

Regional Management Board

FINANCIAL REGULATIONS

Contents

Section	Description	Page
	Introduction	1
	Financial Management	2
1.01	Financial Management Standards	2
2.01	Budgeting	4
	Audit, Risk Management and Internal Control	8
3.01	Risk Management	8
3.04	Internal Controls	8
3.18	Assets	11
	Financial Systems and Procedures	12
4.01	General	12

Introduction

To conduct its business efficiently, the Regional Management Board needs to ensure that it has sound financial management policies in place and that they are strictly adhered to. Part of this process is the establishment of financial regulations that set out the financial policies of the Board.

Financial regulations provide the framework for managing the Board's financial affairs. They apply to every Member and officer dealing with the work of the Board and anyone acting on its behalf.

All Members and staff have a general responsibility for taking reasonable action to provide for the security of the assets under their control, and for ensuring that the use of these resources is legal, is properly authorised, provides value for money and achieves best value.

The Programme Manager is responsible for ensuring that all Project Managers working for the Board are aware of the existence and content of the Board's financial regulations and any other regulatory documents that may be necessary from time to time.

Note:

Reference throughout this document to "The Treasurer" refers to the Treasurer to the Regional Management Board unless otherwise stated.

Financial Management

FINANCIAL MANAGEMENT STANDARDS

- 1.01** All staff and Members have a duty to abide by the highest standards of probity in dealing with financial issues. This is facilitated by ensuring everyone is clear about the standards to which they are working and the controls that are in place to ensure that these standards are met.
- 1.02** The key controls and control objectives for financial management standards are:
- (a) their promotion throughout the Board.
 - (b) a monitoring system to review compliance with financial standards that is reported to the Board.

Responsibilities of the Treasurer

- 1.03** To ensure the proper administration of the financial affairs of the Board.
- 1.04** To set the financial management standards and to monitor compliance with them.
- 1.05** To ensure proper professional practices are adhered to.
- 1.06** To advise on the key strategic controls necessary to secure sound financial management.
- 1.07** To ensure that financial information is available to enable accurate and timely monitoring and reporting of comparisons of national and local financial performance indicators.

Accounting records and returns

- 1.08** Maintaining proper accounting records is one of the ways in which the Board discharges its responsibility for stewardship of public resources. This can only be achieved in respect of the Boards work by the adherence to financial rules and regulations.
- 1.09** The key controls for accounting records and returns are:
- (a) all staff involved in the Board's programme of work operate within the required accounting standards
 - (b) all the Board's transactions, material commitments and contracts and other essential accounting information are recorded completely, accurately and on a timely basis
 - (c) procedures are in place to enable accounting records to be aggregated/disaggregated as necessary across the constituent Fire Authorities.
 - (d) reconciliation procedures are carried out to ensure transactions are correctly recorded
 - (e) prime documents are retained in accordance with legislative and other requirements.

Responsibilities of the Treasurer

- 1.10** To determine the accounting procedures and records for the Board.
- 1.11** To arrange for the compilation of all accounts and accounting records relating to the Boards working
- 1.12** To make proper arrangements for the audit of the Board's activities to feed into each Authority's accounts in accordance with the Accounts and Audit Regulations 2003.
- 1.13** To ensure that all claims for funds including grants are made by the due date.
- 1.14** To ensure the proper retention of financial documents in accordance with the legislative and operational requirements.

BUDGETING

Format of the Budget

- 2.01** The format of the project budgets determines the level of detail to which financial control and management will be exercised.
- 2.02** The key controls for the budget format are:
- (a) the format complies with any legal requirements
 - (b) the format complies with CIPFA's *Best Value Accounting – Code of Practice if relevant*
 - (c) the format reflects the accountabilities of service delivery for each Project Manager and the Programme Manager

Responsibilities of the Treasurer

- 2.03** To advise the Board on the formats of the budget for each Project; the Programme overall and the Board itself.

Budget Preparation, Monitoring and Control

- 2.04** Budget management ensures that once the budget has been approved by the Board and each Authority, resources allocated are used for their intended purposes and are properly accounted for. Budgetary control is a continuous process, enabling the Board and each Authority to monitor its budget allocations during the financial year. It also provides the mechanism that calls to account project managers responsible for budgets
- 2.05** By continuously identifying and explaining variances against budgetary targets, the Board can identify changes in trends and resource requirements at the earliest opportunity.
- 2.06** For the purposes of budgetary control by Project Managers, a budget will normally be the planned income and expenditure for a specific project. However, budgetary control may take place at a more detailed level if this is required by the Treasurer or Programme Manager.
- 2.07** The key controls for managing and controlling the revenue budget are:
- (a) there is a nominated Budget Officer for each project – normally the Project Manager – together with a nominated deputy in the absence of the Budget Holder – normally a member of the project team
 - (b) Budget Officers accept accountability for their budgets and the level of service to be delivered and understand their financial responsibilities
 - (c) Budget Officers follow an approved certification process for all expenditure

- (d) income and expenditure are properly recorded and accounted for
- (e) performance levels/levels of service are monitored in conjunction with the budget and necessary action is taken to align service outputs and budget.

Responsibilities of the Treasurer and Programme Manager

2.08 To establish an appropriate framework of budgetary management and control that ensures that:

- (a) budget management is exercised within project approved limits
- (b) The Treasurer has available timely information on receipts and payments on each budget which is sufficiently detailed to enable Project Managers to fulfil their budgetary responsibilities
- (c) expenditure is committed only against an approved budget head
- (d) all officers responsible for committing expenditure comply with relevant guidance, and the financial regulations
- (e) significant variances from approved budgets are investigated and reported to the Programme Manager and Treasurer regularly.

2.09 To submit budget/project monitoring reports to the Board and to each Fire Authority regularly.

Budgets and Medium-Term Planning

2.10 The Board is a complex arrangement responsible for delivering a wide variety of projects. It needs to plan effectively and to develop systems to enable resources to be identified in accordance with regional priorities. The budget is the financial expression of the Board's plans and policies.

2.11 The budget must be constructed so as to ensure that resource allocation properly reflects the priorities of the Board. Budgets (spending plans) are needed so that each constituent Authority can plan, authorise, monitor and control the way money is allocated and spent.

2.12 The key controls for budgets:

- (a) specific budget approval for all expenditure on each Project
- (b) Budget Officers are responsible in the preparation of the budgets for which they will be held responsible and accept accountability within delegations set by the Board and the level of service to be delivered
- (c) a monitoring process is in place to review regularly the effectiveness and operation of budget preparation and to ensure that any corrective action is taken.

Responsibilities of the Treasurer

- 2.13** To prepare and submit reports on project and programme budget to the Board and each Fire Authority, including methods of funding and, if relevant contribution arrangements between the constituent Fire Authorities.
- 2.14** To advise the Treasurers of each Fire Authority on the Board of all proposals in accordance with his/her responsibilities under section 151 of the Local Government Act 1972.
- 2.15** To ensure the preparation of estimates of income and expenditure for each proposal, to be submitted to the Board and each Fire Authority.
- 2.16** To ensure the preparation of budgets that are consistent with the Board's priorities.
- 2.17** To advise on the integration of financial and budget plans into service planning of each Fire Authority.
- 2.18** In consultation with the constituent Treasurers and in accordance with any set guidance and timetable, to prepare detailed budgets for consideration by the Board and each Fire Authority.

Capital Programmes/Projects

- 2.19** Capital expenditure involves acquiring or enhancing fixed assets with a long-term value to each Fire Authority, such as land, buildings, and major items of plant, equipment or vehicles. Capital assets shape the way services are delivered in the long term and create financial commitments for the future in the form of financing costs and revenue running costs.
- 2.20** Capital expenditure by the Board must form part of the investment strategy of each constituent Fire Authority and should be carefully prioritised in order to maximise the benefit of scarce resources.
- 2.21** The key controls for capital programmes are:
 - (a) specific approval by each Fire Authority for any programme of capital expenditure by the Board that will impact on individual Fire Authorities' capital resources.
 - (b) expenditure on any capital scheme, irrespective of funding stream (i.e. borrowing, grant, revenue), is subject to the approval of the Board and each Fire Authority.

- (c) a capital scheme appraisal , including project plan, objective, capital costs and intended funding, progress targets and associated revenue expenditure is prepared for the capital element of projects.
- (d) monitoring of progress in conjunction with expenditure and comparison with approved budget.

Responsibilities of the Treasurer

- 2.22** To ensure the preparation of capital estimates jointly with the Project Managers and the Programme Manager and to report them to the Board. The Board will make recommendations on the capital estimates and on any associated financing requirements to each Fire Authority.
- 2.23** To prepare and submit reports to the Board and each Fire Authority on the projected income, expenditure and resources compared with the approved estimates.

Audit, Risk Management and Internal Control

RISK MANAGEMENT

- 3.01** The acknowledgement, identification and management of the risks of the work of the Board is essential given its voluntary nature to ensure its successful operation and to safeguard each Fire Authority's position. 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 management is the planned and systematic approach to the identification, evaluation and control of risk. Risk management is concerned with evaluating and managing identified risks within the Programme as a whole and each project individually and then recommending the action the Board needs to take to control these risks effectively.
- 3.02** It is the responsibility of each Fire Authority to deal with any specific risk to individual Authorities as a result of the joint working.
- 3.03** The key controls for risk management are: -
- (a) procedures are in place to identify, assess, prevent or contain material known risks to each project, and these procedures are operating effectively by each Project Manager
 - (b) a monitoring process is in place to review regularly the effectiveness of risk reduction strategies and the operation of these controls. The risk management process should be conducted on a continuing basis
 - (c) Project Managers know that they are responsible for managing relevant risks and are provided with relevant information on risk management initiatives

INTERNAL CONTROLS

- 3.04** Control for each project will operate within the management arrangements for that project and be documented within each outline/PID.
- 3.05** It will be the responsibility of each Fire Authority to satisfy itself that those internal controls are adequate to meet its own needs to ensure financial and operational probity.
- 3.06** Each project will be subject to audit

Audit requirements

Internal Audit

- 3.07** The requirement for an internal audit function for authorities is implied by section 151 of the Local Government Act 1972, which requires that authorities “make arrangements for the proper administration of their financial affairs”. The Accounts and Audit Regulations 2003, more specifically require that a “relevant body shall maintain an adequate and effective system of internal audit of their accounting records and control systems”.
- 3.08** Accordingly, internal audit is an independent and objective appraisal function established by each Authority for reviewing the 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. Internal Audit have the responsibility to take action in respect of financial loss/irregularity.

Responsibilities of the Treasurer

- 3.09** To arrange for an internal audit on any project on whatever basis determined of the financial and related operations. In determining the manner in which the Audit is undertaken, the Treasurer will have regard to the statutory responsibilities of each Fire Authority Treasurer under section 151 of the Local Government Act 1972 and the Accounts and Audit Regulations as delegated, and any guidelines issued by C.I.P.F.A.
- 3.10** To ensure that internal auditors have the authority to:
- (a) access any relevant premises at reasonable times
 - (b) access all assets, records, documents, correspondence and control systems
 - (c) receive any information and explanation considered necessary concerning any matter under consideration
 - (d) require any employee working on the Boards projects to account for cash, stores or any other Board asset under his or her control
 - (e) access records belonging to third parties, such as contractors, when required.

External Audit

- 3.11** The Local Government Finance Act 1982 set up the Audit Commission, which is responsible for appointing external auditors to each local Board in England and Wales. The external auditor has rights of access to all documents and information necessary for audit purposes. The relationship between the Boards working and the requirements of each Fire Authorities external auditors has yet to be determined.

Responsibilities of the Treasurer and Programme Manager

- 3.12** To ensure that external auditors of each Fire Authority are given access at all reasonable times to premises, personnel, documents and assets that the external auditors consider necessary for the purposes of their work.
- 3.13** To ensure that all records and systems are up to date and available for inspection.

Preventing fraud and corruption

- 3.14** The Board is committed to creating an environment where fraud and corruption are not tolerated whether from inside or outside the Board operation. Where fraud or corruption are found firm action will be taken against the instigator(s).
- 3.15** The Board's expectation of propriety and accountability is that Members and staff at all levels will lead by example in ensuring adherence to legal requirements, rules, procedures and practices. The Members Code of Conduct and Whistle Blowing Policies of each constituent Fire Authority will be used by members and officers of that authority whilst dealing with Regional matters.
- 3.16** The Board also expects that individuals and organisations (e.g. suppliers, contractors, service providers) with whom it comes into contact will act towards the Board and its constituent Fire Authorities with integrity and without thought or actions involving fraud and corruption.
- 3.17** The key controls regarding the prevention of financial irregularities are that:
- (a) the Board maintains a culture that will not tolerate fraud or corruption
 - (b) all Members and staff act with integrity and lead by example
 - (c) Project Managers are required to deal swiftly and firmly with those who defraud or attempt to defraud the Board or who are corrupt
 - (d) the maintenance of a register of interests in which any hospitality or gifts accepted must be recorded within each Fire Authority – to include working of the Board

ASSETS

Security and Control

- 3.18** The Board may acquire through its project assets in the form of property, vehicles, equipment, furniture and other items. It is important that assets are safeguarded and used efficiently in service delivery, and that there are arrangements for the security of both assets and information required for service operations
- 3.19** The key controls for the security of resources such as land, buildings, fixed plant machinery, equipment, software and information are:
- (a) resources are used only for the purposes of the Board and are properly accounted for
 - (b) resources are available for use when required
 - (c) an asset register is maintained for each relevant Project , Assets are recorded when they are acquired and this record is updated as changes occur with respect to the location and condition of the asset
 - (d) all staff are aware of their responsibilities with regard to safeguarding all assets and information, including the requirements of the Data Protection Act and software copyright legislation
 - (e) all staff are aware of their responsibilities with regard to safeguarding the security of each Authority's computer systems, including maintaining restricted access to the information held on them and compliance with their Authority's computer and internet security policies.

Financial Systems and Procedures

GENERAL

- 4.01** Project Managers will use the operational systems and procedures of their employing Fire Authority. These RMB financial regulations sit above the detailed operational rules.
- 4.02** Each Fire Authority has many systems and procedures relating to the control of the Authority's assets, including purchasing, costing and management systems. The work of the Board will be relevant on each Fire Authority's systems and procedures. They should contain controls to ensure that transactions are properly processed and errors detected promptly.
- 4.03** The key controls for systems and procedures are:
- (a) basic data exists to enable the Board's objectives, targets, budgets and plans to be formulated
 - (b) performance is communicated to the Project Managers on an accurate, complete and timely basis
 - (c) early warning is provided of deviations from target, plans and budgets that require management attention
 - (d) operating systems and procedures are secure
 - (e) appropriate division of duties

Responsibilities of the Treasurer

- 4.04** To ensure the arrangements for the proper administration of each Project's finances are in place.

Ordering and Paying for Work, Goods and Services

- 4.05** Public money should be spent with demonstrable probity and in accordance with each Authority's policies. The Board has a statutory duty to achieve best value in part through economy and efficiency. The Board's procedures should help to ensure that services obtain value for money from their purchasing arrangements.
- 4.06** Every officer and member working on the Boards programme has a responsibility to declare any links or personal interests that they may have with purchasers, suppliers and/or contractors if they are engaged in contractual or purchasing decisions on behalf of the Board, in accordance with appropriate codes of conduct relating to or adopted by their particular Authority.

- 4.07** Official Orders must be in the form used by the Project Managers employing Fire Authority.
- 4.08** Each order must conform to any guidelines approved on purchasing and the standardisation of supplies and materials within the Fire Authority.
- 4.09** Apart from petty cash, the normal method of payment from the Board shall be by BACS, cheque or other instrument or approved method.
- 4.10** Official Orders must not be raised for any personal or private purchases, nor must personal or private use be made of any contracts used by Project Managers.
- 4.11** The key controls for ordering and paying for work, goods and services are:
- (a) all goods and services are ordered only by appropriate persons and are correctly recorded
 - (b) all goods and services shall be ordered in accordance with the code of practice for tenders and contracts
 - (c) goods and services received are checked to ensure they are in accordance with the Order. Goods should not be received by the person who placed the Order
 - (d) payments are not made unless goods have been received at the correct price, quantity and quality standards
 - (e) all payments are made to the correct person, for the correct amount and are properly recorded, regardless of the payment method
 - (f) all appropriate evidence of the transaction and payment documents are retained and stored for the defined period in accordance with the document retention schedule and is available for inspection by the Treasurer or auditor
 - (g) all expenditure, including VAT, is accurately recorded against the right budget and any exceptions are corrected
 - (h) in addition, the effect of e-business/e-commerce and electronic purchasing requires that processes are in place to maintain the security and integrity of data for transacting business electronically.

Responsibilities of the Treasurer and Programme Manager

Ordering

- 4.12** To ensure the requirements of Standing Orders for Contracts shall be observed in respect of all Orders. Competitive tenders or quotations are to be obtained for goods and services in accordance with Standing Orders for Contracts.
- 4.13** To utilise the services provided by central purchasing that have been established by any of the constituent Fire Authority's in putting purchases out to competitive tender/quotations.
- 4.14** To ensure that uniquely pre-numbered Official Orders are used for all goods and services.
- 4.15** To ensure that Orders are only used for goods and services provided to the service. Individuals must not use Official Orders to obtain goods or services for private use.
- 4.16** To ensure that only those staff authorised to sign Orders and to maintain and forward a copy to the Programme Manager and Treasurer of an up-to-date list of such authorised staff, including specimen signatures identifying in each case the limits of their authority. The authoriser of the Order should be satisfied that the goods and services ordered are appropriate and needed, that there is adequate budgetary provision and that quotations or tenders have been obtained if necessary.

Delivery

- 4.17** To ensure that a delivery note is obtained for every delivery of goods, wherever possible, and all practical steps are taken to ensure that the delivery note is available at the time of delivery. All goods are checked as regards quantity at the time of delivery and goods are inspected as regards quality and compliance with specification as soon as practicable after delivery. Non-delivery, shortages, or damage to goods listed on a delivery note must be reported in writing to the appropriate supplier as soon as practicable. This check is to be carried out by a different officer from the person who authorised the order. Goods received records should be maintained where considered appropriate and entries made in inventories or stores records.

Payment

- 4.18** To ensure that the service maintains and reviews periodically a list of staff approved to certify invoices. Names of authorising officers and details of the limits of their authority shall be forwarded to the Treasurer.
- 4.19** To ensure that invoices for payment are dealt with in accordance with the procedures of the Project Manager's employing Fire Authority.

- 4.20** To arrange for two separate members of staff to be involved in the ordering, receiving and payment process to ensure an adequate division of duties. If possible, a different officer from the person who signed the order should certify the invoice. A different person from the staff checking an invoice must certify the invoice.
- 4.21** To ensure that arrangements are made for the division of duties arising from the certification and processing of invoices to provide an adequate internal check on each payment authorised.
- 4.22** To ensure that all requests for the payment of monies is processed in accordance with the procedures of the Project Manager's employing Fire Authority. Requests for payment must not be made, otherwise than with the express consent of the Treasurer, where only one officer has been involved in the acts of certification.
- 4.23** To ensure that where it is necessary to pass a copy invoice for payment a thorough check is carried out to ensure the original invoice has not previously been paid.
- 4.24** To encourage suppliers of goods and services to receive payment by the most economical means.
- 4.25** To ensure that loans, leasing or rental arrangements are not entered into without prior agreement from the Treasurer. This is because of the potential impact on each Authority's borrowing strategies, to protect each Authority against entering into unapproved credit arrangements and to ensure that value for money is being obtained.
- 4.26** To arrange for all payment documents, once processed, to be securely retained to prevent re-use. Payment records are to be retained and stored for a defined period, in accordance with legislative and operations requirements. Invoices shall be retained in the batches as processed and in transaction I.D. number order so as to preserve the audit trail.