SOUTH YORKSHIRE
POLICE AND CRIME COMMISSIONER
AND
CHIEF CONSTABLE

FINANCIAL REGULATIONS 2014

Final version number 15 of 27th June, 2014 as presented to the Joint Independent Audit Committee of South Yorkshire's Police and Crime Commissioner and Chief Constable of 29th July, 2014.

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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 Financial Management Code of Practice ('FMCoP') under section 17 of the Police Reform and Social Responsibility Act 2011 and section 39 of the Police Act 1996, which permit the Secretary of State to issue codes of practice to all Police and Crime Commissioners ('PCCs') and Chief Constables ('CCs').

2. To conduct their business effectively, the PCC and the CC need to ensure that they have sound financial management policies in place, and that they are strictly adhered to. Part of this process is to adopt and implement Financial Regulations.

3. These Regulations have been drawn up so as to ensure that the financial affairs of both the PCC and the CC are conducted properly, and in compliance with all relevant statutes, regulations, codes of practice and best professional practice.

4. The Regulations are designed to establish financial responsibilities, to confer duties, rights and powers upon the PCC, the CC and their officers, and to provide clarity about the financial accountabilities of groups or individuals. They apply to all officers and staff of the PCC and the Force, and anyone acting on their behalf.

5. The PCC may appoint a Deputy PCC who may exercise the functions of the PCC as set out in the Scheme of Governance.

6. As provided elsewhere in the Joint Corporate Governance Framework, the PCC is the recipient of all funding. The PCC is required to appoint a chief executive and monitoring officer, and the PCC and the CC are both required to appoint a chief finance officer - the PCC's Chief Finance Officer ('CFO') and the CC's Director of Finance ('DoF').

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

STATUS

8. These Financial Regulations should not be read and referred to in isolation, but rather as part of the overall regulatory and Joint Corporate Governance Framework of the PCC and CC which specify how processes will operate.

9. The PCC, the CC and all employees have a general duty to take 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 and provides best value for money.

10. These Financial Regulations explain the financial relationship between the PCC and the CC their respective chief finance officers, having regard also to the role played by the PCC's Chief Executive ('CX'). They are drawn up by the CFO on behalf of the PCC, in close consultation with the CX, CC, and the DoF.

11. The CFO is also responsible for maintaining a review of Financial Regulations and submitting any additions or amendments to the PCC and CC, after consulting with the CX and DoF.

12. More detailed Financial Instructions for the Force to supplement these Regulations shall be issued by the DoF, after consultation with the CFO. The CFO will issue Financial Instructions on behalf of the OPCC.

13. Chief Officers are responsible for ensuring that all employees, contractors and agents are aware of the existence and content of these Financial Regulations and that they are complied with.

14. Breaches of Financial Regulations of a serious nature may result in disciplinary proceedings and, potentially, criminal action. Such breaches within the Force shall be reported to both the DoF and CFO who shall determine, after consulting with the CX, who is designated as the Monitoring Officer, and whether the matter shall be reported to the PCC and CC. Breaches within the OPCC will be reported to the CFO who shall determine, in consultation with the CX, whether they should be reported to the PCC.

15. The PCC, the CC and all employees have a duty to abide by the highest standards of probity (i.e. honesty, integrity and transparency) in dealing with financial issues.

CONTENT

16. 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. These are summarised in Section 6.

DEFINITIONS WITHIN THE REGULATIONS

17. The PCC's Chief Finance Officer is the CFO.

18. The Chief Constable's Chief Finance Officer is the DoF.

19. The Chief Executive ('CX') is the officer appointed as head of the PCC's staff (collectively known as the Office of the PCC or OPCC) and is designated as the Monitoring Officer.

20. The 'Force' shall refer to the CC, police officers, police staff, police community support officers (PCSO), special constabulary, volunteers, contractors and other members of the wider police family under his direction and control or day-today management.

21. Chief Officers, when referred to as a generic term, shall mean the CC, Chief CX, CFO and DoF.

22. Senior Officers' are Officers of the rank of Superintendent and above and police staff Heads of Department.

23. 'Employees' when referred to as a generic term shall refer to the staff employed by the PCC, police officers, police staff, and other members of the wider police family.

24. The expression 'authorised officer' refers to employees authorised by a chief officer.

25. The expression 'contract' refers to any commitment (including purchase orders, memoranda of understanding, leases and service level agreements) to acquire, purchase or sell goods, services or building works made on behalf of the PCC, the CC or their affiliated bodies, whether signed in the name of the PCC or the CC.

26. The expression 'best value for money' shall mean the most cost effective means of meeting the need and takes account of whole life costs.

27. The expression 'he' or 'his' shall refer to both male and female.

28. The terms CC, CX, CFO and DoF include any member of staff and 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 1

1.1 FINANCIAL MANAGEMENT

The Police and Crime Commissioner (PCC)

1.1.1 The PCC has a statutory duty and electoral mandate to ensure an efficient and effective police service and to hold the CC to account on behalf of the public. The PCC has statutory responsibility for the "Police Fund" and is the recipient of all funding relating to policing and crime reduction, including government grant, council tax precept and other sources of income. How the grant funding is allocated is a matter for the PCC in consultation with the CC, or in accordance with any grant terms. Details of the local arrangements relating to other sources of income, such as that collected under section 25 of the Police Act 1996, are set out in Section 4.2 of these Regulations. The statutory officers of the PCC and the CC will provide professional advice and recommendations.

1.1.2 The PCC has appointed his CFO to be responsible for the proper administration of the PCC's financial affairs.

1.1.3 The PCC is responsible for approving the policy framework and budget, monitoring financial outcomes, and the approval of medium term financial plans, in consultation with the CC. He is responsible for approving the overall framework of accountability and control, and monitoring compliance. In relation to these Financial Regulations this includes:

- The Police and Crime Plan ('the Plan');
- Annual Revenue Budget and Precept;
- Capital Programme;
- Affordable Borrowing limits and Prudential Indicators;
- Medium Term Financial Strategy, including medium term financial forecasts;
- Treasury Management Strategy, including the annual Investment Strategy and Minimum Revenue (MRP) Statement;
- Asset Management Strategy;
- Risk Management Strategy;
- Value for Money Strategy;
- Statement of Accounts;
- Governance policies.

1.1.4 The PCC is responsible for approving procedures for recording and reporting decisions taken, and for monitoring compliance with agreed policy and related executive decisions.

1.1.5 The PCC is also responsible for approving procedures for agreeing variations to approved budgets, and to plans and strategies forming the policy framework.

1.1.6 The PCC shall provide the CFO with such staff, accommodation and other resources which, in the CFO's opinion, are sufficient to allow his duties under this section to be performed.

1.1.7 The PCC may appoint a Deputy PCC ('DPCC') and arrange for the DPCC to carry out appropriate functions of the PCC, as delegated.

The Chief Constable

1.1.8 The CC is responsible for maintaining the "Queen's Peace" and has direction and control over the Force's officers and staff. The CC holds office under the Crown, but is appointed by the PCC.

1.1.9 The CC is accountable to the law for the exercise of police powers and to the PCC for the delivery of efficient and effective policing, management of resources and expenditure by the Force. At all times, the CC, his officers and staff, remain operationally independent in the service of the public.

1.1.10 To help ensure the effective delivery of policing services, and to enable the CC to have impartial direction and control or day-to-day management of all officers and staff within his Force, the CC should have day-to-day responsibility for financial management of the Force within the framework of the agreed budget allocation and levels of authorisation issued by the PCC.

1.1.11 The CC has appointed the DoF to be responsible for the proper administration of the CC's financial affairs.

1.1.12 The CC must ensure that the financial management of his allocated budget remains consistent with the objectives and conditions set by the PCC. The CC will discharge this through the DoF who will lead the Force's financial management.

1.1.13 When the CC intends to make a significant change to policy or service delivery, then the approval of the PCC must be sought. The OPCC will provide guidance on what to regard as "significant change" if required.

1.1.14 The CC is responsible for the day-to-day financial management of the Force within the framework of the budget, Medium Term Financial Strategy, rules of virement and reporting arrangements. In operating day-to-day financial management, the CC shall comply with the approved policies and framework of accountability.

1.1.15 The CC shall ensure that Financial Instructions are prepared to supplement the Financial Regulations and provide detailed instructions on the operation of the specific delegated financial processes. The CC shall ensure that all employees are made aware of the existence of the Financial Regulations and Instructions and are given access to them. Appropriate training shall be provided to ensure that they can be complied with.

The Chief Finance Officer

1.1.16 The CFO is the PCC's Chief Finance Officer, with responsibility for the proper administration of the financial affairs of the PCC, and has a personal fiduciary responsibility to the local council tax payer.

1.1.17 The CFO's statutory responsibilities are set out in:

- Paragraph 6 of Schedule 1 to the Police Reform and Social Responsibility Act 2011;
- Section 114 Local Government Finance Act 1988 (formal powers to safeguard lawfulness and propriety in expenditure);
- The Accounts and Audit Regulations as amended from time to time;

Further guidance is set out in the FMCoP issued under Section 17 of the Public Reform and Social Responsibility Act 2011 and Section 39A of the Police Act 1996.

1.1.18 The CFO is the PCC's professional adviser on financial matters, and shall be responsible for:

- ensuring that the financial affairs of the PCC are properly administered and that Financial Regulations are observed and kept up to date;
- ensuring regularity, propriety and Value for Money (VfM) in the use of public funds;
- advising on financial strategies, budget and medium term financial plans, and implementing the budget guidelines agreed by the PCC;
- determining the funding of the PCC's revenue and capital plans and agreed programmes from available resources, including from Central Government, the precept, other grants, contributions, income and recharges;
- reporting to the PCC, the Police and Crime Panel, and to the external auditor any unlawful, or potentially unlawful, expenditure by the PCC or officers of the PCC
- reporting to the PCC when it appears that any expenditure is likely to exceed the resources available to meet that expenditure
- advising the PCC on the robustness of the budget and the adequacy of financial reserves
- preparing the annual statement of accounts of the PCC in accordance with appropriate accounting codes of practice and reporting standards
- ensuring the receipt and scrutiny of the statement of accounts of the CC and preparing the "group accounts"
- ensuring the commissioning of an effective internal audit service, in conjunction with the DoF
- securing a Treasury Management Function, including borrowing and investments, in accordance with the Treasury Management Code of Practice

- ensuring that all matters required to be taken into account in respect of the Prudential Code for Capital Finance in Local Authorities are reported to the PCC for consideration
- advising, in consultation with the Chief Executive on the safeguarding of assets, including risk management and insurance
- arranging for the determination and issue of the precept
- liaising with the external auditor
- advising the PCC on the application of value for money principles by the Force to support the PCC in holding the CC to account for efficient and effective financial management
- nominating a person to deputise should he be unable to perform his duties (Deputy CFO).

1.1.19 The CFO, in consultation with the Chief Executive, DoF and/or CC as appropriate, shall be given powers to institute any proceedings or take any action necessary to safeguard the finances of the PCC and the CC.

1.1.20 The CFO has certain statutory duties which cannot be delegated, namely, reporting any potentially unlawful decisions by the PCC on expenditure and preparing each year, in accordance with proper practices, a statement of the PCC's accounts, including group accounts.

1.1.21 The CFO is the PCC's professional adviser on financial matters. To enable him to fulfil these duties and to ensure the PCC is provided with adequate financial advice, the CFO:

- must be a key member of the PCC's Leadership Team, working closely with the Chief Executive, helping the team to develop and implement strategy and to resource and deliver the PCC's strategic objectives sustainably and in the public interest
- must be actively involved in, and able to bring influence to bear on, all strategic business decisions, of the PCC, to ensure that the financial aspects of immediate and longer term implications, opportunities and risks are fully considered, and aligned with the PCC's financial strategy
- must lead the promotion and delivery by the PCC of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively
- must ensure that the finance function is resourced to be fit for purpose.

1.1.22 It must be recognised that Financial Regulations cannot foresee every eventuality. The CFO, in consultation with the DoF, shall be responsible for reviewing, maintaining and interpreting these Regulations so as to ensure the efficient and effective operation of services.

The Director of Finance

1.1.23 The DoF (‘DoF’)is the CC’s Chief Finance Officer with responsibility for proper administration of the financial affairs of the Force and a personal fiduciary responsibility to the local council taxpayer.

1.1.24 The DoF is responsible to the CC for all financial activities within the Force or contracted out under the supervision of the Force.

1.1.25 The DoF’s responsibilities are set out in:

- Paragraph 4 of Schedule 2 and paragraph 1 of Schedule 4 to the Police Reform and Social Responsibility Act 2011
- Section 114 Local Government Finance Act 1988 (formal powers to safeguard lawfulness and propriety in expenditure)
- The Accounts and Audit Regulations as amended from time to time.

Further guidance is set out in the Financial Management Code of Practice issued under Section 17 of the Public Reform and Social Responsibility Act 2011 and Section 39A of the Police Act 1996, and the CIPFA guidance on the role of Financial Directors in the Police Service.

1.1.26 The DoF is responsible for:

- ensuring that the financial affairs of the Force are properly administered and that these Financial Regulations drawn up by the PCC are observed and kept up to date
- preparation of the revenue and capital budgets and medium term expenditure forecasts for consideration by the CC and decision by the PCC
- reporting to the CC, the CX, the CFO and to the external auditor any unlawful, or potentially unlawful, expenditure by the CC or officers of the CC
- reporting to the CC, the CX and the CFO when it appears that any expenditure of the CC is likely to exceed the resources available to meet that expenditure
- advising the CC on value for money in relation to all aspects of the Force’s expenditure
- advising the CC and the PCC on the soundness of the budget in relation to the Force
- preparing and publishing the CC’s Annual Governance Statement
- ensuring the commissioning of an effective internal audit service, in conjunction with the CFO
- liaising with the external auditor
- producing the statement of accounts for the CC and providing timely information to the CFO to enable preparation of the group accounts

- ensuring that financial awareness and resource management training is given to all budget holders
- nominating a deputy to deputise should he be unable to perform his duties (Head of Finance).

1.1.27 The DoF has certain statutory duties which cannot be delegated, namely, reporting any potentially unlawful decisions by the Force on expenditure and preparing each year, in accordance with proper practices in relation to accounts, a statement of the CC's accounts. The DoF will need to observe the locally agreed timetable for the compilation of the group accounts by the CFO.

1.1.28 The DoF is the CC's professional adviser on financial matters. To enable him to fulfil these duties the DoF :

- must be a key member of the CC's Management Team, helping it to develop and implement strategy and to resource and deliver the PCC's strategic objectives sustainably and in the public interest
- must be actively involved in, and able to bring influence to bear on, all strategic business decisions of the CC to ensure immediate and longer term implications, opportunities and risks are fully considered
- must lead the promotion and delivery by the CC of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively
- must ensure that the finance function is resourced to be fit for purpose.

The Chief Executive

1.1.29 The Chief Executive is responsible for the leadership and general administration of the PCC's office.

1.1.30 The Chief Executive is also the PCC's designated Monitoring Officer, appointed under section 5(1) of the Local Government and Housing Act 1989.

1.1.31 The Monitoring Officer is responsible for:

- ensuring the legality of the actions of the PCC and his officers
- ensuring that procedures for recording and reporting key decisions are operating effectively
- advising the PCC and all officers about who has authority to take a particular decision
- advising the PCC about whether a decision is likely to be considered contrary or not wholly in accordance with the policy framework
- advising the PCC on matters relating to standards of conduct.

Joint Independent Audit Committee

1.1.32 The Home Office Financial Management Code of Practice states that the PCC and CC should establish an independent audit committee. This should be a body which will consider the internal and external audit reports of both the PCC and the CC. This committee will advise the PCC and the CC according to good governance principles including the adoption of appropriate risk management arrangements in accordance with proper practices. In establishing their Independent Joint Independent Audit Committee, the PCC and CC shall have regard to CIPFA Guidance on Audit Committees.

1.1.33 The Independent Joint Independent Audit Committee shall comprise between three and five members who are independent of the PCC and the Force.

1.1.34 The Independent Joint Independent Audit Committee shall establish formal terms of reference, covering its core functions, which shall be formally adopted and reviewed on an annual basis.

1.1.35 The PCC and CC shall be represented at all meetings of the Independent Joint Independent Audit Committee.

1.2 FINANCIAL MANAGEMENT STANDARDS

Why is this important?

1.2.1 The PCC, CC and all employees have a duty to abide by the highest standards of probity (i.e. honesty, integrity and transparency) 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.

Responsibilities of the CFO and Director of Finance

1.2.2 To ensure the proper administration of the financial affairs of the PCC and CC respectively.

1.2.3 To ensure that there are key strategic controls in place to secure sound financial management.

1.2.4 To ensure that financial information is available to enable accurate and timely monitoring and reporting.

1.2.5 To ensure that all officers and staff are aware of, and comply with, proper financial management standards, including these Financial Regulations.

1.2.6 To ensure that all staff are properly managed, developed, trained and have adequate support to carry out their financial duties effectively.

1.2.7 To ensure that appropriate accounting policies are in place and that they are applied consistently.

1.3 ACCOUNTING RECORDS AND RETURNS

Why is this important?

1.3.1 Maintaining proper accounting records is one of the ways in which the PCC and CC will discharge their responsibility for stewardship of public resources. The PCC and CC have a statutory responsibility to prepare annual accounts that present a true and fair view of their operations during the year. These are subject to external audit. This audit provides assurance that the accounts are prepared properly, that proper accounting practices have been followed and that adequate arrangements have been made for securing economy, efficiency and effectiveness in the use of resources.

Responsibilities of the CFO and Director of Finance

1.3.2 To determine the accounting procedures and records for the PCC and CC, in accordance with recognised accounting practices, and approve the strategic accounting systems and procedures employed. All employees shall operate within the required accounting policies and published timetables. The DoF should obtain the approval of the CFO before making any fundamental changes to accounting records, procedures or accounting systems. The OPCC will provide guidance on what to regard as "fundamental changes" if required.

1.3.3 To make proper arrangements for the audit of the PCC's and the CC's accounts in accordance with the Accounts and Audit Regulations as amended from time to time.

1.3.4 To ensure that all claims for funds including grants are made on a timely and accurate basis.

1.3.5 To ensure that all statutory returns and relevant statistical returns are accurate and made by the due date.

1.3.6 To ensure that bank reconciliations and other key control accounts are reconciled on a timely and accurate basis.

1.3.7 To prepare and publish the audited accounts in accordance with the statutory timetable.

1.3.8 To ensure that all transactions, material commitments and contracts and other essential accounting information are recorded completely, accurately and on a timely basis.

1.3.9 To maintain adequate records to provide a management trail leading from the source of income and expenditure through to the accounting statements

1.3.10 To observe the following principles in the allocation of accounting duties in order to provide adequate control arrangements:

- the duties of providing information regarding sums due to or from the PCC and CC and of calculating, checking and recording of these sums, must be separated as completely as possible from the duty of collecting or disbursing them
- officers charged with the duty of examining and checking the accounts of cash and bank related transactions must not themselves be engaged in any of these transactions.

1.3.11 To ensure that financial records are both retained and disposed of in accordance with agreed policies and procedures.

1.4 THE ANNUAL STATEMENT OF ACCOUNTS

Why is this important?

1.4.1 Both the PCC and the CC has a statutory responsibility to prepare their own Statement of Accounts to present a true and fair view of their operations during the year. They must be prepared in accordance with proper practices as set out in the Code of Practice on Local Authority Accounting in the United Kingdom (the Code). The Accounts of the PCC will include Group Accounts covering both entities.

1.4.2 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 arrangements have been made for securing economy, efficiency and effectiveness in the use of resources.

Responsibilities of the CFO

1.4.3 To draw up the timetable for the Accounts preparation, in consultation with the DoF and the external auditor.

1.4.4 To prepare, sign and date the Statement of Accounts for the PCC, including the Group Accounts, stating that it presents a true and fair view of the financial position of the PCC at the accounting date and the income and expenditure for the financial year just ended.

1.4.5 To ensure the receipt and scrutiny of the Statement of Accounts of the CC and to prepare the Group Accounts which cover the Accounts of both the PCC and CC.

1.4.6 To publish the approved and audited accounts of the PCC each year, in accordance with the statutory timetable.

1.4.7 To ensure that the Annual Governance Statement of the PCC is published. This no longer has to be published in the same document to or with the Statement of Accounts.

Responsibilities of the Director of Finance

1.4.8 To comply with the timetable agreed with the CFO in supplying him with appropriate and timely information, including that required to prepare the Group Accounts.

1.4.9 To comply with any accounting guidance provided by the CFO.

1.4.10 To prepare, sign and date the Statement of Accounts for the CC stating that it presents a true and fair view of the financial position of the CC at the accounting date and the income and expenditure for the financial year just ended.

1.4.11 To publish the approved and audited accounts of the CC each year, in accordance with the statutory timetable.

1.4.12 To ensure that the Annual Governance Statement of the CC is published.

Responsibilities of the CFO and the Director of Finance

1.4.13 To select suitable, common accounting policies and apply them consistently.

1.4.14 To make judgements and estimates that are reasonable and prudent.

1.4.15 To comply with the Code of Practice on Local Authority Accounting.

1.4.16 To liaise with the external auditors as required during the audit process and agree the Annual Governance Report issued by them following the audit.

1.4.17 To prepare reports as required to the Audit Committee relating to the Statement of Accounts and the Annual Governance Report of the external auditors.

Responsibilities of the PCC and CC

1.4.18 The PCC and the CC are responsible for approving their individual annual Statement of Accounts.

SECTION 2

2.1 FINANCIAL PLANNING

Why is this important?

2.1.1 The Police Reform and Social Responsibility Act 2011 gives the PCC responsibility for the totality of Policing within their Force area and requires the PCC to hold the CC to account for the operational delivery of policing. The PCC therefore sets the strategy and provides the financial resources against and within which the spending by the PCC and the CC are managed. Both the PCC and CC need to develop systems to enable resources to be allocated in accordance with priorities. Financial planning is essential to function effectively.

2.1.2 The financial planning process should be directed by the approved policy framework, the business planning process and the need to meet key objectives.

2.1.3 The planning process should be continuous and the planning period should cover at least 3 years. The process should include a more detailed annual revenue budget, for both the PCC and the CC, covering the forthcoming financial year. This allows the PCC and Force to plan, monitor and manage the way funds are allocated and spent.

2.1.4 It is recognised that the impact of financial planning in the police service will be constrained by the quality and timing of information made available by central government on resource allocation.

Medium Term Financial Planning

2.1.5 The PCC and CC share a responsibility to provide effective financial planning for the short, medium and longer term. They will achieve this by preparing a Medium Term Financial Forecast and Capital Programme for at least 3 years.

Responsibilities of the PCC

2.1.6 To identify and agree, in consultation with the CC and other relevant partners and stakeholders, a Medium Term Financial Strategy which includes funding and spending plans for both revenue and capital. The strategy should take into account multiple years, the inter-dependencies of revenue budgets and capital investment, the role of reserves and consideration of risks. It should have regard to affordability and also to CIPFA's Prudential Code for Capital Finance in Local authorities. The Strategy should be aligned with the Police and Crime Plan.

Responsibilities of the CFO

2.1.7 To determine the format and timing of the Medium Term Financial Strategy to be presented to the PCC. The format is to comply with all legal requirements and with latest guidance issued by CIPFA.

2.1.8 To prepare a medium term forecast of the PCC's income and expenditure.

2.1.9 To prepare a medium term forecast of potential resources, including the modelling of various assumptions on future potential grant funding and precept levels and options for the use of general balances, reserves and provisions.

2.1.10 To prepare a summary of medium term financial forecasts for consideration by the PCC together with an identification of any gaps between proposed spending and available resources together with options for delivering a balanced strategy.

Responsibilities of the CC and Director of Finance

2.1.11 To prepare a medium term forecast of proposed income and expenditure for submission to the PCC.

2.1.12 When preparing the forecast, the CC shall have regard to:

- the Police and Crime Plan
- policy requirements approved by the PCC as part of the policy framework
- the strategic policing requirement
- unavoidable future commitments, including legislative requirements
- initiatives already underway
- proposed service developments
- the need to deliver efficiency and/or productivity savings

2.1.13 Requirements should be prioritised by the CC to enable the PCC to make informed judgements as to future funding levels and to plan the use of resources.

Annual Revenue Budget

2.1.14 The revenue budget provides an estimate of the annual income and expenditure requirements for the police service and sets out the financial implications of the PCC's strategic policies. It provides Chief Officers with authority to incur expenditure and a basis on which to monitor the financial performance of both the PCC and the Force.

2.1.15 The PCC should consult with the CC and other relevant partners and stakeholders in planning the overall annual budget which will include a separate Force budget. The overall budget will take into consideration funding from government and from other sources, and balance the expenditure needs of the policing service against the level of local taxation. This should meet the statutory requirements to achieve a balanced budget (Local Government Act 2003) and be completed in accordance with the statutory timeframe.

2.1.16 The impact of the annual budget on the priorities and funding of future years as set out in the Police and Crime Plan and the medium term financial strategy should be clearly identified.

2.1.17 For the avoidance of doubt, the budget in respect of staff seconded by the PCC to the CC will sit with, and be administered by, the CC's DoF and shall be subject to such transfer as is necessary to effect this.

Responsibilities of the PCC

2.1.18 To agree the strategic and financial planning timetable with the CC.

2.1.19 To obtain the views of the local community on the proposed expenditure (including capital expenditure) in the financial year ahead of the financial year to which the proposed expenditure relates.

2.1.20 To present the proposed budget and council tax recommendations to the Police and Crime Panel for consideration in accordance with legislative requirements and the agreed timetable.

2.1.21 To approve the budget and set the precept after taking into account the views expressed by the Police and Crime Panel.

Responsibilities of the CFO

2.1.22 To determine the format and timing of the revenue budget to be presented to the PCC. The format should comply with all legal requirements and with latest guidance issued by CIPFA.

2.1.23 To obtain timely and accurate information from billing authorities on the council tax base and the latest surplus/deficit position on collection funds to inform budget deliberations.

2.1.24 To advise the PCC on the appropriate level of general balances, earmarked reserves and provisions to be held.

2.1.25 To submit a report to the PCC on the robustness of the estimates and the adequacy of reserves.

2.1.26 To submit a report to the PCC on the suite of prudential indicators for the next three years, arising from the Prudential Code for Capital Finance in Local Authorities. These indicators shall be consistent with the annual revenue budget and Capital Programme approved by the PCC.

2.1.27 Upon approval of the annual budget, to submit the council tax requirement return to central government and precept notifications to appropriate bodies in accordance with the legal requirement.

2.1.28 To produce and issue information to explain how the precept will be used to pay for the cost of policing in accordance with statutory requirements.

Responsibilities of the CC and Director of Finance

2.1.29 To prepare detailed budget estimates for the forthcoming financial year in accordance with the timetable agreed with the CFO.

2.1.30 To submit estimates in the agreed format to the PCC for approval, including supporting information as required by the PCC on the content of the budget in terms of service provision and anticipated outcomes to enable the PCC to approve the level and allocation of resources.

2.1.31 The DoF is responsible for certifying the robustness of the budgets to the CC and the PCC. The DoF must also provide information to the CFO relating to financial risk to enable his assessment of the adequacy of reserves.

2.2 BUDGETARY CONTROL

Why is this important?

2.2.1 Budget management ensures that once the PCC has approved the budget, resources allocated are used for their intended purpose and are properly accounted for. Budgetary control is a continuous process, enabling both the CC and PCC to review spending against budget during the financial year. It also provides the mechanism that calls to account managers responsible for defined elements of the budget.

2.2.2 The key controls for managing and controlling the revenue budget are that:

a) for each budget there is a nominated budget holder who is accountable for the budgets under his direct control

b) for each budget a budget manager will be appointed by the DoF or CFO as appropriate

c) the holding and management of budgets should be considered in conjunction with service outputs and performance measures.

2.2.3 The CFO and the DoF shall jointly ensure that there is an appropriate framework of budget management and control within their respective organisations.

<u>Revenue Monitoring</u>

Why is this important?

2.2.4 By continuously identifying and explaining variances against budgetary targets, changes in trends and resource requirements can be identified at the earliest opportunity. The PCC and CC both operate within an annual cash limit, approved when setting the annual budget and expenditure must be managed within these budget allocations, subject to the rules of virement.

Responsibilities of the CC and Director of Finance

2.2.5 To provide and use appropriate financial information to enable budgets to be monitored effectively.

2.2.6 To 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.

2.2.7 To ensure that total spending remains within the overall allocation of resources from the PCC and take corrective action where significant variations from the approved budget are forecast. Where total projected expenditure exceeds the total allocation of resources, both the CFO and PCC shall be alerted immediately and proposals for remedy should be put forward as part of the regular reporting process to the PCC.

2.2.8 To ensure that the DoF presents a monthly Budget Monitoring Report to the Senior Command Team in line with an annual timetable agreed by the CC.

2.2.9 To submit a budget monitoring report to the PCC in accordance with an agreed timetable, containing the most recently available financial information. The reports shall be in a format agreed with the PCC and CFO and is likely to include a projected outturn and explanations for significant variations and significant changes in the pattern of service delivery (as set out in the Annual Police and Crime Plan).

Responsibility of the CFO

2.2.10 To ensure that the budget of the PCC is monitored on a regular basis and to recommend corrective action where significant variations from the approved budget are forecast.

2.2.11 To monitor and report to the PCC on the overall spending of both the PCC and the CC to ensure that this remains within the total resources available and that the impact on reserves is identified.

<u>Virement</u>

Why is this important?

2.2.12 A virement is an approved reallocation of resources between budgets. The scheme of virement is intended to enable chief officers to manage their budgets with a degree of flexibility within the overall policy framework determined by the PCC and, therefore, to provide the opportunity to optimise the use of resources to emerging needs.

2.2.13 The CC is expected to exercise discretion in managing budgets responsibly and prudently and should only be required to refer back to the PCC when virement would incur substantial changes in the policy of the PCC or where a virement would create a future year commitment for which matching resources have not been identified. A summary of financial limits appears at Section 6 of these Regulations.

2.2.14 The CC shall still be held to account by the PCC for decisions made and the way in which the resources are deployed. The virement rules allow flexibility within sufficient arrangements for control, but require detailed reports on significant changes.

2.2.15 Key controls for the scheme of virement are:

- it is administered by chief officers subject to a scheme consent from the PCC. Any variation from this scheme requires the approval of the PCC
- the overall budget is agreed by the PCC. Chief officers and budget holders are therefore authorised to incur expenditure in accordance with the estimates that make up the budget
- virement does not create additional overall budget liability.

Responsibilities of the CC and Director of Finance

2.2.16 The DoF may approve any virement up to a maximum of £25,000 except if it involves:

- a substantive change in policy
- an accumulative addition of £100,000 or more to commitments in future years for which matching resources have not been identified
- a transfer of funds from revenue to directly fund capital expenditure

in which case it must be referred to the PCC for approval and all virements should be reported to the PCC as part of budget monitoring arrangements.

2.2.17 Subject to 2.2.15 and 2.2.16, the DoF can approve any virement where the additional costs are fully reimbursed by other bodies.

2.2.18 Throughout the year, each budget holder shall ensure that income and expenditure is monitored against the budgets for which they are responsible. The DoF shall be allowed to carry forward unspent budget allocations into the new financial year in line with arrangements agreed annually by the PCC. Any budget overspends will also be carried forward to be met from the budget for the new financial year. The DoF, in conjunction with the CC, is allowed to carry forward up to 0.5% of the total Force budget, to be distributed between budget holders as they determine. Such carry forwards should be reported to the PCC as part of budget monitoring arrangements.

Responsibility of the PCC

2.2.19 To approve the scheme of virement and the arrangements for carrying forward year end expenditure and to note the reports on virements and carry forwards submitted by the CC and his officers and staff.

2.3 CAPITAL PROGRAMME

Why is this important?

2.3.1 Capital expenditure involves acquiring or enhancing fixed assets with a long-term value 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 in the form of financing costs and revenue running costs.

2.3.2 The PCC is able to undertake capital investment provided that spending plans are affordable, prudent and sustainable. CIPFA's Prudential code sets out the framework under which the PCC will consider his spending plans.

2.3.3 The capital programme is linked to the approved financial strategy and should be supported by asset management plans and strategies.

<u>Capital Programme</u>

Responsibilities of the CC and Director of Finance

2.3.4 To prepare a rolling programme, for the current financial year and three future years of proposed capital expenditure for consideration and approval by the PCC. Each scheme shall identify the total capital cost of the project and any additional revenue commitments.

2.3.5 The DoF should notify the CFO of any credit arrangements, such as finance leasing, that are proposed for formal approval by the PCC.

2.3.6 To prepare Capital Scheme Briefs for all projects in the Capital Programme which, where above £250,000, shall be submitted to the CFO and PCC for consideration and scheme approval. This will include full details of all additional revenue and capital costs and information relating to internal funding available.

2.3.7 Each capital project shall have a named project manager responsible for monitoring and reporting progress and ensuring completion of the scheme. Each project manager will be supported by a budget manager appointed by the DoF.

2.3.8 To identify to the CFO any available sources of funding for the Capital Programme in the form of potential capital receipts from the disposal of property and proposed contributions from revenue.

2.3.9 A gap may be identified between available resources and required capital investment. Requirements should be prioritised by the CC to enable the PCC to make informed judgements as to which schemes should be included in the Capital Programme, the minimum level of funding required for each scheme and the expected phasing of capital expenditure.

2.3.10 All schemes within the Capital Programme should incorporate an allowance for future price inflation.

2.3.11 Following approval of the Capital Programme, the DoF is authorised to incur expenditure on individual schemes with an initial cost of less than £250,000 without further reference to the PCC. Any scheme with an initial cost in excess of £250,000, or any subsequent increase in scheme cost which then increases the initial cost to a level in excess of £250,000, shall be submitted to the PCC for approval.

2.3.12 The DoF is also authorised to spend up to 10% or £250,000, whichever is lower, of the cost of a capital scheme contained within the approved Capital Programme purely to meet the cost of design and preparatory works relating to the capital scheme prior to the preparation of a capital scheme brief. Should the scheme not proceed, the costs of any abortive fees must be written off to revenue and accommodated within the revenue budget and notified to the CFO.

2.3.13 The DoF may re-phase schemes within the approved Capital Programme between financial years provided that the individual scheme cost is unaffected. The DoF may also utilise an under-spend on any approved scheme to fund an overspend on another approved scheme so that the total approved Capital Programme remains within the capital resources approved. Such changes should be reported to the CFO so that the implications for borrowing and the Prudential Indicators can be monitored.

2.3.14 Any other change to the Capital Programme, including the addition of new schemes to be funded by grant or revenue contribution, requires the prior approval of the PCC in respect of all changes over £25,000, except if they involve an accumulative addition of £100,000 or more to commitments in future years for which matching resources have not been identified.

Responsibilities of the CFO

2.3.15 The CFO will assess the affordability of the proposed Capital Programme and will advise the PCC on the overall funding for the Capital Programme, including the use of capital receipts, grants, revenue support and appropriate levels of borrowing.

2.3.16 The CFO will advise the PCC in setting affordable borrowing limits and prudential indicators in accordance with the Prudential Code for Capital Finance in Local Authorities.

Responsibilities of the PCC

2.3.17 To approve a fully funded Capital Programme, including borrowing levels and to approve the Affordable Borrowing Levels and other Prudential Indicators.

Monitoring of Capital Expenditure

Responsibilities of the CC and Director of Finance

2.3.18 To ensure that adequate records are maintained for all capital expenditure.

2.3.19 To monitor expenditure throughout the year against the approved Capital Programme.

2.3.20 To submit capital monitoring reports to the PCC on a monthly basis throughout the year. These reports are to be based on the most recently available financial information. The monitoring reports will show spending to date and compare projected income and expenditure with the approved programme. The reports shall be in a format agreed by the PCC and CFO.

2.3.21 To prepare a Capital Scheme Brief for all new capital schemes as appropriate for submission to the PCC for consultation and approval. Amendments to the programme increasing its overall cost must demonstrate how such changes are to be funded.

Responsibilities of the CFO

2.3.22 To ensure that the Capital Programme remains fully funded following any changes.

2.3.23 To monitor and report performance against all prudential indicators in accordance with the Prudential Code for Capital Finance in Local Authorities.

2.3.24 To report on the outturn of capital expenditure as part of the annual report on the statutory accounts.

2.4 MAINTENANCE OF RESERVES AND PROVISIONS

Why is this important?

2.4.1 Annually the PCC must decide the level of general reserves he wishes to retain before he can decide a level of council tax to raise. Reserves are maintained as a matter of prudence. They enable the organisation to provide for cash flow fluctuations, to provide cover for financial risks and unexpected costs and thereby help protect it from the effects of overspending the annual budget, should such events occur. Reserves for specific purposes may also be maintained where it is likely that a spending requirement will occur in the future.

Responsibilities of the CFO

2.4.2 To advise the PCC on reasonable levels of reserves following an assessment of financial risks facing the PCC and CC.

2.4.3 To report to the PCC on the adequacy of reserves before the PCC approves the annual budget and council tax.

2.4.4 To approve appropriations to and from each earmarked reserve or, where consent has been given to the DoF to exercise responsibility for any earmarked reserve, to approve the process for undertaking such appropriations and subsequently notifying to the CFO.

2.4.5 To ensure that provisions are set aside for known liabilities of uncertain timing and / or amount and that expenditure is charged against provisions in accordance with proper accounting practice.

Responsibilities of the CC and Director of Finance

2.4.6 To ensure that the annual revenue budget is sufficient to finance foreseeable operational needs without having to request additional approval. This could include the need for example to maintain an operational contingency up to a maximum of £400,000, information on which should be reported to the PCC's CFO on request.

2.4.7 To approve contributions to and from a carry forward reserve in accordance with agreed limits and to notify these to the CFO and PCC.

2.4.8 To present a business case to the PCC and CFO for one-off expenditure items to be funded from earmarked and/or general reserves.

Responsibilities of the PCC

2.4.9 To approve a policy on reserves, including the minimum acceptable level of reserves.

2.4.10 To approve the creation of each earmarked reserve. The purpose, usage and basis of transactions should be clearly identified for each reserve established.

2.4.11 To approve the allocation of monies to and from general and earmarked reserves, as part of the annual budget setting process.

2.4.12 To approve the overall arrangements for contingency and carry forward reserves under the control of the DoF.

SECTION 3

3.1 RISK MANAGEMENT AND BUSINESS CONTINUITY

Why is this important?

3.1.1 It is essential that robust, integrated systems are developed and maintained for identifying and evaluating all potential significant corporate and operational opportunities and risks to the PCC and the CC. This should include the proactive participation of all those associated with planning and delivering services.

3.1.2 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 PCC and to ensure the continued corporate and financial well being of both the PCC and the CC. In essence it is, therefore, an integral part of good business practice.

Responsibilities of the PCC and CC

3.1.3 The PCC and CC are jointly responsible for approving the opportunity and risk management policy statement and strategy, for reviewing the effectiveness of risk management and providing information and assurances to the Joint Independent Audit Committee (JIAC).

Responsibilities of Chief Officers

3.1.4 To prepare the above risk management policy statement and for promoting a culture of risk management awareness throughout the two organisations and reviewing risk as an ongoing process.

3.1.5 To implement procedures 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

3.1.6 To ensure that appropriate business continuity plans are developed, implemented and tested on a regular basis

Responsibilities of the CFO and Director of Finance

3.1.7 To advise the PCC and CC on appropriate arrangements for insurance. Acceptable levels of risk should be determined and insured against where appropriate. Activities leading to levels of risk being assessed as unacceptable should not be undertaken.

3.1.8 To arrange for regular reviews of self insurance arrangements, and, following those reviews, to recommend to the PCC and CC a course of action to ensure that, over the medium term, funds are available to meet all known liabilities.

Responsibilities of the PCC and the CC

3.1.9 To ensure that appropriate insurance cover is provided.

3.1.10 To ensure that claims made against insurance policies are made promptly.

3.1.11 To make all appropriate employees aware of their responsibilities for managing relevant risks.

3.1.12 To ensure that employees, or anyone covered by insurance policies, are 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.

3.1.13 To ensure that comprehensive opportunity and risk registers for both the PCC and the CC are produced and updated regularly, and that corrective action is taken at the earliest possible opportunity to either transfer, treat, tolerate or terminate identified risk.

Responsibilities of the Chief Executive

3.1.14 To evaluate and authorise any terms of indemnity that the PCC or the CC is requested to give by external parties.

3.2 INTERNAL CONTROL SYSTEM

Why is this important?

3.2.1 Internal control refers to the systems devised by management to help ensure that objectives are achieved in a manner that promotes economical, efficient and effective use of resources and that the PCC's assets and interests are safeguarded.

3.2.2 Both the PCC and the CC require an effective internal control framework to manage and monitor progress towards strategic objectives. Both have statutory obligations, and, therefore, require a system of internal control to identify, meet and monitor compliance with these obligations.

3.2.3 The PCC and the CC face a wide range of financial, administrative and commercial risks, both from internal and external factors, which threaten the achievement of their objectives. A system of internal control is necessary to manage these risks. The system of internal control is established in order to provide achievement of:

- Efficient, effective and economic operations
- reliable financial information and reporting

- compliance with laws and regulations
- risk management.

Responsibilities of Chief Officers

3.2.4 To implement effective systems of internal control, in accordance with advice from the CFO and the DoF. 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.

3.2.5 To ensure that effective key controls exist and are operating in 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 control systems is to define roles and responsibilities.

3.2.6 To ensure that effective key controls are operating in financial and operational systems and procedures. This includes physical safeguard of assets, segregation of duties, authorisation and approval procedures and robust information systems.

Responsibilities of the Chief Executive and CFO

3.2.7 To ensure that the governance, risk and internal control systems of the OPCC are reviewed at least on an annual basis. All senior officers are required to complete annual Officer Assurance Statements, setting out any governance or internal control issues identified within their area of responsibility as evidence for the review.

3.2.8 To ensure that an Annual Governance Statement is prepared for consideration and approval by the PCC.

3.2.9 To report the review of governance and internal control and the Annual Governance Statement to the Audit Committee as appropriate.

3.2.10 To publish the Annual Governance Statement with the Statement of Accounts.

Responsibilities of the CC and Director of Finance

3.2.11 To ensure that the governance and internal control systems of the Force are reviewed at least on an annual basis. All senior officers, as determined by the CC are required to complete annual Officer Assurance Statements, setting out any governance or internal control issues identified within their area of responsibility as evidence for the review.

3.2.12 To ensure that an Annual Governance Statement is prepared for consideration and approval by the CC.

3.2.13 To report the review of governance, risk and internal control and the Annual Governance Statement to the Audit Committee as appropriate.

3.2.14 To publish the Annual Governance Statement with the Statement of Accounts.

3.3 AUDIT REQUIREMENTS

Internal Audit

Why is this important?

3.3.1 Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approached to evaluate and improve the effectiveness of risk management, control and governance processes.

3.3.2 In the Police Service, the PCC and CC are required to maintain an effective audit of their affairs by virtue of the Accounts and Audit Regulations (as amended from time to time) which state that a "relevant body must maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control". The guidance accompanying the legislation states that proper internal control practices for internal audit are those contained in the Public Sector Internal Audit Standards and other relevant guidance documents prevailing from time to time.

3.3.3 In fulfilling this requirement the PCC and CC should have regard to the Code of Practice for Internal Audit in Local Government in the United Kingdom issued by CIPFA. In addition, the Statement on the Role of the Head of Internal Audit in Public Service Organisations issued by CIPFA sets out best practice and should be used to assess arrangements to drive up audit quality and governance arrangements.

3.3.4 In addition to enabling the PCC and the CC to fulfil their requirements in relation to the relevant Accounts and Audit Regulations, internal Audit is needed:

- to satisfy the PCC and the CC that effective internal control systems are in place
- to assist the external auditor in his conclusion regarding the reliability of the internal controls within the key financial systems and that the Police Fund is managed so as to secure value for money.

Responsibilities of the Independent Joint Independent Audit Committee

3.3.5 To approve the terms of reference within which internal audit operates. In terms of internal audit, the terms of reference will include the following key activities and responsibilities:

- advising the PCC and CC on the appropriate arrangements for internal audit and approving the Internal Audit Strategy
- agreeing (but not directing) the internal audit annual programme of work (including that of the Regional Audit Team)

- overseeing and giving assurance to the PCC and CC on the provision of an adequate (including resources) and effective internal audit service

- receiving and considering internal audit reports (including those of the Regional Audit Team) and ensuring appropriate action is taken in response to audit findings, particularly in areas of high risk

- receiving and considering progress reports on the internal audit work plan

- considering the Head of Internal Audit's Annual Report and annual opinion on the internal control environment for the OPCC and the Force and ensuring that appropriate action is take to address any areas for improvement

- reviewing and monitoring the effectiveness of the OPCC and the Force on fraud, irregularity and corruption
- commissioning work from / through the Head of Internal Audit.

3.3.6 As part of the approval of the internal audit strategy, ensuring that it sets out:

- Internal Audit objectives and outcomes
- how the Head of Internal Audit will form and evidence his opinion on the control environment to support the Annual Governance Statement
- how Internal Audit's work will identify and address significant local and national issues and risks
- how the service will be provided, i.e. internally, externally, or a mix of the two; and what resources and skills are required for the delivery of the strategy
- the resources and skills required to deliver the strategy.

Responsibilities of the CFO and Director of Finance

3.3.7 To ensure the commissioning of an adequate and effective internal audit service.

Responsibilities of the PCC, CC, CFO and Director of Finance

3.3.8 To ensure that internal auditors, having been security cleared, have the authority to:

- access OPCC and Police premises at reasonable times

- access all assets, records, documents, correspondence, control systems and appropriate personnel, subject to appropriate security clearance

- receive any information and explanation considered necessary concerning any matter under consideration

- require any employee to account for cash, stores or any other asset under their control.

3.3.9 Internal Audit shall have direct access to all Chief Officers and employees, where necessary.

Responsibilities of the Head of Internal Audit

3.3.10 To prepare, in consultation with the PCC and CFO or the CC and DoF, annual audit plans that conform to the Public Sector Internal Auditing Standards for consideration by the Joint Independent Audit Committee.

3.3.11 To attend or be represented at meetings of the Audit Committee and to present to each Committee a report on the progress in delivering the annual plan, the matters arising from completed audits, and the extent to which agreed actions in response to issues raised in the audit reports have been delivered.

3.3.12 To present an annual report to the Audit Committee, including an opinion on the reliance that may be placed on the internal control framework and summarising the work completed during the financial year in support of this opinion.

Responsibilities of Chief Officers

3.3.13 To consider and respond promptly to control weaknesses, issues and recommendations in audit reports and ensure that all critical or significant agreed actions arising from the audit are carried out in accordance with the agreed action plan included in each report.

Responsibilities of the Director of Finance

3.3.14 To ensure that significant new systems for maintaining financial records or records of assets, or significant changes to existing systems, are discussed with and agreed by the CFO and internal audit prior to implementation.

3.3.15 To notify the CFO immediately of any suspected fraud, theft, irregularity, improper use or misappropriation of property or resources. Pending investigation and reporting, the CC should take all necessary steps to prevent further loss and to secure records and documentation against removal or alteration. Investigation of internal financial irregularities shall normally be carried out by the Professional Standards Department, who shall consult with the Head of Internal Audit as appropriate and keep him informed of progress. At the conclusion of the investigation the Head of Internal Audit shall review the case to identify any internal control weaknesses that allowed the financial irregularity to happen and shall make recommendations to ensure that the risk of recurrence is minimised. The operation of this Regulation shall be in accordance with the agreed protocol between the Head of Professional Standards, the DoF and the Head of Internal Audit.

External Audit

Why is this important?

3.3.16 The Audit Commission is responsible for appointing external auditors to each local authority, including the PCC and the CC. The Code of Audit Practice prescribes the way in which auditors appointed by the Audit Commission carry out their functions under the Audit Commission Act 1998. The external auditor has rights of access to all documents and information necessary for audit purposes.

3.3.17 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 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 secure Value for Money.

3.3.18 In auditing the annual accounts of the PCC and the CC, which will be separate documents, the external auditor must satisfy themselves that:

- the accounts are prepared in accordance with the relevant regulations
- they comply with the requirements of all other statutory provisions applicable to the accounts
- proper practices have been observed in the compilation of the accounts
- the body whose accounts are being audited has made proper arrangements for securing economy, efficiency and effectiveness.

Responsibilities of the Independent Joint Independent Audit Committee

3.3.19 To advise the PCC and CC on the appointment of external auditors.

3.3.20 To approve, on behalf of the PCC and the CC the external audit programme of work and associated fees.

3.3.21 To review the external auditor's Annual Governance Report and any other reports, reporting on these to the PCC and CC as appropriate and including progress on the implementation of agreed recommendations.

3.3.22 To review the external auditor's Annual Audit Letter and making recommendations as appropriate to the PCC and the CC.

Responsibilities of the CFO and Director of Finance

3.3.23 To liaise with the external auditor and advise the PCC and CC on their responsibilities in relation to external audit and ensure there is effective liaison between external and internal audit.

3.3.24 To provide the Home Office with a copy of the annual audit letter.

3.3.25 To ensure that for the purposes of their work the external auditors are given the access to which they are statutorily entitled in relation to OPCC and Force premises, assets, records, documents, correspondence, control systems and personnel, subject to appropriate security clearance.

3.3.26 To respond to draft action plans and to ensure that agreed recommendations are implemented in a timely manner.

3.3.27 To respond to all proper requests for information from HMIC.

3.4 PREVENTING FRAUD AND CORRUPTION

Why is this important?

3.4.1 The PCC and CC will not tolerate fraud or corruption in the administration of their responsibilities, whether from inside or outside their organisations.

3.4.2 The PCC's and CC's expectation of propriety and accountability is that employees at all levels will lead by example in ensuring adherence to legal requirements, rules, procedures and practices.

3.4.3 The PCC and CC also expect that individuals and organisations (e.g. suppliers, contractors, and service providers) with whom they come into contact will act with honesty and integrity and without thought or actions involving fraud and corruption.

Responsibilities of the PCC and CC

3.4.4 To foster a culture that will not tolerate fraud and corruption.

3.4.5 To adopt and maintain 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. 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 PCC and CC shall ensure that all employees are aware of any approved whistle blowing policy.

3.4.6 To adopt and maintain a policy on the registering of business interests and the receipt of gifts, gratuities and hospitality and to maintain a register of business interests and a register of gifts, gratuities and hospitality.

3.4.7 To maintain effective anti-fraud and anti-corruption policies.

3.4.8 To ensure that adequate and effective internal control arrangements are in place including a clear internal financial control framework setting out the approved financial systems to be followed by all employees.

3.4.9 To participate in the biennial National Fraud Initiative (NFI) data matching exercise.

3.4.10 To notify the CFO immediately of any suspected fraud, theft, irregularity or improper use or misappropriation of Force or PCC property or resources.

3.5 ASSETS

<u>Security</u>

Why is this important?

3.5.1 The PCC holds assets in the form of land, property, vehicles, equipment, furniture and other items. 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.

Context

3.5.2 The PCC will own and fund all assets regardless of whether they are used by the PCC, by the Force or by both bodies.

3.5.3 The CC is responsible for the direction and control of the Force and should therefore have day-to-day management of all assets used by the Force.

3.5.4 The PCC should consult the CC in planning the budget and developing a Medium Term Financial Strategy. Both these processes should involve a full assessment of the assets required to meet operational requirements, including human resources, infrastructure, land, property and equipment.

Responsibilities of the PCC and CC

3.5.5 To 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

- lessees and other prospective occupiers of PCC land are not allowed to take possession or enter the land until a lease or agreement has been established as appropriate

- title deeds to PCC property are held securely

- no asset is subject to personal use by an employee without proper authority

- valuable and portable items such as computers, cameras and video recorders are recorded on inventories

- all employees are aware of their responsibilities with regard to safeguarding PCC assets and information, including the requirements of the Data Protection Act and software copyright legislation

- assets no longer required are disposed of in accordance with the policies of the PCC and the Force

- all employees for the Force and PCC are aware of their responsibilities with regard to safeguarding the security of computer systems, including maintaining restricted access to the information held and compliance with computer and internet security policies.

- officers for the Force and the PCC respectively are aware of their responsibilities with regard to safeguarding of assets and information, including the requirements of the Data Protection Act.

Responsibilities of the CC

3.5.6 The CC is responsible for the safe handling, retention and disposal of property brought into police possession, including seizure under the Drug Trafficking Act and the Proceeds of Crime Act 2002, in accordance with approved policies and regulations. Disposal of items not reclaimed or returned to owners will be arranged in accordance with the Force's disposal policy and the proceeds used in accordance with the PCC's policy (for found property) and the Police (Property) Regulations 1997 (for other than found property). A report shall be submitted to the PCC annually on the distribution of the proceeds of such disposals.

<u>Valuation</u>

Responsibilities of the CFO

3.5.7 To ensure that an asset register is maintained for all fixed assets with a value in excess of the limits in accordance with agreed policies. Assets are to be recorded when they are acquired and shall remain on the asset register until disposal. Assets are to be valued in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom.

Inventories, Stocks and Stores

Responsibilities of the PCC and CC

3.5.8 The PCC and CC must ensure that disposals and write offs of all stock or inventory items are actioned in accordance with financial instructions and the following limits:

- the CFO and the DoF may individually authorise disposals and write offs up to the value of £10,000 (based on cost price)

Any write off above this level must be referred to the PCC for approval.

Responsibilities of the CC

3.5.9 To make arrangements for the care, custody and control of the stocks and stores of the Force and to maintain detailed stores records in a form approved by the CFO.

3.5.10 To undertake a complete stock check at least once per year either by means of continuous or annual stocktake. The stocktake shall be undertaken and certified by an authorised member of staff who is independent of the stock keeping function. This procedure shall be followed and a complete stock check undertaken whenever stock keeping duties change.

3.5.11 To ensure that adequate arrangements exist to discharge the above responsibilities in relation to stock administered by the Regional Procurement Unit on behalf of the Force.

Intellectual Property

Why is this important?

3.5.12 Intellectual property is a generic term that includes inventions and writing.

3.5.13 If any Intellectual Property is created by either an employee of the PCC or an employee of the CC during the course of employment, then, as a general rule, this will belong to the employer, not the employee. Various acts of Parliament cover different types of intellectual property. Certain activities undertaken within the Force may give rise to items that could be patented, for example, software development. These items are collectively known as intellectual property.

3.5.14 In the event that the Force decides to become involved in the commercial exploitation of inventions, the matter should proceed in accordance with an intellectual property policy. Matters should only proceed after legal advice

Responsibilities of the PCC and CC

3.5.15 To ensure that employees are aware of these procedures.

3.5.16 To prepare guidance on intellectual property procedures and ensuring that employees are aware of these procedures.

3.5.17 To approve the intellectual property policy.

Asset Disposals

Why is this important?

3.5.18 It would be uneconomic and inefficient for the cost of assets to outweigh their benefits. Obsolete, non-repairable or unnecessary resources should be disposed of in accordance with the law and these Financial Regulations.

Responsibilities of the CC and Director of Finance

3.5.19 To dispose of assets at the appropriate time and at the most advantageous price in accordance with the Asset Disposal Policy. Where this is not the highest offer, the CC shall consult with the CFO. Prior approval of the PCC is required for the disposal of land and buildings.

3.5.20 All asset disposals shall be recorded in the asset register or inventory as appropriate, other than those which are not required to be separately or individually accounted for within the inventory register.

Responsibilities of the CFO and Director of Finance

3.5.21 To ensure that income received for the disposal of an asset is properly banked and accounted for.

3.5.22 To ensure that appropriate accounting entries are made to remove the value of disposed assets from asset records and to include the sale proceed if appropriate.

3.6 TREASURY MANAGEMENT AND BANKING ARRANGEMENTS

Treasury Management

Why is this important?

3.6.1 It is important that monies held by the PCC and CC are managed properly, in a way that balances risk with return, but with the prime consideration being given to the security of the PCC's capital sum.

3.6.2 The PCC has adopted the CIPFA Code of Practice on Treasury Management and the following will be created and maintained as the cornerstones for effective treasury management:

- A treasury management policy statement, stating the policies, objectives and approach to risk management 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.

Responsibilities of the PCC

3.6.3 To be directly responsible for loans, investments and for borrowing money as the holder of the Police Fund.

3.6.4 To adopt the key recommendations of CIPFA's Treasury Management in the Public Services: Code of Practice (the Code).

3.6.5 To approve the annual Treasury Management Policy and Strategy together with the annual Investment Strategy and Minimum Revenue Provision Statement

3.6.6 To receive and approve treasury management performance monitoring reports including an annual report on treasury management activity.

Responsibilities of the CFO

3.6.7 To implement and monitor treasury management policies and practices in line with the CIPFA Code and other professional guidance.

3.6.8 To prepare reports on the PCC's treasury management policies, practices and activities, including, as a minimum, an annual strategy, performance monitoring reports and an annual report.

3.6.9 To execute and administer treasury management in accordance with the CIPFA Code and the PCC's policy.

3.6.10 To arrange borrowing and investments, in compliance with the CIPFA Code

3.6.11 To ensure that all investments and borrowings are made in the name of the PCC.

<u>Banking Arrangements</u>

Why is this important?

3.6.12 The PCC is statutorily accountable to the public for the management of the Police Fund. The PCC is the recipient of all funding relating to policing and crime reduction, including government grant and precept and other sources of income.

3.6.13 The PCC and the CC will have joint banking arrangements for their main banking requirements.

Responsibilities of the CFO

3.6.14 To have overall responsibility for the banking arrangements for the PCC and the CC.

3.6.15 To authorise the opening and closing of all bank accounts and approve the relevant operating procedures. No other employee shall open a bank account unless they are performing a statutory function (e.g. CFO of a charitable body) in their own right.

3.6.16 To ensure that bank reconciliations are undertaken on a timely and accurate basis.

3.6.17 To ensure that lists of approved signatories on all bank accounts are maintained.

Imprest Accounts / Petty Cash

Why is this important?

3.6.18 Cash advances may be made to an individual in order that relatively small incidental payments may be made quickly. A record of disbursements from the account should be maintained to control the account and so that the expenditure may be substantiated, accurately reflected in the accounts and correctly reimbursed to the account holder.

Responsibilities of the CC

3.6.19 To provide appropriate employees of the Force with cash, bank imprests or pre-paid cash cards to meet minor expenditure on behalf of the Force. The CC 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.

Money Laundering

Why is this important?

3.6.20 Both the PCC and the CC are alert to the possibility that they may become the subject of an attempt to involve them in a transaction involving the laundering of money.

3.6.21 Under no circumstances should cash payments of more than £5,000 be accepted for any transaction whether carried out in a single operation or in several operations which appear to be linked.

3.6.22 Internal control procedures will be monitored to ensure they are reliable and robust.

Responsibilities of the CFO and Director of Finance

3.6.23 To be the nominated Money Laundering Reporting Officer (MLRO) for the PCC and CC respectively.

3.6.24 Upon receipt of a disclosure to consider, in the light of all information, whether it gives rise to such knowledge or suspicion.

3.6.25 To disclose relevant information to national investigative agencies.

Responsibilities of Chief Officers

3.6.26 To undertake appropriate checks to ensure that all new suppliers and counterparties are bona fide.

Responsibilities of employees

3.6.27 To notify the CFO or DoF as soon as they receive information which may result in them knowing or having reasonable grounds for knowing or suspecting money laundering, fraud or use of the proceeds of crime

3.6.28 Where an individual offers to make a payment to the Force of over £5,000 in cash, this should be reported to the CFO or DoF. This instruction does not apply to seizures and subsequent bankings under the Proceeds of Crime Act.

<u>COVERT ACCOUNTS</u>

Why is this important?

3.6.29 In order to maintain the strictest confidentiality and to prevent any link to South Yorkshire Police, it is necessary to purchase company identities and to set up bank accounts that mirror those identities in order to support covert operations.

Responsibilities of the CFO

3.6.30 To authorise the opening and closing of covert accounts.

3.6.31 To delegate the authorisation for covert accounts to the DoF initially in order to preserve the covert identity of that account

Responsibilities of Director of Finance

3.6.32 To agree the detailed Force operating procedures.

3.7 STAFFING

Why is this important?

3.7.1 Staffing costs form the largest element of the annual policing budget. An appropriate HR strategy should exist, in which staffing requirements and budget allocations are matched. The CC is responsible for approving the overall HR strategy for the Force in consultation with the PCC.

Responsibilities of the CC

3.7.2 To ensure that employees are appointed, employed and dismissed in accordance with relevant statutory regulations, national agreements and personnel policies, budgets and strategies agreed by the PCC.

3.7.3 To advise the PCC on the budget necessary in any given year to cover estimated staffing levels

3.7.4 To adjust the staffing numbers to meet the approved budget provision, and varying the provision as necessary within policy constraints in order to meet changing operational needs

3.7.5 To have systems in place to record all matters affecting payments to staff, including appointments, resignations, dismissals, secondments, suspensions, transfers and all absences from work.

3.7.6 To approve, in consultation with the CFO, policy arrangements for premature retirements on grounds of ill-health or efficiency for all staff and redundancy arrangements for support staff.

Responsibilities of the Chief Executive

3.7.7 To have the same responsibilities as above for staff employed directly by the PCC, subject to the provisions of any secondment agreements.

3.8 TRUST FUNDS

Why is this important?

3.8.1 Trust Funds have a formal legal status governed by a Deed of Trust. Employees and police officers acting as trustees must ensure that they are conversant with the requirements of the Trust Deed and the law and comply fully with them.

3.8.2 These Financial Regulations should be viewed as best practice, which should be followed whenever practicable.

3.8.3 No employee shall open a trust fund without the specific approval of the CFO or the DoF.

Responsibilities of Trustees

3.8.4 All employees acting as trustees by virtue of their official position shall ensure that accounts are audited as required by law and submitted annually to the appropriate body, and the CFO and/or DoF shall be entitled to verify that this has been done.

3.9 ADMINISTRATION OF EVIDENTIAL & NON-EVIDENTIAL PROPERTY

Why is this important?

3.9.1 The CC is required to exercise a duty of care and safeguard evidential or non-evidential property pending decisions on its ownership, or private property of an individual e.g. a suspect in custody.

Responsibilities of the CC

3.9.2 To determine procedures for the safekeeping of the private property of a person, other than a member of staff, under his guardianship or supervision. These procedures shall be made available to all appropriate employees.

3.9.3 To determine procedures for the safekeeping of evidential or non-evidential property. These procedures shall be made available to all appropriate employees and shall make specific reference to the need for insurance of valuable items.

3.9.4 To issue separate Financial Instructions for dealing with cash, including seized cash under the Proceeds of Crime Act

Responsibilities of all employees

3.9.5 To notify the CC immediately in the case of loss or diminution in value of such private property.

3.10 GIFTS, LOANS AND SPONSORSHIP

Why is this important?

3.10.1 In accordance with the Police Act 1996, the PCC may decide to accept gifts of money and gifts or loans of other property or services (e.g. car parking spaces) if they will enable the police either to enhance or extend the service which they would normally be expected to provide. The terms on which gifts or loans are accepted may allow commercial sponsorship of some police Force activities.

Context

3.10.2 Gifts, loans and sponsorship are particularly suitable for multi-agency work such as crime prevention, community relations work, and victim support schemes.

3.10.3 Gifts, loans and sponsorship can be accepted from any source which has genuine and well intentioned reasons for wishing to support specific projects. In return, the provider may expect some publicity or other acknowledgement.

3.10.4 The total value of gifts, loans and sponsorship accepted, should not exceed 1% of the PCC / CC gross expenditure budget annually.

3.10.5 Full details of arrangements in this area are contained in the Force’s policy on Sponsorship and Donations.

Responsibilities of the PCC

3.10.6 To approve the policy on gifts, loans and sponsorship.

3.10.7 To record all gifts, loans and sponsorship received by the PCC.

Responsibilities of the Chief Executive and Director of Finance

3.10.8 To accept gifts, loans or sponsorship within agreed policy guidelines.

3.10.9 To refer all gifts, loans and sponsorship above £50,000 to the PCC for approval before they are accepted.

3.10.10 To present an annual report to the PCC listing all gifts, loans and sponsorship received by the Force.

3.10.11 To maintain a central register, in a format agreed by the CFO, of all sponsorship initiatives and agreements including their true market value, and to provide an annual certified statement of all such initiatives and agreements. The register will be made available to the CFO, who shall satisfy himself that it provides a suitable account of the extent to which such additional resources have been received.

3.10.12 To bank cash from sponsorship activity in accordance with normal income procedures.

SECTION 4

4.1 SYSTEMS & PROCESSES - INTRODUCTION

Why is this important?

4.1.1 There are many systems and procedures relating to the control of PCC assets, including purchasing, costing and management systems. The PCC and CC are 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.

4.1.2 The CFO and DoF both have a statutory responsibility to ensure that financial systems are sound and should therefore be notified of any significant proposed new developments or changes.

4.1.3 The CC and PCC will share common financial systems where appropriate.

Responsibilities of the CFO and Director of Finance

4.1.4 To make arrangements for the proper administration of the PCC and the CC's financial affairs respectively, including to:

- issue advice, guidance and procedures for officers and others acting on behalf of the PCC or CC
- determine the accounting systems, form of accounts and supporting financial records
- establish arrangements for the audit of the PCC's and the CC's financial affairs
- approve any significant new financial systems to be introduced
- approve any significant changes to existing financial systems.

4.1.5 To ensure, in respect of systems and processes, that

- systems are secure, adequate internal control exist and accounting records (e.g. invoices, income documentation) 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 maintained, allowing financial transactions to be traced from the accounting records to the original document and vice versa

- systems are documented and staff trained in operations.

4.1.6 To ensure that there is a documented and tested business continuity plan to allow key 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

4.1.7 To establish separate schemes of delegation, identifying staff authorised to act upon the PCC's or the CC's behalf respectively with regard to income collection, placing orders etc.

4.2 INCOME

Why is this important?

4.2.1 Income is vital to the PCC and CC and effective systems are necessary to ensure that all income due is identified, collected, receipted and banked promptly.

Context

4.2.2 The PCC and CC will agree charging policies when applying charges under section 25 of the Police Act 1996. They should keep in mind that the purpose of charging for special services is to ensure that, wherever appropriate, those using the services pay for them.

4.2.3 PCCs should ensure that there are arrangements in place to ensure that expected charges are clearly identified in their budgets and that costs are accurately attributed and charged. When considering budget levels, the PCC should ensure that ongoing resource requirements are not dependant on a significant number of uncertain or volatile income sources and should have due regard to sustainable and future year service delivery.

4.2.4 When specifying resource requirements the CC will identify the expected income from charging. The CC should adopt ACPO charging policies in respect of mutual aid unless the CC and PCC agree a different scheme of charges.

Responsibilities of the PCC and CC

4.2.5 To adopt the ACPO national charging policies and national guidance when applying charges under section 25 of the Police Act 1996 unless the CC and PCC agree a different scheme of charges.

Responsibilities of the CFO and Director of Finance

4.2.6 To make arrangements for the collection of all income due and approve the procedures, systems and documentation for its collection, including the correct charging of VAT.

4.2.7 To agree a charging policy for the supply of goods and services, including the appropriate charging of VAT, and to review it regularly in line with corporate policies. All charges should be at full cost recovery except where regulations require otherwise or where flexibility exists as determined by the DoF and CFO.

4.2.8 To ensure that all income is paid fully and promptly into the PCC Fund Bank Account. Appropriate details should be recorded on to paying-in slips to provide an audit trail. The CFO will determine the categories of income which may be credited against the CC's budget

4.2.9 To ensure income is not used to cash personal cheques or make other payments.

Responsibilities of the Director of Finance

4.2.10 To order and supply to appropriate employees 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.

4.2.11 To operate effective debt collection procedures.

4.2.12 To initiate, in consultation with the CX, appropriate debt recovery procedures, including legal action where necessary.

4.2.13 To approve the write-off of cash discrepancies and bad debts in accordance with the following limits:

- the CFO and the DoF may individually authorise write offs up to the value of £5,000

A permanent record shall be maintained by the authorising officers of amounts written off which should be available for inspection by the PCC if required. Any write off greater than this must be referred to the PCC for approval.

4.2.14 To prepare detailed Financial Instructions for dealing with income, to be agreed with the CFO, and to issue them to all appropriate employees.

4.3 ORDERING AND PAYING FOR WORK, GOODS AND SERVICES

Why is this required?

4.3.1 Public money should be spent in accordance with the PCC's policies. Both the PCC and the CC have a statutory duty to ensure financial probity and best value. Procedures should assist in ensuring that value for money is obtained by purchasing arrangements within both the OPCC and the Force, which should be in accordance with the procurement strategy and Contract Standing Orders.

Responsibilities of the Director of Finance

4.3.2 To ensure compliance with Contract Standing Orders.

4.3.3 To maintain a procurement policy covering the principles to be followed for the purchase of goods and services for the Force.

4.3.4 To issue official orders for all work, goods or services to be supplied to the Force, except for supplies of utilities, periodic payments such as rent or rates, petty cash purchases or other exceptions.

4.3.5 Official orders must not be raised for any personal or private purchases, nor must personal or private use be made of any contracts.

4.3.6 Goods and services ordered must be appropriate and there must be adequate budgetary provision. Quotations or tenders must be obtained where necessary, in accordance with these regulations.

4.3.7 Payments are not to be made unless goods and services have been received by the Force at the correct price, quantity and quality in accordance with any official order.

4.3.8 To ensure that payments are made to the correct person, for the correct amount, on time and are recorded properly, regardless of the method of payment.

4.3.9 To ensure that VAT is recovered where appropriate

4.3.10 To ensure that all expenditure, including VAT, is accurately recorded against the right budget and any exceptions are corrected

4.3.11 To ensure that all purchases made through e-procurement follow the rules, regulations and procedures, as set out in the separate Contract - Procedures and Content document.

4.3.12 To ensure that control systems are in place for the payment of accounts in accordance with the Late Payments of Commercial Debts (Interest) Act 1998.

4.3.13 To prepare, in consultation with the CFO, detailed Financial Instructions for dealing with the ordering and payment of goods and services, and to issue these to all appropriate employees.

Responsibilities of Senior Officers

4.3.14 To act in accordance with the terms and limitations of any scheme of consent made by the DoF in respect of the issue of orders for work goods and services to be supplied to the Force.

Responsibilities of the CFO

4.3.15 The CFO will have similar responsibilities for procurement of goods and services on behalf of the PCC.

Responsibilities of the Chief Officers

4.3.16 To ensure that every member and employee declares 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 PCC or CC and that such persons take no part in the selection of a supplier or contract with which they are connected.

4.4 PAYMENTS TO EMPLOYEES

Why is this required?

4.4.1 Employee costs are the largest item of expenditure for the policing budget. It is therefore important that there are controls in place to ensure accurate, timely and valid payments are made in accordance with individuals' conditions of employment.

Responsibilities of each of the PCC and CC to their respective employees

4.4.2 To ensure the secure and reliable payment of salaries, overtime, pensions, compensation and other emoluments to existing and former employees.

4.4.3 To ensure that tax, superannuation and other deductions are made correctly and paid over at the right time to the relevant body.

4.4.4 To pay all valid travel and subsistence claims or financial loss allowance.

4.4.5 To pay salaries, wages, pensions and reimbursements by the most economical means.

4.4.6 To ensure that payroll transactions are 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 HM Revenue & Customs (HMRC) requirements. The HMRC applies a tight definition of employee status, and in cases of doubt, advice should be sought from them.

4.4.7 To ensure that full records are maintained of payments in kind and properly accounted for in any returns to the HMRC.

4.4.8 To prepare detailed Financial Instructions for dealing with payments to employees, to be agreed with the CFO, and these shall be issued to all appropriate employees.

4.5 TAXATION

Why is this important?

4.5.1 Tax issues are often very complex and the penalties for incorrect and/or untimely accounting for tax are severe.

Responsibilities of the CFO and Director of Finance

4.5.2 To ensure the timely completion and submission of all HM Revenue & Customs (HMRC) returns regarding PAYE and that due payments are made in accordance with statutory requirements

4.5.3 To ensure the timely completion and submission of VAT claims, inputs and outputs to HMRC

4.5.4 To ensure that the correct VAT liability is attached to all income due and that all VAT receivable on purchases complies with HMRC regulations

4.5.5 To provide details to the HMRC regarding the construction industry tax deduction scheme.

4.5.6 To ensure that appropriate technical staff have access to up to date guidance notes and professional advice.

4.6 CORPORATE CREDIT CARDS

Why is this important?

4.6.1 Credit cards provide an effective method for payment for designated officers who, in the course of their official business, have an immediate requirement for expenditure which is relevant to the discharge of their duties.

Responsibilities of the CFO and Director of Finance

4.6.2 To authorise and maintain control over the issue of cards.

4.6.3 To provide full operating procedures to all cardholders.

Responsibilities of credit card holders

4.6.4 To ensure that purchases are in accordance with approved policies

4.6.5 To provide receipted details of all payments made by corporate credit card each month, including nil returns, to ensure that all expenditure is correctly reflected in the accounts and that VAT is recovered.

4.7 PURCHASING CARDS

Why is this important?

4.7.1 Purchasing cards are an alternative method of buying and paying for relatively low value goods, which generate a high volume of invoices. This should generate an efficiency saving from lower transaction costs (i.e. fewer invoices processed and paid for through the integrated accounts payable system), as well as reducing the number of petty cash transactions.

Responsibilities of the CFO and Director of Finance

4.7.2 To authorise and maintain control over the issue and cancellation of cards.

4.7.3 To provide full operating procedures to card holders.

4.7.4 To reconcile the purchase card account to the ledger on a monthly basis.

Responsibilities of Purchasing Card Holders

4.7.5 To be responsible for ordering and paying for goods and services in accordance with the procurement policy, contract standing orders and all procedures laid down.

4.8 CASH CARDS

Why is this important?

4.8.1 Cash cards allow authorised officers to obtain cash from ATMs up to a maximum limit per day for payments to Covert Human Intelligence Sources.

4.8.2 The legal requirements set out within Regulation of Investigatory Powers Act (RIPA) place responsibilities on all those involved in the source-handling arena.

Responsibilities of the CFO and Director of Finance

4.8.3 To authorise and maintain control over the issue and cancellation of cards.

4.8.4 To provide full operating procedures to card holders.

4.8.5 To provide detailed procedures for the management of the process for uploading of funds, reconciliation of transactions and payments to the system provider.

Responsibilities of Cash Card Holders

4.8.6 To be responsible for the withdrawal of and discharge of funds in line with Force procedures and the requirements set out within RIPA.

4.9 EX GRATIA PAYMENTS

Why is this important?

4.9.1 An ex gratia payment is a payment made by the PCC or the CC where no legal obligation has been established. An example may be where recompense is made 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.

Responsibilities of the CFO and Director of Finance

4.9.2 To make ex gratia payments, on a timely basis, 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 PCC or CC.

4.9.3 To make ex gratia payments, on a timely basis, up to the level shown below in any individual instance, for damage or loss of property or for personal injury to a police officer, police staff or any member of the extended police family, in the execution of duty.

4.9.4 To make ex gratia payments by way of reimbursement or contribution towards the costs of remedying criminal damage occasioned to property owned or occupied by a police officer or other employee of the Force which would not have been occasioned had the officer or employee in question was not known to be an officer or employee of the Force.

4.9.5 To maintain details of ex gratia payments in a register:

4.9.6 The following authorisation levels apply :

- CFO and DoF (who has the consent of the PCC for the purpose) up to £25,000

The CC shall produce an annual report to the PCC summarising the payments made by him under these arrangements. Any ex gratia payment above this level must be referred to the PCC for approval.

SECTION 5

5.1 EXTERNAL FUNDING

Why is this important?

5.1.1 External funding can be a very important source of income, but funding conditions need to be carefully considered to ensure that they are compatible with the aims and objectives of the PCC. Funds from external agencies provide additional resources to enable the PCC to deliver his policing objectives. However, in some instances, although the scope for external funding has increased, such funding is linked to tight specifications and may not be flexible enough to link to the PCC's overall plan.

5.1.2 The main source of such funding for the PCC will tend to be specific government grants, additional contributions from local authorities and donations from third parties (e.g. towards capital expenditure).

5.1.3 The Policing Protocol Order 2011 Section 16 states that the PCC is the recipient of all funding including government grant and precept and other sources of income relating to policing and crime reduction and all funding for the CC must come via the PCC. How the funding is allocated is a matter for the PCC in consultation with the CC, or in accordance with any grant terms.

Responsibilities of the PCC

5.1.4 To approve the policy on external funding (inward investment).

Responsibilities of Chief Officers

5.1.5 To pursue actively any opportunities for additional funding where this is considered to be in the interests of the PCC and in line with the policing and crime needs of the public of South Yorkshire.

5.1.6 To ensure that the match-funding requirements and exit strategies are considered prior to entering into the agreements and that future medium term financial forecasts reflect these requirements.

Responsibilities of the CC and Director of Finance

5.1.7 All grant funding for the Force must come via the PCC. Grant funding should only be considered when it clearly meets policing objectives and priorities in line with the Police and Crime Plan.

5.1.8 Subject to 5.1.7, the DoF may accept, or bid for, grant of up to £50,000. Any grant bids or grant acceptance above this level must be referred to the PCC for consideration and approval.

5.1.9 The Director Finance must ensure that any key conditions of funding and any statutory requirements are complied with and that the responsibilities of the accountable body are clearly understood. Any conditions placed on the PCC in relation to external funding must be in accordance with the approved policies of the PCC. If there is a conflict, this needs to be taken to the PCC for resolution.

5.1.10 A central register of external funding must be maintained including information on expected outcomes, risks, staffing implications as per the agreed inward investment policy.

5.1.11 A bi-annual report should be submitted to the PCC on the achievements of the external funding, demonstrating the effect on PCC objectives and priorities in line with the Police and Crime Plan.

5.1.12 The DoF must ensure that all grant income received by the Force is notified to the CFO, that all claims for funds are made by the due date and properly authorised and that any audit requirements are met.

Responsibilities of the CFO

5.1.13 To ensure that all funding notified by external bodies is received and properly accounted for, that all claims for funds are made by the due date and properly authorised and that any audit requirements specified in the funding agreement are met.

5.2 JOINT WORKING ARRANGEMENTS

Why is this important?

5.2.1 Public bodies are increasingly encouraged to provide seamless service delivery through working closely with other public bodies, local authorities, agencies, voluntary and private sector providers.

5.2.2 Joint working arrangements can take a number of different forms, each with its own governance arrangements. For the PCC and the CC these are grouped under the following headings:

- Partnerships
- Consortia
- Collaboration

5.2.3 Partners engaged in joint working arrangements 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.

5.2.4 In all joint working arrangements the following key principles must apply:

- before entering into the agreement, a risk assessment has been prepared
- such agreements do not impact adversely upon the services provided by the Force and PCC
- 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
- accounting and taxation requirements, particularly VAT, are understood fully and complied with
- an appropriate exit strategy has been produced
- the PCC and CC elements of all joint working arrangements must comply with these Financial Regulations.

Partnerships

5.2.5 The term partnership refers to groups where members work together with a shared vision for a geographic or themed policy area, and agree a strategy in which each partner contributes towards its delivery. A useful working definition of such a partnership is where the partners:

- are otherwise independent bodies
- agree to co-operate to achieve a common goal
- achieve it to create an organisational structure or process and agreed programme, and share information, risks and rewards.

5.2.6 The number of partnerships, both locally and nationally, is expanding in response to central government requirements and local initiatives. This is in recognition of the fact that partnership working has the potential to:

- deliver strategic objectives in new and better ways
- improve service quality and cost effectiveness

- ensure the best use of scarce resources and access new resources
- deal with issues which cut across agency and geographic boundaries, and where mainstream programmes alone cannot address the need.

5.2.7 Partnerships typically fall into three main categories i.e. statutory based, strategic, and ad-hoc.

Statutory based

5.2.8 These are partnerships that are governed by statute. They include, for example, Community Safety Partnerships (CSPs) and Local Strategic Partnerships (LSPs).

Strategic

5.2.9 These are partnerships set up to deliver core policing objectives. They can either be Force-wide or local.

Ad-hoc

5.2.10 These are typically locally based informal arrangements.

Responsibilities of the PCC

5.2.11 To approve the policy on partnerships.

Responsibilities of the CC

5.2.12 To maintain a register of partnership arrangements (including information on funding and other resources invested in the partnership, assessment of risk and copy of the relevant partnership agreement or memorandum of understanding as per the agreed policy on partnerships.

5.2.13 To undertake a regular review of partnership working to ensure the continued relevance to PCC objectives and priorities in line with the Police and Crime Plan.

5.2.14 To ensure that all partnership arrangements involving the provision of services by external bodies in exchange for payment or other means of support shall contain the following clause: “The relevant Internal Audit Team shall have all reasonable rights of access to information and persons of the partnership body to ensure that the internal control arrangements are sound, the PCC’s financial interests are protected and payments made can be accounted for and confirmed to be adequate and correct.”

5.2.15 To report bi-annually to the PCC on the achievements of the partnership demonstrating how the partnerships contribute to PCC objectives and priorities in line with the Police and Crime Plan.

<u>Consortium Arrangements</u>

5.2.16 A consortium is a long-term joint working arrangement with other bodies, operating with a formal legal structure approved by the PCC.

Responsibilities of Chief Officers

5.2.17 To contact the Chief Executive before entering into a formal consortium agreement, to establish the correct legal framework.

5.2.18 To consult, as early as possible, the DoF and the CFO to ensure the correct treatment of taxation and other accounting arrangements.

5.2.19 To produce a business case to show the full economic benefits to be obtained from participation in the consortium.

5.2.20 To produce a Memorandum of Understanding (MOU) setting out the appropriate governance arrangements for the project. This document should be signed by the Chief Executive.

Responsibilities of the PCC

5.2.21 To approve Force participation in the consortium arrangement.

<u>Collaboration</u>

5.2.22 Under sections 22A to 22C of the Police Act 1996 as inserted by section 89 of the Police Reform and Social Responsibility Act 2011, PCCs and CCs have the legal power and duty to enter into collaboration agreements to improve the efficiency or effectiveness of policing. Any collaboration which relates to the functions of a police Force must first be agreed with the CC of the Force concerned.

5.2.25 The PCC shall hold the CC to account for any collaboration on which the Force is involved and must consider doing so in co-operation with the other PCCs concerned.

5.2.26 Any such proposal must be discussed with the CFO and DoF in the first instance.

5.3 COMMISSIONING OF SERVICES

Why is this important?

5.3.1 As set out in section 10 of the Police Reform and Social Responsibility Act 2011, the PCC is given the responsibility for co-operative working. This allows the PCC, within the constraints of the relevant funding streams, to pool funding as they and their local partners deem appropriate.

5.3.2 The PCC can commission services or award grants to organisations or bodies that they consider will support their community safety priorities in accordance with their Police and Crime Plan. They may do this individually or collectively with other local partners including non-policing bodies. In exercising his functions, must have regard to the relevant priorities of each responsible authority.

5.3.3 When the PCC commissions services, agreement is required on the shared priorities and outcomes expected to be delivered through the contract or grant agreement with each provider. Ring-fenced provision of crime and disorder grants is allowed in support of each provider. The inclusion of detailed grant conditions directing recipients how to spend funding need not be the default option.

5.3.4 The power to make crime and disorder grants with conditions is contained in section 9 of the Police Reform and Social Responsibility Act 2011. The power to contract for services is set out in paragraph 14 of Schedule 1 and paragraph 7 of Schedule 3 to the Police Reform and Social Responsibility Act 2011.

5.3.5 It is important to ensure that risk management and project appraisals are in place to assess the viability - both on initiation and on an ongoing basis - of all external arrangements and that an exit strategy is prepared.

Responsibilities of the PCC

5.3.6 To consult and work with local leaders and criminal justice system partners, having due regard to the relevant priorities of local partners when considering and setting the Police and Crime Plan.

5.3.7 To make appropriate arrangements to commission, and where necessary de-commission, services from either the Force or external providers so as to best meet the strategic priorities as set out in the Police and Crime Plan.

5.3.8 To award crime and disorder grants.

Responsibilities of the Chief Executive

5.3.9 To develop a commissioning framework that will support the objectives as set out in the Police and Crime Plan.

5.3.10 To ensure that consideration of the wider impact on other public bodies, local authorities and voluntary sector organisations is considered within the commissioning framework, and that where appropriate, local people, service users and providers are consulted as part of the commissioning process.

5.3.11 To agree on behalf of the PCC and in consultation with the CFO, expenditure or grant funding up to a level of £30,000, provided this is within overall agreed budget levels. Any approvals should be in line with the PCC's overarching commissioning principles as set out in the commissioning framework and with reference to the strategic priorities as set out in the Police and Crime Plan.

5.3.12 To develop appropriate control processes and procedures so as to ensure that monitoring of performance against agreed key performance indicators and negotiated outcomes is maintained and to provide assurances to the PCC on the same.

5.3.13 To consult with the CFO as early as possible to ensure the correct treatment of taxation and other financial and accounting arrangements.

Responsibilities of the CFO

5.3.14 To assist the Chief Executive to carry out the financial aspects of the responsibilities around commissioning, and in particular to budget and account for incoming funding and outgoing expenditure in accordance with accounting requirements.

5.4 WORK FOR EXTERNAL BODIES

Why is this required?

5.4.1 The CC provides services to other bodies outside of normal obligations, for which charges are made e.g. training, special services. Arrangements should be in place to ensure that any risks associated with this work are minimised and that such work is not ultra vires.

Responsibilities of the Director of Finance and CC

5.4.2 To ensure that proposals for assistance are costed, that no contract is subsidised by the Force and that, where possible, payment is received in advance of the delivery of the service so that the Force is not put at risk from any liabilities such as bad debts.

5.4.3 To ensure that appropriate insurance arrangements are in place.

5.4.4 To ensure that all contracts are properly documented.

5.4.5 To ensure that such contracts do not impact adversely on the services provided by the PCC.

5.4.6 The DoF is authorised to submit tenders for the supply of goods and/or services to other bodies up to the value of £50,000. The submission of tenders for the supply of goods and/or services > £50,000 requires the approval of the PCC.

SECTION 6

6 SUMMARY OF FINANCIAL LIMITS UNDER DELEGATIONS AND CONSENTS

Virement

6.1 The DoF may approve any virement up to a maximum of £25,000 except if it involves:

- a substantive change in policy
- an accumulative addition of £100,000 or more to commitments in future years for which matching resources have not been identified
- a transfer of funds from revenue to directly fund capital expenditure

in which case it must be referred to the PCC for approval and all virements should be reported to the PCC as part of budget monitoring arrangements.

6.2 Subject to 2.2.15 and 2.2.16, the DoF can approve any virement where the additional costs are fully reimbursed by other bodies.

Carry Forward of Resources

6.3 Throughout the year, each budget holder shall ensure that income and expenditure is monitored against the budgets for which they are responsible. The DoF shall be allowed to carry forward unspent budget allocations into the new financial year in line with arrangements agreed annually by the PCC. Any budget overspends will also be carried forward to be met from the budget for the new financial year. The DoF, in conjunction with the CC, is allowed to carry forward up to 0.5% of the total Force budget, to be distributed between budget holders as they determine. The DoF, in conjunction with the CC, may carry forward up to 0.5% of the Force Revenue Budget to be held in an earmarked reserve and distributed to budget holders as they determine.

6.4 The DoF must notify the CFO of any contributions to and from the above earmarked reserve and Such carry forwards should be reported to the PCC as part of budget monitoring arrangements.

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Capital Expenditure

6.5 The DoF is authorised to incur expenditure on individual schemes of less than £250,000 within the approved Capital Programme without further reference to the PCC. Any scheme with an initial cost in excess of £250,000, or any subsequent increase in scheme cost which then increases the initial cost to a level in excess of £250,000, shall be submitted to the PCC for approval.

6.6 The DoF may re-phase schemes within the approved Capital Programme between financial years provided that the individual scheme cost is unaffected. The DoF may also utilise an underspend on any approved scheme to fund an overspend on another approved scheme so that the total approved Capital Programme remains within the capital resources approved. Such changes should be reported to the CFO so that the implications for borrowing and the Prudential Indicators can be monitored.

6.7 The DoF may incur costs to meet the design and any preparatory works relating to a capital scheme within the approved Capital Programme of up to 10% of the total scheme value or £250,000 whichever is lower. Should the scheme not proceed, then the abortive costs must be accommodated within the Force revenue budget and notified to the CFO.

6.8 Any other change to the Capital Programme, including the addition of new schemes to be funded by grant or revenue contribution, requires the prior approval of the PCC in respect of all changes over £25,000, except if they involve an accumulative addition of £100,000 or more to commitments in future years for which matching resources have not been identified.

Inventories, Stocks and Stores

6.9 The CFO and the DoF may individually authorise disposals and write offs of inventory items, stocks and stores up to the value of £10,000, based on cost price

Legal Claims

6.10 The Senior Solicitors in the Legal Services Unit may approve settlements of legal claims brought against the CC up to the value of £10,000 (excluding legal costs).

Anti-Money Laundering

6.11 Under no circumstances should cash payments of more than £5,000 be accepted for any transaction whether carried out in a single operation or in several operations which appear to be linked.

6.12 Where an individual offers to make a payment to the Force of over £5,000 cash, this should be reported to the CFO or DoF. This instruction does not apply to seizures and subsequent bankings under the Proceeds of Crime Act.

Gifts, Loans and Sponsorship

6.13 The DoF may accept gifts, loans and sponsorship up to the value of £50,000. Any above that level must be referred to the PCC for approval.

Income

6.14 The CFO and the DoF may individually authorise write offs of cash discrepancies and bad debts up to the value of £5,000. A permanent record shall be maintained by the authorising officers of amounts written off which should be reported to the PCC annually.

Ex-gratia Payments

6.15 The CFO and the DoF may individually authorise ex-gratia payments of up to £25,000. An annual report by the CC to the PCC summarising the payments made under these arrangements shall be produced.

External Funding

6.16 The DoF may accept, or bid for, grant of up to £50,000. Any grant bids or grant acceptance above this level must be referred to the PCC for consideration and approval.

Commissioning

6.17 The Chief Executive may agree, in consultation with the CFO, expenditure or grant funding up to a level of £30,000 on behalf of the PCC. All such decisions should be reported to the PCC as soon as practicable.

Work for External Bodies

6.18 The DoF is authorised to submit tenders for the supply of goods and/or services to other bodies up to the value of £50,000. The submission of tenders for the supply of goods and/or services > £50,000 requires the approval of the PCC.