

# Financial Procedure Rules

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## 1. Introduction

- 1.1 Cleveland Fire Authority is required by law to ensure that it has sound financial management policies, practices and controls in place which are strictly monitored. Financial Procedure Rules are an essential part of this control process.
- 1.2 The Financial Procedure Rules clarify responsibilities, accountabilities and powers of individuals, named officers and Members of the Authority in relation to financial administration. The Financial Procedure Rules are part of and inextricably linked with the Authority's Constitution, e.g. Standing Orders, [Delegated Powers of Committees and Scrutiny Groups] and Member/Officer Codes of Conduct.
- 1.3 All Members and Officers have a general responsibility to protect the assets of the Authority under their control and ensure the proper use of those assets. The Treasurer is responsible for the financial administration arrangements within the Authority which includes a continuous review of Financial Procedure Rules and the issue of advice and guidelines to underpin those rules which Members, Officers and others acting on the Authority's behalf are required to follow. The Chief Fire Officer, Assistant Chief Fire Officer Strategic Planning and Resources (SPR) and the Assistant Chief Fire Officer Community Protection (CP) are responsible for ensuring that all staff are aware of their responsibilities under Financial Procedure Rules and other internal regulatory controls.
- 1.4 Failure to comply with Financial Procedure Rules could give rise to disciplinary action and employees have a duty to report apparent breaches of Financial Procedure Rules to an appropriate Senior Manager, the Assistant Chief Fire Officer Strategic Planning and Resources (SPR), the Treasurer and the Authority's Monitoring Officer.
- 1.5 In any case of doubt about the appropriate application of Financial Procedure Rules or any action required, Officers should consult with their Senior Manager in the first instance. Advice can also be obtained from Internal Audit particularly if you require information on financial administration which is not included within these rules.

## **2. Safeguarding Public Money Assets**

### **2.1 Overview - Control Requirements – Statutory Basis**

- 2.1.1 The Authority is a complex organisation and requires internal controls to ensure that it manages and monitors its progress towards the strategic objectives it sets.
- 2.1.2 A range of internal control arrangements are established to provide assurance that: operations are efficient and effective; financial information and reporting is reliable; and there is compliance with laws and regulations.
- 2.1.3 Managerial control systems exist to define policies, set objectives and plans, monitor financial and other performance indicators and to take appropriate action.
- 2.1.4 Financial and operational control systems and procedures include physical safeguards for assets, segregation of duties, authorisation and approval arrangements.
- 2.1.5 Internal Audit is responsible for independently evaluating organisational systems of internal control and undertaking effective reviews of systems and procedures on a regular basis.
- 2.1.6 External Review of the Authority's service delivery and financial arrangements is carried out by the Authority's External Audit arrangements.
- 2.1.7 The Treasurer is responsible for proper administration of the Authority's financial affairs; setting financial standards and monitoring compliance; and preparing, reviewing and amending the Financial Procedure Rules and informing Members and staff of the content and implications.
- 2.1.8 The Chief Fire Officer and Assistant Chief Fire Officers are responsible for:
- ensuring new systems for maintaining financial records are agreed with the Treasurer
  - ensuring that the financial implications of new proposals are agreed with the Treasurer
  - ensuring that Financial Procedure Rules are known to all staff
  - securing compliance with Financial Procedure Rules and promote financial management standards set by the Treasurer

### **2.2 Internal Audit**

- 2.2.1 The Treasurer has a statutory responsibility for the overall financial administration of the Authority's affairs and is responsible for maintaining an adequate and effective internal audit.

- 2.2.2 Internal Audit is an independent and objective appraisal function established by the Authority for reviewing the Authority's system of internal control. It examines, evaluates and reports on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources in accordance with the CIPFA Code of Practice for Internal Audit and any other relevant guidance.
- 2.2.3 In carrying out the internal audit function the Treasurer, or their authorised representative, has authority, subject to any statutory limitations, to:
- i) enter at all times any Authority land or premises
  - ii) have access to all documents, correspondence and other records relating to the finances of the Authority and apply any test or check deemed necessary
  - iii) require and receive from employees, Members or other persons, information and explanations concerning any matter under examination
  - iv) require any employee of the Authority to produce any cash, stores or other property of the Authority under the employee's control
- 2.2.4 Treasurer's responsibilities:
- maintain Strategic and Annual audit plans taking account of relative risk and in consultation with the Chief Fire Officer and Assistant Chief Fire Officers
  - ensure that Internal Audit have access at reasonable times to all Authority premises, records, documents and staff for information and explanations
  - where appropriate report to Members on any audit recommendations not actioned within a reasonable period
  - report annually to the relevant Scrutiny Forum on the main issues raised by Internal Audit during the year
  - investigate promptly any fraud or irregularity brought to their attention and report to the Head of Paid Service
- 2.2.5 Responsibilities of the Chief Fire Officer and Assistant Chief Fire Officers:
- ensure that Internal Auditors are given access at all reasonable times to premises, records, documents and staff for the purposes of their work and liaise and co-operate with Internal Auditors on service specific issues
  - consider and respond promptly to audit recommendations and ensure that agreed actions are carried out in a timely manner
  - notify the Treasurer immediately of any suspected fraud or irregularity and take all necessary steps to prevent further loss and secure records for any investigation
- 2.2.6 Further details on procedure and responsibilities in relation to fraud and irregularity are defined in a Strategy for Probity within the Cleveland Fire Authority/Guidance Notes for Dealing with Irregularities.

## **2.3 External Audit**

2.3.1 Given the special accountabilities attached to public money and the conduct of public business, external audit in local government is characterised by three distinct features:

- a) auditors are appointed independently from the bodies being audited (Mazars LLP)
- b) external audit covers not only the audit and opinion on financial statements, but also the financial aspects of corporate governance and aspects of performance management
- c) the external audit approach is defined in the International Standards for Auditing

2.3.2 External auditors are responsible for following the International Standards for Auditing which sets out the External Auditors' view of what constitutes best professional practice and covers the standards, procedures and techniques that auditors should adopt. Each year the External Auditor undertakes quality reviews to ensure external audit meets or exceeds the standards set.

2.3.3 Treasurer's responsibilities:

- liaise with the external auditor in relation to timetabling audits and working procedures
- ensure that external auditors have reasonable access to premises, records, documents and staff for the purposes of their work
- follow up on recommendations made by external audit to ensure their implementation and report to Authority on actions taken to address recommendations made in the Annual Audit Letter

2.3.4 Responsibilities of the Chief Fire Officer and Assistant Chief Fire Officers:

- ensure that external auditors are given reasonable access to premises, records, documents and staff for the purposes of their work and liaise and co-operate with External Auditors on service specific issues
- ensure that all systems and records are up to date and available for inspection
- respond to recommendations and reports from external audit and take appropriate action

## **2.4 Banking Requirements**

2.4.1 Being a complex organisation the Authority has varied banking requirements. Key Banking Controls are:

- All Banking Arrangements in relation to the Authority's business are made through the Treasurer. The Treasurer or their representative is authorised to pay or collect all monies due to or by the Authority by whatever means they deems appropriate.
- All Bank Accounts will have an official title and in no circumstances will accounts be opened in the name of an individual.
- All Bank Accounts must be reconciled regularly in accordance with any timescale and procedure note that the Treasurer may issue.
- All cheques should be held securely.

- 2.4.2 The Treasurer is responsible for making all overall arrangements to secure the Authority's banking needs.
- 2.4.3 Responsibilities of the Chief Fire Officer and Assistant Chief Fire Officers:
- agree all arrangements for the opening, closing or operation of specific bank accounts relating to the business of the Authority with the Treasurer
  - ensure as far as is practicable the separation of duties to ensure that a single member of staff does not complete all procedures in connection with transactions through bank accounts
  - ensure that accounts are reconciled regularly and appropriate action taken in regard to any discrepancies identified
  - ensure that cheques are securely stored

## **2.5 Cash Arrangements**

- 2.5.1 Effective cash collection and control arrangements are essential to ensure that all monies received by the Authority are receipted, effectively reconciled, securely controlled and banked properly.
- 2.5.2 The key controls within the Authority's arrangements are:
- a) the arrangements for the receipt and control of all monies received by the Authority will be subject to the control and approval of the Treasurer
  - b) all monies received must be acknowledged, recorded and either paid over to the Treasurer or banked in the Authority's name without delay
  - c) all receipts will be ordered and controlled by the Treasurer and only official receipts will be issued for monies received on behalf of the Authority
  - d) cash and receipts will at all times be kept in a safe place
  - e) only official receipts will be issued for money received on behalf of the Authority
  - f) personal cheques may not be cashed, nor payments made, out of money held on behalf of the Authority
  - g) every transfer of official monies from one officer to another must be evidenced by the signature of the receiving officer
  - h) sums may be advanced to employees receiving cash income for the purpose of giving change. The employee is personally responsible for such sum and must sign for its receipt.
- 2.5.3 The Treasurer is responsible for approving all arrangements, procedures and systems for the collection of income; supplying all forms of receipts, tickets etc. and being satisfied with the arrangements for their control.

- 2.5.4 Responsibilities of the Chief Fire Officer and Assistant Chief Fire Officers:
- ensuring that all receipts, tickets etc. and other records of income are held securely and kept for the appropriate length of time
  - ensuring adequate security arrangements are in place to safeguard income against loss or misappropriation, and to ensure the security of cash handling
  - ensuring adequate separation of duties as far as practicable so that cash received is properly identified and recorded
  - ensuring that all income is promptly paid into an appropriate account of the Authority and is recorded to provide an audit trail
  - ensuring income is not used to cash personal cheques or make other payments
  - maintaining a record of all transfers of official money between employees

## **2.6 Income and Recovery**

- 2.6.1 The recovery of all sums due to the Authority is subject to the control of the Treasurer. Whenever practicable, departments are required to obtain payment in advance of supplying goods or services as this improves the Authority's cash flow and also avoids the time and cost of administering debts and eliminates the risk of bad debts.
- 2.6.2 The key controls within the Authority's arrangements are:
- a) all monies billed and collected should be in accordance with the scales of rents, fees and charges approved by the Authority or delegated to specific officers;
  - b) effective action must be taken to pursue non-payment of debt within defined timescales
  - c) no debt once correctly established and due to the Authority can be written off except if approved under delegated powers or by the Authority. The Treasurer is responsible for suggesting and reviewing appropriate recovery strategies
  - d) appropriate accounting adjustments will be made following write off action within defined timescales
  - e) all appropriate income documents must be retained for the defined period in accordance with the guidance to be issued from time to time
  - f) appropriate credit checks should be carried out in accordance with guidance to be issued by the Treasurer
- 2.6.3 Treasurer's responsibilities:
- approving all systems and arrangements for the raising, collection and recovery of all sums due to the Authority
  - establishing a recovery strategy and ensure appropriate action in consultation with the Chief Fire Officer or appropriate Assistant Chief Fire Officer is taken to recover debts, which are not paid promptly
  - agreeing the write-off of debts within the limits set out in delegated powers
  - referring larger unpaid debts, in consultation with the Chief Fire Officer/Treasurer to the Authority for approval to write-off
  - setting a corporate framework for charging policies of the Authority
  - ensuring appropriate accounting adjustments are made in relation to write-off action
  - ensuring regular review and maintenance of adequate Bad Debt provisions by departments

- 2.6.4 Responsibilities of the Chief Fire Officer and Assistant Chief Fire Officers:
- reviewing charging policy in line with corporate policies
  - taking appropriate action to minimise increasing and persistent debt
  - ensuring an adequate separation of duties as far as practicable for identifying and billing sums due and collection of monies
  - maintaining records on debts raised sufficient to enable recovery action to be taken for debts unpaid within a reasonable time
  - notifying the Treasurer of all outstanding income relating to the previous year as soon as possible after the 31 March in line with the timetable determined by the Treasurer
  - reviewing and maintaining, in consultation with the Treasurer, an adequate departmental Bad Debt provision

## **2.7 Ordering and Paying for Goods and Services**

- 2.7.1 The ordering and paying for goods and services is critical to the Authority's ability to deliver services. It is essential that the Authority's controls are adequate to demonstrate probity and good practice. Accordingly the following controls exist:

- budget provision is required for all expenditure prior to ordering
- budget provision confers authority to spend within that budget
- all payments other than from petty cash or specifically approved bank accounts must be made by the Treasurer from the Authority's Bank Account in the manner deemed most appropriate by the Treasurer
- all instructions for payment must be authorised by the appropriate budget holder or other person duly approved. This should only be done after acceptable receipt of the goods or services in accordance with the order
- expenditure must be allocated to the correct heading

- 2.7.2 Responsibilities of the Treasurer:

- making payments in accordance with the above Authority rules
- maintaining and issuing detailed payment instructions
- maintaining a list of budget holders or their nominees authorised to incur expenditure
- storing, or issuing instructions in relation to the storage of source documents to support the accounts and taxation responsibilities

- 2.7.3 Responsibilities of the Chief Fire Officer and Assistant Chief Fire Officers:

- ensuring that rules and instructions in relation to the authorisation of orders and payments are followed within their service area
- ensuring that the Treasurer is informed of all budget holders and their nominees entitled to authorise expenditure

## **2.8 Paying Staff and Members**

2.8.1 Staff costs form the largest single element of the Authority's expenditure and appropriate controls are necessary to ensure that payments are only made in accordance with the appropriate terms and conditions. Accordingly the Authority has the following controls:

- The calculation of all payments to staff/members must be done by the Treasurer supported by appropriate Brigade Personnel/Legal advice.
- All appointments must be made in accordance with appropriate terms and conditions.
- All appointments must have adequate budget provision.
- All prime documents used to calculate pay must be signed by the individual and authorised by an appropriate budget holder or their nominee.
- Any payments to Members must be in accordance with the approved scheme of allowances.

2.8.2 Responsibilities of the Treasurer:

- making payments in accordance with the above Authority rules
- maintaining and issuing detailed payment instructions
- maintain a list of budget holders or their nominees authorised to incur expenditure
- storing, or issuing instructions in relation to the storage of source documents to support the accounts and taxation responsibilities.

2.8.3 Responsibilities of the Chief Fire Officer and Assistant Chief Fire Officers:

- ensuring that rules and instructions with regard to appointments and authorisation of payments are followed within their service area
- ensuring that the Treasurer is informed of all budget holders and their nominees entitled to authorise expenditure
- informing the Human Resources Manager promptly of any changes affecting payments to staff
- notifying the Treasurer of any changes affecting the calculation of pay within a timescale to be agreed with the Treasurer

## **2.9 Preventing Financial Irregularities**

2.9.1 In administering its responsibilities, the Authority is committed to the prevention of financial irregularities and in its Strategy for Probity within the Cleveland Fire Authority/Guidance Notes for Dealing with Irregularities the Authority makes it clear that the Authority will not tolerate fraudulent or corrupt acts committed either by its Officers, Members, or those companies or organisations with which it does business.

2.9.2 The Authority's expectation on propriety and accountability is that Members and staff at all levels will lead by example in ensuring adherence to rules, procedures and Codes of Conduct.



- 2.9.3 The Authority has in place a network of systems and procedures to cover its stewardship of public funds responsibilities and it maintains a continuous overview of the adequacy of its corporate governance arrangements through its Internal and External Auditors.
- 2.9.4 The Authority's Guidance for Officers on the Procedure Relating to Confidential Reporting provides the opportunity for issues to be raised in a confidential manner. In addition, the Authority operates defined protocols setting out individual responsibilities for reporting and the subsequent investigation of irregularities.
- 2.9.5 Treasurer's responsibilities:
- maintaining adequate and effective audit arrangements
  - periodically reviewing the Authority's policies on Fraud and Corruption
  - ensuring irregularities are appropriately investigated and are reported to the Head of Paid Service to determine what further action should be instigated
- 2.9.6 Responsibilities of the Chief Fire Officer and Assistant Chief Fire Officers:
- ensuring all staff are aware of the Authority's Strategy for Probity within the Cleveland Fire Authority/Guidance Notes for Dealing with Irregularities
  - ensuring that all suspected irregularities are reported in the first instance to the Assistant Chief Fire Officer SPR or alternatively the Treasurer and, if appropriate, the Authority's Monitoring Officer

## **2.10 Assets, Stocks and Stores**

- 2.10.1 The Authority holds assets in the form of property, vehicles, equipment, furniture and other items of significant value. The Authority's arrangements seek to ensure that such assets are safeguarded and used efficiently in the delivery of services.
- 2.10.2 Each Assistant Chief Fire Officer is responsible for the security of assets under their control. Where practicable, each asset should be marked as the property of the Authority.
- 2.10.3 Inventories must be maintained by Departments of all assets, other than land, having a value of £500 or more covering plant, equipment, furnishings, fittings, machinery, vehicles and other non-consumable items. The inventory must record: a description of item incl. make, model, serial number; the date of purchase and purchase price; whether the asset is leased; security tag reference (where applicable); and location of the asset. An annual physical asset inventory check should be undertaken and any discrepancies identified and reported to the relevant Section Head.
- 2.10.4 The disposal of surplus or obsolete items will be undertaken in accordance with the process for asset disposal. A register must be maintained of items issued to Officers and Members e.g. laptops, computers etc. The register must include the name, personnel number, description of item, date of issue and a signature obtained.

- 2.10.5 The Assistant Chief Fire Officer SPR has corporate responsibility for maintaining an Asset Register of all land and buildings owned by the Authority and will ensure appropriate valuations and re-valuations are carried out. The Authority's Legal Adviser is responsible for the safe custody of all deeds. The Authority's assets must not, without the specific authorisation of the Chief Fire Officer, be used for any purpose other than the discharge of the Authority's functions. Any unauthorised or misuse of Authority assets will result in appropriate disciplinary action.
- 2.10.6 All stock received, transferred, issued or returned must be recorded in a manner approved by the Treasurer. In stores, deliveries must be checked for quantity and quality and goods should only be issued from the stores on production of a valid requisition, properly certified.
- 2.10.7 Stores levels must be reviewed by the Senior Head of Assets at regular intervals to ensure that stores are not held in excess of reasonable requirements and to prevent the holding of obsolete stores.
- 2.10.8 The Senior Head of Assets will ensure that arrangements are made for a system of continuous stock checking or an annual stock check is made. A certificate of stockholding at 31 March every year must be made available on demand to the Treasurer.
- 2.10.9 Adjustments of deficiencies or surpluses on stocks or disposal of surplus, obsolete or damaged stock should not be made without the agreement of the Treasurer with whom the method of disposal must also be agreed prior to disposal.
- 2.10.10 Treasurer's responsibilities:
- ensuring inventories and asset registers are maintained in accordance with good practice and Financial Procedure Rules
  - advising on best practice for the disposal of assets, stocks and stores
- 2.10.11 Responsibilities of the Chief Fire Officer and the Assistant Chief Fire Officers:
- ensuring the maintenance of inventories in accordance with Financial Procedure Rules
  - carrying out annual checks on inventories and take appropriate action in regard to surpluses and deficiencies
  - making suitable arrangements for the care and custody of assets stocks and stores
  - agreeing the disposal of assets with the Treasurer
  - passing all title deeds to the Authority's Legal Adviser
  - carrying out regular stock checks and supply stockholding certificates as required by the Treasurer

## **2.11 Gifts and Hospitality**

- 2.11.1 The Authority's policy for Gifts/ Hospitality is included in the Brigade Staff Handbook, which is provided to all current and new employees.
- 2.11.2 Officers must be careful not to accept any gift or hospitality, which might interfere with or be perceived as impacting on Authority business or services. This does not include gifts of minor value, which are used at work i.e. diaries, pens, calendars etc and genuine working lunches or functions attended in an official capacity. However, any other gifts or hospitality offered should be reported to the appropriate Senior Head of Department who, after consulting with the Assistant Chief Fire Officer SPR, will then determine the action to be taken. In the case of gifts, these may be then returned, donated to the Fire Service Benevolent Fund, or when appropriate, donated to a Christmas or leaving party organised for employees. Where a gift is not returned the donor will be advised of the use to which it has been put.
- 2.11.3 Employees should not accept significant personal gifts from contractors and outside suppliers.
- 2.11.4 Employees should only accept offers of hospitality if there is a genuine need to impart information or represent the Authority in the community. Accepted offers of hospitality should be properly authorised and recorded by the Assistant Chief Fire Officer SPR.
- 2.11.5 When hospitality has to be declined, those making the offer should be courteously but firmly informed of the procedures and standards operating within the Authority.
- 2.11.6 When receiving hospitality, employees should be particularly sensitive as to its timing in relation to decisions which the Authority may be taking affecting those providing the hospitality. When visits to inspect equipment etc are required, employees should ensure that the Authority meets the cost of such visits to avoid compromising the integrity of subsequent purchasing decisions.
- 2.11.7 The Chief Fire Officer and Assistant Chief Fire Officers are responsible for ensuring compliance with the Authority's policy and Codes of Conduct in respect of gifts, hospitality and personal interests and maintaining a register of staff interests, gifts and hospitality.

## **2.12 Partnership Arrangements**

- 2.12.1 The Authority's policy on Partnership Arrangements is provided on the Brigade's Intranet within a document entitled, 'Partnership Policy Document'.
- 2.12.2 Partnerships are playing an increasingly important role in the future of policy development and service delivery for the Public Sector.
- 2.12.3 The Treasurer is responsible for ensuring the partnership has clearly defined Financial Regulations in place.

- 2.12.4 The responsibilities of the Chief Fire Officer and Assistant Chief Fire Officers are to ensure risks are minimised and accountability maximised by ensuring a rationale for entering into a partnership; financial, performance, risk and governance arrangements; termination arrangements and that relevant officers are made aware of the Brigade's Partnership Policy Document.

## **Corporate Governance**

### **3.1 Revenue Financial Plans**

- 3.1.1 Each year the Authority must set an annual budget for the coming year. This budget needs to be considered as part of a wider Medium Term Financial Strategy covering the following three to five years that considers the level of resources available to the Authority, and the expenditure needs of the Authority. The Authority's corporate objectives and integrated risk management plan needs to be addressed in the consideration of the expenditure needs of the Authority in the Medium Term Financial Strategy.
- 3.1.2 Treasurer's responsibilities:
- preparation of multi-year forecasts of resources and expenditure for the consideration of the Authority
  - identification of risks inherent in the forecasts
  - development of a medium term financial strategy
  - submission to the Authority of an appropriate annual budget within the Medium Term Strategy compliant with all relevant legislation.
- 3.1.3 Responsibilities of Chief Fire Officer and Assistant Chief Fire Officers
- provision of information to the Treasurer in relation to expenditure changes outside of their control within their Directorates for the life of the forecast
  - preparation of detailed budgets within the resources allocated by the Medium Term Financial Strategy to nominated budget holders
  - responsibility for subsequent expenditure from those detailed budgets to meet the objectives of the service

### **3.2 Monitoring of Revenue Income and Expenditure**

- 3.2.1 Having determined budgets that set out how the Authority intends to achieve its objectives it is important to monitor the performance of actual income and expenditure against those budgets. This is a continuous process to ensure that resources are used to their best effect. In relation to income it is important to ensure that all income is accounted for and in relation to expenditure that differences are explained and understood.

- 3.2.2 The analysis of differences should enable budget holders to ensure that appropriate action to bring budgets back on track is taken. Often at the detail level this may not be possible within the financial year and the relevant Assistant Chief Fire Officers will need to consider transfers from other budgets within their control.
- 3.2.3 Responsibilities of the Treasurer:
- ensuring that monitoring reports are available to budget holders
  - ensuring that corporate level budgets are monitored
  - determining the format of monitoring reports for the relevant Scrutiny Forum and or the Authority
  - reporting on major differences or trends that have a significant impact on the overall finances of the Authority
  - operating and maintaining an effective Financial Management system
  - providing the Chief Fire Office and Assistant Chief Fire Officers with appropriate advice and guidance
- 3.2.4 Responsibilities of Chief Fire Officer and Assistant Chief Fire Officers:
- ensuring that adequate budget provision exists for all expenditure prior to it being incurred
  - ensuring that each detailed budget has a nominated budget holder
  - monitoring budgets within their service areas
  - informing the Treasurer of any major differences of actual from planned income or expenditure

### **3.3 Capital Financial Planning**

- 3.3.1 Capital Financial Planning involves the acquiring or enhancing of an asset with a long-term value to the Authority. The planning of capital expenditure is essential for a number of reasons:
- being major items of expenditure they are a key means for the Authority to directly achieve its objectives in shaping service delivery
  - they create long term financial commitments in both financing and running costs
  - varied funding sources are often available, each with differing requirements
  - strict controls are imposed upon the Authority's ability to incur capital expenditure
  - the Authority's ability to attract external funding is often dependent upon its proven track record of delivering projects on time and budget
- 3.3.2 Responsibilities of the Treasurer:
- preparing a detailed annual statement of likely commitments and resources within a multi-year medium term framework for consideration by the Authority
  - preparing a Capital Strategy for consideration by the Authority that links the Community Integrated Risk Management Plan with the detailed statements of commitments and resources
  - submitting details of potential schemes to the Authority for inclusion in the Capital Programme for the year
  - determine the format of project appraisals for inclusion within the Capital Programme in conjunction with the Assistant Chief Fire Officers

- 3.3.3 Responsibilities of Chief Fire Officer and Assistant Chief Fire Officers
- preparing and maintaining an Asset Management Plan to assist in the planning of capital schemes
  - considering proposals and with the appropriate officer/s prepare costings for future project appraisals for submission to the Authority for consideration
  - ensuring that no contracts are entered into for which budget provision within the Capital Programme has not been made
  - preparing bid submissions to appropriate funding bodies

### **3.4 Monitoring of Capital Income and Expenditure**

- 3.4.1 Having set a Capital Programme to achieve its Capital Strategy it is important to monitor the performance of actual physical progress, income and expenditure against the Programme. This is a continuous process to ensure that resources are used to their best effect and not lost, as some external funding is limited to specific financial years. In relation to Capital income, which can take the form of grants or credit approvals, it is important to ensure that all income is received and accounted for within the right financial year. Physical progress should be monitored, as this is a leading indicator of real expenditure on schemes. The analysis of differences between expected spends and actual should enable budget holders to ensure that appropriate action to bring budgets back on track is taken. If this is not possible then the relevant Assistant Chief Fire Officer will need to consider transfers to or from other budgets within their control. If this is not possible then the Treasurer should be informed to enable the programme to be rebalanced.
- 3.4.2 Responsibilities of the Treasurer:
- ensuring that monitoring reports are available to budget holders
  - determining the format of monitoring reports for the Scrutiny Forum and or the Authority
  - reporting on major differences or trends that have a significant impact on the overall finances of the Authority
  - ensuring so far as possible the overall Programme is balanced and that the Authority suffers no loss of resources
  - providing the Chief Fire Officer and Assistant Chief Fire Officers with appropriate advice and guidance
- 3.4.3 Responsibilities of Chief Fire Officer and Assistant Chief Fire Officers:
- ensuring that adequate budget provision exists for all expenditure prior to it being incurred
  - ensuring that each detailed budget has a nominated budget holder
  - monitoring projects and their budgets within their service areas
  - informing the Treasurer of any major differences of actual from planned income or expenditure
  - managing the contracting process for building works
  - monitoring projects physical and financial performance and take action as necessary
  - managing the disposal of assets in accordance with the Authority's approval

### **3.5 Treasury Management**

- 3.5.1 The Authority is responsible for very significant cash flows arising from its capital and revenue activity. The Authority must therefore adopt the highest standards in the management of these sums and flows. The Chartered Institute of Public Finance and Accountancy maintains a Code of Practice, which meets these requirements and is adopted by the Authority.
- 3.5.2 Responsibilities of the Treasurer:
- ensuring that the CIPFA Code of Practice is adopted and maintained
  - proposing to the Authority a Treasury Management Strategy within the Code of Practice
  - implementing the Treasury Management Strategy
  - making administrative decisions within the Treasury Strategy
  - administering all leasing arrangements for goods

### **3.6 Risk Management and Insurance**

- 3.6.1 All organisations face risk to people, property and continued service delivery, which can result in injury, damage and loss. Where the Authority is culpable this can result in a financial claim. The Authority also has Health and Safety duties, which need to be considered. This requires a Risk Management Strategy to be developed.
- 3.6.2 Insurance historically has been the main way of protecting against loss. With the advent of significant excesses the level of risk transferred is no longer as great and the Authority is faced with a greater certainty of loss. An effective insurance strategy is therefore required which protects the Authority.
- 3.6.3 Responsibilities of the Treasurer:
- developing and submitting to the Authority a Risk Management Strategy for consideration
  - implementing the Risk Management Strategy
  - developing and submitting to the Authority an Insurance Strategy for consideration
  - implementing the Insurance Strategy and make administrative decisions within the Strategy
- 3.6.4 Responsibilities of Chief Fire Officer and Assistant Chief Fire Officers:
- identifying and taking action to minimise risks within their Directorates
  - informing the Treasurer of new risks
  - investigating incidents that arise
  - dealing with any claims that arise with the Treasurer speedily and effectively

### **3.7 Pay Policy Statement**

- 3.7.1 Pay for staff forms a significant element of the Fire Authority's annual budget. Legislation under the Localism Act 2011 requires that the Authority approves, before 31<sup>st</sup> March each year, a Pay Policy Statement for the following financial year. This ensures that the Fire Authority is open and accountable about their local pay policies.
- 3.7.2 Responsibilities of the Legal Adviser and Monitoring Officer:
- ensuring that a Pay Policy Statement is approved by the Authority by 31<sup>st</sup> March immediately preceding the financial year to which it relates
  - ensuring that decisions on pay comply with the current approved policy
- 3.7.3 Responsibilities of the Assistant Chief Fire Officer SPR:
- reviewing, at least annually, the Authority's Pay Policy Statement in consultation with the Treasurer and Monitoring Officer
  - ensuring that the Pay Policy Statement is amended and approved in-year if amendment is required
  - making and confirming decisions on pay in accordance with the current policy
  - ensuring that the Authority considers and approves a Pay Policy Statement prior to the year to which it relates and the current policy is published in accordance with Government guidance

### **3.8 Role of Audit**

- 3.8.1 External audit is an essential part of the process of accountability for public money. It makes an important contribution to the stewardship of public resources and the corporate governance of public services.
- 3.8.2 To give an independent opinion on public bodies' financial statements and may review, and report on, aspects of the arrangements put in place by public bodies to ensure the proper conduct of their financial affairs and to manage their performance and use of resources. Because of the special accountabilities attached to public money and the conduct of public business, external audit in the public sector is characterised by three distinct features:
- auditors are appointed independently from the bodies being audited;
  - the scope of auditors' work is extended to cover not only the financial statements, but also aspects of corporate governance and arrangements to secure the economic, efficient and effective use of resources; and
  - auditors may report aspects of their work to the public and other key stakeholders.



- 3.8.3 The Head of Internal Audit plays a critical role in delivering the Authority's strategic objectives by:
- championing best practice in governance, objectively assessing the adequacy of governance and management of existing risks, commenting on responses to emerging risk and proposed developments
  - giving an objective and evidence based opinion on all aspects of governance, risks management and internal control
  - being a senior manager with regular and open engagement across the authority, particularly with the Leadership Team and with the Audit Committee
  - leading and directing an internal audit service that is resourced to be fit for purpose; and being professionally qualified and suitably experienced

## **Financial Administration**

### **4.1 Financial Systems**

- 4.1.1 The Authority needs to have in place sound financial systems. The complexity of the Authority will often mean that specialist systems are required for specific service areas. Equally the Authority needs to prepare financial accounts based upon its detailed accounting information and records. This requires a corporate financial system to ensure that probity is achieved.
- 4.1.2 The Treasurer is responsible for operating and maintaining a corporate financial accounting system and monitoring and approving all subsidiary financial systems.
- 4.1.3 The Chief Fire Officer and Assistant Chief Fire Officers are responsible for operating those financial systems within their Directorate in accordance with the procedures agreed with and notified by the Treasurer; and maintaining adequate supporting information where applicable within their Directorate.

### **4.2 Format of Accounts**

- 4.2.1 The Authority is required by law to compile annual accounts complying with the relevant Accounting Code of Practice.
- 4.2.2 Responsibilities of the Treasurer:
- ensuring that accounts are prepared on time and in accordance with the necessary legal and professional requirements
  - ensuring that suitable accounting policies are in place and applied consistently
  - ensuring that professional judgements are made in preparation of the accounts which are prudent and reasonable in light of the information available at the time of preparation
  - ensuring that all practicable steps have been taken to identify fraud
  - submitting and authorising grant claims subject to external audit
  - issuing detailed instructions on accounting records or procedures necessary to meet the Authority Statutory requirements

- 4.2.3 The Chief Fire Officer and Assistant Chief Fire Officers are responsible for providing the Treasurer with information sufficient to enable them to prepare the accounts and submit grant claims and for maintaining appropriate up to date records.

### **4.3 Taxation**

- 4.3.1 The Authority is subject to Tax and as such needs to ensure that its taxation affairs are efficient. Taxation of Local Authorities is complex and there is significant scope for penalties, which need to be minimised.
- 4.3.2 Responsibilities of the Treasurer:-
- ensuring that the Authority's taxation affairs are maintained on a timely basis, with due regard to the complex and changing legislation
  - liaising with the relevant Government Departments and Agencies in relation to Taxation
  - providing Assistant Chief Fire Officers with advice in relation to Taxation issues
  - ensure that the corporate payroll and accounting systems deal correctly with taxation
- 4.3.3 The Chief Fire Officer and Assistant Chief Fire Officers are responsible for ensuring the Treasurer is informed of any changes, which can materially affect the Authority's Taxation position.

### **4.4 Budget Transfers & Contingencies**

- 4.4.1 The Authority sets budgets for both Revenue and Capital expenditure. Circumstances can and do change that result in those detail budgets becoming outdated. It is necessary, to ensure good financial management, that flexibility exists to allow transfers of resources. For revenue this needs to cover:
- detailed transfers between types of expenditure
  - detailed transfers between Directorates within the Chief Fire Officer's control
  - transfers from Revenue to Capital
  - transfers of underspends to the following financial year
  - transfers of resources into and from Specific Provisions.
- 4.4.2 Whilst for Capital this needs to cover transfers between projects and transfers from Capital to Revenue.
- 4.4.3 The following budget transfers are allowable as an integral aspect of the financial administration of the Authority's service delivery without specific Authority decisions:

- The Chief Fire Officer has primary responsibility for ensuring budgetary control. Each Budget should be the responsibility of a designated Budget Holder as agreed between the Treasurer and the Chief Fire Officer. The Budget Holder is responsible for managing expenditure and income in accordance with budgetary provision.
  - Each Budget Holder may vire between “non-pay” detailed budgets (i.e. premises, supplies and services, fees and charges) within an activity an amount up to £2,000 or 5% of a budget, whichever is the greater with the consent of the Chief Fire Officer. All such virement should be notified to the Treasurer. Any diversion in excess of the above amounts requires the approval of the Authority.
  - Virement involving “pay” budgets up to £2,000 or 5%, whichever is the greater and within an activity requires the approval of both the Chief Fire Officer and the Treasurer.
  - Non-recurring expenditure of up to £4,999 is permitted to support Operational Assurance Action Group initiatives as long as it is approved by the relevant Assistant Chief Fire Officer and can be accommodated within existing budgets. Expenditure in excess of £5,000 requires the approval of the ACFO SPR.
  - The Chief Fire Officer may vire between detailed budgets within the detailed activities any amount up to a maximum of £500,000 provided that the original detailed budget remains available to cover commitments attributable to that Budget Head, after consultation with the Treasurer. Amounts in excess of these limits require the approval of the Authority.
- 4.4.4 Transfers both ways between Revenue and Capital are allowed subject to continued service delivery.
- 4.4.5 In addition to the above the Chief Fire Officer in consultation with the Treasurer can transfer resources into and from Reserves and Provisions and make technical budget adjustments necessary to allocate grant resources and comply with grant conditions.
- 4.4.6 In relation to Capital the Chief Fire Officer in consultation with the Treasurer may transfer resources from one project to another subject to a maximum of £5,000 for projects up to £50,000 and up to £50,000 or 10% on projects over £50,000 whichever is the lower.
- 4.4.7 All transfers must be notified to the Treasurer for his agreement prior to his actioning those transfers in the Accounting System.
- 4.4.8 All transfers must leave the originating budget with sufficient funds to meet its commitments within that financial year.
- 4.4.9 The Treasurer is responsible for maintaining and administering the scheme of budget transfers and contingencies and issuing guidance on the appropriateness of use of such reserves and provisions as may be requested.
- 4.4.10 The Chief Fire Officer and Assistant Chief Fire Officers are responsible for ensuring that the Treasurer is informed of any changes, which require a budget transfer.