



Financial Regulations

2022 Version

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Abbreviations	
CC	Chief Constable
CEO	Chief Executive Officer (of the OPCC)
CIPFA	The Chartered Institute of Public Finance and Accountancy
CFO	Chief Finance Officer (of the OPCC)
DFR	Director of Finance and Resources (of the Force)
DPCC	Deputy Police and Crime Commissioner
FMCP	The Home Office Financial Management Code of Practice
FM Code	The CIPFA Financial Management Code
HoF	Head of Finance
NPCC	National Police Chiefs' Council
NWP	North Wales Police
PCC	Police and Crime Commissioner
OPCC	Office of the Police and Crime Commissioner

Definitions	
Chief Executive Officer (CEO)	The head of paid staff and the monitoring officer for the PCC.
Chief Finance Officer (CFO)	The Chief Finance Officer (S151 Officer) for the PCC.
Chief Officers	A collective term for senior police officers (rank superintendent and above), the CFO, CEO and DFR.
Director of Finance and Resources (DFR)	The Chief Finance Officer (S151 Officer) for the CC.

Version Control	
September 2019	3.5.7 Where land and/or buildings are identified as surplus to requirements the CC will submit a report to the PCC recommending the appropriate action. Disposal of land and buildings shall be on the best terms available, evidenced by a report from a surveyor who is a registered Valuer with the Royal Institution of Chartered Surveyors. In the event that the highest offer is not accepted, the DFR (following instruction from the CC) shall consult with the CFO. All asset disposals shall be recorded in the asset register or inventory as appropriate.
April 2021	Update to ensure compliance with the Home Office revised Financial Management Code of Practice (FMCP) and the CIPFA Financial Management Code for Police and Fire Services (FM Code).
April 2022	Update to make typographical amendments and to remove gender-specific references.

Financial Regulations

INTRODUCTION

- 1.1 Any major organisation requires a set of clearly understood rules and regulations for the management of its financial procedures.
- 1.2 In July 2018, the Home Office issued a revised [Financial Management Code of Practice](#) (FMCP) under section 17 (6) of the police Reform and Social Responsibility Act 2011 and section 39 of the Police Act 1996, which permit the Secretary of State to issue codes of practice to all police and crime commissioners and chief constables. This code is part of the comprehensive framework for financial governance within the police service which includes primary and secondary legislation. In addition, the CIPFA Financial Management Code (FM Code) provides guidance for good and sustainable financial management in local authorities, and applies to the OPCC and Force. These have been taken into account in developing these Financial Regulations.
- 1.3 The respective roles of the CFO and DFR are explained in the [CIPFA Statement on the Role of the Chief Financial Officer of the Police and Crime Commissioner and the Chief Finance Officer of the Chief Constable](#).
- 1.4 Financial rules and regulations govern the relationship between the Police and Crime Commissioner (PCC) and the Chief Constable (CC) in financial matters. The financial control framework comprises the following:
 - The Manual of Governance, which itself comprises:
 - (a) Chapter 1: Code of Governance
 - (b) Chapter 2: Scheme of Consent
 - (c) Chapter 3: Financial Regulations
 - (d) Chapter 4: Standing Orders for Contracts
 - Any codes of practice, procedures, guidance, protocols, manuals or financial instructions that may be issued or included in the Force's policy library.
- 1.4 The PCC is the recipient of all funding, including the government grant, the precept, and all other sources of income relating to policing and crime reduction, and all funding for the Force must come through the PCC. How this funding is allocated is a matter for the PCC in consultation with the CC, or in accordance with any grant terms. The CC will provide a professional opinion on this matter.
- 1.5 Financial procedures and instructions have been developed setting out the day to day arrangements for the operation of delegated financial responsibility and the levels of and limits to that delegation. These comply with the principles and limits described in the Manual of Governance.
- 1.6 To conduct business effectively, sound financial management policies and procedures must be in place and strictly adhered to. Part of this process is to adopt and implement Financial Regulations. These Financial Regulations have been drawn up in

order to ensure that financial matters are conducted properly and in compliance with all legal and regulatory requirements.

- 1.7 In applying these Financial Regulations, staff and officers will also be expected to have full regard to the provisions of all the documents listed in paragraph 1.3 (above). Failure to comply with their provisions may be regarded as a disciplinary offence.

Section 1 – Financial Management

1.1 Financial Management Standards

Why is this important?

- 1.1.1 The PCC, CC, all employees and officers of both corporations sole have a duty to abide by the highest standards of probity (i.e. honesty, integrity and transparency) in dealing with financial matters.

Responsibilities of the Chief Finance Officer and the Director of Finance and Resources

- 1.1.2 The Chief Finance Officer (CFO) and Director of Finance and Resources (DFR) each have a personal fiduciary duty of their appointment as the person responsible for proper financial administration under the Police Reform and Social Responsibility Act 2011 and section 151 of the Local Government Act 1972. This includes requirements and formal powers to safeguard lawfulness and propriety in expenditure under section 114 of the Local Government Finance Act 1988, as amended by paragraph 188 of schedule 16 to the Police Reform and Social Responsibility Act 2011.
- 1.1.3 The CFO and the DFR therefore have a responsibility:
- to ensure the proper administration of the financial affairs of the PCC and CC;
 - to ensure that proper practices are adhered to;
 - to advise on the key strategic controls necessary to secure sound financial management;
 - to ensure that financial information is available to enable accurate and timely monitoring and reporting of comparisons of national and local financial performance indicators;
 - to ensure that all officers and staff are aware of, and comply with, proper financial management standards, including these Financial Regulations;
 - to ensure that all officers and staff are properly managed, developed, trained and have adequate support to carry out their financial duties effectively.

1.2 Accounting records and returns

Why is this important?

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

Responsibilities of the CFO and DFR

- 1.2.2 To determine the requirements for the accounting procedures and records for the PCC and CC in accordance with recognised accounting practices, and approve the strategic accounting systems and procedures approved by the CC. All employees and officers shall operate in accordance with the accounting procedures and timetables.
- 1.2.3 To make proper arrangements for the audit of the PCC's and CC's accounts in accordance with the Accounts and Audit (Wales) Regulations 2014 as amended under the Accounts and Audit (Wales) (Amendment) Regulations 2018.
- 1.2.4 To ensure that all claims for funds (including grants) are made by the due date.
- 1.2.5 To ensure that bank reconciliations and other key controls are completed in a timely and accurate manner.
- 1.2.6 To prepare and publish the audited accounts in accordance with the statutory timetable.
- 1.2.7 To ensure that financial records are not disposed of other than in accordance with prescribed statutory or other external regulations and as approved by the CFO.
- 1.2.8 To ensure there is a documented and tested business continuity plan to allow system processing to resume quickly in the event of interruption. Effective contingency arrangements, including back-up procedures, are to be in place in the event of computer systems failure.
- 1.2.9 To publish any financial information as required by law. (Information can be accessed [here](#).)

Responsibilities of the CC and DFR

- 1.2.10 To obtain the approval of the CFO before making fundamental changes to accounts records, procedures or accounting systems.

- 1.2.11 To ensure that all transactions, material commitments, contracts and other essential accounting information are recorded completely, accurately and in a timely manner.
- 1.2.12 To maintain adequate records to provide a management trail leading from the sources of income and expenditure through to the Statements of Accounts.

1.3 The Annual Statement of Accounts

Why is this important?

- 1.3.1 The PCC and CC have a statutory responsibility to prepare accounts which present a true and fair view of operations during the year. These must be prepared in accordance with proper practices in line with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code). There are separate statements of accounts for the PCC and CC as well as group accounts covering both entities.
- 1.3.2 The accounts are subject to detailed independent review by the external auditor. This provides assurance that the accounts have been 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 the resources of the PCC and CC.

Responsibilities of the CFO and DFR

- 1.3.3 To draw up the timetable for the final accounts preparation in consultation with the Head of Finance and the auditor.
- 1.3.4 To prepare, sign and date the statements of accounts, stating that they give a true and fair view of the PCC and CC and the group at the accounting date and the income and expenditure for the financial year just ended.
- 1.3.5 To publish the approved and audited accounts of the PCC, CC and group each year, in accordance with the statutory timetable. (The statements of accounts can be accessed [here](#).)
- 1.3.6 To select suitable accounting policies and apply them consistently.
- 1.3.7 To make judgements and estimates that are reasonable and prudent.
- 1.3.8 To comply with the Home Office Financial Management Code of Practice and the CIPFA Financial Management Code.

Responsibilities of the DFR

- 1.3.9 To comply with the accounting guidance provided by the CFO and supply appropriate information upon request within a reasonable timescale.

Responsibilities of the PCC and CC

- 1.3.10 To consider and approve the annual accounts in accordance with the statutory timetable.

Responsibilities of the Joint Audit Committee

- 1.3.11 To review the annual statements of accounts and satisfy themselves that appropriate steps have been taken to meet statutory and recommended professional practices.

Section 2 – Financial Planning

2.1 Financial Planning

Why is this important?

- 2.1.1 The PCC and CC share a responsibility to provide effective financial and budget planning for the short, medium and longer term.
- 2.1.2 The PCC and Force are together a complex organisation responsible for delivering policing activities. They need to develop systems to enable resources to be allocated in accordance with priorities. Financial planning is essential if this is to function effectively.
- 2.1.3 The financial planning process should be directed by the approved policy framework, the business planning process and the need to meet key objectives.
- 2.1.4 The financial planning process should be continuous and the planning period should cover at least three years. The planning process should include a more detailed annual plan – the budget – covering the forthcoming financial year. This allows the PCC and CC to plan, monitor and manage the way funds are allocated and spent.

Medium Term Financial Planning

Responsibilities of the PCC

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

Responsibilities of the CFO and DFR

- 2.1.6 To determine the format and timing of the medium term financial plans to be presented to the PCC. The format is to comply with all legal requirements (including section 25 of the Local Government Act 2003) and with the most recent guidance published by CIPFA.
- 2.1.7 To prepare a medium term projection of proposed income and expenditure for submission to the PCC. When preparing the forecast, the DFR shall have regard to:
- the Police and Crime Plan;
 - policy requirements approved by the PCC as part of the policy framework;
 - the Strategic Policing Requirement
 - unavoidable future commitments, including legislative requirements;
 - initiatives already underway;
 - revenue implications of the draft capital programme;
 - proposed service developments and plans which require public consultation;
 - the need to deliver efficiency/productivity savings;
 - government grant allocations;
 - potential implications for local taxpayers;
 - any commissioning strategy of the PCC.
- 2.1.8 To prepare a medium term financial forecast of potential resources, including options for the use of general balances, reserves and provisions, and assumptions of future levels of government funding.
- 2.1.9 A gap may be identified between available and required resources. Requirements should be prioritised by the CC to enable the PCC to make informed judgements as to future funding levels and to plan the use of resources.

Annual Revenue Budget

- 2.1.10 The revenue budget provides an estimate of the annual income and expenditure requirements for the police service and sets out the financial implications of the PCC's strategic policies. It provides chief officers with the authority to incur expenditure, and a basis on which to monitor the financial performance of the PCC and the Force.
- 2.1.11 The PCC should consult with the CC and other relevant partners and stakeholders in planning the overall annual budget, which will include a separate budget for the Force. This will take into consideration funding from government and other sources, and balance the expenditure needs of the policing service against the level of local taxation. This must meet the statutory requirements to achieve a balanced budget (Local Government Act 2003) and be completed in accordance with the statutory timetable.

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

Responsibilities of the PCC

2.1.13 To agree the planning timetable with the CC.

2.1.14 To obtain the views of the local community, including National Non-Domestic Rates payers, on the proposed expenditure in advance of setting the budget for the forthcoming financial year.

2.1.15 To present the proposed budget, precept and council tax recommendations to the Police and Crime Panel for approval.

Responsibilities of the CFO

2.1.16 To determine the format of the revenue budget to be presented to the PCC. The format is to comply with all legal requirements and the most recent guidance issued by CIPFA.

2.1.17 To obtain timely and accurate information from billing authorities on the council taxbase to inform budget deliberations.

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

2.1.19 To submit reports to the PCC and Crime Panel to include commentary on:

- the robustness of the estimates and the adequacy of reserves;
- the suite of prudential indicators for at least the next three years, arising from the Prudential Code for Capital Finance in local Authorities. These indicators shall be consistent with the approved annual revenue budget and capital programme.

2.1.20 Upon approval of the annual budget, to submit the council tax requirements return to Central/Welsh Government and precept requests to billing authorities in accordance with the legal requirement.

2.1.21 To produce and issue to the billing authorities, in accordance with statutory requirements, the council tax information leaflet.

Responsibilities of the CC and DFR

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

2.1.23 To submit estimates in the agreed format to the PCC for approval, including details of council tax implications and precept requirements.

2.2 Budgetary Control

Why is this important?

- 2.2.1 Budget management ensures that, once the PCC has approved the budget, resources allocated are used for their intended purpose and are properly accounted for. Budgetary control is a continuous process, enabling both the CC and PCC to review and adjust their budget targets during the financial year. It also provides the mechanism that calls to account managers responsible for defined areas of the budget.
- 2.2.2 The key controls for managing and controlling the revenue budget are that:
- there is a nominated budget manager for each cost centre heading who is accountable for the budgets under his or her direction and control; and
 - the management of budgets must not be seen in isolation; it should be measured in conjunction with service outputs and performance measures.

Revenue Monitoring

Why is this important?

- 2.2.3 By continuously identifying and explaining variances against budgetary targets, it is possible to identify changes in trends and resource requirements at the earliest opportunity. The PCC and CC both operate within an annual cash limit, approved when setting the annual budget. To ensure that the PCC and Force in total do not overspend, the PCC and CC are required to manage expenditure within their budget allocations, subject to the rules of virement.

Responsibilities of the CC and DFR

- 2.2.4 To provide appropriate financial information to enable budgets to be monitored effectively.
- 2.2.5 To ensure that each element of income or expenditure has a nominated budget manager to take responsibility for that part of the budget. Budget responsibility should be aligned as closely as possible to the decision making process that commits expenditure.
- 2.2.6 To ensure that total spending for operational policing remains within the overall allocation of resources and to take corrective action where significant variations from the approved budget are forecast. Where total projected expenditure exceeds the total allocation of resources due to circumstances beyond the CC's control both the

CFO and PCC should be alerted immediately and proposals for remedy should be put forward as part of the regular monitoring process to the PCC.

- 2.2.7 To submit a budget monitoring report to the PCC on a regular basis throughout the year, containing the most recently available financial information. The reports shall be in a format agreed with the PCC and CFO.

Responsibility of the CFO

- 2.2.8 To co-ordinate a joint budget monitoring report for presentation to the Police and Crime Panel as necessary, containing the most recently available financial information.
- 2.2.9 To ensure that total spending for the OPCC remains within the overall allocation of resources and to take corrective action where significant variations from the approved budget are forecast. Where total projected expenditure exceeds the total allocation of resources due to circumstances beyond the CFO's control both the CEO and PCC should be alerted immediately and proposals for remedy should be put forward as part of the regular monitoring process to the PCC.

Virement

Why is this important?

- 2.2.9 A virement is an approved reallocation of resources between budgets or heads of expenditure. A budget head is a line in the approved budget report. The scheme of virement is intended to enable chief officers to manage their budget with a degree of flexibility within the overall policy framework determined by the PCC and, therefore, provides the opportunity to optimise the use of resources to meet emerging needs.
- 2.2.10 The DFR (upon the instruction of the CC) is required to refer back to the PCC when virement would cause substantive changes in the PCC's policy, or when a virement might create a future year or continuing commitment. Revenue expenditure may be funded only from revenue funding.
- 2.2.11 Key controls for the scheme of virement are:
- It is administered by chief officers within delegated powers given to the DFR by the PCC within the Scheme of Consent. Any variation from this scheme requires the approval of the PCC.
 - The overall budget is agreed by the PCC. Chief officers and budget managers are therefore authorised to incur expenditure in accordance with the estimates that make up the budget.
 - Virement does not create additional budget approval.
 - Each chief officer shall ensure that the virement is undertaken as necessary to maintain the accuracy of budget monitoring. Any significant virements will be reported through the official financial reporting arrangements.

Responsibilities

- 2.2.12 The DFR (on the instruction of the CC) may use revenue funds to purchase capital items or carry out capital works (subject to obtaining prior approval from the PCC where the proposed transfer exceeds £150,000). Ongoing revenue consequences of capital expenditure must be understood before the purchase is made, and incorporated into budgets as appropriate.
- 2.2.13 The DFR can approve any virement where the additional costs are fully reimbursed by other bodies. However, virements in excess of £150,000 are to be notified to the CFO as a matter of course.
- 2.2.14 For all other budgets both the CFO and the DFR shall ensure that virement is undertaken as necessary to maintain the accuracy of budget monitoring, subject to the following approval levels:

Force Budget

Up to £150,000 – DFR

Over £150,000 – CFO

- 2.2.15 The approval of the PCC shall be required if the virement involves:
- a substantial change in policy;
 - a significant addition to commitments in future years; or
 - where resources to be transferred were originally provided to meet expenditure of a capital nature.
- 2.2.16 Supplementary estimates to be funded from the PCC's reserves may be approved by the PCC only after considering a report by the CC, DFR and CFO on the matter.

2.3 Capital Programme

Why is this important?

- 2.3.1 Capital expenditure involves acquiring or enhancing fixed assets with a long-term value to the PCC and CC, such as land, buildings and major items of plant, equipment or vehicles. Capital assets shape the way services are delivered in the long term, and may create financial commitments in the form of financing costs and revenue running costs.
- 2.3.2 The PCC is able to undertake capital investment provided the spending plans are affordable, prudent, sustainable and demonstrate value for money. Spending plans are evaluated under CIPFA's Prudential code.
- 2.3.3 The capital programme is linked to the approved financial strategy.

- 2.3.4 All capital assets are owned by the PCC, but the day-to-day management of the majority of the assets is the responsibility of the CC. The CC may acquire capital assets only with the permission of the PCC. The CC is not allowed to own land and buildings.

Responsibility of the CC

- 2.3.5 To develop and implement asset management plans.

Responsibility of the CFO and DFR

- 2.3.6 To facilitate a capital strategy for consideration and approval by the PCC.

Responsibilities of the PCC

- 2.3.7 To approve the asset management strategy.
- 2.3.8 To approve the annual financial strategy.

Medium Term Capital Programme

Responsibilities of the CC and DFR

- 2.3.9 To prepare a rolling programme of proposed capital expenditure for consideration by the PCC. Each scheme shall identify the total cost of the project and any additional revenue commitments.
- 2.3.10 To prepare project appraisals (business case) for all schemes in the draft medium term capital programme, which shall be submitted to the CFO and PCC for consideration and scheme approval. Project appraisals will include all additional revenue and capital costs.
- 2.3.11 Each capital project shall have a named officer responsible for sponsoring the scheme, monitoring progress and ensuring completion of the scheme.
- 2.3.12 To identify, in consultation with the CFO, available sources of funding for the medium term capital programme, including the identification of potential capital receipts from the disposal of property.
- 2.3.13 A gap may be identified between available resources and available capital investment. Requirements should be prioritised by the CC and DFR to enable the PCC to make informed judgements as to which schemes should be included in the capital programme, the minimum level of funding required for each scheme and the potential phasing of capital expenditure.
- 2.3.14 All schemes within the draft medium term capital programme should incorporate an estimate of future price inflation.

- 2.3.15 The approval of the medium term capital programme by the PCC authorises the CC to proceed with the capital programme, including to seek planning permission, to incur professional fees and other preliminary expenses as appropriate.

Responsibilities of the CFO

- 2.3.16 To make recommendations to the PCC on the most appropriate level of revenue support and appropriate levels of borrowing (under the Prudential Code) to support the capital programme.
- 2.3.17 To ensure the capital programme is aligned with the Treasury Management Strategy.

Responsibility of the PCC

- 2.3.18 To approve a fully funded medium term capital programme which is sustainable and in accordance with the Prudential Code.

Annual Capital Programme

Responsibility of the PCC

- 2.3.19 To agree the annual capital programme, including how it is to be financed.

Responsibilities of the DFR

- 2.3.20 Approval of the annual capital programme by the PCC authorises the DFR to incur expenditure on schemes, provided that that project appraisal (business case) has been approved. Any proposed variation to the capital programme of more than £100,000 shall be submitted to the PCC via the approved reporting arrangements.
- 2.3.21 To ensure that finance leases or other credit arrangements are not entered into without the prior approval of the CFO.
- 2.3.22 To ensure that, apart from professional fees associated with feasibility studies and planning fees, no capital expenditure is incurred before the scheme is approved by the PCC.

Monitoring of Capital Expenditure

Responsibility of the CC

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

Responsibilities of the CC and DFR

- 2.2.24 To monitor expenditure throughout the year against the approved programme.

- 2.2.25 To submit capital monitoring reports to the PCC 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 expenditure to date and compare projected income and expenditure with the approved programme. The reports shall be in a format approved by the PCC and CFO.
- 2.3.26 To prepare a business case for all capital schemes (or additions to previously approved schemes) for submission to the PCC for consultation and approval. The business case must demonstrate how the capital schemes are to be funded.

Responsibility of the CFO and CFR

- 2.3.27 To report of the outturn of capital expenditure as part of the annual report and statutory accounts.

2.4 Maintenance of Balances and Reserves

Why is this important?

- 2.4.1 The PCC must take into account the level of general reserves he wishes to retain before he can decide on the level of council tax. Reserves are maintained as a matter of law and of prudence. They enable the organisation to provide for cash flow fluctuations and unexpectedly costly events and thereby help protect it from overspending the annual budget should such events occur. Reserves for specific purposes are maintained where it is likely that a spending requirement will occur in the future.

Responsibilities of the CFO

- 2.4.2 To advise the PCC on reasonable levels of balances and reserves.
- 2.4.3 To report to the PCC and Police and Crime Panel on the adequacy of reserves before the PCC proposes the annual budget, precept and council tax.
- 2.4.4 To approve appropriations to and from each earmarked reserve. These appropriations will be separately identified within the annual Statement of Accounts.

Responsibilities of the DFR

- 2.4.5 To ensure that the annual revenue budget is sufficient to finance foreseeable operational needs, without the need to request additional approval.
- 2.4.6 Where additional approval is required, to present (in consultation with the CC) a business case to the CFO and PCC for one-off expenditure items to be funded from earmarked and/or general reserves.

Responsibilities of the PCC

- 2.4.7 To approve the policy on reserves and balances and the funding strategy for the maintenance of reserves and balances.
- 2.4.8 To approve the establishment and subsequent disestablishment of each earmarked reserve including the purpose, use and appropriations to and from the earmarked reserves. To approve the appropriations to and from the general reserves as part of the budget setting and annual accounts processes.

Section 3 – Risk Management and Business Continuity

3.1 Risk Management and Business Continuity

Why is this important?

- 3.1.1 It is essential that robust, integrated systems are developed and maintained for identifying and evaluating all potential significant corporate and operational risks to the PCC and the Force. This should include the proactive participation of all those associated with planning and delivering services.
- 3.1.2 All organisations, whether private or public sector, face risks to people, property and continued operations. Risk is the chance or possibility of loss, damage, injury or failure to achieve objectives caused by an unwanted or uncertain action or event. Risk cannot be eliminated altogether. However, risk management is the planned and systematic approach to the identification, evaluation and control of risk. Its objectives are to secure the assets of the PCC and the CC and to ensure the continued corporate and financial wellbeing of the PCC and Force. In essence, therefore, it is an integral part of good business practice.
- 3.1.3 The PCC and CC's risk management arrangements are reported and monitored by each of their relevant tasking committees and subject to oversight by the Strategic Executive Board and the Joint Audit Committee.

Responsibility of the PCC and CC

- 3.1.4 The PCC and CC are jointly responsible for approving the risk management policy statement and strategy, and for reviewing the effectiveness of risk management.

Responsibilities of Chief Officers

- 3.1.5 To prepare the risk management policy statement for the PCC and Force and for promoting a culture of risk management awareness throughout the organisation and reviewing risks as an ongoing process.
- 3.1.6 To implement procedures to identify, assess, prevent or contain material known risks, with a monitoring process in place to review regularly the effectiveness of risk

reduction strategies and the operation of these controls. The risk management process should be formalised and conducted on a continuing basis.

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

Responsibilities of the CFO

- 3.1.8 To advise the PCC 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.
- 3.1.9 Insurance cover will be provided for all property and liabilities, and may include self-insurance.

Responsibilities of the DFR

- 3.1.10 To ensure, in consultation with the CFO, that appropriate insurance cover is provided.
- 3.1.11 To ensure that claims made against insurance policies by the PCC and CC are progressed promptly.
- 3.1.12 To ensure all employees and officers are aware of their responsibilities for managing risks.
- 3.1.13 To ensure that all employees, officers, or any other person covered by the PCC's or Force's insurance, are instructed to not admit liability or make any offer to pay compensation which may prejudice the assessment of liability in respect of any insurance claim.
- 3.1.14 To ensure that a comprehensive risk register is produced and updated regularly, and that action is taken at the earliest opportunity to mitigate risks (transfer, treat, tolerate or terminate risks).

Responsibility of the CEO

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

3.2 Internal Control System

Why is this important?

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

3.2.2 The Office of the Police and Crime Commissioner (OPCC) and Force together form a complex organisation, which requires an internal control framework to manage and monitor progress towards strategic objectives. The PCC and CC have statutory obligations, and therefore require a system of internal control to identify, meet and monitor compliance with these obligations.

3.2.3 The PCC and CC have a wide range of financial, administrative and commercial risks, both from internal and external factors, which threaten the achievement of their objectives. A system of internal control is established with the aim of achieving:

- efficient and effective operations;
- reliable financial information and reporting;
- compliance with laws and regulations;
- risk management.

Responsibilities of Chief Officers

3.2.4 To implement effective systems of internal control in accordance with advice from the CFO and DFR. These arrangements shall ensure compliance with all applicable statutes and regulations, and other relevant statements of best practice, in order to ensure that public resources are properly safeguarded and used economically, efficiently, effectively and equitably.

3.2.5 To ensure that effective key controls are operating in managerial control systems, including defining policies, setting objectives and plans, monitoring financial and other performance information and taking appropriate anticipatory and remedial action where necessary. The key objective of these control systems is to define roles and responsibilities.

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

Responsibility of the PCC, CC, CEO CFO and DFR

3.2.7 To produce a draft Annual Governance Statement for consideration by the Joint Audit Committee. When finalised, the PCC's Annual Governance Statement will be signed by the PCC, CEO and CFO, and the CC's Annual Governance Statement will be signed by the CC and DFR.

Responsibility of the Joint Audit Committee

3.2.8 To review the draft Annual Governance Statements and consider whether they properly reflect the governance, risk and control environment and supporting assurances and identify any actions required for improvement.

3.3 Audit Requirements

Internal Audit

Why is this important?

- 3.3.1 Internal audit is an assurance function that provides an independent and objective opinion to the organisation on its control environment by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper economic, efficient and effective use of resources.
- 3.3.2 The requirement for an internal audit function is explicit, and also implied in relevant Local Government legislation (for example, Section 151 of the Local Government Act 1972 requires that authorities "make arrangements for the proper administration of their financial affairs"). The PCC and CC are also required to maintain an adequate and effective system of internal audit under Section 7 of the [Accounts and Audit \(Wales\) Regulations 2014 \(as amended\)](#).
- 3.3.3 In fulfilling this requirement, the PCC and CC should have regard to the [Public Sector Internal Audit Standards](#). In addition, the [Role of the Head of Internal Audit in Public Service Organisations](#) describes best practice, and should be used to assess arrangements in order to improve audit quality and governance arrangements.
- 3.3.4 In addition to enabling the PCC and CC to fulfil their requirements in relation to the relevant Accounts and Audit Regulation, internal audit is needed:
- to satisfy the PCC and CC that effective internal control systems are in place; and
 - to satisfy the external auditor that financial systems and internal controls are effective and the Police Fund is managed so as to secure value for money.

Responsibilities of the Joint Audit Committee

- 3.3.5 To approve the internal audit charter.
- 3.3.6 To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.
- 3.3.7 To approve the risk-based internal audit plan, including internal audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.
- 3.3.8 To approve significant interim changes to the risk-based internal audit plan and resource requirements.
- 3.3.9 To make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.

3.3.10 To consider reports from the head of internal audit on internal audit's performance during the year, including the performance of external providers of internal audit services. These will include:

- updates on the work of internal audit including key findings, issues of concern and action in hand as a result of internal audit work;
- regular reports on the results of the Quality Assurance and Improvement Programme;
- reports on instances where the internal audit function does not conform to the Public Sector Internal Audit Standards and Local Government Application Note, considering whether the non-conformance is significant enough that it must be included in the Annual Governance Statement.

3.3.11 To consider the head of internal audit's annual report:

- the statement of the level of conformance with the Public Sector Internal Audit Standards and Local Government Application Note and the results of the Quality Assurance and Improvement Programme that supports the statement – these will indicate the reliability of the conclusions of internal audit;
- the opinion on the overall adequacy and effectiveness of the organisations' framework of governance, risk management and control together with the summary of the work supporting the opinion – these will assist the committee in reviewing the Annual Governance Statement.

3.3.12 To consider summaries of specific internal audit reports as requested.

3.3.13 To receive reports outlining the action taken where the head of internal audit has concluded that management has accepted a level of risk that may be unacceptable to the organisations or there are concerns about progress with the implementation of agreed actions.

3.3.14 To contribute to the Quality Assurance and Improvement Programme and in particular, to the external quality assessment of internal audit that takes place at least once every five years.

3.3.15 To consider a report on the effectiveness of internal audit to support the Annual Governance Statements, where required to do so by the Accounts and Audit Regulations (see Appendix A).

3.3.16 To support the development of effective communication with the head of internal audit.

The scope and responsibilities of the Joint Audit Committee are detailed within the [Terms of Reference](#).

Responsibility of the CFO and DFR

3.3.17 To ensure the provision of an adequate and effective internal audit service.

Responsibilities of the CC, CFO and DFR

3.3.18 To ensure that internal auditors, having been vetted, have the authority to:

- access the PCC's premises at reasonable times;
- access all assets, records, documents, correspondence, control systems and appropriate personnel (subject to appropriate vetting);
- receive any information and explanation considered necessary concerning any matter under consideration;
- require any officer or employee to account for cash, stores or any other asset of the PCC or CC under their control;
- access records belonging to contractors when required. This shall be achieved by including appropriate clauses in contracts.

3.3.19 Internal audit shall have direct access to all chief officers and other officers and employees where necessary.

Responsibilities of the Head of Internal Audit

3.3.20 To prepare an annual audit plan that conforms to [Public Sector Internal Audit Standards](#) (PSIAS). The CFO and DFR are jointly responsible for approving the plan and any subsequent revision. The plan shall be submitted to the Joint Audit Committee for endorsement.

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

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

Responsibility of Chief Officers

3.3.23 To consider and respond promptly to control weaknesses, issues and recommendations in audit reports and ensure that all agreed actions arising from the audit are implemented in accordance with the agreed action plan included in each report.

Responsibilities of the DFR

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

3.3.25 To notify the CFO immediately of any suspected fraud, theft, irregularity, improper use or misappropriation of property or resources belonging to the PCC or CC. Pending investigation and reporting, the CC should take all necessary steps to prevent further

loss and to secure records and documentation against removal or alteration. Investigation of internal financial irregularities shall normally be carried out by the Professional Standards Department, who shall consult with the appointed internal auditor, and keep him/her informed of progress. At the conclusion of the investigation, the Head of Internal Audit shall review the case to identify any internal control weaknesses that allowed the financial irregularity to happen and shall make recommendations to minimise the risk of recurrence.

External Audit

Why is this important?

- 3.3.26 The Auditor General for Wales (the Auditor General) is responsible for appointing external auditors to public bodies, including policing bodies, under the Public Audit (Wales) Acts 2004 and 2013. Auditors plan and undertake their audit in accordance with the Acts and the [Code of Audit Practice](#) issued by the Auditor General. The external auditor has rights to access all documents and information necessary for audit purposes.
- 3.3.27 Section 17 of the 2004 Act requires that the appointed auditor must satisfy themselves that:
- the annual statements of accounts have been prepared and audited in accordance with the [Accounts and Audit \(Wales\) Regulations](#) and any other relevant legislation or regulations;
 - proper accounting practices have been observed when the accounts were compiled, as detailed in the [Code of Practice on Local Authority Accounting in the United Kingdom](#) (the Code);
 - the body has made proper arrangements to secure effectiveness, efficiency and economy in use of resources.
- 3.3.28 The [Local Authorities \(Capital Finance and Accounting\) \(Wales\) Regulations 2003](#) (as amended) identifies the CIPFA the [Code of Practice on Local Authority Accounting in the United Kingdom](#) as proper practices for the preparation of the statements of accounts for policing bodies in Wales. The PCC should use the reports of external auditors to aid in his monitoring role.

Responsibilities of the Joint Audit Committee

- 3.3.29 To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.
- 3.3.30 To consider specific reports as agreed with the external auditor.
- 3.3.31 To comment on the scope and depth of external audit work and to ensure it gives value for money.
- 3.3.32 To commission work from internal and external audit.

- 3.3.33 To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.

Responsibilities of the CFO and DFR

- 3.3.34 To liaise with the external auditor and advise the PCC and CC on their responsibilities in relation to external audit and ensure there is effective liaison between external and internal audit.
- 3.3.35 To provide to Welsh Government and the Home Office a copy of the annual audit letter and to publicise the same.

Responsibility of the CC and CFO

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

Responsibility of the Chief Officers

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

3.4 Preventing Fraud and Corruption

Why is this important?

- 3.4.1 The PCC and CC will not tolerate fraud or corruption in the administration of their responsibilities, whether from inside or outside the OPCC or the Force.
- 3.4.2 The PCC's and CC's expectation of propriety and accountability is that officers and employees at all levels will lead by example in ensuring adherence to legal requirements, rules, procedures and practices.
- 3.4.3 The PCC and CC also expect that individuals and organisations (e.g. suppliers, contractors and service providers) with whom they come into contact will act with honesty and integrity.

Responsibilities of the PCC and CC

- 3.4.4 To issue guidelines on their policy regarding gifts and hospitality, and the CC is responsible for ensuring detailed instructions to all officers and staff (of both the OPCC and Force) to ensure compliance with this policy. The detailed instructions will be approved by the PCC and the CFO, and will be reviewed periodically.

- 3.4.5 A confidential reporting (whistle-blowing) policy shall be implemented to provide a facility that enables the PCC, officers, employees and the general public to make allegations of fraud, misuse and corruption in confidence and without recrimination, to an independent contact. Procedures shall ensure that all 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 CFO, CC and DFR shall ensure that all officers and members are aware of the approved confidential reporting policy.
- 3.4.6 The CC shall notify the CEO and CFO as soon as practicable if a preliminary investigation gives rise to any suspected fraud, theft, irregularity, improper use or misappropriation of the PCC's property or resources, in accordance with proper procedures. In such instances, the CC, CEO and CFO shall agree any further investigative process and, pending investigation and reporting, shall take all necessary steps to prevent further loss and to secure records against removal or alteration.
- 3.4.7 To implement and maintain a clear internal financial control framework setting out the approved financial systems to be followed by all officers and employees.

Responsibility of the CFO and DFR

- 3.4.8 To maintain a register of all hospitality and gifts for all officers and staff.

3.5 Assets

Security

Why is this important?

- 3.5.1 The PCC holds assets in the form of land, property, furniture and other items, together with millions of pounds in balances and investments. 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 register is a prerequisite for proper fixed assets accounting and sound asset management.

Context

- 3.5.2 The PCC will own and fund all assets regardless of whether they are used by the OPCC, Force or both bodies. However, with permission from the PCC, the CC may acquire assets (with the exception of land and buildings) and details of this are within the Scheme of Consent.
- 3.5.3 The PCC and CC should consult in planning the budget and developing the Medium Term Financial Strategy. Both processes should involve a full assessment of the assets required to meet operational requirements, including human resources, infrastructure, land, property and equipment.

3.5.4 The CC is responsible for the direction and control of the Force, and therefore has day-to-day management of all assets used by the Force.

Responsibilities of the DFR

3.5.5 To ensure that:

- an asset register is maintained to provide the PCC and the CC information about fixed assets to ensure they are safeguarded, used efficiently and effectively, adequately maintained, and valued in accordance with statutory and management requirements;
- assets and records of assets are properly maintained and held securely, and that contingency plans are in place, to ensure that in the event of disaster or system failure, to ensure continuity of service;
- lessees and other prospective occupiers of the PCC's land are not allowed to take possession or enter the land until a lease or agreement has been established as appropriate;
- no asset of the PCC or CC is subject to personal use by an officer or employee without proper authority;
- valuable and portable items such as computers, cameras and video recorders are identified as belonging to the PCC for North Wales;
- all officers and employees are aware of their responsibilities with regard to the safeguarding of the PCC's and Force's assets and information, including the requirements of the Data Protection Act, the EU General Data Protection Regulation (GDPR) and software copyright legislation;
- assets no longer required are disposed of in accordance with the law and the governance arrangements of the PCC and CC;
- all employees are aware of their responsibilities with regard to safeguarding the security of ICT systems of the PCC and Force, including maintaining restricted access to the information held on them, and compliance with the information and security policies.

3.5.6 Land and buildings may be acquired and disposed of only in accordance with such arrangements as may from time to time be approved by the PCC and in compliance with the PCC's governance arrangements.

3.5.7 Where land and/or buildings are identified as surplus to requirements the CC will submit a report to the PCC recommending the appropriate action. Disposal of land and buildings shall be on the best terms available, as evidenced by a report from a surveyor who is a Registered Valuer with the Royal Institution of Chartered Surveyors. In the event that the highest offer is not accepted, the DFR (following instruction from the CC) shall consult with the CFO. All asset disposals shall be recorded in the asset register or inventory as appropriate.

3.5.8 Any asset transaction that falls outside of the approved capital programme for the year shall be subject to proper approval by the PCC.

Responsibility of the CFO and DFR

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

Responsibility of the CEO

- 3.5.10 To make all such arrangements deemed necessary to ensure the safe custody of all documents of title to land owned or leased by the PCC.

Valuation

Responsibilities of the CC

- 3.5.11 To establish and maintain a register of all assets owned or leased to the PCC, which shall include a current valuation of all assets valued at £10,000 and above. Assets include property (land and buildings), vehicles, equipment, furniture and other items.
- 3.5.12 The CC will be responsible for the proper management of the police estate and must maintain records showing the purpose each property is held, location, plan reference, purchase details, particulars of interest, rents payable, and particulars of tenancies granted. These records must be available for examination by the CFO (or the CFO's authorised representative) at any time.

Inventories

Responsibility of the DFR

- 3.5.13 To ensure inventories are maintained in a format approved by the CFO and DFR, which record items with a value in excess of £1,000. Other items of equipment will also be recorded if deemed to be both desirable and portable, such as laptops, mobile phones, body worn video equipment.

Stocks and Stores

Responsibilities of the CC

- 3.5.14 The CC shall be responsible for the custody and management of stocks and stores of the PCC and shall maintain records of their acquisition, holding and issue or disposal. The stores accounts and records, including the records of write-offs and other adjustments, shall be kept by the CC in such form as may be approved by the DFR and CFO.
- 3.5.15 The CC shall prepare procedure notes relating to the detailed way in which stocks and stores are to be administered.

- 3.5.16 Annually at 31 March (or as near to this date may be practicable) and at such other date as required by the CFO, a complete stocktaking of all stores independent of the storekeeper shall be arranged by the CC, who shall be responsible for ensuring that the physical stock held agrees with the stock records. Desirable and valuable items shall be clearly marked as being the property of the PCC for North Wales.
- 3.5.17 Stock sheets and other stock records shall be signed by the CC (or other person authorised by the CC) and certified to the effect that the particulars and prices shown thereon are correct, The CC shall forward to the CFO such certificates relating to stocks as the CFO requires.
- 3.5.18 Stocks should not be held in excess of normal operational requirements. The CC shall be responsible for determining an efficient stock holding policy to ensure that stock levels are held at appropriate levels. A list should be prepared annually of any stock which is deemed to be obsolete or surplus to requirements. Goods shall be written down to net realisable value in the year in which they were deemed obsolete or surplus.
- 3.5.19 Any deficiency in stocks, and stores which have become unserviceable, obsolete or irrecoverable, shall be written down according to the following limits:
- (i) up to and including £5,000: by the CC or DFR
 - (ii) £5,001 to £10,000: by the CFO
 - (iii) above £10,000: by the PCC after considering a report, submitted jointly by the CC and CFO

Responsibility of the DFR

- 3.5.20 A system of continuous stocktaking shall be maintained, which will compare the physical stocks in hand with the stock keeping records. Any material surplus or deficit discovered shall be reported to the CFO, and be written off only with the approval of the CFO.

Responsibility of the CFO

- 3.5.21 The CFO must be satisfied that the systems which are in place for regulating stocks and writing off deficiencies are in accordance with best practice.

Intellectual Property

Why is this important?

- 3.5.22 Intellectual property is a generic term that includes inventions and writing.
- 3.5.23 It is the PCC's policy that if any intellectual property is created by an employee during the course of employment, then as a general rule this will belong to the employer not the employee. Various acts of parliament cover different types of intellectual

property. Certain activities undertaken within the OPCC or force may give rise to items that could be patented, for example software development. These items are collectively known as intellectual property.

- 3.5.24 In the event that the PCC decides to become involved in the commercial exploitation of inventions, the matter should proceed in accordance with the terms of any intellectual property policy of the PCCC and in accordance with national guidance. Matters should proceed only after obtaining legal advice.

Responsibility of the CC

- 3.5.25 To prepare guidance on intellectual property procedures and ensure that officers and staff are aware of these procedures.

Responsibility of the CC and PCC

- 3.5.26 To approve the intellectual property policy.

3.6 Treasury Management and Banking Arrangements

Treasury Management

Why is this important?

- 3.6.1 The OPCC and the Force are together a large organisation that handles millions of pounds each financial year. It is important that the PCC's money is handled properly, in a way that balances risk with return, but with prime consideration being given to the security of the capital sum.
- 3.6.2 The PCC will create and maintain as the cornerstones for effective treasury management:
- a treasury management policy statement, stating the policies, objectives and approach to risk management of treasury management activities;
 - suitable treasury management practices (TMPs) setting out the manner in which the organisation will seek to achieve those policy objectives and prescribing how these activities will be managed and controlled.
- 3.6.3 The contents of the policy statement and TMPs will follow the recommendations contained in the Welsh Assembly Government Guidance on Local Authority Investments, subject only to amendments where necessary to reflect the particular circumstances of the PCC. Such amendments will not result in the PCC deviating materially from the Code's key priorities.

Responsibilities of the PCC

- 3.6.4 To adopt the CIPFA Treasury Management in the Public Services Code of Practice and cross-sectoral guidance (the TM Code).
- 3.6.5 To approve the annual Capital Strategy, Treasury Management Strategy and Investment Strategy.
- 3.6.6 To receive reports on treasury management policies, practices and activities, including as a minimum an annual strategy and plan in advance of the year, a mid-year review and an annual report after the year-end, in the form prescribed in the TMPs.

Responsibilities of the CFO

- 3.6.7 To implement and monitor treasury management policies and practices in line with the CIPFA Code and other professional guidance.
- 3.6.8 To ensure treasury management is executed and administered in accordance with the CIPFA code and the approved Treasury Management Strategy and Investment Strategy.
- 3.6.9 To prepare reports on the PCC's treasury management policies, practices and activities, including as a minimum an annual strategy, performance monitoring reports and an annual report.
- 3.6.10 To arrange borrowing and investments in compliance with the CIPFA Code and to ensure that all investments and borrowings are made in the name of the PCC.

Banking Arrangements

Why is this important?

- 3.6.11 Our banking activities are controlled by contractual arrangements which aim to provide a wide range of complex and specialist banking services to the PCC and Force departments, establishments and staff. A consistent and secure approach to banking services is essential in order to achieve optimum performance from the PCC's bankers and the best possible value for money.

Responsibilities of the CFO

- 3.6.12 To have overall responsibility for the banking arrangements for the PCC.
- 3.6.13 In consultation with the DFR, to produce and maintain a policy for the establishment and maintenance of bank accounts.

- 3.6.14 Cash received from a single source over €10,000¹ (or equivalent) must be reported to the CFO. This instruction does not apply to seizures made for policing purposes and subsequent bankings (see Financial Regulation 3.9)

3.7 Staffing

Why is this important?

- 3.7.1 Staffing costs form the largest element of the total policing budget. An appropriate HR strategy should exist, in which staffing requirements and budget allocations are matched. The CC is responsible for approving the overall HR strategy in consultation with the PCC. OPCC staff are employed under the same terms and conditions as police staff.

Responsibility of the CC

- 3.7.2 To ensure that police officers and staff are employed and dismissed in accordance with relevant statutory requirements, national and/or local agreements, budgets and strategies agreed by the PCC.

Responsibilities of the PCC

- 3.7.3 To appoint the CC, CEO and CFO. The PCC may also choose to appoint a Deputy Police and Crime Commissioner (DPCC).
- 3.7.4 To act as the pensions authority for the CC, and for OPCC staff.

Responsibilities of the DFR

- 3.7.5 To advise the PCC on the budget necessary in any given year to fund estimated levels of police officers and police staff.
- 3.7.6 To adjust the numbers of staff and officers to meet the approved budget, and varying the establishment as necessary within policy constraints in order to meet changing operational needs.
- 3.7.7 To have systems in place to record all matters affecting payments to staff, including appointments, resignations, dismissals, secondments, suspensions, transfers and all absences from work.
- 3.7.8 To approve, in consultation with the CC, policy arrangements for premature retirements on grounds of ill-health or efficiency for all officers and staff; and for redundancy arrangements for police staff.

¹ Or lower amount if specified by legislation

Responsibilities of the CEO

- 3.7.9 The CEO has the same responsibilities as the DFR for staff employed in the OPCC.

3.8 Unofficial Funds, Voluntary Funds and Trust Funds

Why is this important?

- 3.8.1 Trust funds have formal legal status governed by a deed of trust. Employees and police officers acting as trustees must ensure they are familiar with the requirements of the deed of trust and the law, and comply fully.
- 3.8.2 These financial regulations and NWP's financial procedures are to be viewed as good practice, and followed wherever practicable. Where no financial regulations and procedures are in place for a fund, officers and staff **MUST** follow these financial regulations and the procedures that sit underneath them.
- 3.8.3 No officer or staff member shall open a trust fund, unofficial fund or voluntary fund without the specific approval of the CFO and DFR (in all cases) and the CC (officers and police staff) or PCC (OPCC staff).

Responsibility of Trustees (or equivalent)

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

Responsibility of the CC

- 3.8.5 The CC will be responsible for the control of unofficial and voluntary funds, and will maintain a list of all such funds which are linked to the PCC.
- 3.8.6 Unofficial funds shall be administered in accordance with instructions issued by the CC. The CC shall consult with the CFO before formulating such instructions.

Responsibility of the CFO

- 3.8.7 The CFO shall have the right to inspect the records of such funds. Normally a suitably qualified person must be appointed to audit the fund accounts, which will be presented to the Trustees (or equivalent) as soon as practicable after the end of the financial year, and to the CC within 3 months of the end of the financial year.

3.9 Administration of Evidential and Non Evidential Property

Why is this important?

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

Responsibilities of the CC

- 3.9.2 To determine procedures for the safekeeping of the private property of a person (other than an officer or member of staff) under his guardianship or supervision. These procedures shall be made available to all appropriate officers and staff.
- 3.9.3 To determine procedures for the safekeeping of evidential and non-evidential property. These procedures shall be made available to all appropriate officers and staff and shall make specific reference to the need to insure valuable items.
- 3.9.4 To issue procedures for the handling of cash, including seized cash under the [Proceeds of Crime Act](#).

Responsibility of all officers and staff

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

3.10 Gifts, Loans and Sponsorship

- 3.10.1 This section does not include the receipt of hospitality and gifts – please see section 3.4.

Why is this important?

- 3.10.2 In accordance with the [Police Act 1996](#), the PCC may decide to accept gifts or loans of money, or gifts of other property or services (e.g. car parking spaces) if they will enable the police to either enhance or extend the services which they would otherwise be able to provide. The terms on which gifts or loans are accepted may permit commercial sponsorship of some police force activities.

Context

- 3.10.3 Gifts, loans and sponsorship are particularly suitable for multi-agency work, such as crime prevention; community relations work; and victim support schemes.
- 3.10.4 Gifts, loans and sponsorship can be accepted from any source which has genuine and well-intentioned reasons for wishing to support specific projects. In return, the

provider may expect some publicity or other acknowledgement. It is acceptable to allow the provider's name or logo on publicity material, provided that this does not dominate, or detract from the purpose of the supported project.

- 3.10.5 The total value of gifts, loans and sponsorship accepted should not exceed 1% of the OCC's gross expenditure budget in any one year.

Responsibility of the PCC

- 3.10.6 To approve, review and update appropriately the policy for gifts, loans and sponsorship.

Responsibilities of the DFR

- 3.10.7 To accept gifts, loans and sponsorship within agreed policy guidelines and in consultation with the CC.
- 3.10.8 To refer all gifts, loans and sponsorship with a value over £20,000 to the PCC for approval before acceptance.
- 3.10.9 To present a report annually to the PCC listing all gifts, loans and sponsorship.
- 3.10.10 To maintain a central register in a format agreed by the CFO of all sponsorship initiatives and agreements, including their true market value, and to provide annually a certified statement of such initiatives and agreements. The register will be made available to the CFO, so that the CFO can be satisfied that it provides a suitable account of the extent to which such additional resources have been received.
- 3.10.11 To bank cash from sponsorship activities promptly, in accordance with normal income procedures.

Section 4 – Systems and Processes

4.1 Systems and Processes - Introduction

Why is this important?

- 4.1.1 There are many systems and procedures relating to the control of assets belonging to the PCC and CC, including purchasing, costing and management systems. The PCC and CC rely on computers for financial management information. This information must be accurate and the systems and procedures sound and well administered. They should contain controls to ensure that transactions are properly processed and errors detected promptly.
- 4.1.2 The CFO and DFR have joint and individual statutory responsibilities to ensure that financial systems are sound, and must therefore be consulted in advance of any proposed new developments or changes.

Responsibilities of the CFO and DFR

- 4.1.3 To make arrangements for the proper administration of the PCC's and CC's financial affairs, including:
- to issue advice, guidance and procedures for officers and others acting on behalf of the PCC and CC;
 - to determine the accounting systems, form of accounts and supporting financial records;
 - to establish arrangements for the audit of the financial affairs of the PCC and CC;
 - to approve any new financial systems introduced;
 - to approve any changes to existing financial systems.
- 4.1.4 To ensure, in respect of systems and processes that:
- systems are secure, adequate internal control exists and accounting records (e.g. invoices, income documentation) are properly maintained and held securely. This is to include an appropriate segregation of duties to minimise the risk of error, fraud or other malpractice;
 - appropriate controls exist to ensure that all systems input, processing and output is genuine, complete, accurate, timely and not processed previously;
 - a complete audit trail is maintained, allowing financial transactions to be traced from the accounting records and vice versa;
 - systems are documented and staff trained in their operation.
- 4.1.5 To ensure that there is a documented and tested business continuity plan to allow key system processing to resume quickly in the event of an interruption. Effective contingency arrangements, including backup procedures, are to be in place in the event of computer systems failure.
- 4.1.6 To establish a scheme of delegation, which includes provisions identifying staff authorised to act on the PCC's and CC's behalf (as appropriate) in respect of income collection, placing orders, making payments and employing staff.

4.2 Income

Why is this important?

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

Context

- 4.2.2 The PCC and CC should adopt the NPCC national charging policies and national guidance when applying charges under Section 25 of the Police Act 1996. It should be kept in mind that the purpose of charging for special services is to ensure that, wherever appropriate, those using the services pay for them. All such income is attributable to the PCC and should be banked accordingly.

- 4.2.3 PCCs should ensure that there are arrangements in place to ensure that expected charges are clearly identified in their budgets and that costs are accurately attributed and charged. When considering budget levels, PCCs should ensure that ongoing resource requirements are not dependent on a significant number of uncertain or volatile income sources and should have due regard to sustainable and future year service delivery.
- 4.2.4 When specifying resource requirements the CC will identify the expected income from charging. The CC should adopt NPCC charging policies in respect of mutual aid.

Responsibilities of the CC and PCC

- 4.2.5 To adopt the NPCC national charging policies and national guidance when applying charges under Sections 24 and 25 of the Police Act 1996.

Responsibilities of the DFR and CFO

- 4.2.6 To make arrangements for the collection of all income due to the PCC and approve the procedures, systems and documentation for its collection, including the correct charging of VAT.
- 4.2.7 To agree a charging policy for the supply of goods and services, including the appropriate charging of VAT, and to review it periodically in line with corporate policy. All charges should recover all costs, except where regulations require otherwise or with the express approval of the PCC.
- 4.2.8 To ensure that all income is paid into the PCC's bank account promptly and without deduction. Appropriate details should be recorded on paying-in slips to ensure an audit trail.
- 4.2.9 To ensure income is not used to cash personal cheques or make other payments.

Responsibilities of the DFR

- 4.2.10 To initiate, in conjunction with the CEO, appropriate debt recovery procedures, including legal action where necessary.
- 4.2.11 No debt in respect of an amount due to the PCC, once established, shall be discharged otherwise than by payment, by the issue of an official credit note, or as provided for in paragraph 4.2.12.
- 4.2.12 Outstanding debts which are found to be irrecoverable must be notified to the CC as soon as possible. The delegated limits for debts to be written off are:
- up to £500: HoF and DFR;
 - above £500 and below £5,000: DFR and CFO;
 - £5,000 and above PCC and CFO

A summary of all sums written off shall be reported to the PCC quarterly.

- 4.2.13 To prepare detailed Financial Procedures for dealing with income, to be agreed with the CFO; and to issue them to all appropriate employees.

4.3 Ordering and Paying for Work, Goods and Services

Why is this important?

- 4.3.1 Public money should be spent in accordance with the PCC's policies. The PCC and CC have a statutory duty to ensure financial probity and best value. In addition, public sector organisations in England must have regard to the Social Value Act 2012, and those in Wales must consider the Wellbeing of Future Generations (Wales) Act 2015. Purchases shall be made in accordance with these Financial Regulations, the Standing Orders relating to Contracts, the Purchasing and Ordering Procedures and the Social Value Policy.

Responsibilities of the DFR

- 4.3.2 To maintain a procurement policy incorporating the principles to be followed for the purchase of work, goods and services.
- 4.3.3 To issue official purchase orders for all work, goods or services to be supplied to the OPCC and the Force, except for supplies of utilities; periodic payments such as rent or rates; petty cash purchases; and other exceptions approved by the CFO. Orders must be in a form approved by the CFO.
- 4.3.4 Official orders must not be raised for any personal or private purchases; nor must personal or private use be made of any contracts of the PCC or CC.
- 4.3.5 Goods and services ordered must be appropriate and there must be adequate budgetary provision. Quotations or tenders must be obtained where necessary, in accordance with these Financial Regulations; the Standing Orders Relating to Contracts; and the Purchasing Procedures.
- 4.3.6 Except where it is essential in order to secure a particular supply or where a beneficial discount would otherwise be lost, payments are not to be made unless goods and services have been received by the OPCC or Force at the correct price, quantity and quality in accordance with an official purchase order.
- 4.3.7 To ensure that payments are made to the correct person, for the correct amount, on time in accordance with the principles set out by Welsh Government and are recorded properly, regardless of the method of payment.
- 4.3.8 To ensure that VAT is recovered where appropriate.
- 4.3.9 To ensure that all expenditure, including VAT, is accurately recorded against the correct budget and any exceptions are corrected.

- 4.3.10 To ensure that all purchases made through e-procurement follow the rules, regulations and procedures as set out in the Standing Orders Relating to Contracts and the Social Value Policy.
- 4.3.11 To prepare, in consultation with the CFO, detailed financial procedures to deal with ordering of and payment for goods and services, and to issue these procedures to all appropriate officers and staff.

Responsibilities of Chief Officers

- 4.3.12 To ensure that all officers and staff declare any links or personal interest that they may have with purchasers, suppliers and contractors if they are engaged in contractual or purchasing decisions on behalf of the PCC or CC, and that such persons take no part in the selection of a supplier or contract with which they are connected.
- 4.3.13 To ensure that all relevant officers and staff comply with the requirements of the Standing Orders Relating to Contracts; policies relating to purchasing, IT strategy, social value, and health and safety; and all other relevant procedures.

4.4 Payments to Officers, Staff, Volunteers and Members

Why is this important?

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

Responsibilities of the DFR

- 4.4.2 To ensure, in conjunction with the CFO, the secure and reliable payment of salaries, overtime, pensions, compensation and other emoluments to existing and former officers, staff, volunteers and members.
- 4.4.3 To ensure that tax, superannuation and other deductions are made correctly and paid over at the right time to the relevant body.
- 4.4.4 To pay all valid travel and subsistence claims.
- 4.4.5 To pay salaries, wages, pensions and reimbursement by the most economical means.
- 4.4.6 To ensure that payroll transactions are processed only through the payroll system. Payments to individuals employed on a self-employed, consultant or sub-contract basis shall be made only in accordance with HM Revenue and Customs (HMRC) requirements. The HMRC applies a strict definition of employee status, and in cases of doubt, advice should be sought from them.
- 4.4.7 To ensure that full records are maintained of payments in kind, and that these are properly accounted for in any returns to the HMRC.

- 4.4.8 To prepare detailed financial procedures for dealing with payments to officers, staff, volunteers and members. These financial procedures are to be approved by the CFO and shall be issued to all appropriate officers and staff.

4.5 Taxation

Why is this important?

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

Responsibilities of the CFO

- 4.5.2 To ensure the timely completion and submission of all HMRC returns regarding PAYE and NIC, and that due payments are made in accordance with statutory requirements.
- 4.5.3 To ensure the timely completion and submission of VAT claims (inputs and outputs) to HMRC.

Responsibilities of the CFO and DFR

- 4.5.4 To ensure that the correct VAT liability is attached to all income due and that all VAT reclaimable on purchases complies with HMRC regulations.
- 4.5.5 To provide details to the HMRC regarding the construction industry tax deduction scheme.
- 4.5.6 To ensure that appropriate technical staff have access to up to date guidance and professional advice.

4.6 Corporate Credit Cards

Why is this important?

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

Responsibility of the CC

- 4.6.2 In conjunction with the CFO to provide financial instructions to all cardholders.

Responsibility of the DFR

- 4.6.3 To authorise and maintain control over the issue of cards.

Responsibility of credit card holders

- 4.6.4 To ensure that purchases are in accordance with approved purchasing policies and procedures.
- 4.6.5 To provide receipts and details of all payments made by corporate credit card each month (including nil returns) to ensure that all expenditure is correctly reflected in the accounts and that VAT is recovered.

4.7 Purchasing Cards

Why is this important?

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

Responsibilities of the DFR

- 4.7.2 To provide detailed financial procedures to card holders.
- 4.7.3 To authorise and maintain control over the issuing of cards.
- 4.7.4 To ensure the purchase card account is reconciled to the ledger on a monthly basis.

Responsibility of purchasing card holders

- 4.7.5 To be responsible for ordering and paying for goods and services in accordance with the approved purchasing policies, contract standing orders and all other relevant policies and procedures as directed by the DFR.

4.8 Ex Gratia Payments

Why is this important?

- 4.7.1 An ex gratia payment is one made where no legal obligation has been established.

Responsibilities of the CC

- 4.7.2 Outside of the Force's insurance liability arrangements, the CC shall be empowered to award ex gratia payments in respect of personal injury, damage and loss of property, up to a maximum sum of £1,000 in any one case.
- 4.7.3 Payments in excess of £1,000 shall be made only with the approval of the PCC. The DPCC or CEO may give approval in the PCC's absence if urgent payment is required.

5.1 Joint Working Arrangements

Why is this important?

- 5.1.1 Public bodies are increasingly encouraged to provide seamless service delivery through working closely with other public bodies, local authorities, agencies, third sector and private service providers. Joint working arrangements can take a number of different forms, each with its own governance arrangements.
- 5.1.2 Guidance for establishing and working in partnerships, collaboration and other joint working arrangements is detailed in the [Joint Partnerships and Collaboration Policy](#).
- 5.1.3 Partners engaged in joint working arrangements have common responsibilities:
- to act in good faith at all times and in the best interests of the partnership's aims and objectives;
 - to be willing to take on a role in the broader programme, appropriate to the skills and resources of the contributing organisation;
 - to be open about any conflicts that may arise;
 - to encourage joint working and promote the sharing of information, resources and skills;
 - to keep secure any information shared as a result of partnership activities or duties that is of a confidential or commercially sensitive nature;
 - to promote the activities or project.
- 5.1.4 In all joint working arrangements the following key principles apply:
- before entering into the agreement, a risk assessment will be prepared;
 - such agreements must not impact adversely on the services provided by the PCC or Force;
 - project appraisal will be in place to assess the viability of the project in terms of resources, staffing and expertise;
 - all arrangements are properly documented;
 - regular communication takes places with other partners throughout the duration of the joint working arrangement in order to achieve the most successful outcome;
 - audit and control requirements are satisfied;
 - accounting and taxation requirements (including VAT) are understood fully and complied with;
 - an appropriate exit strategy has been produced.
- 5.1.5 Where the PCC or CC is the accountable body, all income and expenditure must comply with these financial regulations and the associated policies and procedures. In all cases, the PCC's or Force's element of joint working arrangements must comply with these financial regulations and the associated policies and procedures.

Why is this important?

- 5.1.6 The term partnership refers to groups where members work together as equals with a shared vision for a geographic or themed policy area, and agree a strategy in which each partner contributes towards its delivery. A working definition of such a partnership is where the partners:
- are otherwise independent bodies;
 - agree to co-operate to achieve a common goal;
 - agree to create an organisational structure, process or programme and share information, risks and rewards.
- 5.1.7 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;
 - deal with issues which cut across agency and geographic boundaries and where mainstream programmes alone cannot address the need.
- 5.1.8 Partnerships typically fall into three main categories: statutory based; strategic; and ad-hoc.

Statutory based

- 5.1.9 These are partnerships that are governed by statute. These include, for example, Community Safety Partnerships (CSPs) and Local Service Boards (LSBs).

Strategic

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

Ad-hoc

- 5.1.11 These are typically locally based informal arrangements agreed by the local police lead.

Context

- 5.1.12 As described in Section 10 of the Police Reform and Social Responsibility Act 2011, the PCC in exercising his functions must have regard to the relevant priorities of each responsible authority. Subject to the constraints that may be placed on individual funding streams, PCCs are free to pool funding as they and their local partners see fit.

PCCs can enter into any local contract for services, individually or collectively, with other local partners, including non-police bodies.

- 5.1.13 When the PCC acts as a commissioner of services, the PCC will need to agree the shared priorities and outcomes expected to be delivered through the contract or grant agreement with each provider. The PCC is able to make crime and disorder grants in support of local priorities. The inclusion of detailed grant conditions directing recipients how to spend funding is usual, but need not be the default option. The power to make crime and disorder grants with conditions is contained in Section 143 of the Anti-Social Behaviour, Crime and Policing Act 2014. The power to contract for services is contained in Paragraph 14 of Schedule 1; and Paragraph 7 of Schedule 3 of the Police Reform and Social Responsibility Act 2011.

Responsibilities of the PCC

- 5.1.14 To have regard to the relevant priorities of local partners when preparing the Police and Crime Plan.
- 5.1.15 To make appropriate arrangements to commission services from the Force and local providers.

Responsibilities of Chief Officers

- 5.1.16 To follow the guidance within the [Joint Partnerships and Collaboration Framework](#).
- 5.1.17 To consult as early as possible the DFR and CFO to ensure the correct treatment of taxation and other accounting arrangements.
- 5.1.18 To produce a Memorandum of Understanding (MoU) or contract setting out the governance arrangements for the partnership. This document should be signed by the CEO or DFR (or other person duly authorised to sign on their behalf).

Collaboration

- 5.1.19 Under Sections 22A to 22C of the Police Act 1996 and Section 89 of the Police Reform and Social Responsibility Act 2011, CCs and PCCs have the legal power and duty to enter into collaboration agreements to improve the efficiency or effectiveness of one or more police force or PCC. Any collaboration which relates to the functions of a police force must first be agreed with the CC and PCC of the force concerned.
- 5.1.20 PCCs shall jointly hold their CCs to account for any collaboration in which their force is involved.
- 5.1.21 Any such proposal must be discussed with the CFO and DFR in the first instance.

5.2 External Funding

Why is this important?

- 5.2.1 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 the PCC. Funds from external agencies provide additional resources to enable the PCC and Force to deliver their objectives. However, in some instances, although the scope for external funding has increased, such funding may be linked to tight specifications and may not be flexible enough to link to the PCC's overall plan.
- 5.2.2 The main sources of such funding for the PCC will tend to be specific government grants, additional contributions from local authorities (e.g. PCSOs, ANPR) and donations from third parties (e.g. towards capital expenditure). All income streams are banked by the PCC and are attributable to the PCC.

Responsibilities of the CC and PCC

- 5.2.3 To pursue actively any opportunities for additional funding where this is considered to be in the interests of the PCC or Force.
- 5.2.4 To ensure that the match-funding arrangements and exit strategies are considered prior to entering into agreements, and that the [Medium Term Financial Plan](#) reflects these requirements.

Responsibility of the CFO and DFR

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

Responsibilities of the CC

- 5.2.6 To ensure that funds are acquired only to meet policing needs and objectives.
- 5.2.7 To ensure that key conditions of funding and any statutory requirements are complied with, and that the responsibilities of the accountable body are clearly understood.
- 5.2.8 To ensure that any conditions placed on the PCC or Force in relation to external funding are in accordance with the approved policies of the PCC and Force. In the event of any conflict, this needs to be taken to the PCC for resolution.

5.3 Work for External Bodies

Why is this important?

- 5.3.1 The OPCC and Force provide services to other bodies outside of their core obligations, for which charges are made, e.g. training, special services. Arrangements need to be in

place to ensure that any risks associated with this work are minimised, and that such activity is not ultra vires.

Responsibilities of the CC

- 5.3.2 To ensure that where proposals to assist external bodies have an associated cost, that no activity is subsidised by the PCC or Force, and that where possible payment is received in advance of delivery of the service, to reduce the risk from liabilities such as bad debts.
- 5.3.3 To ensure that appropriate insurance arrangements are in place.
- 5.3.4 To ensure that all contracts are properly documented.
- 5.3.5 To ensure that such contracts do not impact adversely on the services provided by the OPCC or Force.
- 5.3.6 The arrangements for the supply of goods and/or services shall be approved in accordance with these financial regulations, [the Standing Orders in Relation to Contracts](#) and other relevant policies and procedures.