



CUMBRIA POLICE AUTHORITY

FINANCIAL REGULATIONS

Reviewed by Governance Committee 12 September 2008
and approved by Police Authority 30 September 2008
to become effective from 01 October 2008

Presented for review by Governance Committee 21 September 2009

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INTRODUCTION

OVERVIEW

1. Public sector accounting is covered by a range of government legislation and accounting standards that are designed to ensure proper accountability for public funds. In addition, the Home Office has issued a Code of Practice under section 39 of the Police Act 1996 which deals specifically with the financial management of police authorities and forces. In the early months of 2008, the Home Office has consulted on reviewing the Code but has yet to issue any revision.
2. To conduct its business effectively, Cumbria Police Authority and Constabulary need to ensure that sound financial management policies exist and that they are strictly adhered to. Part of this process is to adopt and implement Financial Regulations. The Regulations contained herein have been drawn up in such a way as to ensure that the financial matters of the Authority are conducted properly and in compliance with all necessary requirements.
3. The Regulations are designed to establish overarching financial responsibilities, to confer duties, rights and powers upon the Authority, the Constabulary and officers of both parties and to provide clarity about the financial accountabilities of groups or individuals. They apply to every member and officer of the service and anyone acting on its behalf.
4. A modern organisation should also be committed to innovation, within the regulatory framework, providing that the necessary risk assessment and approval safeguards are in place.

STATUS

5. The Financial Regulations should not be seen in isolation, but rather as part of the overall regulatory framework of the Authority that includes the role of committees, codes of conduct for members and officers, the Scheme of Delegation, the Authority's Standing orders in relation to contracts, and the Constabulary Financial Rules.
6. These Financial Regulations are intended to :
 - (a) ensure that the financial dealings of the Authority and of the Constabulary are conducted properly and in a way which meets the requirements of best practice;
 - (b) include sufficient safeguards for the Treasurer (who is responsible for ensuring that the financial affairs of the Authority are properly administered) to discharge properly his statutory obligations;
 - (c) encourage the delegation of responsibility to the lowest level consistent with 6(a) and (b); this applies to the delegation of financial responsibility between the Police Authority and the Constabulary, and within the Constabulary itself.
7. All members and employees have a general responsibility for taking reasonable action to provide for the security of assets under their control and for ensuring that the use of these resources is legal, properly authorised and provides value for money.

8. The Police Authority is responsible for approving or amending Financial Regulations. The Treasurer is responsible for maintaining a review of Financial Regulations and submitting any additions or amendments to the Police Authority, after consulting with the Monitoring Officer and Chief Constable.
9. More detailed information about financial systems, procedures and requirements will be prescribed within Financial Rules to be issued by the Chief Constable after consultation with the Treasurer.
10. The Treasurer and Chief Constable are responsible for ensuring that all employees, contractors and agents are aware of the existence and content of the Authority's Financial Regulations and that they are complied with.
11. Breaches of Financial Regulations of a serious nature may result in disciplinary proceedings. Such cases shall be reported to the Treasurer who shall determine, after consulting with the Monitoring Officer and Chief Constable, whether the matter shall be reported to the Police Authority.
12. All members and employees have a duty to abide by the highest standards of probity in dealing with financial issues.

CONTENT

13. 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 G.
 - Section A - Financial management framework
 - Section B - Financial planning and control
 - Section C - Management of risk and resources
 - Section D - Systems and procedures
 - Section E - Contract Standing Orders
 - Section F - External arrangements
 - Section G - Summary of delegated limits

DEFINITIONS WITHIN THE REGULATIONS

14. The 'Police Authority' or 'Authority' when used as a body for approving policy decisions shall refer to its Members as a collective
15. The 'Constabulary' 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 /her direction.
16. 'Employees' when referred to as a generic term shall refer to police officers, police staff, authority staff and other members of the wider police family.
17. The expression 'authorised officer' refers to employees authorised by an officer specifically described in these regulations.

18. 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 Authority, the Constabulary or their affiliated bodies.
19. The expression 'value for money' shall mean the most cost effective means of meeting the need and takes account of whole life costs.
20. The expression 'he' shall refer to both male and female.
21. Within these Regulations, most of the references have been made to the responsibilities of the Chief Constable since most of the day to day financial management is vested with that postholder. However, where Authority resources are under the direct control of the Chief Executive, the duties, rights and powers as detailed for the Chief Constable shall apply equally to the Chief Executive.
22. The terms Chief Constable, Chief Executive, and Treasurer, include any member of staff, contractors or agents to whom some or all of their respective and particular responsibilities have been delegated. However, the level of such delegated responsibility must be evidenced clearly, made to an appropriate level and the member of staff given sufficient authority, training and resources to undertake the duty in hand.
23. The statutory role of "Monitoring Officer" may be performed by the Authority's Chief Executive, who may also act as the Solicitor to the Police Authority, depending on the qualification of the postholder at any one time and their job description. These roles may also be delegated to a deputy post holder at any one time or performed .by a contractor or external service provider according to the exigencies of the service.

SECTION A

FINANCIAL MANAGEMENT FRAMEWORK

A1 THE ROLE OF THE POLICE AUTHORITY

- 1.1 In terms of financial management, the Authority is responsible for approving the policy framework, agreeing the budget requirement and setting the precept (on advice of the Treasurer), approving the overall allocation of resources proposed by the Chief Constable, monitoring financial outcomes, and the approval of medium and longer term financial plans. It is responsible for approving the overall framework of delegation, accountability and control, and for monitoring compliance.

A2 POLICY FRAMEWORK

2.1 The Police Authority is responsible for agreeing the policy framework and budget which, in relation to these Financial Regulations, includes:

- 3 year policing strategy
- Annual policing plan
- Annual revenue budget
- Capital Programme
- Medium Term Financial Plans
- Treasury Management strategy
- Borrowing limits and prudential indicators
- Annual investment strategy
- Scheme of Delegation
- Standing orders in relation to Contracts
- Information communications and technology (ICT) strategy
- Risk Management strategy
- Anti-fraud and anti-corruption policy
- Whistle blowing policy
- Code of Corporate Governance
- Systems of internal control, including an annual Governance Statement
- System of Internal Audit and annual review of its effectiveness

A3 THE ROLE OF STATUTORY OFFICERS

Introduction

- 3.1 The Home Office Code of Practice on Financial Management [issued under section 39 of the Police Act 1996] advises on the roles and responsibilities of the Police Authority and Constabulary and the statutory officers. Both the Treasurer and the Chief Executive have a specific statutory role under the Act. In addition, a statutory Monitoring Officer will be appointed who may or may not be the Chief Executive. However, within the terms of the policy framework determined by the Police Authority, day to day financial management within the Constabulary has been delegated to the Chief Constable. In accordance with the Code, the Chief Constable has, where appropriate, formally devolved financial management to local police commanders and departmental heads.
- 3.2 Since the Police Authority has ultimate responsibility for all funds spent by the Police Constabulary, there is no distinction in law between the financial responsibilities of the Police Authority and the financial responsibility of the Constabulary. Therefore, within the framework of delegated financial management, the Chief Constable is accountable to the Police Authority, other than for those budgets retained and relating to the operational responsibilities of the Authority itself which will be under the direct control of the Chief Executive.

The Treasurer

- 3.3 The Treasurer has statutory duties that provide overall responsibility for the financial administration of the Authority. The statutory duties arise from:
- Section 151 of the Local Government Act 1972
 - The Local Government Finance Act 1988
 - The Local Government and Housing Act 1989
 - The Accounts and Audit Regulations 2003 and 2006
- 3.4 Nothing in any scheme of financial delegation or financial rules approved by the Chief Constable shall detract from the statutory duties and powers of the Treasurer to ensure the proper administration of the Authority's financial affairs. The Treasurer is the Police Authority's professional adviser on financial matters and shall be responsible for:
- advising on setting and monitoring compliance with financial management standards, including ensuring that financial regulations are observed and kept up to date and that the Chief Constable has effective internal and managerial control systems in place
 - under Section 114 of the Local Government Finance Act 1988, reporting both to the Members of the Police Authority and to the external auditors:
 - where the Authority has made, or is about to make a decision which involves incurring expenditure which is unlawful
 - has taken or proposes to take action which if pursued to its conclusion, would be unlawful
 - is about to enter an item of account, the entry of which is unlawful

- where it appears to him that the expenditure in any financial year, or proposed expenditure, is likely to exceed the resources available to it to meet that expenditure
- advising members on the overall financial position and on the key financial controls necessary to secure sound financial management and propriety, and safe and efficient arrangements.
- providing financial advice to the Police Authority on all aspects of its activity, including the strategic planning and policy making process
- ensuring preparation of the annual statement of accounts
- ensuring the provision of an effective internal audit service
- ensuring an effective Treasury Management function
- advising and securing compliance with the Prudential Code of Practice on Capital Finance
- advising on the safeguarding of assets, including risk management and insurance
- arranging for the determination and issue of the precept
- advising the Chief Constable (and the Authority) where he detects a breach of the Anti-Fraud and Corruption Policy in the Constabulary.

The Treasurer has the right of prior approval of all financial procedures, records, systems and accounts throughout the Constabulary which are necessary to ensure that the role defined in the above paragraphs is properly carried out. The Chief Constable will also ensure that the Treasurer is consulted and given the opportunity to advise upon all financial management arrangements, Financial Rules, and notes of detailed advice and guidance on financial systems and procedures necessary to ensure a satisfactory standard of accuracy, reliability, probity and regularity. The Treasurer shall be given access to any information as is necessary to comply with his statutory duties and with the requirements and instructions of the Police Authority.

The Chief Constable

- 3.5 The Chief Constable is accountable solely to the Police Authority and Home Secretary for the financial management and administration of the Force under the provisions of the Police Act 1996. Financial plans prepared by the Chief Constable for approval by the Authority will be integrated with strategic and annual Policing Plans.
- 3.6 With regard to any report or information for the Authority which relates to budget planning and monitoring, or upon which policy decisions or consultation are to be based, the Chief Constable is responsible for ensuring that the Treasurer is consulted about any information to be included about the finances of the Authority, its services and activities. Any views the Treasurer wishes to state in the report must be included before finalising. Wherever possible, financial reports shall be submitted in the joint names of the Treasurer and Chief Constable,

- 3.7 The Chief Constable shall appoint a suitably qualified Constabulary Finance Director (the Director of Finance and Resources), who shall be responsible to the Chief Constable for all financial activities undertaken within the Constabulary or contracted out under the supervision of the Constabulary. The Director of Finance and Resources shall be responsible for ensuring the effective and efficient use of the resources available to the Constabulary. The Chief Constable and Chief Executive have approved a Protocol (see Section H) to explain and give clarity to the respective roles of the Director of Finance and Resources and the Treasurer and how these roles are performed in practice. A similar protocol should be developed to give clarity to the division of responsibilities between the Director of Finance and Resources and the Head of Finance.
- 3.8 The Chief Constable is responsible for the day to day financial management of the Constabulary within these Financial Regulations.
- 3.9 The Chief Constable shall prepare Financial Rules to supplement these 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 Monitoring Officer

- 3.10 This person is the designated monitoring officer for the Authority appointed under section 5(1) of the Local Government and Housing Act 1989. If the Authority sees fit, their role may be incorporated in that of the Chief Executive and, if for instance there is a conflict of interest, assumed by the Deputy Chief Executive as the Deputy Monitoring Officer.
- 3.11 The Monitoring Officer is responsible for:
- ensuring the legality of the actions of the Police Authority and its officers
 - ensuring that procedures for recording and reporting key decisions are operating effectively
 - advising all members and officers about who has authority to take a particular decision
 - advising the Authority about whether a decision is likely to be considered contrary or not wholly in accordance with the policy framework
 - advising the Chief Constable (and the Authority) where he detects a breach of the Anti-Fraud and Corruption Policy in the Constabulary.

A4 FINANCIAL MANAGEMENT STANDARDS

Why is this important?

- 4.1 All members, employees and police officers have a duty to abide by the highest standards of probity in dealing with financial issues. This is facilitated by ensuring that everyone is clear about the standards to which they are working and the controls that are in place to ensure that these standards are met.

Key Controls

- 4.2 The key controls and control objectives for financial management standards are:
- a) the promotion of these standards throughout the Authority and Constabulary
 - b) a monitoring system to review compliance with financial standards.

Responsibilities

- 4.3 The Treasurer shall: -
- ensure the proper administration of the financial affairs of the Authority and Constabulary
 - ensure that proper practices are adhered to
 - be head of profession in relation to all professional matters associated with standards and development of finance staff
- 4.4 The Treasurer and Director of Finance and Resources shall
- advise on the key strategic controls necessary to secure sound financial management
 - ensure that financial information is available to enable accurate and timely monitoring and reporting
 - ensure that all members, staff and police officers are aware of, and comply with, proper financial management standards, including these Financial Regulations.
 - ensure that financial staffing resources are sufficiently available
 - ensure that all staff are properly managed, developed, trained and have adequate support to carry out their financial duties effectively.

A5 ACCOUNTING RECORDS AND RETURNS

Why is this important?

- 5.1 Maintaining proper accounting records is one of the ways in which the Police Authority demonstrates good governance and discharges its responsibility for stewardship of public resources. The Authority has a statutory responsibility to prepare its annual accounts to 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

- 5.2 The key controls for accounting records and returns are:
- a) relevant accounting standards and timetables are understood and observed
 - b) all transactions, material commitments and contracts and other essential accounting information are recorded completely, accurately and on a timely basis
 - c) procedures are in place to enable accounting records to be reconstituted in the event of systems failure
 - d) reconciliation procedures are carried out on a timely basis to ensure transactions are correctly recorded
 - e) documents are retained in accordance with legislative and other requirements e.g. retention and disposal policies.

Responsibilities

- 5.3 The Treasurer shall:
- approve the strategic systems, accounting procedures and records in accordance with recognised accounting standards and practices employed by the Chief Constable. All employees shall operate within the required accounting policies and published timetables.
 - make proper arrangements for the audit of the Authority's accounts in accordance with the Accounts and Audit Regulations 2003 and 2006
 - make arrangements to ensure that all claims for funds including grants are made by the due date
 - make arrangements to ensure that bank reconciliations and other key control accounts are reconciled on a timely and accurate basis
 - ensure annual accounts are prepared, audited and published each financial year, in accordance with the statutory timetable.
- 5.4 The Treasurer will approve the overall timetable proposed by the Director of Finance and Resources for achieving closure of the Authority's accounts for each financial year, and the Director of Finance and Resources will ensure the detailed processes necessary to achieve this accurately and on time. The Chief Constable will ensure that any information which the Treasurer may require is supplied to him accurately in accordance with accounting conventions.

5.5 The Chief Constable will ensure that the financial data held within accounting and budgetary control systems are maintained accurately and reliably and updated in accordance with agreed timescales and deadlines.

5.6 The Chief Constable shall

- obtain the approval of the Treasurer before making any fundamental changes to accounting records and procedures or accounting systems
- maintain adequate records to provide a management trail leading from the source of income and expenditure through to the accounting statements
- preserve all financial records, vouchers and documents (in whatever media they are held) in accordance with the approved document retention policy.

A6 THE ANNUAL STATEMENT OF ACCOUNTS

Why is this important?

- 6.1 The Police Authority has a statutory responsibility to ensure its accounts are prepared in accordance with timescales prescribed in Accounts and Audit Regulations, which present fairly its operations during the year. The Authority's Governance Committee is responsible for approving these annual accounts.

Key controls

- 6.2 The 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: A Statement of Recommended Practice (the SORP)* and in accordance with the *International Financial Reporting Standards*.
- 6.3 The accounts are subject to detailed independent review by the external auditor. This audit provides assurance that the accounts are prepared correctly, that proper accounting practices have been followed and that arrangements have been made for securing economy, efficiency and effectiveness in the use of resources.

Responsibilities

- 6.4 The Treasurer shall: -
- Approve a timetable for final accounts preparation prepared by the Chief Constable
 - Ensure the application of consistent and appropriate accounting policies which have been presented to and approved by the Authority or a Committee of the Authority to which the responsibility has been delegated
 - Ensure that judgements and estimates that are reasonable and prudent
 - Ensure compliance with the SORP
 - Sign and date the statement of accounts, stating that it presents fairly the financial position of Cumbria Police Authority at the accounting date and its income and expenditure for the financial year just ended
 - Ensure the publication of the approved and audited accounts of Cumbria Police Authority each year, in accordance with the statutory timetable
- 6.5 The Governance Committee of the Police Authority shall consider the annual accounts in accordance with the statutory timetable. In the event that the Committee elects not to approve the Statement of Accounts, a special meeting of the full Authority will be held within 20 working days of the meeting of the Committee to consider the Statement. If the Statement of Accounts is not approved at this meeting, the Authority will produce a note clearly setting out why it cannot approve the accounts.
- 6.6 The Chief Executive, Treasurer and the Chief Constable will prepare a Joint Annual Governance Statement which will be presented to a meeting of the Governance Committee for approval at or before a meeting at which the Statement of Accounts will be considered. The Authority's internal auditor will, at the same meeting, produce an independent review of the Annual Governance Statement in accordance with the requirements of the 2003 Accounts and Audit Regulations (as amended).

SECTION B

FINANCIAL PLANNING AND CONTROL

B1 FINANCIAL PLANNING

Why is this important?

- 1.1 Cumbria Constabulary is a complex organisation, delivering a range of policing activities. Financial planning is essential if it is to function effectively, in delivering its priorities. Financial planning ensures that scarce resources are allocated to those priorities.
- 1.2 The planning process should be continuous and the planning period should cover at least three years, (referred to in this document as 'multi-year') embracing both revenue and capital requirements. The process should include a more detailed annual plan - the budget, covering the forthcoming financial year and consistent with the Annual Policing Plan. This allows the Authority and Constabulary to plan, monitor and manage the way funds are allocated and spent.
- 1.3 Financial and business planning should be fully integrated at all times. Business plans should properly demonstrate how those plans are to be resourced and, likewise, financial plans should seek to demonstrate that resources are being invested in key priority areas.
- 1.4 It is recognised that the impact of financial planning in the police service will be constrained by the quality of information made available by central government on resource allocation. Longer-term financial plans will reflect, as far as possible, external income arising from multi-year financial settlements and government guidance in relation to annual increases in Council Tax, and estimates for that part of the planning period which lies beyond the current settlement period.

Key controls

- 1.5 A detailed plan setting out key milestones in producing annual budgets and policing plans shall be approved by the Police Authority on an annual basis.
- 1.6 A monitoring process is in place to review regularly the effectiveness and operation of budget preparation and to ensure that any corrective action is taken.

Medium Term Financial Planning

- 1.7 To plan for the delivery and development of services and the priorities for the allocation of resources, the Authority shall receive rolling multi-year budget forecasts and rolling multi-year capital programmes, which will be updated twice annually.

Responsibilities

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

- 1.9 The Chief Constable and Treasurer shall prepare a multi-year Medium Term Financial Forecast for submission to the Police Authority. This will cover the forthcoming financial year and a minimum of the following three years. When preparing the forecast, the Chief Constable shall have regard to:
- unavoidable future commitments, including legislative requirements
 - likely levels of external government funding as indicated by Government spending reviews
 - initiatives already underway
 - revenue implications of the draft multi-year capital programme
 - proposed service developments and plans
 - the prevailing requirements for cashable efficiency gains
 - any policy adopted by the Police Authority in relation to Council Tax
 - guidance from central government in relation to Council Tax increases
- 1.10 The Treasurer will report to the Police Authority on any annual or long term financial settlement, advising members of the expected availability of financial resources.

Annual Revenue Budget

- 1.11 The revenue budget provides an estimate of the annual income and expenditure requirements for both the Constabulary and the estimated costs of the Authority. It provides the Chief Constable and the Chief Executive with authority to incur expenditure and a basis on which financial performance can be formally monitored by the Authority. The headings formally approved will represent the level of detail at which any subsequent virement requiring formal approval by the Police Authority will be considered.

Responsibilities

- 1.12 The Treasurer shall determine the format of the revenue budget to be presented to the Police Authority. The format is to comply with all legal requirements and with latest guidance issued by CIPFA
- 1.13 The Chief Constable, in consultation with the Treasurer, shall prepare detailed budget estimates for the forthcoming financial year and a minimum of the following three years, in accordance with the timetable agreed with the Treasurer and approved by the Authority. In preparing draft budgets, the Chief Constable should ensure that they are consistent with the approved operational plans and that the figures are supported and interpreted by the use of non-financial statistics and indicators where appropriate.
- 1.14 The Chief Executive shall ensure that the Police Authority meet to consider formally the budget proposals and that the Police Authority acts in accordance with any legal requirements in respect of budget resolutions and the timely setting of the budget.
- 1.15 The Treasurer and Chief Constable shall submit estimates in the agreed format to the Police Authority budget meeting for approval which: -
- Clearly set out the implications for Council Taxes of proposed spending plans

- Separately show the cost of any new developments, which will be supported by a formal business case in the approved format.
 - Clearly set out the cost of a 'continuation budget'
 - Separately show the effect of any cashable efficiencies taken from the budget and any redistribution of such
 - Clearly set out the various revenue effects of capital developments
- 1.16 The Treasurer shall, in accordance with the provisions of the Local Government Act 2003 (Section 25), report to the Police Authority budget meeting on the robustness of the estimates and the adequacy of general and earmarked reserves.
- 1.17 The Treasurer and Chief Constable shall submit a report to the Police Authority budget meeting on the suite of prudential indicators for the next three years, arising from the Prudential Code for Capital Finance in Local Authorities. These indicators shall be consistent with the annual revenue budget and capital programme submitted for approval to the Authority.

Scheme of Financial Devolution

Why is this important?

- 1.20 To ensure that responsibility and accountability for resources rests with those managers who are responsible for service provision.

Key controls

- 1.21 Devolution shall only take place where the perceived benefits outweigh the additional costs of implementation and administration.
- 1.22 The system must be complementary to, and lie within, corporate strategy.
- 1.23 An ongoing monitoring process is operated to review regularly the effectiveness and operation of devolved budgets and to ensure that any corrective action is taken, where necessary.

Responsibilities

- 1.24 Without prejudice to the Scheme of Delegation approved by the Authority, the Chief Constable shall prepare a formal scheme of devolved resource management (within the overall Scheme of Delegation approved by the Authority) and shall determine the funds to be allocated to Basic Command Units (BCUs) and HQ Departments.
- 1.25 The Chief Constable shall prepare and following consultation with the Treasurer issue detailed Financial Rules which incorporate the application of the scheme of devolved resource management.
- 1.26 The arrangements for financial delegation must clearly specify the limit(s) upon the authority delegated to each individual, and the circumstances in which a decision must not be taken but must be referred back to a higher management level.

- 1.27 With regard to those individuals who are authorised to sign on behalf of the Chief Constable and/or Police Authority (e.g. authorisation, ordering and certification), the Chief Constable will maintain a register of names and specimen signatures for audit and control purposes, also indicating the purpose and extent of each role.

Efficiency Plan

Why is this important?

- 1.28 The Government is committed to improving the efficiency and effectiveness across all public services. The need to search out ongoing efficiencies has been given added impetus since the publication of the Gershon report, which set out the need for public services to continue to deliver efficiency gains. The Home Office is committed to driving forward a more efficient police service. As such, the Home Secretary ~~has~~ having initially set an efficiency target for Police Authorities, aligned to the three-year grant settlement period, which ~~can~~ could be achieved by a combination of efficiency savings (i.e. achieving the same output with less resources) and productivity improvements (i.e. achieving greater efficiency or output with the same resource) has now charged Police Authorities with responsibility for setting ambitious and stretching local efficiency targets. Cashable efficiencies can be reinvested in local policing services where financial circumstances permit. ~~The current regime requires~~ The Police Authority has set a three-year efficiency target equating to £3.5m pa ~~3.5% of annual gross spending, compounded over the three-year target period,~~ to produce targeted savings of £10.5m for the period to 2011-12 of which a significant proportion must be in the form of cashable efficiencies which meet the budget savings requirement identified in February 2009.

Key controls

- 1.29 The Police Authority must publish its efficiency arrangements as part of its local policing policies.
- 1.30 Regular and effective monitoring to be maintained by the Police Authority
- 1.31 Regular reporting to the Home Office

Responsibilities

- 1.32 The Chief Constable shall: -
- produce an efficiency plan, in accordance with the latest Home Office guidance, for consideration and approval by the Policing Plan and Performance Committee.
 - ensure that the efficiency plans are consistent with the presentation of efficiencies in budget plans and the requirements of the Authority
 - monitor progress against the efficiency plan, and provide periodic update reports to the Policing Plan and Performance Committee
 - produce an outturn report as soon as possible after 31 March each year, for consideration by the Police Authority.
- 1.33** The Treasurer shall: -
- Provide any necessary certification of returns required by the Home Office.

B2 BUDGETARY CONTROL

Why is this important?

- 2.1 Budget management ensures that once the Police Authority has approved the budget, resources allocated are used for their intended purpose and are properly accounted for. Budgetary control is a continuous process, enabling the Authority to be assured that the approved budget will not be exceeded or, if a predicted overspend is forecast, that any necessary corrective actions can be put in place. It also provides the mechanism that calls to account managers responsible for defined elements of the budget.

Key controls

- 2.2 The key controls for managing and controlling the revenue budget are: -
- a) there is a specific budget approval for all expenditure and income
 - b) there is a nominated budget holder and financial advisor for each delegated budget
 - c) budget holders shall formally accept accountability for the budgets under their direct control and the level of service to be delivered, and understand their financial responsibility
 - d) a system of regular reporting both to the Chief Constable and to the Authority via the Governance Committee
 - e) the management of budgets must not be seen in isolation. It should be measured in conjunction with service outputs and performance measures
 - f) income and expenditure are properly recorded and accounted for

Revenue Monitoring

Why is this important?

- 2.3 Regular reviews of actual expenditure and income against budgeted spending plans will identify and help explain variances against approved budgets, and can help identify changes in trends and resource requirements at the earliest opportunity. The Authority operates within an annual cash limit, approved when setting the overall budget. To ensure that the overall budget is not overspent, each budget holder is expected to manage expenditure within the resources delegated to them.

Responsibilities

- 2.4 The Chief Constable is responsible for providing timely and appropriate financial information to budget holders to enable budgets to be monitored effectively.
- 2.5 The Chief Constable shall ensure that each element of income or expenditure has a nominated budget holder to take responsibility for that part of the budget. Budget responsibility should be aligned as closely as possible to the decision making process that commits expenditure.
- 2.6 The Chief Executive is responsible for the Police Authority's own budget.

- 2.7 It is the responsibility of budget holders to manage income and expenditure within their area and to monitor performance, taking account of financial information provided by the Chief Constable and advice provided by nominated members of the Constabulary financial services team. Budget holders should also take any action necessary to avoid exceeding their budget allocation and alert the Chief Constable to any problems, via the Director of Finance and Resources. Detailed budget monitoring is to be undertaken by budget holders every month and reported to the Director of Finance and Resources, who will advise the Chief Constable of the overall position.
- 2.8 The Chief Constable shall ensure that budget holders receive sufficient financial support and training to enable them to undertake their budgetary control responsibilities.
- 2.9 The Chief Constable shall ensure that resources delegated to him for operational policing remain within the overall 'cash limit' 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, the Treasurer shall be alerted immediately. The Chief Constable shall be required to provide suitable explanations as part of the regular reporting process to the Authority. The same responsibilities apply to the Chief Executive for the Authority's budget. The Authority shall determine how projected overspends are to be managed according to advice provided by the Treasurer.
- 2.10 The Chief Constable will ensure that adequate and effective systems are in place to monitor and control expenditure. In the context of monitoring expenditure, the Chief Constable will, from time to time, consider whether it is necessary to maintain an ongoing commitment accounting system. The use of any commitment system must be in a form approved by the Treasurer and must be integrated with the main accounting system
- 2.11 Where significant savings or increased income were not included in the Budget, but arise fortuitously because of external factors outside the Authority's control, these new resources should be reported to the Authority before any decision is taken about their utilisation.
- 2.12 The Chief Constable shall submit a revenue budget monitoring report to the Governance Committee on a regular basis throughout the year, containing the most recently available financial information. The Chief Constable and Treasurer shall submit a joint capital budget monitoring report to the Governance Committee on a regular basis throughout the year, containing the most recently available financial information, including funding requirements and compliance with the prudential indicators adopted by the Authority. The reports shall be in a format agreed by the Treasurer and Chief Constable.
- 2.13 The Treasurer will be entitled to attend and report directly to all meetings of the Police Authority, its committees or panels, on matters pertaining to finance, and shall be consulted by the Chief Constable before the finalising of any report containing financial advice or financial information or about any matter which could have a material effect on the finances of the Authority, before any commitment is incurred and/or before reporting to the Police Authority on matters having a financial effect or involving a financial statement. Wherever possible, reports which have a significant financial input should be in the joint names of the Chief Constable and Treasurer.

Virement

Why is this important?

2.14 A virement is a planned reallocation of resources between budgets or heads of expenditure. A budget head is considered to be a line in the approved budget report. The scheme of virement is intended to enable the Chief Constable and Chief Executive to manage their budgets with a degree of flexibility within the overall budget approved the Authority and, therefore, to provide the opportunity to optimise the use of resources to meet emerging needs. Virement takes place at two levels. Firstly, at a strategic level, virements as set out below at 2.17 and 2.18 require the prior approval of the Governance Committee before they can be actioned. In addition, for budgets delegated to the Chief Constable and Chief Executive to manage, both officers will ensure that proper arrangements are put in place to govern the virement of funds between budgets (and, for the Chief Constable, budget holders), in accordance with the Scheme of delegation.

Key controls

2.15 Key controls for the scheme of virement are: -

- a) regular review of the virements which the Governance Committee is required to approve
- b) regular review of the scheme of virements which the Chief Constable and Chief Executive can approve, which sit within the scheme of financial delegation
- c) virement does not create additional overall budget liability. The Chief Constable and Chief Executive are expected to exercise their discretion in managing their budgets responsibly and prudently
- d) the Chief Constable and Treasurer shall ensure that virement is undertaken as necessary within their delegated budgets to maintain the accuracy of budget monitoring.
- e) Virements between Revenue and Capital are only permitted in accordance with the content of part B3 (paragraphs 3.34 to 3.36) of these regulations.

Responsibilities

2.16 The Governance Committee, having regard to advice from the Treasurer and Chief Constable, shall review those virements requiring its prior approval on an annual basis. The Governance Committee will determine the level of summarisation at which budgets are approved and to which virement shall apply.

2.17 Prior approval by the Governance Committee is required for those virements which, collectively are in excess of: -

- o £500,000 for revenue items and
- o £100,000 for capital items

2.18 The approval of the Governance Committee shall also be required if a virement involves:

- a) a substantial change in policy

b) an addition to commitments in future years in excess of £100,000 per annum

- 2.19 Income received in excess of the budgeted amount may be spent, subject to not exceeding the amounts set out at 2.17 and 2.18. This can be achieved by a virement between income and expenditure budgets in accordance with these regulations.
- 2.20 The Chief Constable shall maintain a scheme of financial devolution which will set a clear framework for the operation of virements of budgets devolved to him which do not require the approval of the Governance Committee. The Treasurer will, likewise, maintain a similar scheme of financial devolution in respect of Police Authority budgets. Such schemes of financial devolution shall include a clear definition of any systems and procedures involved, including authorisations and controls.
- 2.21 If at any time the Chief Constable or Treasurer have reason to believe that funds delegated to them might become overspent, then any resource which might otherwise have become available for virement shall first be used to offset the anticipated overspend.

Treatment of Year End Balances

Why is this important?

- 2.22 The Authority's scheme of financial devolution is designed to ensure that responsibility and accountability for resources rest with managers who are responsible for service provision. The scheme will be made as flexible as possible, consistent with the financial position of the Authority and will allow the Chief Constable to implement a system of carry forwards within his scheme of financial delegation and will allow the Treasurer to implement similar arrangements for budgets delegated to the Chief Executive.

Key controls

- 2.23 Review and approval of the arrangements for carry forwards in respect of budgets delegated to the Chief Constable and Chief Executive should be undertaken periodically when reviewing the scheme of Delegation and scheme of Devolved Resource Management (DRM).
- 2.24 Appropriate accounting procedures are in operation to ensure that carried-forward funds are correct.

Responsibilities

- 2.25 The Chief Constable shall maintain, within his scheme of financial devolvement, a system of carry forwards. He shall review it on a regular basis and shall submit it to the Governance Committee for approval when reviewing the schemes of delegation and DRM.

- 2.26 The Chief Executive shall also maintain a system of carry forwards in respect of budgets managed by the Police Authority. He shall review it on a regular basis and shall submit it to the Governance Committee for approval when reviewing the schemes of delegation and DRM.
- 2.27 All overspends will be carried forward and will be a first charge on the following year's devolved budget. The Chief Constable, in consultation with the Treasurer, may, in exceptional circumstances, waive this Regulation.
- 2.28 The Police Authority shall maintain an earmarked Budget Reserve to a limit of £150,000 to which the amount of any under spending at the end of a financial year in respect of its own budget shall be transferred, subject to the limit for the Reserve at the time of the transfer not being exceeded.

B3 CAPITAL PROGRAMME

Why is this important?

- 3.1 Capital expenditure involves acquiring or enhancing fixed assets with a long-term value to Cumbria Constabulary, such as land, buildings, and major items of plant, equipment or vehicles. Capital assets shape the way services are delivered in the long term and may create financial commitments for the future in the form of financing costs and revenue running costs. The formal definition of capital expenditure is contained in the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003. (as amended)
- 3.2 The funding of a capital programme should be considered in the wider context of the overall budget to ensure that capital spending plans are Prudent, Affordable and Sustainable.
- 3.3 The capital programme should be linked to a capital strategy and supporting relevant asset strategies.

Key controls

- 3.4 The key controls for capital programmes are:
 - a) Specific approval by the Authority for the programme of capital expenditure
 - b) Each capital project shall have a named officer responsible for sponsoring the scheme, monitoring progress and ensuring completion of the scheme.
 - c) In accordance with the Prudential Code the Authority should approve a fully funded rolling multi-year capital programme covering a forward period of not less than three years.
 - d) Each capital project put forward to the Police Authority for approval shall be supported by a formal business case.
 - e) No capital expenditure shall be incurred unless the scheme is approved by the Police Authority.
 - f) Where there is a requirement to incur preparatory or preliminary expenditure in order to complete a design or specification as a basis for informing the business case, then approval to such expenditure will be sought when requesting that an indicative budget be included within the capital strategy.
 - g) Capital expenditure should be in accordance with the requirements of the approved capital strategy.
 - h) Regular capital monitoring reports are presented to the Police Authority
 - i) The development and implementation of supporting asset strategic plans

THE PRUDENTIAL CODE

Why is this important?

3.5 The Prudential Code came into force on 1 April 2004 with statutory backing provided by the Local Government Act 2003. The code gives police authorities additional freedoms to borrow money to finance capital expenditure providing processes are in place to evidence the decision-making. The Code states that a soundly formulated capital programme must be driven by the desire to provide high quality, value for money public services. As a consequence the Code recognises that in making its decisions to make capital investment the Authority must have explicit regard to:

- option appraisal
- asset management planning
- strategic planning for the authority
- achievability of the forward plan.

Key controls

3.6 The Authority approves a capital strategy which sets the framework to provide for the identification, appraisal, prioritisation, scrutiny and subsequent monitoring and evaluation of all capital expenditure.

3.7 The Code requires the Authority to set and monitor performance on a suite of performance indicators under the following headings

- Affordability
- Capital expenditure
- External debt, and
- Treasury management

3.8 There should be clear governance procedures for the setting, monitoring and revising of prudential indicators.

Responsibilities

3.9 The Chief Constable, in consultation with the Treasurer, should produce a capital strategy for consideration and approval by the Authority

3.10 The Chief Constable shall prepare a range of relevant supporting asset strategies for approval annually by the Authority

3.11 The Treasurer, in consultation with the Chief Constable, shall prepare a rolling multi-year financial plan for consideration and approval by the Authority, as set out at B1(1.7).

3.12 For each new capital scheme, or request for an annual capital provision, the relevant business and/or programme manager shall complete a business proposal form and submit it, in the first instance, to the Chief Constable. The business proposal form, in a format approved by the Treasurer, shall provide relevant, timely and accurate information for each scheme.

- 3.13 The Constabulary shall discuss the ongoing requirements for capital expenditure over the medium term based on the proposals to manage capital programmes, approved by the Police Authority. For all proposals which are to be put to the Authority, a full business case shall be prepared in the approved format.
- 3.14 The Treasurer shall submit a report to the Police Authority budget meeting setting out the suite of prudential indicators for the next three years, but extended to cover the period of the multi-year rolling capital programme. These indicators shall be consistent with the annual revenue budget and capital programme to be approved by the Authority.

Multi-Year Capital Programme

- 3.15 The Chief Constable, in consultation with the Treasurer, shall prepare a multi-year rolling programme of proposed capital expenditure for submission to the Police Authority for approval. This shall cover the forthcoming financial year and a minimum of the following three years. Each scheme shall identify the total capital cost of the project and any additional revenue commitments.
- 3.16 Project appraisals (i.e. the Business Proposal Form) shall be prepared by the Chief Constable for all schemes in the draft multi-year capital programme and shall be submitted to the Authority for approval.
- 3.17 The Chief Constable, in consultation with the Treasurer, shall identify available sources of funding for the multi-year capital programme, including the identification of potential capital receipts from disposal of property.
- 3.18 A gap may be identified between available resources and required capital investment. Requirements should be prioritised carefully by the Chief Constable to enable the Police Authority to make informed judgements as to which schemes should be included in the draft capital programme, the minimum level of funding required for each scheme and the potential phasing of capital expenditure.
- 3.19 The Treasurer shall make recommendations to the Police Authority on the most appropriate level of revenue support and appropriate levels of borrowing, under the Prudential Code, to support the capital programme.
- 3.20 All schemes within the draft multi-year capital programme shall be based on a realistic assessment of what the scheme will actually cost to procure or develop i.e. they should incorporate an estimate of future price inflation.
- 3.21 Approval of any schemes within the multi-year capital programme by the Authority in February each year authorises the Chief Constable to seek any approvals necessary for site purchase, to seek planning permissions, to incur professional fees and preliminary expenses as appropriate, in respect of approved schemes.

Annual Capital Programme

- 3.22 The Police Authority shall agree annually as part of its budget arrangements a capital programme for the forward year and such further period it deems to be prudent, and how it is to be financed, at its budget meeting in February each year.
- 3.23 Approval of the capital programme by the Authority authorises the Chief Constable to incur expenditure on schemes for which provision is made in the immediate year ahead providing the project appraisal has been approved and expenditure on the scheme does not exceed the sum contained in the approved programme by more than £100,000 or 10% which ever is the lower amount
- 3.24 Capital financing and funding arrangements shall not be entered into without the prior approval of the Treasurer following consultation with the Chief Constable.
- 3.25 The Treasurer shall determine the de-minimus limit for capital expenditure, which for these regulations, shall amount to £25,000.
- 3.26 Under capital accounting regulations the financing of capital expenditure is a separate decision, taking into account all resources available to the Authority. The approved rolling capital programme must be fully funded from the outset. Any past or current capital expenditure by the Authority must be reflected in the Balance Sheet at current use value (net replacement cost). An annual revenue charge for depreciation will be made to the Constabulary for use of the Authority's assets (*the Treasurer will determine the annual charge, having regard to the appropriate regulations applicable at that time*). Any planned capital expenditure will require prior approval by the Police Authority via the capital programme and/or subject to the policy on virement regardless of how it is resourced.

MONITORING OF CAPITAL EXPENDITURE

- 3.27 The Chief Constable shall ensure that adequate records are maintained for all capital contracts
- 3.28 The Chief Constable, in consultation with the Treasurer, shall monitor expenditure throughout the year against the approved programme.
- 3.29 The Chief Constable and Treasurer shall submit joint capital monitoring reports to the Police Authority on a regular basis throughout the year. These reports are to be based on the most recently available financial information. The monitoring reports will show spending to date and compare projected income and expenditure with the approved programme, together with information to show compliance with the key prudential indicators adopted by the Authority. The reports shall be in a format agreed by the Treasurer and Chief Constable.

- 3.30 The Chief Constable (in liaison with the Treasurer) will as part of such monitoring reports to the Police Authority identify any projected slippage of individual capital schemes and will also identify any foreseen overspending on individual schemes. The Chief Constable shall report on any slippage (including slippage during or between financial years) or overspending, but in any case where the forecast overspending on an individual scheme is likely to exceed £100,000 or 10% of the approved capital budget for that project, whichever is the lower amount in any case, then this shall be the subject of detailed reporting to the Governance Committee.
- 3.31 The Treasurer jointly with the Chief Constable shall report on the outturn of capital expenditure as part of the annual report on the statutory accounts.
- 3.32 For specific schemes estimated to cost in excess of £500,000, the Chief Constable shall, as soon as practical after completion of the scheme, submit a report to the Authority setting out the final cost of the contract compared to the original estimate / budget and within 12 months of completion, an evaluation of the business benefits delivered, compared with the original business case for the project.
- 3.33 Schemes proposed after the annual budget meeting for inclusion in the capital programme during the current financial year shall be submitted to the Police Authority for approval. Amendments to the programme increasing its overall cost must demonstrate how such changes are to be funded.

Capital Virement

- 3.34 The Chief Constable may use revenue provision to purchase capital items or carry out capital works, over and above that agreed by the Authority in the annual budget report, up to a limit of £50,000 per scheme or £100,000 in total. Any such change shall be incorporated in the Capital Programme and reported to the Police Authority in the normal way.
- 3.35 The Treasurer can approve any virement or additional capital expenditure, where the additional costs are fully reimbursed by other bodies, subject to the limitations and rules set out below.
- 3.36 The Chief Constable, in consultation with the Treasurer, may approve virement between individual capital schemes, subject to the limitations and rules set out below.
- a) *Where the transfer exceeds £100,000 approval for the virement should be sought at the next Police Authority meeting, as part of the revenue and capital monitoring process.*
 - b) *Any revenue consequence resulting from such capital expenditure must be contained within existing budgetary provisions*
 - c) *The annual capital programme should be increased accordingly, and the change incorporated in the next capital monitoring report to the Police Authority meeting*

B4 MAINTENANCE OF GENERAL BALANCES AND EARMARKED RESERVES

Why is this important?

- 4.1 The Police Authority must decide the level of general reserves it wishes to retain consistent with the level of risk faced as part of the process of agreeing annual budgets and setting the council tax. Reserves are maintained as a matter of prudence. They enable the Authority to provide for cash flow fluctuations and unexpected costly events and thereby help protect it from overspending the annual budget, should such events occur. Reserves for specific purposes may also be maintained where it is likely that a liability will arise in the future.

Key controls

- 4.2 To maintain reserves in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice (CIPFA/LASAAC) and agreed accounting policies together with any relevant CIPFA guidance.
- 4.3 For each earmarked reserve established, the purpose, usage and basis of transactions should be clearly identified

Responsibilities

- 4.4 The Police Authority shall approve the creation of each earmarked reserve. The purpose, usage and basis of transactions should be clearly identified for each reserve established. The Treasurer shall review proposed appropriations to and from each earmarked reserve, before recommending them for approval by the Authority and these will be separately identified in the Annual Statement of Accounts.
- 4.5 The Treasurer shall report to the Authority's annual budget meeting on the adequacy of reserves and balances in accordance with the requirements of the Local Government 2003.
- 4.6 The Police Authority shall approve a general strategy for the level of general balances and purpose and application of earmarked reserves, which shall be reflected in the rolling multi-year financial plans.
- 4.7 In respect of *each of* the following Earmarked Reserves:
Health and Safety Reserve Management of Change Reserve
Probationer Training Reserve IncentivisationHarmonisation Reserve
Risk Management Initiatives Reserve
The Chief Constable is delegated to commit up to £50,000 of expenditure for funding beyond any annual budget authorisation, subject to consultation with the Treasurer and compliance with the criteria for which the reserve was established.
- 4.8 In respect of the Police Authority Budget Reserve, the Chief Executive is delegated to commit up to £10,000 of funding beyond any annual budget authorisation, subject to consultation with the Chairman (or the Vice-Chairman in the absence of the Chairman) and with the Treasurer.

SECTION C

MANAGEMENT OF RISK AND RESOURCES

C1 RISK MANAGEMENT

Why is this important?

- 1.1 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.
- 1.2 All organisations, whether private or public sector, face risks to people, property and continued operations. Risk is the chance or possibility of loss, damage, injury or failure to achieve objectives caused by an unwanted or uncertain action or event. Risk cannot be eliminated altogether. However, risk management is the planned and systematic approach to the identification, evaluation and control of risk. Its objectives are to secure the organisational assets and to ensure continued corporate and financial well being. In essence it is, therefore, an integral part of good business practice.

Key controls

- 1.3 The key controls for risk management are:
 - a) procedures should be in place to identify, assess, prevent or contain material known risks, with a monitoring process in place to review regularly the effectiveness of risk reduction strategies and the operation and effectiveness of these controls. The risk management process should be formalised and conducted on a continuing basis
 - b) managers know that they are responsible for managing relevant risks and are provided with relevant information on risk management initiatives
 - c) provision is made to offset losses that might result from the risks that remain
 - d) procedures are in place to investigate claims within required timescales
 - e) acceptable levels of risk are determined and insured against where appropriate

Responsibilities

- 1.4 The Police Authority and Constabulary have distinct responsibilities in relation to Risk Management, and is reflected by each party having its own Risk Register and Risk Management Policy Statement.
- 1.5 Constabulary Risk Management is the responsibility of the Chief Constable who shall approve arrangements for the identification and management of risk with the Constabulary, including the provision for separate categories of Risk Registers, having regard to advice from specialist officers, who are jointly responsible for preparing the Constabulary's Risk Management Policy Statement. They are responsible for promoting a culture of risk management awareness throughout Cumbria Constabulary and reviewing risk as an ongoing process.
- 1.6 The Police Authority is responsible for approving its own Risk Management Policy Statement and Strategy, for maintaining its own Risk Register, for reviewing the overall effectiveness of risk management, and promoting an awareness throughout the Authority.

1.7 Insurance arrangements are an important aspect of managing and mitigating the potential impact of risk events occurring, particularly those which can have major financial effects, either individually or in aggregate. In this context the Treasurer shall:-

- advise the Police Authority on appropriate arrangements for insurance. Acceptable levels of risk should be determined and insured against where appropriate. Activities leading to levels of risk assessed as unacceptable should not be undertaken.
- periodically review all insurances in consultation with the Chief Constable.
- ensure that all appropriate employees are included in a suitable fidelity guarantee insurance.
- arrange for an actuary to undertake a regular review of the Constabulary's own self insurance fund and, following that review, shall recommend to the Police Authority a course of action to ensure that, over the medium term, the fund is able to meet all known and forecast liabilities.

1.8 The Treasurer, in consultation with the Chief Constable, shall ensure that insurance cover is provided within the terms of the approved strategy and take account of all new risks as appropriate. The Chief Constable shall also consult the Authority's legal advisor concerning the terms of any indemnity which he is requested to give on behalf of the Constabulary.

1.9 The Chief Constable shall

- ensure that claims made by Cumbria Constabulary against insurance policies are made promptly
- make all appropriate employees aware of their responsibilities for managing relevant risks and provide information on risk management initiatives
- ensure that employees, or anyone covered by insurance, is instructed not to admit liability or make any offer to pay compensation that may prejudice the assessment of liability in respect of any insurance claim
- approve, before any contract for works is made, the insurance cover to be furnished by the contractor in respect of any act or default unless Cumbria Constabulary chooses to provide insurance cover itself
- 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 risks

1.10 The Solicitor to the Chief Constable shall evaluate in the first place any terms of indemnity that Cumbria Police Authority and Constabulary are requested to give by external parties before reporting them to the Chief Executive for their decision.

C2 GOVERNANCE AND INTERNAL CONTROLS

Why is this important?

- 2.1 Internal control refers to the systems of control devised by management to help ensure objectives are achieved in a manner that promotes economical, efficient and effective use of resources and that the Authority's assets and interests are safeguarded.
- 2.2 Cumbria Constabulary is a complex organisation, and requires internal controls to manage and monitor progress towards strategic objectives. Both the Authority and Constabulary have statutory obligations, and, therefore, require internal controls to identify, meet and monitor compliance with these obligations. In compliance with the Accounts and Audit Regulations 2003 (as amended) the Authority and Constabulary have jointly adopted a local Code of Corporate Governance (as promulgated by the CIPFA/SOLACE governance framework) which sets out the framework and standards by which governance and internal control arrangements will be met.
- 2.3 The Authority and Constabulary also face a wide range of financial, administrative and commercial risks, both from internal and external factors, which threaten the achievement of its objectives. Internal controls are necessary to manage these risks. The system of internal controls is established in order to provide achievement of:
- efficient and effective operations
 - reliable financial information and reporting
 - compliance with laws and regulations
 - effective risk management

Key controls

- 2.4 The key controls and objectives for internal control systems are:
- a) key controls should be reviewed on a regular basis and the Authority should make a formal statement as part of its Annual Governance Statement to the effect that it is satisfied that its governance arrangements including the systems of internal control are operating effectively
 - b) 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 define roles and responsibilities
 - c) financial and operational control systems and procedures, which include physical safeguards for assets, segregation of duties, authorisation and approval procedures and information systems
 - d) an effective internal audit function that is properly resourced. It should operate in accordance with the latest guidance issued by CIPFA and/or other appropriate bodies.

Responsibilities

- 2.5 The Chief Executive and Chief Constable are responsible for implementing effective systems of internal (including operational) control, with advice from the Treasurer on financial controls, within the Authority and Constabulary respectively. These arrangements shall ensure compliance with all applicable statutes and regulations, and other relevant statements of best practice. They shall ensure that public resources are properly safeguarded and used economically, efficiently and effectively.
- 2.6 The Chief Executive and Chief Constable shall ensure that internal controls exist for managerial control systems, including defining policies, setting objectives and plans, monitoring financial and other performance information and taking appropriate anticipatory and remedial action where necessary, within their areas of responsibility. A key objective of these systems is to define roles and responsibilities.
- 2.7 The Chief Executive and Chief Constable shall ensure that internal controls exist for their respective financial and operational systems and procedures. This includes physical safeguard for assets, segregation of duties, authorisation and approval procedures and robust information systems.
- 2.8 The Chief Executive, Treasurer and the Chief Constable shall produce an Annual Governance Statement for consideration and approval by the Governance Committee to demonstrate that the governance arrangements, including those for internal controls, have been effective and have met the standards adopted in the local Code. Following approval, the Annual Governance Statement should be signed by the Chief Executive, Treasurer, Chief Constable and Chairman of the Authority.
- 2.9 In preparing the Annual Governance Statement, the Chief Executive, the Treasurer and Chief Constable shall, at all times, have regard to relevant guidance and, in particular, to the Accounts and Audit Regulations 2003 (as amended) and guidance issued as part of the CIPFA/SOLACE governance framework.

C3 AUDIT REQUIREMENTS

Internal Audit

Why is this important?

- 3.1 Internal audit is an assurance function that primarily provides an independent and objective opinion to the organisation on the control environment comprising risk management, control and governance 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
- 3.2 The requirement for an internal audit function for local authorities is implied by section 151 of the Local Government Act 1972, and section 112 of the Local Government Finance Act 1988, which require that authorities "*make arrangements for the proper administration of their financial affairs*". The Accounts and Audit Regulations 2003 (as subsequently amended ~~SI2006/564~~), require that a "*relevant body shall maintain an adequate and effective system of internal audit of their accounting records and control systems*".

Key controls

- 3.3 The key controls for internal audit are:
- a) it is independent in its planning, operation and reporting
 - b) the Audit Manager contracted by the Authority has direct access to Chief and senior officers and employees, where necessary, together with all documentation required
 - c) internal audit is required to comply with any relevant statutory obligations, regulations or Codes of Practice in the fulfilment of their duties
 - d) the Authority has approved the terms of reference within which internal audit operates; and
 - e) the Authority has approved the internal audit strategy, setting out:
 - how assurance for the Annual Governance Statement including the effectiveness of internal controls will be demonstrated;
 - what resources and skills are required for the delivery of the strategy; and
 - the relative allocation of audit resources between assurance work and any fraud-related or consultancy work.

Responsibilities

- 3.4 The Treasurer shall ensure the provision of an adequate and effective internal audit service.

- 3.5 The Treasurer will ensure that an annual review of the effectiveness of the Internal Audit service is undertaken in line with the 2003 Accounts and Audit Regulations (regulation 6) and that the findings of this review are reported to the Governance Committee as part of consideration to the Annual Governance Statement including the effectiveness of Internal Controls.
- 3.6 The Chief Constable and Treasurer shall ensure that internal auditors have the authority to:
- access Constabulary 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 organisational control
 - access records belonging to contractors, when required. This shall be achieved by including an appropriate clause in all contracts.
- 3.7 Internal Audit shall have direct access to all officers and employees, where necessary.
- 3.8 The Authority's contracted Auditor is responsible for preparing a medium term strategic audit plan and an annual audit plan that conform to relevant CIPFA guidance. The Treasurer is responsible for approving these draft plans and any subsequent revisions. The plans shall be submitted to the Governance Committee for final approval following consultation by the Treasurer with the Chief Constable.
- 3.9 The Audit Manager shall be invited to attend meetings of the Governance Committee and will present to the Committee reports on Internal Audits carried out. The Audit Manager shall also present an annual report to the Governance Committee, including an opinion on the reliance that may be placed on the Governance and Internal Control framework and summarising the work completed during the financial year in support of this opinion.
- 3.10 The Chief Constable shall consider and respond promptly to recommendations in audit reports and ensure that any agreed actions arising from audit recommendations are carried out in accordance with the agreed action plan included in each report.
- 3.11 The Chief Constable shall ensure that material new systems for maintaining financial records or records of assets, or significant changes to existing systems, are discussed with and agreed by the Treasurer and internal audit prior to implementation.

- 3.12 The Chief Constable shall notify the Treasurer 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 Audit Manager as appropriate and keep him informed of progress. At the conclusion of the investigation the 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.

External Audit

Why is this important?

- 3.13 The Audit Commission is responsible for appointing external auditors to Police Authorities. The external auditor has rights of access to all documents and information necessary for audit purposes.
- 3.14 The basic duties of the external auditor are governed by section 15 of the Local Government Finance Act 1982, the Audit Commission Act 1998 and the Local Government Act 1999. In particular, section 4 of the 1998 Act requires the Audit Commission to prepare a Code of Audit Practice, which external auditors follow when carrying out their duties. The Code of Audit Practice sets out the auditor's objectives to review and report upon:
- the financial aspects of the audited body's corporate governance arrangements
 - the audited body's financial statements
 - aspects of the audited body's arrangements to manage its performance, including the preparation and publication of specified performance information
 - a judgement of the audited body's Economic, Efficient and Effective Use of Resources, as required by section 5 of the 1998 Act.
- 3.15 The Authority's accounts are scrutinised by external auditors, who must be satisfied that the statement of accounts 'presents ~~fairly~~ a true and fair view' of the financial position of the Authority and its income and expenditure for the year in question and complies with the legal requirements.

Key controls

- 3.16 External auditors are appointed by the Audit Commission normally for a minimum period of five years. The Audit Commission prepares a Code of Audit Practice, which external auditors follow when carrying out their audits

Responsibilities

- 3.17 The Treasurer shall liaise with the external auditor and advise the Governance Committee on their responsibilities in relation to external audit and ensure there is effective liaison between external and internal audit.
- 3.18 The Chief Constable and Treasurer shall ensure that the external auditors are given the same levels of access to premises, assets, records, documents, correspondence, control systems and personnel, as determined for internal audit in paragraph 3.6 above for the purposes of their work.

Other Inspection Bodies

- 3.19 Cumbria Constabulary may, from time to time, be subject to audit, inspection or investigation by external bodies such as HMIC, the National Police Improvement Agency (NPIA), the Office of the Information Commissioner and HM Customs and Revenue , who all have statutory rights of access.

C4 PREVENTING FRAUD AND CORRUPTION

Why is this important?

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

Key controls

- 4.4 The key controls for minimising the risk of financial irregularity are:
 - a) The Authority and the Constabulary have an effective Anti-Fraud and Corruption policy, which the Authority has approved, and maintain a culture that will not tolerate fraud or corruption
 - b) all members and employees shall be encouraged to act with integrity and lead by example
 - c) senior managers are required to deal swiftly and firmly with those who defraud or attempt to defraud Cumbria Police or who are corrupt
 - d) high standards of conduct are promoted amongst members by the standards committee
 - e) the maintenance of registers of interests in which any hospitality or gifts accepted by members or employees must be recorded
 - f) whistle blowing procedures are in place and are promoted throughout the organisation
 - g) legislation including the Public Interest Disclosure Act 1998 is adhered to
 - h) there is a clear internal financial control framework setting out the approved financial systems to be followed by all members and employees.

Responsibilities

- 4.5 The Chief Executive and Chief Constable shall:
 - Maintain respective policies for the registering of interests and the receipt of hospitality and gifts covering their members, officers and employees respectively.
 - Maintain registers of interests and offers and receipt of hospitality and gifts for members, officers and employees in a manner to be determined by the Monitoring Officer, in consultation with the Chief Constable

- Maintain and promote a whistle blowing policy to provide a facility that enables employees, the general public and contractors to make allegations of fraud, misuse and corruption in confidence, and without recrimination, to an independent contact. The Police Authority shall adopt such a policy. Procedures shall ensure that allegations are investigated robustly as to their validity, that they are not malicious and that appropriate action is taken to address any concerns identified. The Chief Constable shall ensure that all employees are aware of any approved whistle blowing policy. A Whistle blowing policy has been incorporated into the policy on anti-fraud and anti-corruption.

4.6 The Chief Executive and Chief Constable may instigate disciplinary procedures where the outcome of an investigation in their respective domain indicates improper behaviour.

C5 ASSETS

Security

Why is this important?

5.1 Cumbria Police Authority and Constabulary hold assets in the form of land, property, vehicles, equipment, furniture and other items, together worth many millions of pounds. It is important that assets are safeguarded and used efficiently in service delivery, that there are arrangements for the security of both assets and information required for service operations and that proper arrangements exist for the disposal of assets. An up-to-date asset register is a prerequisite for proper fixed asset accounting and sound asset management.

Key controls

- 5.2 The key controls for the security of resources such as land, buildings, fixed plant machinery, equipment, software and information are:
- a) resources are used only for official purposes and are properly accounted for and regularly checked
 - b) resources are available for use when required
 - c) resources no longer required are disposed of in accordance with the law and relevant regulations so as to maximise benefits
 - d) an asset register is maintained by the Chief Constable.
 - e) all employees are aware of their responsibilities with regard to safeguarding and information, including the requirements of the Data Protection Act and software copyright legislation
 - f) all officers and employees are aware of their responsibilities with regard to safeguarding the security of computer systems, including maintaining restricted access to the information held on them and compliance with the Constabulary computer and internet security policies.

Responsibilities

- 5.3 The Treasurer shall ensure that an asset register is maintained to provide Cumbria Police with information about fixed assets so that they are:
- safeguarded
 - used efficiently and effectively
 - adequately maintained
 - valued in accordance with statutory and management requirements
- 5.4 The Chief Constable shall ensure that:-
- assets and records of assets are properly maintained and securely held and that contingency plans for the security of assets and continuity of service in the event of disaster or system failure are in place
 - title deeds to the Authority's property are held securely
 - the use of assets is properly authorised and controlled, and that no asset is subject to personal use by an employee without proper authority

- attractive and portable items such as computers, cameras and video recorders are identified with security markings as belonging to Cumbria Constabulary
 - the Authority will adopt a Computer Security Code of Practice and that all employees are aware of their personal and official responsibilities with regard to safeguarding Constabulary assets and information, including the requirements of the Data Protection Act and software copyright legislation
- 5.5 Plans for the rationalisation or expansion of the estate, and provision for maintenance, should be included in the budget and Local Policing Plan issued by the Authority each year.
- 5.6 The Chief Constable shall have custody of the original documents relating to assets, for all contracts, leases, deeds and agreements, and similar legal documents made under seal.

Valuation

- 5.7 The Chief Constable shall maintain an asset register for all fixed assets with a value in excess of the limits shown below, in a form approved by the Treasurer. Assets are to be recorded when they are acquired. Assets shall remain on the asset register until disposal. Assets are to be valued in accordance with the *Code of Practice on Local authority Accounting in the United Kingdom: A Statement of Recommended Practice* and the requirements specified by the Treasurer

<i>Land & Buildings</i>	<i>All values</i>
<i>Vehicles</i>	<i>All values</i>
<i>ICT hardware</i>	<i>All values</i>
<i>Plant & Equipment</i>	<i>£5,000</i>

Inventories

- 5.8 The Chief Constable shall maintain a central register of all IT hardware
- 5.9 The Chief Constable shall ensure that, for non-IT hardware, inventories are maintained in a format approved by the Treasurer that record an adequate description of items with a value in excess of £250.
- 5.10 There shall be at least an annual check of all items on the inventory in order to verify their location, review condition and investigate any surpluses or deficiencies, annotating the inventory with the outcome accordingly. The annual check is to be undertaken by the responsible budget holder or his or her representative, who shall not be responsible for the day to day maintenance of the inventory.

Stocks and Stores

- 5.11 The Chief Constable shall make arrangements for the care, custody and control of stocks and stores and maintain detailed stores accounts in a suitable format. Stocks are to be maintained at reasonable levels so as to balance the need for availability with the risk of obsolescence, deterioration or loss and stockholding cost.

- 5.12 A complete stock check is to be undertaken 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.
- 5.13 Where significant, values of stocks and stores at 31 March each year are to be certified and included in the annual accounts.
- 5.14 Once investigated, discrepancies between the actual level of stock and the book value of stock may be written-off as follows: -
- Less than 5% of turnover – by the Director of Finance and Resources
 - Between 5% and 10% - by the Treasurer
 - More than 10% - by the Governance Committee
- 5.15 Obsolete stock may be written-off in accordance with the scale in 5.14 above.

Intellectual Property

Why is this important?

- 5.16 Intellectual property is a generic term that includes inventions and writing. If these are created by the employee during the course of employment, then, as a general rule, they belong to the employer, not the employee. Various acts of Parliament cover different types of intellectual property. Certain activities undertaken within the Authority or Constabulary may give rise to items that could be patented, for example, software development. These items are collectively known as intellectual property.

Key Controls

- 5.17 In the event that Cumbria Constabulary decides to become involved in the commercial exploitation of inventions, the matter should proceed in accordance with an intellectual property policy

Responsibilities

- 5.18 The Chief Executive and Chief Constable are jointly responsible for preparing guidance on intellectual property procedures and ensuring that employees are aware of these procedures, as appropriate.
- 5.19 The Police Authority is responsible for approving the intellectual property policy

Asset Disposal

Why is this important?

- 5.20 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 Authority.

Key Controls

- 5.21 Assets for disposal are identified and are disposed of at the most appropriate time, when it is in the best interests of the organisation, and best value for money is obtained. For items of significant value, disposal should normally be by competitive tender or public auction, and should be in accordance with Contract Standing Orders.

Responsibilities

- 5.22 Assets shall be disposed of when in the best interests of the organisation and which represents best value for money. The disposal of redundant assets should be recorded and should normally be by competitive tender or public auction. Where an asset is disposed of for less than the highest offer, the Chief Constable shall prepare a report for the next meeting of the Governance Committee, outlining the reasons why the highest offer has not been accepted.
- 5.23 All asset disposals shall be recorded in the asset register or inventory as appropriate. The Treasurer shall be notified of the intention to dispose of any item which might be regarded as capital or was obtained via leasing agreement.
- 5.24 The Chief Constable and/or Treasurer shall ensure that income received for the disposal of an asset is properly banked and accounted for.

C6 TREASURY MANAGEMENT AND BANKING ARRANGEMENTS

Treasury Management

Why is this important?

- 6.1 Cumbria Constabulary is a large organisation that handles many millions of pounds in each financial year. It is important that money for which the Chief Constable has delegated responsibility 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

- 6.2 That any borrowings and investments comply with the CIPFA *Code of Practice on Treasury Management* and with the Authority's Treasury Management Strategy Statement.

Responsibilities

- 6.2 The Police Authority adopts the key recommendations of *CIPFA's Treasury Management in the Public Services: Code of Practice (the Code)*.
- 6.3 Accordingly, the Authority and Chief Constable shall create and maintain, as the cornerstone for effective Treasury Management :
- a Treasury Management strategy statement, setting out the broad parameters and objectives of its Treasury Management activities
 - Suitable Treasury Management Practices (TMPs), setting out the manner in which those policies and objectives are to be achieved, and prescribing how treasury activities will be managed and controlled.
 - An annual Investment Strategy in accordance with the Local Government Act 2003
 - Supported by independent advice from a specialist Treasury Management consultancy of national standing and reputation
- 6.4 The Authority (or the designated Committee to monitor Treasury Management) shall receive reports from the Treasurer and Chief Constable on its Treasury Management activities, including, as a minimum, an annual Investment and Treasury Management Strategy in advance of the year, ~~and~~ an annual report after its close, in the form prescribed in its TMPs, a mid-year review of counterparties and at each meeting, a review of activity undertaken since the previous meeting.
- 6.5 The Treasurer is the officer formally empowered by the Authority to lend and invest resources and to approve borrowing. However, the Treasurer has, with the agreement of the Chief Constable, formally delegated these responsibilities to the Director of Finance and Resources. The Treasurer reserves the right to review these arrangements, and, if necessary, procure the daily management of loans and investments in another manner.

Banking Arrangements

Why is this important?

- 6.6 Banking activities are controlled by a single contract which aims to provide a wide range of complex and specialist banking services to the Authority and Constabulary. A consistent and secure approach to banking services is essential in order to achieve optimum performance from bankers and the best possible value for money.

Key controls

- 6.7 Bank reconciliations should be undertaken on regular basis.
- 6.8 All banking arrangements should be approved by the Treasurer.

Responsibilities

- 6.9 The Treasurer is responsible for all banking arrangements and must authorise the creation or closure of any account. All arrangements concerning the operation of the Authority's bank accounts (including local imprest accounts) shall be on the direction of the Treasurer, who is authorised to open such subsidiary accounts as necessary. The Treasurer may delegate the daily management and operation of bank accounts (via the Chief Constable) to the Director of Finance and Resources, subject to satisfactory control systems. The Treasurer shall seek confirmation from the bank that it is satisfied with such control systems.

Money Laundering

Why is this important?

- 6.10 Cumbria Police Authority and Constabulary 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.
- 6.11 Suspicious cash receipts in any currency in excess of €15,000 (or equivalent) should be reported to the National Criminal Intelligence Service

Key controls

- 6.12 Cumbria Constabulary will monitor its internal control procedures to ensure they are reliable and robust.
- 6.13 Any suspicious activity or transaction should be reported to the relevant body at the earliest opportunity.

Responsibilities

- 6.14 The Treasurer shall be the nominated Money Laundering Reporting Officer (MLRO) for Cumbria Constabulary, but, during periods of absence, the function shall be undertaken by the Director of Finance and Resources.
- 6.15 Any other person in Cumbria Constabulary to whom information may arise which may result in them knowing or suspecting reasonable grounds for knowing or suspecting money laundering, fraud or use of the proceeds of crime should contact the MLRO immediately. If the MLRO receives a disclosure he should consider, in the light of all information, whether it gives rise to such knowledge or suspicion.
- 6.16 If the MLRO determines that the information or matter should be disclosed he should do so to the Serious and Organised Crime Agency.
- 6.17 Large cash receipts from a single source over €15,000 (or equivalent) should be reported to the MLRO. This instruction does not apply to seizures and subsequent bankings under the Proceeds of Crime Act (see Financial Regulation C9).
- 6.18 The Chief Constable shall undertake appropriate checks to ensure that all new suppliers and counterparties are bona fide

Imprest Accounts / Petty Cash

Why is this important?

6.19 Imprest accounts may be established to support BCU's or Headquarters departments in order that relatively small incidental payments may be made quickly. A record is needed in order that the expenditure can be reimbursed.

Key controls

6.20 Imprest accounts should be reconciled on a regular basis throughout the financial year.

Responsibilities

6.21 The Chief Constable shall provide appropriate imprest accounts to meet minor expenditure. The Chief Constable shall determine reasonable petty cash limits and maintain a record of all transactions and petty cash advances made, and periodically review the arrangements for the safe custody and control of these advances.

6.22 The Chief Constable shall prepare detailed Financial Rules for dealing with petty cash, to be agreed with the Treasurer, and these shall be issued to all appropriate employees.

6.23 Where the Treasurer considers it to be necessary a bank account will be opened for use by the imprest holder

CORPORATE CREDIT CARDS

Why is this important?

6.24 Credit cards represent an alternative method for payment in a number of circumstances, including: -

- in relation to senior officers who, in the course of their official business, have an immediate requirement for expenditure.
- In specialist circumstances, where goods are needed urgently

Key controls

6.25 Expenditure on credit cards is only for official business and is appropriately authorised and recorded.

Responsibilities

6.26 The Chief Constable in conjunction with the Treasurer shall provide Financial Rules to all cardholders.

6.27 The Director of Finance and Resources shall control the issue of cards within the Constabulary.

6.28 The Treasurer shall control the issue of cards within the Police Authority

PURCHASE CARDS

Why is this important?

- 6.29 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

- 6.30 Expenditure on purchase cards must only be for official business
- 6.31 Expenditure is accurately recorded in the ledger and the purchase card account must be reconciled on a regular basis

Responsibilities

- 6.32 The Chief Constable in conjunction with the Treasurer shall provide detailed Financial Rules to card holders.
- 6.33 The Procurement Manager control the issue of cards
- 6.34 The purchase card account should be reconciled monthly to the ledger.

C7 STAFFING

Why is this important?

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

Key controls

- 7.2 The key controls for staffing are:
- a) an appropriate staffing (HR) strategy and policy exists, in which staffing requirements and budget allocation are matched
 - b) procedures are in place for forecasting staffing requirements and cost
 - c) controls are implemented that ensure that staff time is used efficiently and to the benefit of the organisation
 - d) checks are undertaken prior to employing new staff to ensure that they are appropriately qualified, experienced and trustworthy
 - e) A formal evaluation scheme is used to grade police staff posts and manage subsequent reviews and appeals.

Responsibilities

- 7.3 The Chief Constable is responsible for providing overall management of staff within the Constabulary and ensuring that there is a proper use of the evaluation or other agreed system for determining the remuneration of a job.
- 7.4 The Chief Constable shall ensure that the staffing budget provides an accurate forecast of staffing levels and shall advise the Police Authority on the budget provision necessary to cover estimated staffing levels.
- 7.5 The Chief Constable shall ensure that employees under their direction and control are appointed and employed in accordance with agreed personnel policies and that service records are properly maintained.
- 7.6 The Chief Constable is responsible for establishing and maintaining effective ongoing systems and routines to record and monitor employee costs, including the detailed modelling and projection of commitments in relation to the approved budget for this expenditure.
- 7.7 The Chief Executive shall ensure that the responsibilities detailed at C7 (7.3 to 7.6) above are applied proportionately to the Police Authority.

C8 TRUST FUNDS AND VOLUNTARY FUNDS

Why is this important?

- 8.1 Trust Funds have a formal legal status governed by a Deed of Trust. Employees and police officers acting as Trustees must ensure that they are conversant with the requirements of the Trust Deed and current Charities law and comply fully with them.
- 8.2 A voluntary fund is any fund which, although not officially owned by the Police Authority, is controlled or administered solely or in part by an employee by reason of his employment by the Authority or Constabulary.
- 8.3 The Authority's financial procedures and financial regulations should be viewed as best practice, which ought to be followed whenever practicable.
- 8.4 Examples of Trust Funds include the Cumbria Constabulary Benevolent Fund and the Cumbria Constabulary Mutual Aid Fund.

Responsibilities

- 8.5 The Chief Constable will ensure that he is aware of the existence of all trust funds and voluntary unofficial funds associated with the Constabulary, and that their existence is recorded. The existence of each Fund shall be notified to the Chief Constable by those individuals involved in its operation,
- 8.6 The Treasurer shall be informed of the purpose and nature of all trust funds and voluntary funds, and shall be entitled to verify that adequate standards are being observed in each case. The Treasurer will identify whether such funds are properly audited or examined and will report on such audit/examination arrangements to the Chief Constable.
- 8.7 It is important that voluntary funds and Trust Funds are managed and administered in accordance with any statutory requirements (eg - Charities Act 1993, (as amended by Charities Act 2006); Police (Property) Act 1997) and at least to the same standards as those applicable to the Authority generally, to demonstrate good stewardship and the proper and effective use of this type of resource
- 8.8 The Chief Constable and/or Trustees/Fund Managers should ensure that :
 - (a) a Treasurer and an independent auditor/examiner are appointed;
 - (b) secure and reliable accounting systems and procedures are operated, including signatory and reporting arrangements;
 - (c) cash flow and investments are properly managed to maximise interest receipts;
 - (d) financial transactions are subject to a regular audit or examination, and the annual statement of accounts is formally audited and certified by the auditor, or examined and a formal opinion given by the Examiner, in accordance with the Charities act 1993 (as amended by the Charities Act 2006) and subsequent regulations thereunder

- (e) the accounts for each year are submitted to the Trustees/Fund Managers each year, promptly after audit or examination
- (f) Any appointment of an Officer as a Trustee or Office Holder to a Voluntary or Charitable Fund falling within the accountabilities of the Constabulary or Authority should be authorised by the Chief Constable or Chief Executive as appropriate.

C9. CUSTODY OF PRIVATE PROPERTY

Why is this important?

- 9.1 The Chief Constable is required to exercise a duty of care and safeguard found or seized property pending decisions on its ownership, or private property of an individual e.g. a suspect in custody.

Responsibilities

- 9.2 The Chief Constable is responsible for the safekeeping of the private property of a person, other than a member of staff, under his guardianship or supervision, and shall determine procedures for such. These procedures shall be made available to all appropriate employees.
- 9.3 The Chief Constable is responsible for the safekeeping of found or seized property and shall determine procedures for such. These procedures shall be made available to all appropriate employees.
- 9.4 The Chief Constable shall be informed without delay in the case of loss or diminution in value of such private property.
- 9.5 There are separate Financial Rules for dealing with cash, including seized cash under the Proceeds of Crime Act

C10 GIFTS, LOANS AND SPONSORSHIP TO THE AUTHORITY OR CONSTABULARY

Why is this important?

- 10.1 In accordance with the Police Act 1996, a Police Authority may decide to accept gifts of money and gifts or loans of other property or services if they will enable the police either to enhance or extend the service which they would normally be expected to provide (whilst not paying undue attention to soliciting gifts, loans or sponsorship). The terms on which gifts or loans are accepted may allow commercial sponsorship of some police Constabulary activities.
- 10.2 Gifts, loans or 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.

Key controls

- 10.3 All gifts, loans and sponsorship should be recorded in a register which is available for public inspection

Responsibilities

- 10.4 The Authority delegates responsibility to the Chief Constable's discretion to accept gifts, loans or sponsorship within agreed policy guidelines.
- 10.5 The Authority requires the Chief Constable to refer all gifts, loans and sponsorship above £25,000 to it for approval before they are accepted.
- 10.6 The Chief Constable shall present an annual report to the Authority, as soon as possible after the financial year end, listing all gifts, loans and sponsorship.
- 10.7 Except in those instances where the approval of the Authority is needed, the Chief Constable has delegated authority to accept or reject offers of gifts, loans and sponsorships. He will ensure that accurate records are maintained at all times.
- 10.8 Any cash from sponsorship activity must be banked in accordance with normal income procedures.
- 10.9 The maximum total value sponsorship accepted, should not be allowed to exceed 1% of the annual budget, in accordance with section 93 of the Police Act 1996.

SECTION D

SYSTEMS AND PROCEDURES

D1 GENERAL OVERVIEW

Why is this important?

- 1.1 There are many systems and procedures relating to the control of assets, including purchasing, costing and management systems. Cumbria Constabulary is becoming increasingly reliant on computers for financial management information. This information must be accurate and the systems and procedures sound and well administered. They should contain controls to ensure that transactions are properly processed and errors detected promptly.
- 1.2 The Treasurer has a statutory responsibility to ensure that Cumbria Constabulary financial systems are sound and should therefore be notified of any new material developments or changes.

Key controls

- 1.3 It is imperative that operating systems and procedures are secure and that basic data exists to enable objectives, targets, budgets and plans to be formulated and measured. Performance measures need to be communicated to appropriate personnel on an accurate, complete and timely basis.

Responsibilities

- 1.4 The Treasurer shall make arrangements for the proper administration of Cumbria Constabulary financial affairs, including to:
 - issue advice, guidance and procedures for officers and others acting on behalf of Cumbria Constabulary
 - determine the accounting systems, form of accounts and supporting financial records
 - establish arrangements for the audit of Cumbria Constabulary's financial affairs
 - approve any new financial systems to be introduced
 - approve any changes to be made to existing financial systems.
- 1.5 The Chief Constable and Treasurer shall ensure, in respect of systems and processes, that
 - systems are secure, adequate internal controls exist and accounting records are properly maintained and held securely. This is to include an appropriate segregation of duties to minimise the risk of error, fraud or other malpractice.
 - appropriate controls exist to ensure that all systems input, processing and output is genuine, complete, accurate, timely and not processed previously
 - a complete management trail is to be maintained, allowing financial transactions to be traced from the accounting records to the original document and vice versa
 - that systems are documented and staff trained in operations
- 1.6 The Chief Constable shall

- ensure that there is a documented and tested business continuity plan to allow system processing to resume quickly in the event of an interruption. Effective contingency arrangements, including back up procedures, are to be in place in the event of a failure in computer systems

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

D2 INCOME

Why is this important?

- 2.1 Income can be a vulnerable asset and effective income collection systems are necessary to ensure that all income due is identified, collected, receipted and banked properly.

Key controls

- 2.2 The key controls for income are:
- a) all income due to Cumbria Police Authority or Constabulary is identified and charged correctly, in accordance with an approved charging policy, which is regularly reviewed
 - b) all income is collected from the correct person, at the right time, using the correct procedures and the appropriate stationery
 - c) Charges for any income received under section 25 of the Police Act 1996 shall be in accordance with the formal charging policy, which will ensure that, wherever possible, those using the services provided, pay for them.
 - d) all money received by an employee on behalf of the Authority or Constabulary is paid into an authorised bank account without delay, 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
 - for writing-off outstanding debts
 - e) effective action is taken to pursue non-payment
 - f) formal approval for debt write-off is obtained
 - g) appropriate write-off action is taken
 - h) appropriate accounting adjustments are made following write-off action
 - i) all appropriate income documents are retained and stored for the defined period in accordance with the document retention schedule
 - j) money collected and deposited is reconciled to the bank account by a person who is not involved in the collection or banking process

Responsibilities

- 2.3 The Chief Constable, in consultation with the Treasurer, shall
- make arrangements for the accurate, secure, efficient and timely collection and recording of all income due to Cumbria Police, including the appropriate and correct charging of VAT.
 - establish 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 the express approval of the Police Authority.
- 2.4 The Chief Constable shall order and supply to appropriate employees all receipt forms, invoice books, tickets and similar items and be satisfied as to the arrangements for their control. Official receipts or other suitable documentation shall be issued for all income received.

- 2.5 Income is to be paid fully and promptly into an approved Bank Account in the form in which it is received. Appropriate details should be recorded on to paying-in slips to provide an audit trail. Money collected and deposited must be reconciled to the bank account on a monthly basis. Income must not be used to cash personal cheques or other payments.
- 2.6 Maximum limits for cash holdings will be prescribed by the Chief Constable, in liaison with the Treasurer, and these shall not be exceeded unless specifically authorised by him.
- 2.7 The Chief Constable shall operate efficient and effective debt collection procedures.
- 2.8 Once raised, no debt may be cancelled except by full payment or its writing off in accordance with these regulations. Any debt written off shall be against the budget heading to which it was originally credited.
- 2.9 When all actions under the debt collection process have been taken and the debt remains unpaid, either in part or in full, the Chief Constable, in consultation with the relevant Solicitor instructed by the Authority, shall initiate appropriate debt recovery procedures, including legal action where necessary.
- 2.10 Income due shall not be written-off until the Treasurer is satisfied that all reasonable steps have been taken for its recovery. Individual amounts may be written-off as set out below:-
- | | |
|---------------------|-----------------------------|
| <i>Up to £5,000</i> | <i>Treasurer</i> |
| <i>Over £5,000</i> | <i>Governance Committee</i> |
- 2.11 The Chief Constable shall prepare detailed Financial Rules for dealing with income, to be agreed with the Treasurer, and these shall be issued to all appropriate employees.
- 2.12 The Chief Constable (in liaison with the Treasurer) will submit regular reports to the Police Authority about the overall position on collection of debts, including any write-offs by the Treasurer, and any write-offs for which approval of the Authority is required. The Chief Constable will provide the Treasurer with any information he may require about debts.

D3 ORDERING OF GOODS AND SERVICES

Why is this required?

- 3.1 Public money should be spent with demonstrable probity and in accordance with the Authority's policies. Police Authorities have a statutory duty to demonstrate the economic, efficient and effective use of resources. Procedures should help to ensure that value for money from their purchasing arrangements is demonstrated at all times. These procedures should be read in conjunction with any separate Standing Orders relating to contracts.

Key controls

- 3.2 All goods and services are ordered only by appropriate persons and are correctly recorded
- 3.3 All goods and services shall be ordered in accordance with any Standing orders relating to Contracts.
- 3.4 Goods and services received are checked to ensure they are in accordance with the order. Goods should not be received by the person who placed the order

Responsibilities

- 3.5 The Chief Constable is responsible for preparing a procurement policy covering the principles to be followed for the purchase of goods and services, and shall ensure that responsibilities of individuals for ordering, checking, certifying and recording such transactions are clearly defined within the Scheme of Delegation and Financial Rules.
- 3.6 Every member, officer and employee has a responsibility to declare any links or personal interests that they may have with purchasers, suppliers and contractors if they are engaged in contractual or purchasing decisions on behalf of the Authority or Constabulary.
- 3.7 The Chief Constable will ensure that all transactions comply with the requirements of any relevant government or EC regulations.
- 3.8 Official orders must be issued for all work, goods or services to be supplied, except for supplies of utilities, periodic payments such as rent or rates, petty cash purchases or other exceptions approved by the Treasurer. Orders must be in a form approved by the Treasurer.
- 3.9 Official orders must not be raised for any personal or private purchases, nor may any personal or private use be made of formal business contracts.
- 3.10 All orders or requisitions should be on pre-numbered official stationery or as otherwise agreed by the Chief Constable in liaison with the Treasurer. Electronic ordering systems may be implemented if adequate and effective controls are operated, subject to approval of the Chief Constable in liaison with the Treasurer.
- 3.11 The use of the Internet to order goods and services shall be in accordance with any guidance issued by the Chief Constable, in consultation with the Treasurer.

- 3.12 Goods and services ordered must be appropriate and needed, there must be adequate budgetary provision and quotations or tenders must be obtained where necessary.
- 3.13 The Chief Constable shall prepare detailed Financial Rules for dealing with ordering, to be agreed with the Treasurer, and these shall be issued to and observed by all appropriate employees.
- 3.14 Purchases made through e-procurement should follow any relevant procurement procedural guidance.

D4 PAYMENTS FOR GOODS AND SERVICES

Why is this required?

- 4.1 All local authorities, including the police, spend many millions of pounds each year purchasing goods and services. It is vital that the Constabulary can demonstrate that it has efficient and effective systems and procedures in place to ensure that suppliers are paid the correct amount, at the right time, and that the accounting records are updated in a timely and accurate manner.

Key controls

- 4.2 Payments for goods and services should be made using the systems and procedures established by the Chief Constable for this purpose (having regard to advice from the Treasurer), and in accordance with the approved accountabilities and responsibilities of individuals for this process.
- 4.3 In normal circumstances, payments should not be made unless goods or services have been received by the Constabulary to the correct price, quantity and quality standards
- 4.4 All payments are made to the correct person, for the correct amount and are properly recorded, regardless of the payment method
- 4.5 All appropriate evidence of the transaction and payment documents are retained and stored for the defined period, in accordance with the document retention schedule
- 4.6 All expenditure, including VAT, is accurately recorded against the right budget and any exceptions are corrected

Responsibilities

- 4.7 The Chief Constable (in consultation with the Treasurer) is responsible for making all necessary arrangements for ensuring the secure, accurate and reliable payment of accounts and claims (either as an in-house activity or as a service from an external provider).
- 4.8 Payments are not normally to be made unless goods and services have been received by the Constabulary at the correct price, quantity and quality in accordance with any official order.
- 4.9 Two officers shall be involved in the processing of an invoice for payment. The first officer shall certify the accuracy and validity of the invoice. The second officer shall authorise the invoice for payment.
- 4.10 Procedures should be in place to ensure that all payments are to be made to the correct person, for the correct amount, are recorded properly and are submitted on the correct timescale, regardless of the method of payment.
- 4.11 The Treasurer is entitled to require from the Chief Constable or members of the Constabulary any information or explanations which he deems necessary to substantiate a transaction.

- 4.12 Where VAT is charged, payment is not to be made unless a proper VAT invoice has been received.
- 4.13 Payments to contractors for building or constructing works shall be made only on a proper certificate.
- 4.14 The Chief Constable shall prepare detailed Financial Rules for dealing with payments, to be agreed with the Treasurer, and these shall be issued to (and observed by) all appropriate employees.

D5 PAYMENTS TO EMPLOYEES AND MEMBERS

Why is this required?

- 5.1 Employee costs are the largest item of expenditure for all Police Authorities. It is therefore important that payments are accurate, timely, made only where they are due for services to Cumbria Police Authority or Cumbria Constabulary and that payments accord with individuals' conditions of employment. It is also important that all payments are accurately and completely recorded and accounted for and members' allowances are authorised in accordance with the scheme adopted by the Police Authority.

Key controls

- 5.2 All overtime claims and other claims for remuneration, travel and subsistence and members' allowances should be submitted on a regular basis. This is to ensure that monitoring of expenditure is accurate and that claims can be certified properly.
- 5.3 Proper authorisation procedures are to be in place for starters, leavers, variations and enhancements. Appointments are to be made in accordance with approved grades and scales of pay and adequate budget provision must be available.

Responsibilities

- 5.4 The Chief Constable has delegated responsibility for making the necessary arrangements for ensuring the accurate and reliable payments of salaries, pensions, allowances and expenses, either as a constabulary activity or as a service provided by a third party. In determining these arrangements, the Chief Constable shall have regard to advice from the Treasurer.
- 5.5 The Chief Constable, in consultation with the Treasurer, shall make arrangements for the secure, accurate and reliable payment of salaries, pensions, compensation and other emoluments to existing and former employees (such arrangements may be in-house or as a service from an external provider). Adequate and effective systems are to be in place and procedures operated so that: -
- payments are only authorised to bona fide employees and members
 - payments are only made where there is a valid entitlement
 - conditions and contracts of employment are applied correctly
 - employees' names listed on the payroll are checked at regular intervals to verify accuracy and completeness

- 5.6 The Chief Constable shall make arrangements for the payment (either in-house or by external service provider) of all travel and subsistence claims. Such claims should be in the prescribed form, duly completed and appropriately certified. Certification is taken to mean that journeys were authorised and expenses incurred properly and necessarily and that allowances are payable properly, ensuring that cost effective use of travel arrangements is achieved. Due consideration should be given to tax and National Insurance implications. Payments shall be made in accordance with Financial Rules.
- 5.7 All overtime payments are to be made on the basis of authorised timesheets or claims.
- 5.8 Payroll transactions are to be processed only through the payroll system. Payments to individuals employed on a self-employed consultant or subcontract basis shall only be made in accordance with Inland Revenue requirements. The Inland Revenue applies a tight definition of employee status, and in cases of doubt, advice should be sought from the Chief Constable.
- 5.9 The Chief Constable shall ensure that full records are maintained of payments in kind and properly accounted for in any returns to the Inland Revenue.
- 5.10 The Chief Constable and Treasurer shall comply with all Inland Revenue regulations and record and make arrangements for the accurate and timely payment of tax, national insurance, superannuation and other statutory or voluntary deductions from pay.
- 5.11 The Treasurer shall make arrangements (either in-house or by external service provider) for the payment of all members' allowances. The Treasurer and the provider of payroll services are entitled to assume the validity for payment of any payroll or allowance claim or form which bears the certification of an officer authorised by the Chief Constable; or any electronic file of payroll data authorised for payment by the Chief Constable or his nominee(s) in accordance with procedures agreed by the Treasurer and the provider of payroll and allowance payment services
- 5.12 The Chief Constable shall prepare detailed Financial Rules for dealing with payments to employees, to be agreed with the Treasurer, and these shall be issued to all appropriate employees.
- 5.13 In determining the arrangements for payroll and allowance payment services, the Chief Constable has the over-riding objective of paying employees and members securely and accurately, and he will ensure that any external provider of such services operates secure and reliable systems and reviews such, as the Treasurer deems necessary in response to meet changing needs.
- 5.14 The Chief Constable must ensure that all payroll transactions (and other payments subject to personal taxation) are submitted accurately, in the required format, and according to deadlines prescribed by the payroll provider, and to facilitate the necessary reporting returns to statutory bodies and government agencies.
- 5.15 With regard to claims submitted for travel and subsistence by officers and police staff, the Chief Constable is responsible for ensuring that claims comply with force policies and for ensuring that the most cost effective use of travel arrangement is achieved.

- 5.16 The Chief Constable will ensure that any contract for payroll services provides that, (having received the correct payroll data) in the event of an error in the processing or payment of payroll data, then corrective action will be taken by the provider and any cost associated with dealing with the consequences of that error will be reimbursed by the provider.
- 5.17 The Chief Constable, in liaison with the Treasurer, will ensure that any specialist advice is obtained as necessary and that adequate and effective procedures are operated to ensure proper compliance with statutory requirements for deducting tax and national insurance from payments to individuals.
- 5.18 The Chief Executive shall have equivalent delegated responsibilities to the Chief Constable in relation to securing payment of salaries and expenses of officers and members of the Authority.

D6 TAXATION

Why is this important?

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

Key controls

- 6.3 The key controls for taxation are:
 - a) appropriate employees are provided with relevant information and training and are kept up to date on tax issues
 - b) appropriate employees are instructed on required record keeping
 - c) all taxable transactions are identified, properly carried out and accounted for within stipulated timescales
 - d) records are maintained in accordance with instructions
 - e) returns are made to the appropriate authorities within the stipulated timescale.

Responsibilities

- 6.4 The Treasurer and Chief Constable shall ensure:
 - the completion of all Inland Revenue returns regarding PAYE and that due payments are made in accordance with statutory requirements
 - that the correct VAT liability is attached to all income due and that all VAT receivable on purchases complies with HM Customs and Excise regulations
 - the completion of VAT claims, receipts and payments are made in accordance with statutory requirements
- 6.5 Where construction and maintenance works are undertaken, the contractor shall fulfil the necessary construction industry tax deduction requirements. The Chief Constable shall provide details to the Inland Revenue regarding the construction industry tax deduction scheme.
- 6.6 The Treasurer and Chief Constable shall ensure that appropriate employees have access to up to date guidance notes and professional advice.

D7 EX GRATIA PAYMENTS

Why is this important?

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

Responsibilities

- 7.2 Ex gratia payments may be made, on a timely basis, to members of the public up to the level shown below in any individual instance, for damage or loss to property or for personal injury or costs incurred as a result of police action where such a payment is likely to facilitate or is conducive or incidental to the discharge of any of the functions of Cumbria Constabulary. The Chief Constable shall maintain details of such payments in a register.

Up to £5,000
Over £5,000

Chief Constable
Governance Committee

- 7.3 In the event of loss, damage or alleged theft of possessions whilst in the possession of the Constabulary, the Chief Constable may consider whether an ex gratia payment should be made, seeking advice from the Chief Executive as necessary, and subject to the authorisation limits in paragraph 7.2 above.

- 7.3 Ex gratia payments may be made, on a timely basis, up to the level shown below in any individual instance, for damage or loss of property or for personal injury to a police officer or any member of the extended police family, in the execution of duty. The Chief Constable shall maintain details of such payments in a register.

Up to £5,000
Over £5,000

Chief Constable
Governance Committee

SECTION E

CONTRACT STANDING ORDERS

E1 Controls over purchase of goods and Services and disposals

Why is this important?

- 1.1 All purchasing and disposal procedures operating within the Authority and the Constabulary must:-
- achieve *Value for Money* for public money spent
 - be consistent with the highest standards of integrity
 - ensure fairness in allocating public contracts
 - comply with all legal requirements
 - ensure that *Non-commercial Considerations* do not influence any *Contracting Decision*
 - support the corporate aims and policies of both the Police Authority and the Constabulary
 - comply with the Constabulary's corporate *Procurement Strategy*

Key controls

- 1.1 To ensure that these objectives are met, the Police Authority has approved specific **Standing Orders in relation to Contracts** which stand as an independent governance standard reflecting the needs and controls required in the procurement of goods and services on behalf of the Authority and Constabulary.
- 1.2 All Officers of the Authority and Constabulary must adhere at all times with the Authority's **Standing Orders in relation to Contracts** together with these Financial Regulations, when dealing with the purchase or acquisition of goods and services or their disposal.
- 1.3 The **Standing Orders in relation to Contracts** can be accessed on the Constabulary intranet from the following link:-

[http://hqsweb04/ITH/procurement/Standing%20Orders%20Re-type%20\(4\)%2014.01.08.doc](http://hqsweb04/ITH/procurement/Standing%20Orders%20Re-type%20(4)%2014.01.08.doc)

Paper copies are available from :-

Karen Crump, Procurement Development Officer, Carleton Hall
Tel 01768 217050; Email: karen.crump@cumbria.police.uk

SECTION F

EXTERNAL ARRANGEMENTS

F1 JOINT WORKING ARRANGEMENTS

Why is this important?

- 1.1 Police Authorities and Constabularies are increasingly encouraged to provide seamless service delivery through working closely with other local authorities, agencies and private service providers. In addition, Police Authorities have a duty in law to promote collaboration between Constabularies.
- 1.2 Partnerships are also a key aspect of the government's change agenda in the public sector. The number of partnerships, both locally and nationally, is expanding in response to central government requirements and local initiatives. This is in recognition of the fact that partnership working has the potential to:
 - deliver strategic objectives;
 - improve service quality and cost effectiveness;
 - ensure the best use of scarce resources; and
 - deal with issues which cut across agency and geographic boundaries, and where mainstream programmes alone cannot address the need.
- 1.3 Effective partnership working can be difficult, time consuming and, at the outset, difficult to achieve. In particular, partnerships can require more commitment and time from employees than is needed for delivery through mainstream programmes.
- 1.4 Effective partnership is also based on clarity. An organisation needs to know why it is entering into partnerships, what it is seeking to achieve, how this will be done, and when and how partnerships can be brought to a close. This is particularly important in partnerships involving the allocation of scarce resources.
- 1.5 For the purpose of these regulations, the following definitions of Joint Working Arrangements shall apply: -
 - **Executive Partnerships**
 - **Other Partnerships**
 - **Collaborations, Consortia and Shared Service Agreements**

EXECUTIVE PARTNERSHIPS

- 1.6 For the purpose of these regulations, the definition of an Executive Partnership is taken from the CIPFA guidance (Financial Control and Budgeting for Local Authority Partnerships; A Practical Guide) as follows – 'Executive Partnerships procure, directly, the works and services needed for the purpose of the partners, or in some other way on behalf of the partners.'
- 1.6 Partners undertaking an Executive Partnership 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

Key controls

1.8 The key controls for Cumbria Constabulary and its partners are:

- a) if appropriate, to be aware of their responsibilities under the Authority's financial regulations
- b) to ensure that there are legal powers to enter such a partnership
- c) to ensure that risk management processes are in place to identify and assess all known risks
- d) to ensure that project appraisal processes are in place to assess the viability of the project in terms of resources, staffing and expertise
- e) to agree and accept formally the roles and responsibilities of each of the partners involved in the project before the project commences
- f) to communicate regularly with other partners throughout the project so that problems can be identified and shared to achieve their successful resolution
- g) to ensure that standard accounting principles and concepts are understood and adhered to
- h) to have clarity about responsibilities for budgetary control and reporting
- i) in relation to capital expenditure, to have clarity about which organisation incurs the spending, which should only be committed after the approval of a formal business case, which demonstrates, inter alia, how Value for Money will be achieved.
- j) to ensure proper advice is taken in relation to VAT to ensure that that the partial exemption enjoyed by Police Authorities is not threatened by the status of a partnership agreement.
- k) to ensure where necessary that specialist advice is taken in relation to Corporation Tax in those instances where an Executive Partnership adopts an innovative company structure.
- l) to ensure one of the partners is identified to be the accountable body and the Financial Regulations and Standing Orders of the Accountable body shall apply to the activities of the Executive Partnership

OTHER PARTNERSHIPS

Responsibilities

1.9 The Police Authority is responsible for approving the contractual arrangements for any other partnership work by the Constabulary with third parties or other bodies. All situations involving the Authority or the Force in some joint relationship or working arrangement should be the subject of formal agreement and documentation and should be scrutinised by the Solicitor to the Chief Constable before submission by the Chief Constable (in liaison with the Treasurer) to the Authority for approval.

- 1.10 The Chief Constable shall prepare and maintain a policy statement on partnership arrangements.
- 1.11 The Chief Constable shall identify any budget requirement for partnerships as part of the annual budget setting process.
- 1.12 The Chief Constable shall be responsible for undertaking the partnership funding arrangements, in accordance with the approved policy statement. The Chief Constable shall consider the overall governance arrangements and legal issues when arranging contracts with external bodies.
- 1.13 The Treasurer must ensure that the accounting arrangements to be adopted relating to partnerships and joint ventures are satisfactory, and he/she will provide such guidance to the Chief Constable and Director of Finance and Resources as may be required on this aspect.

Key Controls

- 1.14 The Chief Constable, upon taking appropriate advice, shall ensure that:
- before entering into the agreement, a risk management appraisal has been prepared
 - such agreements do not impact adversely upon the services provided by Cumbria Constabulary
 - 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
 - an appropriate exit strategy has been produced
- 1.15 The Chief Constable shall maintain a register of all partnership arrangements, which clearly identifies those which are joint ventures, in accordance with the policy statement.
- 1.16 The Chief Constable shall ensure that all staff involved in partnership arrangements are given access to Financial Regulations of the lead accountable body.

CONSORTIUM, COLLABORATION AGREEMENTS (INCLUDING SHARED SERVICE AGREEMENTS).

- 1.17 A consortium is a long-term joint working arrangement with other bodies, operating with a formal legal structure.

Responsibilities

- 1.18 Before entering into a formal consortium agreement, employees should contact the Constabulary Director of Legal Services as the Solicitor to the Chief Constable, in order to establish the correct legal framework.

- 1.19 Early consultation with the Director of Finance and Resources and the Treasurer should also take place to ensure the correct treatment of taxation and other accounting arrangements
- 1.20 A business case shall be produced to show the full economic benefits to be obtained from participation in the consortium.
- 1.21 The Police Authority shall approve Cumbria Constabulary participation in the consortium arrangement.
- 1.22 A Memorandum of Understanding (MOU) should be produced to set out the appropriate governance arrangements for the project. This document should be signed by the Solicitor to the Authority, or the Director of Legal Services as Solicitor to the Chief Constable as appropriate.
- 1.23 An appropriate exit strategy should be established at the outset, and included in the MOU

Key Controls

- 1.24 The Chief Constable, upon taking appropriate advice, shall ensure that:
- before entering into the agreement, a risk management appraisal has been prepared
 - an appropriate exit strategy has been produced
 - such agreements do not impact adversely upon the services provided by Cumbria Constabulary
 - 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 are understood fully and complied with
- 1.25 The Chief Constable shall ensure that all staff involved in consortium arrangements are given access to Financial Regulations of the lead accountable body.

F2 THIRD PARTY FUNDING

Why is this important?

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

Key controls

- 2.2 The key controls for external funding are:
- a) 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
 - b) to ensure that funds are acquired only to meet policing needs and objectives
 - c) any match funding requirements should be given due consideration prior to entering into agreements and resources identified for future commitments.

Responsibilities

- 2.3 Chief Officers shall pursue actively any opportunities for additional funding where this is considered to be in the interests of Cumbria Constabulary.
- 2.4 The Chief Constable, in consultation with the Treasurer, shall 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.
- 2.5 The Treasurer, in consultation with the Chief Constable, shall ensure that all funding notified by external bodies is received and properly recorded in the Authority's accounts, that all claims for funds are made by the due date and that audit requirements are met.
- 2.6 The Chief Constable shall ensure that any conditions placed on Cumbria Constabulary in relation to external funding are in accordance with the approved policies of the Police Authority. If there is a conflict, this needs to be taken to the Police Authority for resolution.
- 2.7 Matched funding arrangements which amount to more than £100,000 shall require the prior approval of the Police Authority.

F3 WORK FOR EXTERNAL BODIES

Why is this required?

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

Responsibilities

- 3.2 The Chief Constable shall ensure that proposals for assistance are costed, that no contract is subsidised by the Constabulary and that, where possible, payment is received in advance of the delivery of the service so that the Constabulary is not put at risk from any bad debts. In normal circumstances a sundry debtor invoice should be raised through the Accounts Receivable module to recover this income.
- 3.3 Charges to external bodies shall be in accordance with approved policies.
- 3.4 The Chief Constable shall ensure that appropriate insurance arrangements are in place.
- 3.5 The Chief Constable shall ensure that all contracts are properly documented
- 3.6 The submission of tenders for the supply of goods and/or services should be approved as follows:
- a) For tenders up to £500,000 by the Chief Constable
 - b) Between £500,000 and £1,000,000 by the Treasurer
 - c) Over £1,000,000 the prior approval of the Police Authority is required.

SECTION G

SUMMARY OF DELEGATED LIMITS

SECTION B

B2 Budgetary Control

2.16 The Governance Committee, having regard to advice from the Treasurer and Chief Constable, shall review those virements requiring its prior approval on an annual basis. The Governance Committee will determine the level of summarisation at which budgets are approved and to which virement shall apply.

2.17 Prior approval by the Governance Committee is required for those virements which, collectively are in excess of: -

- a) £500,000 for revenue items and
- b) £100,000 for capital items

2.18 The approval of the Governance Committee shall also be required if a virement involves:

- a) a substantial change in policy
- b) an addition to commitments in future years in excess of £100,000 per annum

3.23 Approval of the annual capital programme by the Authority authorises the Chief Constable to incur expenditure on schemes providing the project appraisal has been approved and expenditure on the scheme does not exceed the sum contained in the approved programme by more than 10% or £100,000 which ever is the lower amount

3.25 The Treasurer shall determine the de-minimus limit for capital expenditure, which, for these regulations, shall amount to £25,000.

3.32 For schemes estimated to cost in excess of £500,000, the Chief Constable shall, as soon as practical after completion of the scheme, submit a report to the Authority setting out the final cost of the contract compared to the original estimate / budget and, within 12 months of completion, an evaluation of the business benefits delivered, compared with the original business case for the project.

3.36 The Chief Constable, in consultation with the Treasurer, may approve virement between individual capital schemes, subject to the limitations and rules set out below.

- a) *Where the transfer exceeds £100,000 approval for the virement should be sought at the next Police Authority, as part of the revenue and capital monitoring process.*
- b) *Any revenue consequence resulting from such capital expenditure must be contained within existing budgetary provisions*
- c) *The annual capital programme should be increased accordingly, and the change incorporated in the next capital monitoring report to the Police Authority meeting*

- 4.8 In respect of *each of the following Earmarked Reserves:*
 Health and Safety Reserve Management of Change Reserve
 Probationer Training Reserve IncentivisationHarmonisation Reserve
 Risk Management Initiatives Reserve
 The Chief Constable is delegated to commit up to £50,000 of expenditure for funding beyond any annual budget authorisation, subject to consultation with the Treasurer and compliance with the criteria for which the reserve was established.
- 4.8 In respect of the Police Authority Budget Reserve, the Chief Executive is delegated to commit up to £10,000 of funding beyond any annual budget authorisation, subject to consultation with the Chairman (or the Vice-Chairman in the absence of the Chairman) and with the Treasurer.

SECTION C

C5 Assets

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

<i>Land & Buildings</i>	<i>All values</i>
<i>Vehicles</i>	<i>All values</i>
<i>ICT hardware</i>	<i>All values</i>
<i>Plant & Equipment</i>	<i>£5,000</i>

- 5.9 Chief Officers shall ensure that, for non-IT hardware, inventories are maintained in a format approved by the Treasurer that record an adequate description of items with a value in excess of £250.

C6 Treasury Management and Banking Arrangements

- 6.17 Large cash receipts from a single source over €15,000 (or equivalent) should be reported to the Treasurer

C10 Gifts, Loans and Sponsorship to the Authority or Constabulary

- 10.5 The Authority requires the Chief Constable to refer all gifts, loans and sponsorship above £25,000 to it for approval before they are accepted.

SECTION D

D2 Income

- 2.10 Income due to Cumbria Constabulary shall not be written-off until all reasonable steps have been taken for its recovery. The limits for write-off are shown below:

<i>Up to £5,000</i>	<i>Treasurer</i>
<i>Over £5,000</i>	<i>Governance Committee</i>

D7 Ex Gratia Payments

7.2 Ex gratia payments to members of the public up to the level shown below in any individual instance, for damage or loss to property or for personal injury or costs incurred as a result of police action where such a payment is likely to facilitate or is conducive or incidental to the discharge of any of the functions of the Authority.

Up to £5,000
Over £5,000

Chief Constable
Governance Committee

7.3 Ex gratia payments for damage or loss of property or for personal injury to a police officer or any member of the extended police family, in the execution of duty. The Chief Constable shall maintain details of such payments in a register.

Up to £5,000
Over £5,000

Chief Constable
Police Authority

F3 Work for External Bodies

3.5 The submission of tenders for the supply of goods and/or services should be approved as follows:

- a) For tenders up to £500,000 by the Chief Constable
- b) Between £500,000 and £1,000,000 by the Treasurer
- c) Over £1,000,000 the prior approval of the Police Authority is required.

SECTION H

Protocol between Police Authority Treasurer and Constabulary Director of Finance and Resources

PROTOCOL BETWEEN THE TREASURER AND THE DIRECTOR OF FINANCE AND RESOURCES

1. BACKGROUND

- 1.1 The Home Office Financial Management Code of Practice (October 2000) (issued under S39 the Police Act 1996) sets out the respective roles of Treasurer and the Constabulary Finance Director. The Treasurer is the statutory Finance Officer to the Police Authority. The Constabulary Finance Director is defined in the Code as the Chief Constable's senior financial adviser. This Protocol sets out and gives clarity to (and between) the respective roles of the Treasurer to the Authority and the Director of Finance and Resources and how these operate in practice.
- 1.2 The Police Authority has ultimate responsibility for the resources used by the Constabulary and in law there is no distinction between the financial responsibilities of the Police Authority and those of the Constabulary.
- 1.3 As the statutory Finance Officer under S 112 of the Local Government Finance Act 1988, the Treasurer is responsible for ensuring that the financial affairs of the Authority and the Constabulary are properly administered. This responsibility applies across the whole organisation and includes both centrally provided finance functions and the provision of financial advice and support at a local level.
- 1.4 The finance functions covered by this set of protocols include a wide range of activities:
- the preparation and publication of the annual accounts
 - medium term financial planning
 - budget preparation and control
 - treasury management
 - payroll, pension, exchequer and banking services
 - insurance arrangements
 - member support
- 1.5 The Home Office's "Financial Management Code of Practice", in defining the role of the Constabulary Finance Director, states that the post should have a place at the Chief Constable's Policy Team. Professional Financial Management must be seen to be at the heart of the decision making processes for both the Authority and the Constabulary.
- 1.6 The external auditor role to the Police Authority is undertaken by a named Auditor appointed by the Audit Commission. The primary responsibility of the external auditor is to report on the accuracy of the accounts, the reliability of financial systems, and overall financial health. The external auditor also has a responsibility

(and specific statutory powers) for ensuring the legality of transactions, a duty which is shared with both the statutory Treasurer and the Monitoring Officer. Within Cumbria Police Authority, this latter role is encompassed with the function of the Chief Executive. The external auditor is also required to give an opinion on arrangements in place to secure 'Value for Money' and to make judgements about the arrangements to secure effective and efficient Use of Resources by the Authority and Constabulary (PURE). From 2008-09, the PURE judgements will contribute to a wider 'Comprehensive Area Assessment' designed to enable residents and stakeholders to assess the overall quality of public services provided in their area.

- 1.7 The protocols set out in this document have been prepared by the Treasurer in consultation with the Director of Finance and Resources and have been endorsed by the Chief Executive on behalf of the Authority and the Chief Constable on behalf of the Constabulary.

- 1.8 The aim of the protocols is not to impose new obligations beyond those set out in contracts of employment, or under Codes of Professional Conduct, but rather to ensure clarity for the Authority and the Constabulary on the respective roles of the Treasurer and the Director of Finance and Resources.

- 1.9 It is acknowledged that it is the responsibility of the Chief Constable to appoint an appropriately qualified Director of Finance and Resources and to provide the Director with sufficient resources and appropriately qualified staff and staffing structure to deliver the necessary service standards such as to enable the Authority and its Treasurer to discharge the responsibilities placed upon it by statute. The Authority also acknowledges its duty to appoint an appropriately qualified Officer to be its Treasurer.

2. PRINCIPLES

2.1 The key principles which underline this protocol are as follows:

- Delegation: The Authority supports the principle set out in the Financial Management Code of Practice that as much financial responsibility as possible should be delegated to the Constabulary. This is reflected formally in the Scheme of Delegation, reviewed annually.
- Respect for Roles: Both the Treasurer and the Director of Finance and Resources have their own responsibilities and each party will respect the other's role. In some cases, the Director of Finance and Resources will be working on behalf of both the Chief Constable and the Treasurer.
- Communication: Both the Treasurer and the Director of Finance and Resources will have full access to financial and other relevant information. It is important that this information is shared as soon as practicable to avoid possible confusion and duplication and to enable both Officers to fulfil their respective roles and plan their workloads appropriately. This is particularly important for the Treasurer whose appointment is on a part-time (0.5) basis only. The Treasurer and the Director of Finance and Resources will have regular meetings in order to share information and where appropriate discuss and agree on approaches to emerging issues
- Partnership: The Treasurer and the Director of Finance and Resources have a common objective of ensuring sound financial management. It is a basic principle that they will work together on key financial issues.

It is acknowledged that the effectiveness of these Financial Management services depends critically upon a close partnership arrangement between the Treasurer to the Authority and the Director of Finance and Resources of the Constabulary, and on the quality and timeliness of information exchanged between both Officers. This is best achieved through close liaison and a common understanding

of each others' requirements. This is particularly critical in the case of Cumbria Police Authority where ~~the Director of Finance and Resources is not a member of the Constabulary's Chief Officer Team at which~~ the Chief Constable is the Director's line manager and speaks for the Finance Portfolio.

3. OPERATIONAL ISSUES

3.1 Within the framework set out in the Financial Management Code of Practice and the key principles set out above, operational issues are addressed as follows:

Provision and Organisation of Financial Services

3.2 It is a matter for the Director of Finance and Resources to advise the Chief Constable on the provision and organisation of financial services. Such provision and organisation will have regard to value for money, the organisational culture and philosophy, the demands on the service and organisational effectiveness. The Treasurer should be consulted in order that he/she is (and remains) satisfied that such arrangements will fulfil his/her responsibilities for proper financial administration across the whole organisation. The Director of Finance and Resources is also responsible for ensuring that finance staff are properly trained in order to fulfil their responsibilities.

3.3 The Treasurer is “Head of Profession“ under the current arrangements but acknowledges that this role will be applied in such a way as to ensure that the Director of Finance and Resources retains maximum autonomy within his/her areas of responsibility.

Financial Planning

3.4 The Constabulary will prepare medium term financial and operational plans for revenue and capital spending. The Director of Finance and Resources will play a key role in this process.

3.5 The Treasurer will advise the Police Authority on the policy implications of medium term financial plans and projections, including particularly the impact on revenue and capital resources, spending levels, council tax, balances and reserves and their interaction with government spending policies and anticipated grant and distribution arrangements. To ensure an agreed and consistent approach, a joint rolling multi-year medium term financial plan for revenue and capital spending should be prepared and submitted to the Chief Constable and the Police Authority in accordance with a timetable which will be agreed as part of the annual budget process. Multi-year financial plans will generally cover a revision of the current year and a forward period of not less than three years but will also identify the full year revenue impact of the proposed multi-year capital programme if not fully reflected by the third year of the revenue plans.

Budget Preparation

3.6 The annual (and rolling) Budget will be prepared within the framework of the agreed medium term plan. It is for the Director of Finance and Resources to advise the Chief Constable on the detailed preparation of the budget. It is a primary responsibility of the Treasurer to advise the Police Authority on the policy implications, level of council tax, balances and reserves associated with the budget proposals put forward and any incremental variations, together with the affordability and sustainability of the proposals. Within the principles set out in Section 2, the Treasurer and the Director of Finance and Resources will discuss the issues and keep each other fully informed.

Budget Monitoring

3.7 The Chief Constable is responsible for managing the Constabulary's share of the approved budget in accordance with the Authority's approved Scheme of Devolved Financial Management. The Director of Finance and Resources is responsible for providing financial information to enable that management to be effective. The Treasurer is responsible for ensuring that financial management information is presented to the Police Authority and to the Governance Committee on a regular and agreed basis. In preparing and providing information for budget monitoring, the Director of Finance and Resources is acting jointly for the Chief Constable and the Treasurer, who, in accordance with the key principles under Section 2 will be given an adequate opportunity to comment on reports prepared under this section.

Internal Audit

3.8 The Treasurer is responsible for making arrangements for the provision of an internal audit service, and for reviewing its effectiveness annually. However, the Director of Finance and Resources, on behalf of the Chief Constable, also has a direct interest in a secure, efficient and effective internal audit. In preparing the annual audit plan, the Treasurer will consult with the Director of Finance and Resources and invite him to participate in any meetings to discuss the annual audit plans with Internal and External Auditors. All audit reports will be sent to both the Treasurer and the Director of Finance and Resources. The Director of Finance and Resources will ensure that audit recommendations approved by the Governance Committee are implemented. Where, in the view of the Director of Finance and Resources, any recommendations being made by the internal auditor cannot or should not be implemented, then he / she will discuss this with the Internal Auditors and, if necessary, the Treasurer, prior to the submission of the Auditor's report to the Governance Committee.

Prior to the submission of any report to the Governance Committee making recommendations for the renewal, extension, or retendering of a contract for the provision of the internal audit service, the Treasurer and the Director of Finance and Resources will review the arrangements.

Payroll, Pension, Exchequer and Banking Functions.

3.9 The Director of Finance and Resources will organise effective arrangements to discharge the joint responsibility of the Authority and the Constabulary to pay salaries, pensions, and creditors and to issue invoices and collect monies due to the Authority. These arrangements will be supported by appropriate banking arrangements which will be operated by the Director of Finance and Resources, but approved by and conducted in the name of the Treasurer and the Authority.

Treasury Management Services and the Prudential Code

3.10 Code of Practice in Treasury Management

Cumbria Police Authority has adopted the CIPFA Code for “Treasury Management in Local Authorities” (and which is now mandatory under the prudential framework introduced by the Local Government Act 2003). The Code recognises that Authorities generally manage very large sums of money and account for a very significant part of the financial market. Essentially the Code formalises good working practice by professionals in the area of Treasury Management and in line with this a formal Treasury Policy Statement has been drawn up and approved by the Authority. Cumbria Police Authority approves an annual Treasury Management Strategy and the required range of Prudential Indicators for determining borrowing and lending policy and limits for the ensuing year(s), receives quarterly reports on activities and performance, and also an annual report on Treasury Management activities undertaken during the year, as required under the CIPFA Code.

3.11 The Director of Finance and Resources will administer, on behalf of the Treasurer, all of the Authority’s financial resources in accordance with the Code of Practice in Treasury Management, the Treasury Policy Statement and the annual Strategy approved by the Authority and the Treasury Management Practices reported to the Authority.

3.12 It is the responsibility of the Treasurer to report on and recommend an Annual Treasury Management Strategy and the required Prudential Indicators to the Authority, incorporating appropriate borrowing limits for the forward period. The Director of Finance and Resources will prepare a draft of the report for discussion with the Treasurer and the report when agreed will be submitted by the Treasurer for approval by the Authority at the same time as approval to the annual budget.

Monitoring of Treasury Management Activities

3.13 As noted at 3.7 above, the Treasurer is responsible for ensuring that financial management information is presented to the Police Authority. The same principle applies to the monitoring and reporting of activities in relation to Treasury Management which are to be presented to the Authority on a regular basis. In preparing and providing information for monitoring Treasury Management activities, the Director of Finance and Resources is acting on behalf of the Treasurer, who, in accordance with the key principles under Section 2 will be given an adequate opportunity to comment on reports prepared under this section.

Member Support

3.14 The provision of comprehensive impartial advice, both written and oral, on all financial Issues relating to the Authority, its Committees, Panels, Workshops and Members, is an Important part of the Treasure's responsibility. This will include, where appropriate:

- Briefing Chairman and Chief Officers
- Attending as the financial adviser at meetings of the Authority, Committees, Workshops and Panels
- Presentation of written reports on financial issues including the financial implications in reports prepared in liaison with (or by) the Director of Finance and Resources.
- Provision of oral and written advice to Members outside Committees
- Advice to members appointed as APA representatives

3.15 This is a key responsibility, which the Treasurer will seek to satisfy on all published meeting dates. However, because of the part-time nature of the post, conflicting meetings or commitments or unforeseen absence, there may be occasions when the Treasurer is not available. In such instances, if available, the Director of Finance and Resources will be prepared to attend and present any report and provide members with the necessary explanations underpinning recommendations contained in a report submitted under the hand of the Treasurer. The Director of Finance and Resources will also attend, when available, meetings of the Governance Committee and meetings of the Authority and will, if requested by the Treasurer, expand upon or give additional information on any report being presented by the Treasurer, to which he has been a party.

Risk management and Insurances.

- 3.16 Ensuring the provision of adequate and appropriate insurance arrangements is an important part of the Treasurer's role in securing and safeguarding the assets and resources of the Authority and protecting the Authority against unforeseen losses arising out of claims against the Constabulary or the Authority, or as a result of major mishap to property or personnel. Similarly, both the Treasurer and the Director of Finance have an important part to play in ensuring that appropriate Risk Management procedures are in place for the Authority and the Constabulary.
- 3.17 The Director of Finance and Resources, in consultation with the Treasurer will make and periodically review, arrangements to commission appropriately qualified consultants to give advice on the appropriate levels of insurance cover, retained losses, and Insurance Reserves consistent with the Authority's public body status, claims experience and risk appetite.
- 3.18 The Director of Finance and Resources will prepare an annual report on behalf of the Chief Constable and the Treasurer, consequent to the Consultant's report detailing the recommended insurance renewal arrangements for the following year, for discussion with the Treasurer prior to submission to the Authority. The Treasurer will be given the opportunity to attend any meetings between the Director of Finance and Resources and the Consultants to discuss insurances for the following insurance year.

4 Annual Review

- 4.1 The Treasurer and the Director of Finance and Resources are committed to the process of continuous improvement, and in support of that process will undertake an annual review of these protocols to ensure that they fully reflect both the practice and the requirements of both Officers as well as continuing to comply with the necessary Codes or any changes in legislation or regulations or the structures of the Authority or Constabulary.

5 Signatures to Reports

- 5.1 Wherever circumstances permit, reports prepared by the Treasurer in consultation with the Director of Finance and Resources or prepared by the Director on behalf of the Treasurer under this protocol, will be submitted to the Authority in the joint names of the Treasurer and the Chief Constable. The Director's name shall be included as an additional contact point for Members or Officers requiring further information or explanation prior to the meeting.

6 Approval

6.1 This Protocol is agreed between the Treasurer and the Director of Finance and Resources and approved on behalf of the Authority and of the Constabulary as signified below.

Douglas Thomas

Treasurer

Michael Thompson

**Director of Finance and
Resources**

Clive Alcock

Chief Executive

Craig Mackey

Chief Constable

14 September 2009