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.

*£30,000*

- 1.9 The Chief Constable shall present a written report to the Resources Committee each year detailing all individual claims settled above the value shown below.

*£5,000*

**C5 Assets**

- 5.8 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>£12,000</i>

- 5.10 The Chief Constable shall maintain inventories that record an adequate description of portable and desirable items such as computers, monitors, printers, facsimile machines, mobile phones and photographic equipment above the value shown below.

*£100*

- 5.15 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>£2,000</i>
<i>Cumulative for financial year</i>	<i>£10,000</i>

- 5.16 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>£5,000</i>
<i>Cumulative for financial year</i>	<i>£20,000</i>

- 5.19 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>£12,000</i>

- 5.20 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>

## **SECTION D**

### **D2 Income**

- 2.9 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.

*£5,000*

### **D3 Ordering of Goods and Services**

- 3.7 Written quotations shall be obtained wherever possible from at least three suppliers or contractors before expenditure exceeding the amount shown below is incurred. Tenders should be sought before expenditure exceeding the amount shown below is incurred. This is subject to adherence with European legislation and guidelines.

*Quotations - General* *£3,000*

*Quotations - Building Related* *£10,000*

*Tenders* *£25,000*

### **D7 Ex Gratia Payments**

- 7.2 The Chief Constable may make ex gratia payments to members of the public 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 Authority. Amounts greater than those specified must be referred to the Police Authority for approval.

*£5,000*

- 7.3 The Chief Constable may make ex gratia payments up to the level shown below in any individual instance, for damage or loss of property or for personal injury to a police officer in the execution of duty or to a member of the public assisting the police. Amounts greater than those specified must be referred to the Police Authority for approval.

*£3,000*

