



Nottinghamshire

**POLICE & CRIME COMMISSIONER**

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**Financial Regulations**

Review Date: 2015

# **Financial Regulations** **Introduction**

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**TO FOLLOW SHORTLY**

# INTRODUCTION

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 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 (Commissioner) and Chief Constables.
2. Each Commissioner and their respective Chief Constable is established in law as a corporation sole within the 2011 Act. As such, both are enabled by law to employ staff and hold funds in their official capacity. Chief Constables are charged with the impartial direction and control of all constables and staff within the police force that they lead. The staff of the Commissioner are accountable to the directly elected holder of that office.
3. The public accountability for the delivery and performance of the police service is placed into the hands of the Commissioner on behalf of their electorate. The Commissioner draws on their mandate to set and shape the strategic objectives of their force area in consultation with the Chief Constable. The Commissioner is accountable to the electorate; the Chief Constable is accountable to their Commissioner. The Police and Crime Panel within each force area is empowered to maintain a regular check and balance on the performance of the Commissioner in that context.
4. The Commissioner within each force area has a statutory duty and electoral mandate to hold the police to account on behalf of the public.
5. The Commissioner may appoint a Deputy Police & Crime Commissioner who may exercise any function of the Commissioner.
6. The Commissioner is the recipient of all funding, including the government grant and precept and other sources of income, related to policing and crime reduction and all funding for a force must come via the Commissioner. How this money is allocated is a matter for the Commissioner in consultation with the Chief Constable, or in accordance with any grant terms. The Chief Constable will provide professional advice and recommendations.
7. The Commissioner and the Chief Constable are both required to appoint a Chief Finance Officer (CFO).
8. To conduct its business effectively, the organisation needs to ensure that it has sound financial management policies in place and that they are strictly adhered to. Part of this process is to adopt and implement Financial Regulations. The Regulations contained herein have been drawn up in such a way as to ensure that the financial matters are conducted properly and in compliance with all necessary requirements.

9. The Regulations are designed to establish overarching financial responsibilities, to confer duties, rights and powers upon the Commissioner, the Chief Constable and their statutory officers and to provide clarity about the financial accountabilities of groups or individuals. They apply to every member and officer of the service and anyone acting on their behalf.
10. A modern organisation should also be committed to innovation, within the regulatory framework, providing that the necessary risk assessment and approval safeguards are in place.

## **STATUS**

11. These Financial Regulations should not be seen in isolation, but rather as part of the overall regulatory and governance framework that includes the policing protocol, codes of conduct, scheme of consent and scheme of delegation.
12. The Commissioner 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, provides value for money and achieves best value.
13. Financial Regulations explain the working financial relationship between the Commissioner and the Chief Constable and their respective Chief Financial Officers, having regard also to the role played by the Commissioners Chief Executive.
14. These regulations include responsibilities for Statutory Officers and it is the responsibility for each of the Statutory Officers to fulfil these requirements individually and by working together.
15. The Commissioner is responsible for approving or amending Financial Regulations. The CFO to the Commissioner is responsible for maintaining a review of Financial Regulations and submitting any additions or amendments to the Commissioner, after consulting with the Chief Constable, ACO Resources and the Chief Executive.
16. More detailed Financial Procedures to supplement these Regulations, shall be issued by the Chief Constable after consultation with the CFO to the Commissioner and the Chief Executive.
17. Senior 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.
18. Any case of potential non-compliance with these regulations or Standing Orders should be reported immediately and directly to the CFO to the Commissioner. Breaches of Financial Regulations of a serious nature may result in disciplinary proceedings and, potentially, criminal action.

19. The Commissioner 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**

20. 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 also summarised in Section 6.

- Section 1 - Financial management
- Section 2 - Financial planning
- Section 3 - Management of risk and resources
- Section 4 - Systems and procedures
- Section 5 - External arrangements
- Section 6 - Summary of delegated limits

## **DEFINITIONS WITHIN THE REGULATIONS**

21. For the purposes of these Regulations, when used as a generic term, shall refer to:
- The Commissioner
  - The Office of the Commissioner (OPCC)
  - The Force
22. The Commissioners Chief Finance Officer is referred to as the CFO to the Commissioner.
23. The Chief Constable's chief finance officer is the ACO Resources.
24. The Chief Executive also fulfils the monitoring officer role.
25. The Statutory Officers referred to relate to the Chief Constable the Chief Executive and the two Chief Financial Officers.
26. The "Organisation" relates to the organisation as a whole (ie that under the direction and control of both the Commissioner and the Chief Constable).
27. The 'Force' shall refer to the Chief Constable, police officers, police staff, police community support officers (PCSO), special constabulary, volunteers and other members of the wider police family under his direction.
28. "Senior officers" is a generic term relating to all officers with managerial responsibility for resources and their use.

29. 'Employees' when referred to as a generic term shall refer to police officers, police staff and other members of the wider police family.
30. The expression 'authorised officer' refers to employees authorised by a chief officer.
31. 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 Commissioner, the Force or their affiliated bodies.
32. The expression 'best value for money' shall mean the most cost effective means of meeting the need and takes account of whole life costs.
33. The expression 'he' shall refer to both male and female.

# 1. FINANCIAL MANAGEMENT

## **Financial Management**

### **The Police and Crime Commissioner (PCC)**

1. The Commissioner has a statutory duty and electoral mandate to ensure an efficient and effective police service and to hold the police to account on behalf of the public. The Commissioner is the recipient of funding relating to policing and crime reduction, including government grant, council tax precept and other sources of income. Details of the local arrangements relating to income, such as that collected under section 25 of the Police Act 1996, should be set out in local schemes of consent. How this money is allocated is a matter for the Commissioner in consultation with the Chief Constable, or in accordance with any grant terms. The statutory officers of the Chief Constable and the Commissioner will provide professional advice and recommendations.
2. The Commissioner shall appoint a Chief Financial Officer to be responsible for the proper administration of the Commissioner's financial affairs. He shall also appoint a Chief Executive who will act as the Commissioners monitoring officer.
3. The Commissioner is responsible for approving the policy framework and budget, monitoring financial outcomes and the approval of medium term financial plans in consultation with the Chief Constable. He is responsible for approving the overall framework of accountability and control, and monitoring compliance. In relation to these Financial Regulations this includes:
  - Police and crime plan
  - Financial strategy
  - Annual revenue budget
  - Capital programme
  - Medium term financial forecasts
  - Treasury management strategy, including the annual investment strategy
  - Asset management strategy
  - Risk management strategy
  - Governance policies
4. The Commissioner is responsible for approving procedures for recording and reporting decisions taken and for monitoring compliance with agreed policy and related executive decisions.
5. The Commissioner is also responsible for approving procedures for agreeing variations to approved budgets, plans and strategies forming the policy framework.

6. The Commissioner shall provide his Chief Finance Officer with such staff, accommodation and other resources that are in his opinion sufficient to allow his duties under this section to be performed.
7. The Commissioner may appoint a Deputy PCC (DPCC) for that area and arrange for the DPCC to exercise any function of the Commissioner.

### **The Deputy Police and Crime Commissioner (DPCC)**

8. The DPCC may exercise any function conferred on him by the Commissioner, which the Commissioner is legally able to delegate.

### **The Chief Constable**

9. The Chief Constable is responsible for maintaining the Queen's Peace and has direction and control over the Force's officers and staff. The Chief Constable holds office under the Crown, but is appointed by the Commissioner.
10. The Chief Constable is accountable to the law for the exercise of police powers and to the Commissioner for the delivery of efficient and effective policing, management of resources and expenditure by the police force. At all times the Chief Constable, his constables and staff, remain operationally independent in the service of the public.
11. To help ensure the effective delivery of policing services and to enable the Chief Constable to have impartial direction and control of all constables and staff within their force, the Chief Constable 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 Commissioner.
12. The Chief Constable must ensure that the financial management of their allocated budget remains consistent with the objectives and conditions set by the Commissioner. The Chief Constable will discharge this through the ACO Resources who will lead for the force on financial management.
13. When the Chief Constable intends to make significant change of policy or seeks to move significant sums of their budget then the approval of the Commissioner should be sought.
14. The Chief Constable shall appoint a Chief Finance Officer (ACO Resources) to be responsible for the proper administration of the Chief Constable's financial affairs.

15. The Chief Constable is responsible for the day to day financial management of the Force within the framework of the budget, rules of virement and reporting arrangements. In operating day to day financial management, the Chief Constable shall comply with the approved policies and framework of accountability.
16. The Chief Constable shall prepare Financial Procedures to supplement the Financial Regulations and provide detailed instructions on the operation of the specific financial processes delegated to the Chief Constable. The Chief Constable shall ensure that all employees are made aware of the existence of these Regulations and are given access to them. Where appropriate, training shall be provided to ensure that the Regulations can be complied with.

### **The Independent Joint Audit Panel**

17. The Home Office Financial Management Code of Practice states that the Commissioner and Chief Constable should establish an independent joint audit panel. This should be a combined body which will consider the internal and external audit reports of both the Commissioner and the Chief Constable. This committee will advise the Commissioner and the Chief Constable according to good governance principles and will adopt appropriate risk management arrangements in accordance with proper practices. In establishing the Audit Panel the Commissioner and Chief Constable shall have regard to CIPFA Guidance on Audit Committees.
18. The Audit Panel shall comprise of five members who are independent of the Commissioner and the Force.
19. The Audit Panel shall establish formal terms of reference, covering its core functions, which shall be formally adopted and reviewed on an annual basis
20. The Commissioner and Chief Constable shall be represented at all meetings of the Audit Panel.
21. In Nottinghamshire there will be a Joint Audit and Scrutiny Panel, which will have 5 members with the option to appoint additional members to fulfil the specific scrutiny function.
22. The terms of reference for the joint Audit and Scrutiny Panel cover requirements in relation to Internal and External Audit appointments, plans and reports, HMIC reports, risk management, governance, annual accounts and related reports and the annual scrutiny work plan.

## **The Chief Finance Officer to the Commissioner**

23. The Chief Finance Officer (CFO) to the Commissioner has responsibility for proper financial administration and a personal fiduciary responsibility to the local council taxpayer.
24. The CFO to the Commissioner 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 2011.
25. The CFO to the Commissioner is his professional adviser on financial matters and shall be responsible for:
  - Ensuring that the financial affairs of the Commissioner 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;
  - Ensuring that the funding required to finance agreed programmes is available from Central Government, council tax precept, other contributions and recharges;
  - Reporting to the Commissioner, the Police and Crime Panel and to the external auditor:
    - any unlawful, or potentially unlawful, expenditure by the Commissioner or officers of the Commissioner;
    - when it appears that any expenditure is likely to exceed the resources available to it to meet that expenditure;
  - Advising the Commissioner on the robustness of the estimates and the adequacy of financial reserves;
  - Preparing the annual statement of accounts,
  - Ensuring the provision of an effective internal audit service,
  - securing the treasury management function, including loans and investments;
  - Advising, in consultation with the 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 Commissioner on the application of value for money principles by the police force to support the Commissioner in holding the Chief Constable to account for efficient and effective financial management.
26. The CFO to the Commissioner, in consultation with the Chief Executive and Chief Constable as appropriate, shall be given powers to institute any proceedings or take any action necessary to safeguard the finances of OPCC.

27. The CFO to the Commissioner has certain statutory duties which cannot be delegated, namely, reporting any potentially unlawful decisions by the Commissioner on expenditure and preparing each year, in accordance with proper practices in relation to accounts, a statement of the Commissioners accounts, including group accounts.
28. The CFO to the Commissioner is his professional adviser on financial matters. To enable them to fulfil these duties and to ensure the Commissioner is provided with adequate financial advice the CFO to the Commissioner:
  - Must be a key member of the Commissioners Leadership Team, working closely with the Chief Executive, helping the team to develop and implement strategy and to resource and deliver the Commissioners 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 Commissioner, to ensure that the financial aspects of immediate and longer term implications, opportunities and risks are fully considered, and alignment with the Commissioners financial strategy;
  - must lead the promotion and delivery by the Commissioner of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively; and
  - Must ensure that the finance function is resourced to be fit for purpose.

### **The Chief Executive**

29. The Chief Executive is responsible for the leadership and general administration of the Commissioner's office
30. The Chief Executive is also the Commissioners designated monitoring officer, appointed under section 5(1) of the Local Government and Housing Act 1989.
31. The monitoring officer is responsible for:
  - Ensuring the legality of the actions of the Commissioner and his officers.
  - Ensuring that procedures for recording and reporting key decisions are operating effectively.
  - Advising the Commissioner and officers about who has authority to take a particular decision.
  - Advising the Commissioner about whether a decision is likely to be considered contrary or not wholly in accordance with the policy framework.
  - Advising the Commissioner on matters relating to standards of conduct.

## The ACO Resources

32. The ACO Resources is the Chief Constable's Chief Finance Officer with responsibility for proper financial administration and a personal fiduciary responsibility to the local council taxpayer.
33. The ACO Resources is responsible to the Chief Constable for all financial activities within the Force or contracted out under the supervision of the Force.
34. The ACO Resources' 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 2011.
35. The ACO Resources is responsible for:
  - Ensuring that the financial affairs of the force are properly administered and that these financial regulations are observed and kept up to date.
  - Reporting to the Chief Constable, the Commissioner, the CFO to the Commissioner and to the external auditor:
    - Any unlawful, or potentially unlawful, expenditure by the Chief Constable or officers of the Chief Constable.
    - When it appears that any expenditure of the Chief Constable is likely to exceed the resources available to it to meet that expenditure.
  - Advising the Chief Constable on VFM in relation to all aspects of the force's expenditure.
  - Advising the Chief Constable and the Commissioner on the soundness of the budget in relation to the force.
  - Liaising with the external auditor.
  - Working with the CFO to the Commissioner' staff to produce the statement of accounts for the Chief Constable and to assist in the production of group accounts.
36. The ACO Resources has certain statutory duties which cannot be delegated. These are reporting any potentially unlawful decisions by the force on expenditure, and preparing each year, in accordance with proper accounting practices, a statement of the Chief Constable's accounts. The ACO Resources will need to adhere to the locally agreed timetable for the compilation of the group accounts by the CFO to the Commissioner.
37. The ACO Resources is the Chief Constable's professional adviser on financial matters. To enable him to fulfil these duties the ACO Resources:

- Must be a key member of the Chief Constable's Management Team, helping it to develop and implement strategy and to resource and deliver the Commissioner'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 Chief Constable to ensure immediate and longer term implications, opportunities and risks are fully considered.
  - Must lead the promotion and delivery by the Chief Constable 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.
38. It must be recognised that Financial Regulations cannot foresee every eventuality. The ACO Resources, in consultation with the CFO to the Commissioner, shall be responsible for interpreting these regulations so as to ensure the efficient and effective operation of services.

# **Financial Management Standards**

## **Why is it important?**

The Commissioner, Chief Constable 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 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.

## **Key Controls**

The key controls and objectives for financial management standards are:

- Their promotion throughout the organisation.
- A monitoring system to review compliance with financial standards, and regular comparisons of performance indicators with benchmark standards that are reported to the Joint Audit Panel.
- Systems of internal control are in place, that ensure financial transactions are lawful.
- Suitable accounting policies are selected and applied.
- Proper accounting records are maintained.
- Financial statements are prepared, which present fairly the financial position of the Commissioner and Chief Constable, including expenditure and income.

## **Responsibilities of the Statutory Officers**

- 1.2.1 To ensure the proper administration of the financial affairs of both legal entities.
- 1.2.2 To ensure that proper practices are adhered to.
- 1.2.3 To ensure financial information is available to enable accurate and timely monitoring and reporting of comparisons of national and local financial performance indicators.
- 1.2.4 To advise on the key strategic controls necessary to secure sound financial management.
- 1.2.5 To ensure that **all** 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 report any actual or potential breaches of the law or maladministration to the CFO to the Commissioner or the Monitoring Officer.

# **Accounting Records and Returns**

## **Why is this important?**

Maintaining proper accounting records is one of the ways in which the Commissioner and Chief Constable will discharge their responsibilities for stewardship of public resources. The Commissioner and Chief Constable have a responsibility to prepare annual accounts that present fairly its 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 quality arrangements have been made for securing economy, efficiency and effectiveness in the use of resources.

## **Key controls**

The key controls for accounting records and returns are:

- Finance staff and those authorised to make expenditure operate within the required accounting standards and timetables.
- All of the organisations transactions, material commitments and contracts and other essential accounting information are recorded completely, accurately and on a timely basis.
- Procedures are in place to enable accounting records to be reconstituted in the event of systems failure.
- Reconciliation procedures are carried out to ensure transactions are correctly recorded.
- Prime documents are retained in accordance with legislative and other requirements.

## **Responsibilities of the Statutory Officers**

- 1.3.1 To determine the accounting procedures and records, in accordance with recognised accounting practices, and approve the strategic accounting systems and procedures in place.
- 1.3.2 Ensure that all employees operate within the required accounting policies and timetables.
- 1.3.3 To make proper arrangements for the audit of the Commissioner's and Force's accounts in accordance with the Accounts and Audit Regulations 2011.
- 1.3.4 To ensure that all claims for funds, including grants are made by the due date.

- 1.3.5 To ensure that the bank reconciliations and other key control accounts are reconciled on a timely and accurate basis.
- 1.3.6 To prepare and publish the audited accounts in accordance with the statutory timetable.
- 1.3.7 To ensure that any fundamental changes to accounting records and procedures or accounting systems are approved by the CFO to the Commissioner.
- 1.3.8 To ensure that all transactions, material commitments, 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 the income through to the accounting statements.

# **The Annual Statement of Accounts**

## **Why is this important?**

The accounts will comprise of separate statements for the Commissioner, Chief Constable as well as the group accounts covering both entities.

The Chief Constable has a statutory responsibility to prepare the Force accounts to present fairly its 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 Commissioner has a statutory responsibility to prepare the accounts relating to the Office of the Police & Crime Commissioner and also the Group Accounts for both entities. These must present fairly the financial position of organisations and be prepared in accordance with proper practices as set out in the Code of Practice on Local Authority Accounting in the United Kingdom.

## **The Commissioner is responsible for approving these annual accounts.**

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

## **Key controls**

The key controls for the annual statement of accounts are:

- The Commissioner is required to make arrangements for the proper administration of its financial affairs.
- The Commissioners statement of accounts must be prepared in accordance with proper practices as set out in the Code of Practice on Local Authority Accounting in the United Kingdom.

## **Responsibilities of the Statutory Officers**

1.4.1 The CFO to the Commissioner is to draw up the timetable for the final accounts preparation, in consultation with the ACO Resources and the external auditor.

1.4.2 The CFO to the Commissioner is to prepare, sign and date the statement of accounts, stating that it represents fairly the financial position of the Commissioner at the accounting date and its income and expenditure for the financial year just ended.

1.4.3 The CFO to the Commissioner is to publish the approved and audited accounts each year, in accordance with the statutory timetable and to produce summary accounts for publication on the website.

## 2. FINANCIAL PLANNING

### **Financial and Performance Plans**

This is a complex organisation and as such needs to plan effectively and to develop systems to enable scarce resources to be allocated in accordance with carefully weighed priorities. The budget is the financial expression of the Commissioners plans and policies.

The revenue budget must be constructed so as to ensure that resource allocation properly reflects the policing plans and priorities of the Commissioner. Budgets (spending plans) are needed so that the Commissioner can plan, authorise, monitor and control the way money is allocated and spent. It is illegal for an organisation to budget for a deficit.

Medium-term planning involves a planning cycle in which managers develop their own plans. As each year passes, another future year will be added to the medium-term plan. This ensures that the Commissioner is always preparing for events in advance.

#### **Why is this important?**

The Commissioner is responsible for delivering a range of activities extending beyond Policing to include the commissioning of services in the wider crime prevention area and possibly extending to the Criminal Justice area.

The Commissioner therefore needs to develop systems to enable resources to be allocated in accordance with priorities and similarly the Chief Constable needs to develop systems that enable the allocation of policing resources in accordance with priorities and the policing plan. Financial planning is essential if both entities are to function effectively.

The financial planning process should be congruent with the approved policy framework, the business planning process and the need to meet key objectives.

The planning process should be continuous and the planning period should cover at least 3 years. The process should include a more detailed annual plan – i.e. the budget covering the next financial year. This allows the Commissioner and the Chief Constable to plan, monitor and manage the way resources are allocated and spent.

The budget and medium term financial plan should reflect the resources required in the Policing and Crime Plan that the Commissioner is required to publish including the performance plan.

## **Medium Term Financial Planning**

The Commissioner and Chief Constable share a responsibility to provide effective financial and budgetary planning for the short, medium and longer term. This is achieved by preparing a medium term (3-5 years) revenue forecast and capital programme.

The medium term plan of the Chief Constable would be incorporated into the medium term financial plan of the Commissioner to provide an encompassing medium term plan.

## **Police and Crime Plan**

The Commissioner has a responsibility to produce and publish the Police and Crime Plan for Nottinghamshire. This is a three year plan which incorporates the strategic requirements of the Force and local Partnerships.

It is the Police & Crime plan that will give direction to where resources are to be prioritised and therefore links closely to the medium term financial plan and budget.

## **Key Controls**

The key controls for performance and financial plans are:

- To ensure that all relevant plans are produced and that they are consistent.
- To produce plans in accordance with statutory requirements.
- To meet the timetables set.
- To ensure that all performance information is accurate, complete and up to date.
- To provide improvement targets which are meaningful, realistic and challenging.

## **Responsibilities of the Statutory Officers**

2.1.1 To determine the format and timing of the medium term financial plans to be presented to the Commissioner. The format is to comply with all legal requirements and with the latest guidance issued by The Chartered Institute of Public Finance & Accountancy (CIPFA).

2.1.2 To prepare a medium term forecast of proposed income and expenditure for submission to the Commissioner. When preparing the forecast, it shall have considered and made allowance for:

- The Police and Crime Plan.

- Policy requirements approved by the Commissioner as part of the policy framework.
- The strategic policing requirement.
- Unavoidable future commitments, including legislative requirements
- Initiatives already underway.
- Revenue implications of the draft capital programme.
- Proposed service developments and plans which reflect public consultation.
- The need to deliver efficiency and/or productivity savings.
- Government grant allocations.
- Potential implications for local tax payers.
- The Workforce Plan.

2.1.3 To prepare a medium term financial plan, including options for the use of general balances, reserves and provisions and an assumption about future levels of government funding.

2.1.4 Where a gap is identified the Chief Constable should prioritise policing requirements to enable the Commissioner to make informed judgements as to the future funding levels and planning the use of resources.

## **Annual Revenue Budget**

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 Commissioner's strategic policies.

### **Format of the Budget**

#### **Why is this important?**

The format of the budget determines the level of detail to which financial control and management will be exercised. The format shapes how the rules around virement operate, the operation of cash limits and sets the level at which funds may be reallocated within budgets.

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

### **Key Controls**

The key controls for the budget format are:

- The format complies with all legal requirements.
- The format complies with CIPFA's Code of Practice.
- The format reflects the accountabilities of service delivery.

### **Responsibilities of the Statutory Officers**

- 2.2.1 The Commissioner should agree the budget planning timetable with the Chief Constable.
- 2.2.2 To obtain the views of the local community on proposed expenditure (including capital expenditure) in the financial year ahead of the financial year to which the proposed expenditure relates.
- 2.2.3 To present the proposed council tax implications and precept requirement with the budget to the Police and Crime Panel by 31<sup>st</sup> January.
- 2.2.4 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 plan should be clearly identified.

- 2.2.5 The format of the budget is to comply with all legal requirements and with the latest guidance issued by CIPFA and approved by the CFO to the Commissioner.
- 2.2.6 The CFO to the Commissioner to ensure timely and accurate information is to be obtained from billing authorities on the council tax base and the latest surplus/deficit position on collection funds to inform budget deliberations.
- 2.2.7 The CFO to the Commissioner is to advise the Commissioner on the appropriate level of general balances, earmarked reserves and provisions to be held.
- 2.2.8 The CFO to the Commissioner is to submit a report to the Commissioner on:
- The robustness of the estimates and the adequacy of the reserves.
  - The prudential and treasury management indicators for the next three years.
- 2.2.9 Upon approval of the annual budget, the CFO to the Commissioner is to submit the council tax requirement form to central government and precept notifications to appropriate bodies in accordance with legal requirements.
- 2.2.10 The CFO to the Commissioner to produce, in accordance with statutory requirements, the council tax information leaflet.
- 2.2.11 The ACO Resources is to prepare detailed budget estimates for the forthcoming financial year in accordance with the timetable agreed with the CFO to the Commissioner.

## **Budgetary Control**

### **Why is this important?**

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

### **Key Controls**

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

- There is a nominated budget manager for each cost centre or account code heading who is accountable for the budgets under his direct control.
- The management of budgets must not be seen in isolation. It should be measured in conjunction with service outputs and performance measures.

## **Revenue Monitoring**

### **Why is this important?**

By continuously identifying and explaining variances against budgetary targets, the Commissioner and Chief Constable can identify changes in trends and resource requirements at the earliest opportunity. The Commissioner and Chief Constable both operate within an annual cash limit, approved when setting the annual budget. To ensure that the police force in total does not overspend, the Chief Constable and CFO to the Commissioner are required to manage expenditure within their budget allocations, subject to the rules of virement, which are set out in Section 6.

### **Key Controls**

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

- Budget managers should be responsible only for income and expenditure that they can influence.
- Budget managers accept accountability for their budgets and the level of service to be delivered and understand their financial responsibilities.
- Budget managers follow an approved certification process for all expenditure.
- Income and expenditure are properly recorded and accounted for.
- Performance levels are monitored in conjunction with the budget and necessary action is taken to align outputs and budget.

## **Responsibilities of the Statutory Officers**

- 2.3.1 To provide appropriate financial information to enable budgets to be monitored effectively.
- 2.3.2 To ensure that each element of income or expenditure has a nominated budget manager 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 the expenditure – usually at cost centre level.
- 2.3.3 The Chief Constable and ACO Resources are to ensure that total spending for operational policing remains within the overall allocation of resources and takes corrective action where significant variations from the approved budget are forecast. Where total projected expenditure exceeds the total allocation of resources due to circumstances beyond the control of the Chief Constable, both the CFO to the Commissioner and the Commissioner shall be informed immediately and proposals to remedy should be put forward as part of the regular reporting process to the Commissioner. The same responsibilities apply to the Chief Executive and CFO to the Commissioner for their budgets.
- 2.3.4 To submit a budget monitoring report to the Commissioner on a regular basis throughout the year containing the most recently available financial information including forecast out-turns. The reports shall be in a format agreed with the Commissioner and CFO to the Commissioner.
- 2.3.5 The CFO to the Commissioner to co-ordinate a joint budget monitoring report for presentation to the Police & Crime Panel, as necessary, containing the most recently available financial information.

## **Resource allocation**

### **Why is this important?**

A mismatch often exists between available resources and required resources. A common scenario is that available resources are not adequate to fulfil need/desire. It is therefore imperative that needs/desires are carefully prioritised and that resources are fairly allocated, in order to fulfil all legal responsibilities. Resources may include staff, money, equipment, goods and materials.

### **Key controls**

The key controls for resource allocation are;

- Resources are acquired in accordance with the law and using an approved authorisation process.
- Resources are used only for the purpose intended, to achieve the approved policies and objectives, and are properly accounted for.

- Resources are securely held for use when required.
- Resources are used with the minimum level of waste, inefficiency or loss for other reasons

## **Virement – Revenue & Capital**

### **Why is this important?**

A virement is an approved reallocation of resources between budgets or heads of expenditure. A budget head is a line in the approved budget report. The scheme of virement is intended to enable senior officers to manage their budgets with a degree of flexibility within the overall policy framework determined by the Commissioner and, therefore, to provide the opportunity to optimise the use of resources to emerging needs.

### **Key Controls**

The key controls for the scheme of virement are:

- It is administered by senior officers within delegated powers given by the Commissioner. Any variation from this scheme requires approval of the Commissioner.
- The overall budget is agreed by the Commissioner. Chief officers and budget managers are therefore authorised to incur expenditure in accordance with the estimates that make up the budget
- Virement does not create additional overall budget liability.
- Each senior officer shall ensure that virement is undertaken to maintain the accuracy of budget monitoring.

### **Responsibilities of the Statutory Officers**

2.3.6 All virements are notified as part of the budget monitoring reporting process. However, any virement over £100,000 that is identified between reports should be reported to the CFO for the Commissioner and the Commissioner immediately.

2.3.7 The approval of the Commissioner shall be required:

- As part of updating the budget through the budget monitoring process
- If the virement involves a substantial change in policy
- If the virement results in a significant addition to commitments in future years
- Where resources to be transferred were originally planned to meet expenditure of a capital nature

## **Capital Programme**

### **Why is this important?**

Capital expenditure involves acquiring or enhancing fixed assets with a long-term value to the Commissioner, 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 create financial commitments for the future in the form of financing costs and revenue running costs.

The Commissioner is able to undertake capital investment providing the spending plans are affordable, prudent and sustainable. CIPFA's Prudential Code sets out the framework under which the Commissioner will consider its spending plans.

The capital programme is linked to the approved financial strategy.

### **Key controls**

The key controls for capital programmes are:

- Approval by the Commissioner for the programme of capital expenditure.
- A scheme and estimate, including project plan, progress targets and associated revenue expenditure is prepared for each capital project.
- The development and implementation of asset management plans.
- The development and implementation of IT investment plans.
- Accountability for each proposal is accepted by a named manager.
- Monitoring of progress in conjunction with expenditure and comparison with approved budget.

### **Responsibilities of the Statutory Officers**

2.4.1 To develop and implement asset management plans. These plans are to be approved by the Commissioner.

2.4.2 The CFO to the Commissioner is to develop a supporting financial strategy for approval by the Commissioner.

### **Medium Term Capital Programme**

#### **Responsibilities of the Statutory Officers**

2.4.3 The Chief Constable and ACO Resources are to prepare a rolling programme of proposed capital expenditure for approval by the Commissioner. Each scheme shall identify the benefit of the project, the link to the Police and Crime Plan, the total capital cost of the project, any additional revenue implications and a named officer to manage the project and report on progress.

- 2.4.4 The CFO to the Commissioner will identify available resources of funding for the medium term capital programme, including the identification of potential capital receipts from the disposal of property.
- 2.4.5 A gap may be identified between available resources and required capital investment. Requirements should be prioritised by the Chief Constable to enable the Commissioner 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 potential phasing of capital expenditure.
- 2.4.6 All schemes within the draft medium term capital programme should identify an estimate of future price inflation.
- 2.4.7 Approval of the medium term capital programme by the Commissioner, in February each Year, authorises the Chief Constable to seek planning permissions, incur professional fees and preliminary expenses as appropriate.
- 2.4.8 The CFO to the Commissioner is to make recommendations on the most appropriate level of revenue support and appropriate levels of borrowing, under the Prudential Code, to support the capital programme, in order to enable the Commissioner to approve a fully funded medium term capital programme.

## **Annual Capital Programme**

### **Responsibilities of the Statutory Officers**

- 2.4.9 Approval of the annual capital programme by the Commissioner authorises the capital expenditure to be incurred on approved schemes.
- 2.4.10 The Chief Constable should ensure that finance leases or other credit arrangements are not entered into without the prior approval of the CFO to the Commissioner.
- 2.4.11 To ensure that, apart from professional fees (e.g. feasibility studies and planning fees) no other capital expenditure is incurred before the scheme is approved by the Commissioner.

## **Monitoring of Capital Expenditure**

### **Responsibilities of the Statutory Officers**

2.4.12 To ensure that adequate records are maintained for all capital contracts.

2.4.13 To monitor expenditure throughout the year against the approved programme.

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

2.4.15 To prepare a business case for all new capital schemes (after the annual programme has been agreed) for submission to the Commissioner for consultation and approval in accordance with the scheme of delegation. Amendments to the programme increasing its overall cost must demonstrate how such changes are to be funded.

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

## **Maintenance of Balances and Reserves**

### **Why is this important?**

The Commissioner must decide the level of reserves he wishes to maintain before he can decide the level of council tax. Reserves are maintained as a matter of prudence. They enable the organisation to provide for cash flow fluctuations and unexpected costly events and thereby protect it from overspending the annual budget, should such events occur. Reserves for specific purposes may also be maintained, where it is likely that a spending requirement will occur in the future.

The Commissioner will approve the policy on reserves and balances and their planned use as part of the annual budget setting process.

### **Key controls**

The key controls for maintaining reserves are:

- To maintain reserves in accordance with the Code of practice on Local Authority Accounting in the United Kingdom: A statement of Recommended Practice (CIPFA) and agreed accounting policies.
- For each reserve established, the purpose, usage and basis of transactions should be clearly identified.
- Authorisation and expenditure from reserves by the CFO to the Commissioner.

### **Responsibilities of the Statutory Officers**

2.5.1 The CFO to the Commissioner is to advise the Commissioner on reasonable levels of balances and reserves.

2.5.2 The CFO to the Commissioner is to report on the adequacy of the reserves and balances before he approves the annual budget and council tax.

2.5.3 The CFO to the Commissioner is to approve appropriations to and from each earmarked reserve. These will be separately identified in the Annual Statement of Accounts.

2.5.4 The Chief Constable should comply with the protocol between the Chief Constable and the CFO to the Commissioner for the unplanned use of earmarked or general reserves, to finance urgent one-off operational matters. For non-urgent matters a business case should be presented to the CFO to the Commissioner.

## 3. MANAGEMENT OF RISK AND RESOURCES

### **Risk Management and Business Continuity**

#### **Why is this important?**

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

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 unwanted or uncertain action or event. Risk cannot be eliminated altogether. However, Risk Management is the planned and systematic approach to the identification, evaluation and control of risk. Its objectives are to secure the assets of the organisation and ensure continued corporate and financial well-being of the organisation. In essence it is, therefore, an integral part of good business practice.

Risks can have both a positive and negative effect on the organisation and not all risks could or should be eliminated. As such organisations should decide what their risk appetite is and manage identified risks accordingly.

Risk Management is concerned with evaluating the measures an organisation already has to manage identified risks and then recommending the action the organisation needs to take control these risks effectively.

It is the overall responsibility of the Commissioner and the Chief Constable to jointly approve the Risk Management Strategy, and to promote a culture of risk management throughout the organisation.

#### **Key controls**

The key controls for risk management are:

- A Risk Management Strategy is in place and has been promoted throughout the organisation.
- The Strategy clearly identifies the Risk Champions and Risk Appetite of the organisation.
- Procedures are in place to identify, assess, prevent or contain material known risks, and these procedures are operating effectively throughout the organisation.
- A monitoring process is in place to review regularly the effectiveness of risk reduction strategies and the operation of these controls. The risk management process should be conducted on a continuing basis.
- Managers know that they are responsible for managing relevant risks and are provided with relevant information on risk management initiatives.

- Provision is made for losses that might result from the risks that remain.
- Procedures are in place to investigate claims within required timescales.
- Acceptable levels of risk are determined and insured against where appropriate.
- The organisation has identified business continuity plans for implementation in the event of disaster that results in significant loss or damage to its resources.

## **Responsibilities of the Statutory Officers**

- 3.1.1 The Commissioner and the Chief Constable are responsible for reviewing the effectiveness of risk management within the organisation.
- 3.1.2 To prepare the risk management policy and for promoting a culture of risk management awareness throughout the organisation and reviewing risk as an ongoing process.
- 3.1.3 To implement procedures to identify, assess, prevent or contain material known risks, with a monitoring process in place to review regularly the effectiveness of the risk reduction strategies and the operation of these controls. The risk management process should be formalised and conducted on a continuing basis.
- 3.1.4 To ensure that appropriate business continuity plans are developed, implemented and tested on a regular basis.
- 3.1.5 The CFO to the Commissioner is to advise the Commissioner on appropriate arrangements for insurance. Acceptable levels of risk should be determined and insured against where appropriate.
- 3.1.6 The CFO to the Commissioner is to arrange for a regular independent review of self insured activities.
- 3.1.7 To ensure that claims made by the organisation against the insurance policies are made promptly.
- 3.1.8 To ensure that employees, or anyone covered by the organisations insurance, 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.
- 3.1.9 To ensure that a comprehensive risk register is produced and updated regularly, and that corrective action is taken at the earliest possible opportunity to either transfer, treat, tolerate or terminate the identified risk.
- 3.1.10 The Chief Executive is to evaluate and authorise any terms of indemnity that is requested to be given to external parties.

## **Internal Control System**

### **Why is this important?**

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

The organisation is complex and requires an internal control framework to manage and monitor progress towards strategic objectives. The organisation has statutory obligations, and therefore, requires a system of internal control to identify, meet and monitor compliance with these obligations.

The organisation faces a wide range of financial, operational, administrative and commercial risks, both from internal and external factors, which threaten the achievement of its objectives. A system of internal control is necessary to manage these risks. The system of internal control is established in order to provide measurable achievement of:

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

### **Key controls**

The key controls and control objectives for internal control systems are:

- Key controls should be reviewed on a regular basis and the Commissioner and the Chief Constable should make formal statements annually to the effect that they are satisfied that the system of internal control operates effectively.
- Managerial control systems, including defining policies, setting objectives and plans, monitoring financial and other performance and taking appropriate anticipatory and remedial action. The key objective of these systems is to promote ownership of the control environment by defining roles and responsibilities.
- Financial and operational control systems and procedures, which include physical safeguards for assets, segregation of duties, authorisation and approval procedures and information systems.
- An effective internal audit function, which operates in accordance with CIPFA's Code of Practice for Internal Audit and with any other statutory obligations and regulations.

## **Responsibilities of the Statutory Officers**

- 3.2.1 To implement effective systems of internal control, in accordance with advice from the CFO to the Commissioner. 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.
- 3.2.2 To ensure that effective key controls are operating in managerial control systems, including defining policies, settling 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.
- 3.2.3 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.
- 3.2.4 The Chief Constable and the Chief Executive should produce Annual Governance Statements for approval by the Commissioner. The Chief Constables Annual Governance Statement should be included with the Force Statement of Accounts and there should be an overarching statement for the Commissioner Group Accounts. The statements are to be signed by the Commissioner, Chief Constable and the Chief Executive.

# **Audit Requirements**

## **Internal Audit**

### **Why is this important?**

Internal audit is an assurance function that provides an independent and objective opinion to the organisation on the control environment, by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.

The requirement for an internal audit function for local authorities is either explicit or implied in the relevant local government legislation (section 151 of the Local Government Act 1972), which requires that authorities "make arrangements for the proper administration of their financial affairs". The Commissioner and Chief Constable are required to maintain an effective audit of their affairs by virtue of the Accounts and Audit Regulations 2011 (as amended) 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 CIPFA Code of Practice.

In fulfilling this requirement the Commissioner and Chief Constable 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.

In addition to enabling the Commissioner and the Chief Constable to fulfil their requirements in relation to the relevant Accounts and Audit Regulations, internal Audit is needed:

- To satisfy the Commissioner and the Chief Constable that effective internal control systems are in place.
- To satisfy the external auditor that financial systems and internal controls are effective and that the Police Fund is managed so as to secure value for money.

## **Key controls**

The key controls for internal audit are:

- That it is independent in its planning and operation.
- That Internal audit has direct access to the Commissioner, the CFO to the Commissioner, Chief Executive and Chief Constable.
- The internal auditors comply with the Code of Practice for Internal Audit issued by CIPFA.

## **Responsibilities of the Statutory Officers**

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

- Access all premises at reasonable times.
- Access all assets, records, documents, correspondence, control systems and appropriate personnel.
- Receive any information and explanation considered necessary concerning any matter under consideration.
- Require any employee to account for cash, stores or any other asset under their control.
- Access records belonging to contractors and other third parties, when required. This shall be achieved by including an appropriate clause in all contracts.

3.3.2 Internal Audit shall have direct access to all Senior Officers and employees, where necessary.

3.3.3 To prepare in consultation with the Commissioner, Chief Constable, CFO to the Commissioner, ACO Resources and Internal Audit Manager, an audit plan that conforms to the CIPFA Code of Practice, for consideration by the Audit and Scrutiny Panel.

3.3.4 To ensure that Audit and Scrutiny Panel receives all Internal Audit Reports and the Internal Audit Strategy and Annual Plan for approval.

3.3.5 That the Annual report and assurance statement of Internal Audit is provided to the Audit and Scrutiny Panel.

3.3.6 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.

3.3.7 The ACO Resources is to ensure that new systems for maintaining financial records or records of assets, or significant changes to existing systems are discussed with and agreed by the CFO to the Commissioner and internal audit prior to implementation.

3.3.8 To notify the CFO to the Commissioner immediately of any suspected fraud, theft, irregularity, improper use or misappropriation of property or resources. Pending investigation and reporting, the Chief Constable 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 Internal Audit Manager as appropriate and keep informed of progress. At the conclusion of the investigation the Internal Audit Manager 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 Professional Standards Department and Internal Audit and authorised by the CFO to the Commissioner and the ACO Resources.

## **External Audit**

### **Why is this important?**

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

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. ***(Note: recent changes are being reflected in new legislation)***. In particular, section 4 of the 1998 Act requires the Audit Commission to prepare a code of practice, which external auditors follow when carrying out their duties. The Code of Practice sets out the auditors' objectives to review and report upon:

- Aspects of the audited body's corporate governance arrangements.
- The audited body's financial statements, including the Annual Governance Statement.
- The audited bodies' arrangements for securing Value for Money (economy, efficiency and effectiveness in its use of resources).
- Aspects of the audited body's arrangements to manage its performance.

In auditing the annual accounts the external auditor must be satisfied 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.
- They "present fairly" the financial position of the organisation.
- 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.

## **Key controls**

The key controls for external auditors are

- External auditors are appointed by the Audit Commission, which prepares a code of audit practice, which external auditors follow when carrying out their duties.
- External auditors are independent in their operation.

## **Responsibilities of the Statutory Officers**

3.3.9 The CFO to the Commissioner is to liaise with the external auditor and advise the Commissioner and the Chief Constable on their responsibilities in relation to external audit and ensure effective liaison between external and internal audit.

3.3.10 The CFO to the Commissioner is to provide the Home Office with a copy of the Annual Audit Letter.

3.3.11 To ensure that the external audit Annual Governance Report is provided to the Audit and Scrutiny Panel for consideration.

3.3.12 To ensure that the external audit annual work plan and fee are reported to the Audit and Scrutiny Panel for approval.

3.3.13 To provide the Audit and Scrutiny Panel with the Annual Audit Letter.

3.3.14 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 premises, assets, records, documents, correspondence, control systems and personnel, subject to appropriate security clearance.

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

## **Preventing Fraud and Corruption**

### **Why is this important?**

The Commissioner and the Chief Constable will not tolerate fraud and corruption in the administration of its responsibilities, whether from inside or outside the organisation.

The Commissioner's expectation of propriety and accountability is that officers, staff, volunteers and members at all levels will lead by example in ensuring adherence to legal requirements, rules, procedures and practices.

The Commissioner also expects that individuals and organisations (e.g. suppliers, contractors, service providers) with whom it comes into contact will act towards the authority with integrity and without thought or actions involving fraud and corruption.

The Commissioner and the Chief Constable approve the Whistle Blowing, Anti-fraud and Corruption and the Gifts, Gratuities and Hospitality Policies.

### **Key controls**

The key controls regarding the prevention of financial irregularities are that:

- There is an effective system of internal control.
- The organisation has an effective anti-fraud and corruption policy and maintains a culture that will not tolerate fraud or corruption.
- All officers, staff, volunteers and members will act with integrity and lead by example.
- Senior managers are required to deal swiftly and firmly with those who defraud or attempt to defraud the organisation or who are corrupt.
- High standards of conduct are promoted amongst officers, staff, volunteers and members through adherence to codes of conduct.
- There is an approved Gifts, Gratuities and Hospitality Policy and procedure that must be followed. This includes the maintenance of a register of interests in which any hospitality or gifts accepted must be recorded.
- Whistle blowing policy and procedures are in place and operate effectively.
- Legislation including the Public Interest Disclosure Act 1998 and the Bribery Act 2010 is adhered to.

### **Responsibilities of the Statutory Officers**

3.4.1 To maintain a register of interests and the offer of gifts, gratuities and hospitality for the whole organisation (i.e. the Commissioner, Deputy Commissioner, Chief Constable, Police Officers, all staff and volunteers and members and advisors where appointed). Where appropriate these registers should be published on the website.

- 3.4.2 To maintain Whistle Blowing and Anti-fraud and Corruption policies that enable 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.
- 3.4.3 To implement and maintain an adequate and effective internal financial framework clearly setting out the approved financial systems to be followed.

## **Assets**

### **Security**

#### **Why is this important?**

The Commissioner holds assets in the form of property, vehicles, equipment, furniture and other items worth millions of pounds. It is important that assets are safeguarded and used efficiently in service delivery, and that there are arrangements for the security of both assets and information required for service operations. An up-to-date asset register is a prerequisite for proper fixed asset accounting and sound asset management.

#### **Context**

The Commissioner will initially own and fund all assets regardless of whether they are used by the Commissioner, by the force or by both bodies. However, with consent from the Commissioner, the Chief Constable through the delegation to the ACO Resources can acquire property (other than land or buildings) and this should be set out in the scheme of delegation and the standing orders for land & property.

The Chief Constable 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.

The Commissioner should consult the Chief Constable 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 in terms of human resources, infrastructure, land, property and equipment.

#### **Key controls**

The key controls for the security of resources and assets are:

- Resources are used only for approved purposes and properly accounted for.
- Resources are available for use when required.
- Resources no longer required are disposed of in accordance with the law and regulations so as to maximise benefits.
- An asset register is maintained for the organisation. Assets are recorded when they are acquired and this record is updated as changes occur with respect to the location and condition of the asset.
- All staff are aware of their responsibilities with regard to safeguarding the organisations assets and information, including the requirements of the Data Protection Act and software copyright legislation.
- All staff are aware of their responsibilities with regard to safeguarding the security of the organisations computer systems, including maintaining restricted access to the information held on them and compliance with the organisations computer and internet security policies.

## **Responsibilities of the Statutory Officers**

- 3.5.1 To ensure that an asset register is maintained to provide information about fixed assets so that they are safeguarded, used efficiently and effectively, adequately maintained and valued in accordance with statutory management requirements.
- 3.5.2 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.
- 3.5.3 To ensure that lessees and other prospective occupiers of the Commissioners land are not allowed to take possession or enter the land until a lease or agreement has been established as appropriate.
- 3.5.4 To ensure that title deeds to property are held securely.
- 3.5.5 To ensure that no asset is subject to personal use by an employee without proper authority.
- 3.5.6 To ensure that adequate controls exist over valuable and portable items such as computers, cameras and video recorders and as a minimum are identified with security markings as belonging to the Police and Crime Commissioner.
- 3.5.7 To ensure that all employees are aware of their responsibilities with regard to safeguarding assets and information, including the requirements of the Data Protection Act and software copyright legislation.
- 3.5.8 To ensure that assets no longer required are disposed of in accordance with the law and the regulations of the Commissioner.
- 3.5.9 To ensure that all employees are aware of their responsibilities with regard to safeguarding the security of ICT systems, including maintaining restricted access to the information held on them and compliance with the information and security policies.

## **Valuation**

### **Responsibilities of the Statutory Officers**

3.5.10 To maintain an asset register for all fixed assets with a value in excess of the limits shown below, in a form approved by the CFO to the Commissioner. Assets are to be recorded when they are acquired. These rates are kept under regular review. Assets shall remain on the asset register until disposal. Assets are to be valued in accordance with the *Code of Practice on Local Accounting in the United Kingdom* and the requirements specified by the CFO to the Commissioner:

<i>Land &amp; Buildings</i>	<i>£10,000</i>
<i>Vehicles</i>	<i>£10,000</i>
<i>ICT hardware</i>	<i>£10,000</i>
<i>Plant &amp; Equipment</i>	<i>£10,000</i>

## **Inventories**

### **Responsibilities of the Statutory Officers**

3.5.11 To ensure that inventories are maintained in a format approved by the CFO to the Commissioner. Specifically including items that are desirable and portable.

3.5.12 To carry out an annual check of all items on the inventory.

3.5.13 To make sure that property is only used in the course of the business, unless specific approval has been given.

## **Stocks and Stores**

### **Responsibilities of the Statutory Officers**

3.5.14 To make arrangements for the care and custody of stocks and stores and to maintain detailed stores accounts in a form approved by the CFO to the Commissioner.

3.5.15 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.

3.5.16 Discrepancies between the actual level of stock and the book value of stock may be written-off, in consultation with the CFO to the Commissioner.

3.5.17 To write-off obsolete stock, in consultation with the CFO to the Commissioner.

## **Intellectual Property**

### **Why is this important?**

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

If these are created by the employee, during the course of employment, then, as a general rule, they belong to the employer, not the employee. Various acts of Parliament cover different types of intellectual property.

Certain activities undertaken within the organisation may give rise to items that may be patentable, for example, software development. These items are collectively known as intellectual property.

### **Key controls**

In the event that the Commissioner decides to become involved in the commercial exploitation of inventions, the matter should proceed in accordance with the organisations approved intellectual property policy.

### **Responsibilities of the Statutory Officers**

3.5.18 To ensure that employees are aware of the policy.

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

## **Asset Disposal**

### **Why is this important?**

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 the regulations of the Commissioner.

### **Key controls**

The key controls for asset disposal are:

- Assets for disposal are identified and are disposed of at the most appropriate time, and only when it is in accordance with the law and the regulations of the Commissioner.

- Procedures to protect staff involved in the disposal from accusations of personal gain.
- Assets for disposal estimated to be worth less than £1,000 are to be offered to staff through a sealed bid process.
- Assets for disposal estimated to be worth more than £1,000 are to be sold via tender/auction.
- Official receipts or debtor accounts are completed.

### **Responsibilities of the Statutory Officers**

3.5.20 To arrange for the disposal of assets at the appropriate time and at the most advantageous price. Where this is not the highest offer, the Chief Constable shall consult with the CFO to the Commissioner.

3.5.21 All asset disposals shall be recorded in the asset register or inventory as appropriate.

3.5.22 The CFO to the Commissioner is to ensure that income received for disposal of an asset is properly banked and accounted for. Receipts from asset disposals greater than £10,000 shall be treated as capital receipts. Receipts of less than £10,000 are written back to revenue.

3.5.23 To ensure that appropriate accounting entries are made to remove the value of the disposed assets from the Commissioners records.

# **Treasury Management and Banking Arrangements**

## **Treasury Management**

### **Why is this important?**

Hundreds of millions of pounds pass through the Commissioners accounts each financial year. It is important that the money is managed properly, in a way that balances risk with return, but with the prime consideration being given to the security of the capital sum.

### **Key controls**

The key controls for treasury management are:

- That the Commissioners borrowings and investments comply with the CIPFA Code of Practice on Treasury Management and the Prudential Indicators and with the Commissioners treasury management policy statement.
- Suitable Treasury Management Practices (TMP's) 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 Statutory Officers**

3.6.1 The CFO to the Commissioner is to prepare the Annual Treasury Management Strategy and investment strategy, ensuring compliance with the CIPFA Code of Practice for approval by the Commissioner.

3.6.2 To produce monitoring and performance statements for the Commissioner.

3.6.3 The CFO to the Commissioner is to execute and administer treasury management in accordance with the CIPFA code and Commissioners policy.

3.6.4 The CFO to the Commissioner is to arrange borrowing and investments, in compliance with the CIPFA Code.

3.6.5 The CFO to the Commissioner is to ensure that all investments and borrowings are in the name of the Commissioner.

## **Banking Arrangements**

### **Why is this important?**

Our banking services are controlled by a single contract. A consistent and secure approach to banking services is essential in order to achieve optimum performance from the Commissioners bankers and the best value for money.

### **Responsibilities of the Statutory Officers**

- 3.6.6 The CFO to the Commissioner is to have overall responsibility for the banking arrangements for the organisation.
- 3.6.7 The CFO to the Commissioner is responsible for the establishment and maintenance of bank accounts.
- 3.6.8 The CFO to the Commissioner is to authorise the opening and closing of all bank accounts. No other employee shall open a bank account unless they are performing a statutory function (e.g. approved treasurer of a charitable body) in their own right.
- 3.6.9 To ensure that bank account reconciliations are undertaken in a timely manner and on an accurate basis.
- 3.6.10 The CFO to the Commissioner is to determine the signatories on all bank accounts.
- 3.6.11 The CFO to the Commissioner shall maintain strict control over the use of Direct Debits as a payment method. Direct Debits will be approved by and regularly reviewed by the CFO to the Commissioner.

## **Imprest Accounts/Petty Cash**

### **Why is this important?**

Cash advances may be made to an individual in a department / establishment 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 Commissioners accounts and correctly reimbursed to the account holder.

### **Responsibilities of the Statutory Officers**

- 3.6.12 To provide appropriate employees with cash, bank imprests or pre-paid cash cards to meet minor expenditure on behalf of the organisation. The Chief Constable shall, in consultation with the CFO to the Commissioner, 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.

3.6.13 To prepare detailed Financial Procedures for dealing with petty cash, to be agreed with the CFO to the Commissioner, and these shall be issued to all appropriate employees.

## **Money Laundering**

### **Why is this important?**

The organisation is alert to the possibility that it may become the subject of an attempt to involve it in a transaction involving the laundering of money.

Suspicious cash deposits in any currency in excess of €15,000 (or equivalent) should be reported to the National Crime Agency.

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

### **Responsibilities of the Statutory Officers**

3.6.14 The CFO to the Commissioner shall be the nominated Money Laundering Reporting Officer.

3.6.15 The CFO to the Commissioner shall upon receipt of a disclosure to consider, in light of all information, whether it gives rise to such knowledge or suspicion make a disclosure to the National Crime Agency of all relevant information.

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

3.6.17 To ensure that all staff are aware to notify the CFO to the Commissioner 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.

3.6.18 To ensure that all staff are aware that cash bankings from a single source over €15,000 should be reported to the CFO to the Commissioner immediately. This instruction does not apply to seizures and subsequent bankings under the Proceeds of Crime Act (see Financial Regulation 3.9).

## **Staffing**

### **Why is this important?**

Staffing costs form the largest element of the annual policing budget. An appropriate HR strategy and workforce plan should exist, in which staffing requirements and budget allocations are matched. This should be closely aligned to the MTFP.

### **Key controls**

The key controls for staffing are:

- An appropriate staffing strategy and policy exists, in which staffing requirements and budget allocations are matched.
- Procedures are in place for forecasting staffing requirements and cost.
- Controls are implemented that ensure staff time is used efficiently and to the benefit of the organisation.
- Checks are undertaken prior to employing new staff to ensure that they are appropriately qualified, experienced and trustworthy.

### **Responsibilities of the Statutory Officers**

- 3.7.1 To ensure that employees are appointed and dismissed in accordance with relevant statutory regulations, national agreements and personnel policies, budgets and strategies agreed by the Commissioner.
- 3.7.2 To advise the Commissioner on the budget necessary in any given year to cover estimated staffing levels.
- 3.7.3 To adjust the staffing numbers to meet the approved budget provision, and varying the provision as necessary within policy constraints to meet changing operational needs.
- 3.7.4 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.
- 3.7.5 To approve, in consultation with the CFO to the Commissioner, policy arrangements for premature retirements on grounds of ill-health or efficiency for all staff and redundancy arrangements for support staff.

## **Trust Funds and Funds held for Third Parties**

### **Why is this important?**

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.

### **Key controls**

The key controls for Trust Funds are:

- No employee shall open a trust fund without the specific approval of the Chief Constable and CFO to the Commissioner
- Wherever possible the financial regulations should be seen as best practice which need to be followed whenever possible

### **Responsibilities of the Statutory Officers**

3.8.1 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 to the Commissioner shall be entitled to verify that this has been done.

# **Administration of Evidential & Non-Evidential Property**

## **Why is this important?**

The Chief Constable 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. suspect in custody).

## **Key controls**

The key controls for evidential and non-evidential property are:

- Secure environment for storage of property/monies
- Audit trail of booking in and returning property to owners
- Audit trail for the disposal of property where appropriate and any income received
- Policy for specific items (e.g. bicycles) for returning these for community benefit
- Policy for the use of Property Act monies as approved by the Commissioner
- Policy for the use of the Proceeds of Crime Act monies as approved by the Commissioner

## **Responsibilities of the Statutory Officers**

3.9.1 The Chief Constable is 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.

3.9.2 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.

3.9.3 The Chief Constable shall issue separate financial instructions for dealing with cash, including seized cash under the Proceeds of Crime Act. These procedures shall be approved by the Commissioner and the CFO to the Commissioner.

3.9.4 To ensure that all employees are aware of the need to notify the Chief Constable and CFO to the Commissioner immediately in the case of loss or the diminution in value of such private property.

## **Gifts, Loans and Sponsorship**

*This does not include the receipt of gifts, gratuities and hospitalities – please see section 3.4.*

### **Why is this important?**

In accordance with the Police Act 1996, the Commissioner 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.

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

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. It is acceptable to allow the provider to display the organisation's name or logo on publicity material, provided this does not dominate or detract from the purpose of the supported project.

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

### **Responsibilities of the Statutory Officers**

- 3.10.1 The Chief Constable in consultation with the CFO to the Commissioner shall prepare a policy on gifts, loans and sponsorship for approval by the Commissioner.
- 3.10.2 To ensure that all acceptance of gifts, loans and sponsorship is recorded and in accordance within agreed policy guidelines.
- 3.10.3 To refer all gifts, loans and sponsorship above £50,000 to the Commissioner for approval before they are accepted.
- 3.10.4 The ACO Resources is to present an annual report to the Commissioner listing all gifts, loans and sponsorship.
- 3.10.5 To maintain a central register, in a format agreed by the CFO to the Commissioner, 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 to the Commissioner, who shall satisfy them self that it provides a suitable account of the extent to which such additional resources have been received.
- 3.10.6 To bank cash from sponsorship activity in accordance with normal income procedures.

## 4. SYSTEMS AND PROCEDURES

### **General**

#### **Why is this important?**

There are many systems and procedures relating to the control of the organisations assets, including purchasing, costing and management systems. The organisation is reliant on computers for their financial management information. This information must be accurate and the systems procedures sound and well administered. They should contain controls to ensure that transactions are properly processed and errors detected promptly.

The CFO to the Commissioner and the ACO Resources both have a statutory and professional responsibility to ensure that the organisations financial systems are sound and should therefore be notified of any new developments or changes.

#### **Key controls**

The key controls for systems and procedures are:

- Basic data exists to enable the organisations objectives, targets, budgets and plans to be formulated.
- Performance is communicated to the appropriate managers on an accurate, complete and timely basis.
- Early warning is provided of deviations from target, plans and budgets that require management attention.
- Operating systems and procedures are secure and up-to-date.

#### **Responsibilities of the Statutory Officers**

4.1.1 The CFO to the Commissioner and the ACO Resources are to make arrangements for the proper administration of the organisations financial affairs, including to:

- Issue advice, guidance and procedures for officers and others acting on behalf of the organisation
- Determine the accounting systems, form of accounts and supporting financial records
- Establish arrangements for the audit of the organisations financial affairs
- Approve any new system to be introduced
- Approve any changes to existing financial systems
- Approve any changes to service delivery in relation to the finance function

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

- Systems are secure, adequate internal controls 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.

4.1.3 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.

4.1.4 To establish a scheme of delegation, identifying staff authorised to act upon the Commissioners behalf in respect of income collection, placing orders, making payments and employing staff.

## **Income**

### **Why is this important?**

Income can be a vulnerable asset and effective income collection systems are necessary to ensure that all income due is identified, collected, receipted and banked properly. It is preferable to obtain income in advance of supplying services and goods as this improves the organisations cashflow and avoids the time and cost of administering debts.

The Commissioner and Chief Constable should adopt the ACPO national charging policies and national guidance when applying charges under section 25 of the Police Act 1996. It 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.

Commissioners 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 Commissioners 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.

When specifying resource requirements the Chief Constable will identify the expected income from charging. The Chief Constable should adopt ACPO charging policies in respect of mutual aid.

### **Key controls**

The key controls for income are:

- All income due is identified and charged correctly, in accordance with an approved charging policy, which is regularly reviewed.
- All income is collected from the correct person, at the right time, using the correct procedures and the appropriate stationery.
- All money received by an employee on behalf of the Commissioner is paid without delay to the Commissioners bank and properly recorded. The responsibility for cash collection should be separated from that:
  - For identifying the amount due.
  - For reconciling the amount due to the amount received.
- Effective action is taken to pursue non-payment within defined timescales.
- Formal approval for debt write-off is obtained.
- Appropriate accounting adjustments are made following write-off action.
- All appropriate income documents are retained and stored for the defined period in accordance with the document retention schedule.
- Money collected and deposited is reconciled to the bank account by a person who is not involved in the collection or banking process.

## Responsibilities of the Statutory Officers

- 4.2.1 To make arrangements for the collection of all income due and approve the procedures, systems and documentation for its collection, including the correct accounting for VAT.
- 4.2.2 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 with express approval of the Commissioner. The Commissioner should review all fees and charges annually.
- 4.2.3 To ensure that all income is paid fully and promptly into the Commissioners bank account. Appropriate details should be recorded on to paying-in slips to provide an audit trail.
- 4.2.4 To ensure income is not used to cash personal cheques or make other payments.
- 4.2.5 The ACO Resources is to order and where appropriate supply to employees all receipts forms, books or tickets and similar items of controlled stationery and be satisfied as to the arrangements for their control. Official receipts or other suitable documentation shall be issued for all income received.
- 4.2.6 The ACO Resources is to operate an effective debt collection procedure.
- 4.2.7 To initiate, in consultation with the Chief Executive, appropriate debt recovery procedures, including legal action where necessary.
- 4.2.8 To approve the write-off of bad debts, in consultation with the Chief Executive and CFO to the Commissioner up to the levels shown below:

	Individual account limits £	Aggregate write-off limit £
ACO Resources	2,000	10,000
CFO to the Commissioner	2,000 -10,000	10,000 – 50,000
Commissioner	10,000+	50,000+

Amounts for write-off must be supported with evidence explaining the reason(s) for write-off.

- 4.2.9 The ACO Resources is to prepare detailed financial instructions for dealing with income, to be agreed with the CFO to the Commissioner, and issue them to all appropriate employees.

## **Ordering and Paying for Work, Goods and Services**

### **Why is this important?**

Public money should be spent with demonstrable probity and in accordance with the Commissioner's policies. The statutory officers have a statutory duty to achieve best value. The organisations financial regulations, standing orders and purchasing procedures should help to ensure that the public can receive value for money. These procedures should be read in conjunction with the **contract standing orders** and the **standing orders for land and property**.

### **General**

Every officer and employee has a responsibility to declare any links or personal interests that they have with purchasers, suppliers, and/or contractors if they are engaged in contractual or purchasing decisions on behalf of the organisation, in accordance with appropriate codes of conduct.

Official orders must be in a form approved by the CFO to the Commissioner and the ACO Resources. Official orders must be issued for all work, goods or services to be supplied to the organisation, except for supplies of utilities, periodic payments such as rent or rates, petty cash purchases or other exceptions specified by the CFO to the Commissioner.

Standard terms and conditions must not be varied without the prior approval of the CFO to the Commissioner.

Apart from petty cash the normal method of payment from the Commissioner shall be by BAC's payment, cheque or other instrument or approved method, drawn on the Commissioners bank account. The use of direct debit shall require the prior agreement of the CFO to the Commissioner.

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

### **Key controls**

The key controls for ordering and paying for work, goods and services are:

- All goods and services are ordered only by appropriate persons and are correctly recorded.
- All goods and services shall be ordered in accordance with the Commissioners standing orders.
- A computer-generated order should always be issued and authorised. This control should only be set-aside in exceptional circumstances.
- All orders should be raised at the time of placing the order and not on receipt of the goods/services or invoice.

- Goods and services received are checked to ensure that they are in accordance with the order. The person who placed the order should not receive goods.
- Payments are not made unless goods have been received and to the correct price, quantity and quality standards.
- All payments are made to the correct person, for the correct amount and are properly recorded, regardless of the payment method.
- All appropriate evidence of the transaction and payment documents are retained and stored for the defined period, in accordance with the document retention schedule.
- All expenditure, including VAT, is accurately recorded against the right budget and any exceptions are corrected.
- In addition, the effect of e-business/e-commerce and electronic purchasing requires that processes are in place to maintain the security and integrity of data for transacting business electronically.

### **Responsibilities of the Statutory Officers**

- 4.3.1 To ensure that all Heads of Service and relevant employees are made aware of the need to comply with standing orders for contracts, standing orders for land and buildings and internal procurement procedures.
- 4.3.2 That procurement procedures complement and make reference to standing orders for contracts and land and buildings, particularly in defining when a contract and tender are required rather than internal order. That these procedures clearly define:
- The need to issue official orders where contracts are not issued.
  - The need for adequate budgetary provision prior to placing an order.
  - The levels of authorisation for placing orders and receipt of goods and services.
  - The levels of authorisation for the payment of invoices, including verification that the goods and services have been received.
  - The need to use official stationery for placing orders and making payment.
  - That VAT is accounted for correctly and recovered where appropriate.
- 4.3.3 The CFO to the Commissioner and the ACO Resources should approve the procurement procedures and review them periodically.
- 4.3.4 To ensure that all employee's and officers declare links or personal interests that they may have with purchasers, suppliers and contractors, particularly where they may be engaged in purchasing decisions or supplier/contractor selection.

- 4.3.5 That a contracts register is maintained for all revenue and capital contracts. The details held on the contracts register should be agreed by the CFO to the Commissioner.
- 4.3.6 That the CFO to the Commissioner is provided with a list of authorised signatories with details of the level of authorisation for annual review (including payroll payments and payments processed directly through the bank).
- 4.3.7 To ensure the safety of all equipment and records either electronic or manual.
- 4.3.8 To ensure that effective contingency arrangements for all operational systems exist.

## **Payments to Employees**

### **Why is this important?**

Employee costs are the largest item of expenditure. 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.

### **Key controls**

The key controls for payments to employees and members are:

- Proper authorisation procedures are in place and that there is adherence to corporate timetables in relation to:
  - Starters
  - Leavers
  - Variations
  - Enhancementsand that claims for payment are made on the approved and appropriate documentation.
- Regular reconciliation of the HR system to the Payroll system.
- Frequent reconciliation of payroll expenditure against approved budget and bank account.
- All appropriate payroll documents are retained and stored for the defined period in accordance with the document retention schedule.
- The HM Revenue & Customs regulations are complied with.
- Recovery of overpayment
- Responsibility of adhering to time lines

### **Responsibilities of the Statutory Officers**

4.4.1 To ensure, in consultation with the CFO to the Commissioner, the secure and reliable payment of salaries, overtime, pensions, compensation and other emoluments to existing and former employees.

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

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

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

- 4.4.5 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.
- 4.4.6 To ensure that full records are maintained of payments in kind and properly accounted for in any returns to the HMRC.
- 4.4.7 To prepare detailed Financial Procedures for dealing with payments to employees, to be agreed with the CFO to the Commissioner, and these shall be issued to all appropriate employees.

## **Pensions**

### **Why is this important?**

As a responsible local government body we should ensure that the Pension Schemes are made easily available to all eligible staff and police officers. The recent changes which have introduced auto enrolment enforce this concept. Due to the changes in relation to Commissioners and Chief Constable being new legal entities our requirement to comply with auto enrolment has been deferred until 2017.

### **Key controls**

The key controls relating to pensions are:

- Relevant staff are provided with relevant information and kept up to date on pension issues.
- Accurate record keeping
- Good communication with the County Council Pension Administrator
- Compliance with acts and regulations
- Records are maintained in accordance with instructions.

### **Responsibilities of the Statutory Officers**

- 4.5.1 To ensure that there are adequate arrangements for administering police pension and superannuation matters on a day-to-day basis.
- 4.5.2 To record and make arrangements for the accurate and timely payment of superannuation and police pensions to the pension fund.
- 4.5.3 The appointment of a Pension Administrator to administer the superannuation and police pensions on behalf of the Commissioner. This includes the investment of superannuation scheme fund balances and the appointment of actuaries with approval of the Commissioner.
- 4.5.4 The Home Office are responsible for the Police Pension schemes and the organisation acts as a “holding account” although the transactions are shown in the Commissioners statement of accounts.
- 4.5.5 To ensure that timely and accurate information is supplied to the Home Office for the Top Up arrangements.
- 4.5.6 To ensure that timely information is supplied to the actuaries.
- 4.5.7 To refer internal disputes relating to pensions to the Pension Administrator in the first stage, with second stage disputes being referred to the CFO to the Commissioner.
- 4.5.8 The CFO to the Commissioner is responsible for the governance arrangements and monitoring of the superannuation scheme performance.

# **Taxation**

## **Why is this important?**

Tax issues are often very complex and the penalties for incorrectly accounting for tax are severe.

## **Key Controls**

The key controls for taxation are:

- Relevant staff are provided with relevant information and kept up to date on tax issues.
- Accurate record keeping.
- All taxable transactions are identified, properly carried out and accounted for within stipulated timescales.
- Records are maintained in accordance with instructions.
- Returns are made to the appropriate authorities within the stipulated timescale.

## **Responsibilities of the Statutory Officers**

- 4.6.1 To ensure that a procedure is in place and is followed to provide timely completion and submission of all HM Revenue & Customs (HMRC) returns regarding PAYE and that payments are made in accordance with statutory requirements.
- 4.6.2 To ensure that a procedure is in place and is followed to provide timely completion and submission of VAT claims, inputs and outputs to the HMRC. This procedure should also ensure that the correct VAT liability is attached to all income due and that VAT receivable on purchases complies with HMRC regulations.
- 4.6.3 To ensure there is a procedure in place to provide details to the HMRC regarding construction industry tax declaration scheme.
- 4.6.4 To ensure that appropriate staff have access to up to date guidance notes and professional advice.

## **Corporate Credit Cards**

### **Why is this important?**

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.

### **Key Controls**

The key controls for corporate credit cards are:

- Detailed instructions to all authorised card holders and users
- A procedure which controls the issue of cards and limits on each card.

### **Responsibilities of the Statutory Officers**

- 4.7.1 That the ACO Resources and the CFO to the Commissioner undertake periodic reviews of the register of individuals and limits assigned to each card.
- 4.7.2 To ensure that all card holders are aware of the financial instructions relating to the use of cards.
- 4.7.3 To ensure that all purchases are checked to ensure compliance with approved policies (e.g. Gifts, Gratuities and Hospitality, Catering).
- 4.7.4 To ensure that the process requires receipted details of payments, particularly VAT receipts to be submitted with each corporate credit card statement.

## **Purchasing Cards**

### **Why is this important?**

Purchase 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

### **Key Controls**

The key controls for purchasing cards are:

- Detailed instructions to all authorised card holders and users.
- A procedure which controls the issue of cards and limits on each card.

### **Responsibilities of the Statutory Officers**

4.8.1 That the ACO Resources and the CFO to the Commissioner undertake periodic reviews of the register of individuals and limits assigned to each card.

4.8.2 To ensure that all card holders are aware of the financial instructions relating to the use of cards.

4.8.3 To ensure procedures require the reconciliation of the purchase card account to the financial ledger on a monthly basis.

4.8.4 To ensure that ordering and paying for goods and services is in accordance with the procurement policy and contract standing orders.

## 5. EXTERNAL ARRANGEMENTS

### Why is this important?

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

Joint working arrangements can take a number of different forms, each with its own governance arrangements. These are grouped under the following headings:

- Partnerships
- Consortia
- Collaboration
- Commissioning

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.

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 already provided.
- 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.

## **Partnerships**

### **Why is this important?**

The term partnership refers to groups where members work together as equal partners 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:

- Deliver strategic objectives.
- Improve service quality and cost effectiveness.
- Ensure the best use of resources.
- Deal with issues which cut across agency and geographic boundaries, and where mainstream programmes alone cannot address the need.

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

#### **Statutory based**

These are partnerships that are governed by statute. They include, for example, Crime and Disorder Reduction Partnerships (CDRPs) and Local Strategic Partnerships (LSPs)

#### **Strategic**

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

#### **Ad-hoc**

These are typically locally based informal arrangements agreed by the local police commander.

### **Context**

As set out in section 10 of the Police Reform and Social Responsibility Act 2011, the Commissioner, in exercising his functions, must have regard to the relevant priorities of each responsible authority. Subject to the constraints that may be placed on individual funding streams, Commissioners are free to pool funding as they and their local partners see fit. Commissioners can enter into any local contract for services, individually or collectively with other local partners, including non-police bodies

When the PCC acts as a commissioner of services, he will need to agree the shared priorities and outcomes expected to be delivered through the contract or grant agreement with each provider. The Commissioner is able to make crime and disorder grants in support of local priorities. The inclusion of detailed grant conditions directing local authorities how to spend funding need not be the default option. 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.

## **Key controls**

The key controls for partnerships are:

- If appropriate, to be aware of their responsibilities under the Commissioners financial regulations.
- To ensure that risk management processes are in place to identify and assess all known risks.
- To ensure that project appraisal processes are in place to assess the viability of the project in terms of resources, staffing and expertise.
- To agree and accept formally the roles and responsibilities of each of the partners involved in the project before the project commences.
- Information sharing agreements should be incorporated for compliance with MOPI and DPA.
- To communicate regularly with other partners throughout the project so that problems can be identified and shared to achieve their successful resolution.
- Exit strategies should be included from the start.

## **Responsibilities of the Statutory Officers**

- 5.1.1 To have regard to relevant priorities of local partners when considering and setting the 5 year Police and Crime Plan and the annual delivery plan.
- 5.1.2 To have a framework in place for the Commissioning of services either from internal or external service providers or a mix of the two, including the third sector.
- 5.1.3 To consult, as early as possible with the CFO to the Commissioner and the ACO Resources to ensure the correct treatment of taxation and other accounting arrangements.
- 5.1.4 To ensure that the appropriate legal documentation is produced and signed (e.g. memorandum of understanding setting out the governance arrangements, section 22 collaboration agreement, contract, commissioning documentation).

## **Consortium Arrangements**

### **Why is this important?**

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

### **Responsibilities of the Statutory Officers**

- 5.2.1 To contact the Chief Executive before entering into a formal consortium agreement, to establish the correct legal framework.
- 5.2.2 To consult, as early as possible, the CFO to the Commissioner and the ACO resources to ensure the correct treatment of taxation and other accounting arrangements.
- 5.2.3 To produce a business case to show the full economic benefits to be obtained from participation in the consortium.
- 5.2.4 To produce a Memorandum of Understanding (MOU) setting out the appropriate governance arrangements.

## **Collaboration**

### **Why is this important?**

Under sections 22A to 22C of the Police Act 1996 as inserted by section 89 of the Police Reform and Social Responsibility Act 2011, Commissioners and Chief Constables have the legal power and duty to enter into collaboration agreements to improve the efficiency or effectiveness of one or more police force or Commissioners. Any collaboration which relates to the functions of a police force must first be agreed with the Chief Constable of the force concerned.

The Commissioners shall jointly hold their Chief Constables to account for any collaboration in which their force is involved.

Any such proposal must be discussed with the CFO to the Commissioner and ACO Resources in the first instance.

## **Commissioning**

### **Why is this important?**

Under Section 10 of the Police Reform and Social Responsibility Act 2011, the Commissioner is given the responsibility for co-operative working. This allows, within the constraints of the relevant funding streams, the Commissioner to pool funding as they and their local partners deem appropriate. The Commissioner 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. The Commissioner must have regard to the relevant priorities of each responsible authority.

When the Commissioner 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 local priorities. The inclusion of detailed grant conditions directing local authorities how to spend funding need not be the default option. 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.

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

The key controls for commissioning are:

- Agreements with clear priorities and outcomes
- Grant conditions and outcomes

### **Responsibilities of the Statutory Officers**

5.3.1 To have regard to relevant priorities of local partners when considering and setting the Police and Crime Plan.

5.3.2 To work effectively with other local leaders in Nottinghamshire who can also provide significant resources, to influence how all parties prioritise and bring together their resources to tackle local problems and priorities.

- 5.3.3 To consult with victims of crime about policing and the proposed Police and Crime Plan. To commission the majority of victim support services in Nottinghamshire.
- 5.3.4 To make appropriate robust arrangements to commission services from the Force or external providers.
- 5.3.5 To award crime and disorder grants as approved by the Commissioner.
- 5.3.6 To develop a commissioning framework that will support the objectives as set out in the Police and Crime Plan. The framework should encourage a mixed economy of provider options and where necessary develop a specific Commissioner's Compact Agreement with the Voluntary Sector.
- 5.3.7 To develop financial framework as part of the wider Commissioning framework with approved authorisation levels.
- 5.3.8 To keep under review the performance and outcomes of any investments agreed by the Commissioner in respect of partnership activity.
- 5.3.9 Ensure financial expenditure does not exceed the budgeted level to achieve the objectives set out in the Police and Crime Plan where services are commissioned within community initiatives.

## **External Funding**

### **Why is this important?**

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 Commissioner. Funds from external sources provide additional resources to enable service delivery to the communities of Nottinghamshire. 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 Commissioners police and crime plan.

The main source of such funding will tend to be specific grants, additional contributions from local authorities (e.g. for ANPR, CCTV, and PCSO's) and donations from third parties (e.g. towards capital expenditure).

### **Key controls**

The Key Controls for external funding are:

- To ensure that key conditions of funding and any statutory requirements are complied with and that the responsibilities of the accountable body are clearly understood.
- To ensure that funds are acquired only to meet the priorities approved in the Police and Crime Plan.
- To ensure that any match-funding requirements are given due consideration prior to entering into long term agreements and that future revenue budgets reflect these requirements.

### **Responsibilities of the Statutory Officers**

5.4.1 To pursue actively any opportunities for additional funding where this is considered to be in the interests of Nottinghamshire.

5.4.2 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.

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

5.4.4 To ensure that key conditions of funding and any statutory requirements are complied with and that the responsibilities of the accountable body are clearly understood.

5.4.5 To ensure that any conditions in relation to external funding are in accordance with the approved policies of the Commissioner. If there is a conflict, this needs to be taken to the Commissioner for resolution.

## **Work for External Bodies**

### **Why is this important?**

Current legislation enables the Commissioner to provide services to other bodies. Such work may enable economies of scale and existing expertise to be maintained. Arrangements should be in place to ensure that any risks associated with this work are minimised.

### **Key Controls**

The key controls for working with third parties are:

- To ensure that proposals are costed properly in accordance with guidance provided by the Home Office, ACPO or the Commissioner.
- To ensure that contracts are drawn up using guidance provided by the Home Office, ACPO or the Commissioner.
- To issue guidance with regard to the financial aspects of third party contracts and the maintenance of the contract register.

### **Responsibilities of the Statutory Officers**

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

5.5.2 To ensure appropriate insurance arrangements are in place.

5.5.3 To ensure that all contracts are properly documented.

5.5.4 To ensure that such contracts do not impact adversely on the services provided.