



# ***FINANCIAL REGULATIONS***

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# Introduction

- 1.1 To conduct its business efficiently, a Fire Authority 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 Authority.
- 1.2 Financial regulations provide the framework for managing the Authority's financial affairs. They apply to every Member and officer of the Authority and anyone acting on its behalf.
- 1.3 The regulations identify the financial responsibilities of the Fire Authority, the Chief Financial Officer <sup>(see note 1)</sup> and the Chief Fire Officer <sup>(see note 2)</sup>. The Chief Fire Officer/Chief Financial Officer should maintain a written record where decision making has been delegated to members of their staff, including seconded staff. Where decisions have been delegated or devolved to other responsible officers, references to the Chief Fire Officer in the regulations should be read as referring to them.
- 1.4 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.
- 1.5 The Chief Financial Officer is responsible for maintaining a continuous review of the financial regulations and submitting any additions or changes necessary to the Authority. The Chief Financial Officer is also responsible for reporting, where appropriate, breaches of the financial regulations to the Fire Authority.
- 1.6 The Chief Fire Officer is responsible for ensuring that all staff within the Fire Service are aware of the existence and content of the Authority's financial regulations and other internal regulatory documents and that they comply with them. He must also ensure that ~~an adequate number~~ of copies are available for reference within the Service.
- 1.7 The Chief Financial Officer is responsible for issuing advice and guidance to underpin the financial regulations that Members, officers and others acting on behalf of the Fire Authority are required to follow.

*Note 1* Reference is made throughout the financial regulations to the responsibilities of the Chief Financial Officer. The title is used as a standard for the officer with section 151 responsibilities (currently held by the Treasurer to the Fire Authority) and is included in recognition that section 151 responsibility may be transferred to another chief officer who is a qualified accountant.

*Note 2* The Chief Fire Officer's responsibility may also be transferred to other Directors (i.e. Deputy Chief Fire Officer, Assistant Chief Officers).

# ***Financial management***

## **FINANCIAL MANAGEMENT STANDARDS**

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

- 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. At the same time, staff and Members should ensure that any financial arrangements represent value for money to the organisation and should strive to identify efficiency savings when the opportunity exists.

### **Key Controls**

- 1.02** The key controls and control objectives for financial management standards are:
- (a) their promotion throughout the Authority; and
  - (b) a monitoring system to review compliance with financial standards that is reported to the Corporate Board and the Fire Authority.

### **Responsibilities of the Chief Financial Officer**

- 1.03** To ensure the proper administration of the financial affairs of the Authority.
- 1.04** To set the financial management standards and to monitor compliance with them.
- 1.05** To ensure proper professional practices are adhered to and to act as head of profession in relation to the standards, performance and development of finance staff in the Authority.
- 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.

### **Responsibilities of the Chief Fire Officer**

- 1.08** To promote the financial management standards set by the Chief Financial Officer and to monitor adherence to the standards and practices, liaising as necessary with the Chief Financial Officer.
- 1.09** To promote sound financial practices in relation to the standards, performance and development of staff within the Fire Service.

## MANAGING EXPENDITURE

### Scheme of Virement

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

- 1.10** The scheme of virement is intended to enable the Chief Fire Officer and his staff to manage budgets with a degree of flexibility within the overall policy framework determined by the Authority, and therefore to optimise the use of resources.

#### **Key Controls**

- 1.11** Key controls for the scheme of virement are:

- (a) It is administered by the Chief Financial Officer within guidelines set by the Authority. Any variation from this scheme requires the approval of the Fire Authority.
- (b) The overall budget is agreed by the Corporate Board and approved by the Fire Authority. Directors and budget managers are therefore authorised to incur expenditure in accordance with the estimates that make up the budget. The rules below cover virement; that is, switching resources between approved estimates or heads of expenditure. For the purposes of this scheme, a budget head is considered to be a line in the approved budget report, or, as a minimum, at an equivalent level to the standard service sub-division as defined by CIPFA's Service Expenditure Analysis.
- (c) Virement does not create additional overall budget liability. Directors and budget managers are expected to exercise their discretion in managing their budgets responsibly and prudently. For example, they should aim to avoid supporting recurring expenditure from one-off sources of savings or additional income, or creating future commitments, including full-year effects of decisions made part way through a year, for which they have not identified future resources. Directors and budget managers must plan to fund such commitments from within their own budgets.

#### **Responsibilities of the Chief Financial Officer**

- 1.12** To ensure arrangements are in place to monitor the Authority's scheme of virement.

#### **Responsibilities of the Chief Fire Officer**

- 1.13** The Chief Fire Officer may exercise virement on budgets under his control for amounts up to **£100,000** on any one budget head during the year, following notification to the chief financial officer, subject to paragraph 1.17 below.
- 1.14** Virements up to **£100,000** may be exercised between budgets managed by different Directors subject to the approval of all Directors affected by the virement. Written confirmation of the agreed virement should be forwarded to the Chief Financial Officer who will ensure such amended figures are included in future monitoring reports.

- 1.15** Amounts greater than **£100,000** require the approval of the Executive Committee, following a joint report by the Chief Financial Officer and the Chief Fire Officer, which must specify the proposed expenditure and the source of funding, and must explain the implications in the current and future financial year.
- 1.16** Virement that is likely to impact on the level of service activity of another Director should be implemented only after agreement with the relevant Director.
- 1.17** No virement relating to a specific financial year should be made after 31<sup>st</sup> March in that year.
- 1.18** Where an approved budget is a development budget or contingency intended for allocation during the year, its allocation will not be treated as a virement, provided that:
- (a) the amount is used in accordance with the purpose for which it has been established; and
  - (b) the Fire Authority has approved the basis and the terms, including financial limits, on which it will be allocated.

#### Treatment of Year-End Balances

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

- 1.19** The Authority's scheme of virement sets out the treatment of year-end balances on devolved budgets. It is administered by the Chief Financial Officer within guidelines set by the Fire Authority. Any variation from the scheme of virement (as set out above) requires the approval of the Fire Authority.
- 1.20** The rules below cover arrangements for the transfer of resources between accounting years, i.e. a carry-forward relating to devolved budgets. For the purposes of this scheme, a budget heading is a line in the budget report, or, as a minimum, at an equivalent level to the standard service sub-division as defined by CIPFA in its Service Expenditure Analysis.

##### **Key Controls**

- 1.21** Appropriate accounting procedures are in operation to ensure that carried-forward totals are correct.

##### **Responsibilities of the Chief Financial Officer**

- 1.22** To administer the scheme of carry-forward within the guidelines approved by the Authority.
- 1.23** To report all overspendings and underspendings on service estimates carried forward to the Corporate Board and the Fire Authority.

## **Responsibilities of the Chief Fire Officer**

- 1.24** Any overspending on service estimates in total on budgets which have been devolved under the control of the Chief Fire Officer must be carried forward to the following year, and will constitute the first call on service estimates in the following year. The Chief Financial Officer will report the extent of overspendings carried forward to the Corporate Board and the Fire Authority. The requirement to meet overspendings from future year budget allocations can be waived by the Corporate Board if the circumstances of the overspend warrant this course of action.
- 1.25** Net underspendings on service estimates under the control of the Chief Fire Officer which have been devolved may be carried forward, subject to the approval by the Corporate Board and the Fire Authority of a report presented jointly by the Chief Fire Officer and the Chief Financial Officer regarding the source of underspending or additional income and the proposed application of those resources.

## ACCOUNTING POLICIES

### Why is this important?

- 1.26** The Chief Financial Officer is responsible for the preparation of the Authority's statement of accounts, in accordance with proper practices as set out in the format required by the *Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice* (CIPFA/LASAAC), for each financial year ending 31st March.

### Key Controls

- 1.27** The key controls for accounting policies are:
- (a) systems of internal control are in place that ensure that financial transactions are lawful;
  - (b) suitable accounting policies are selected and applied consistently;
  - (c) proper accounting records are maintained; and
  - (d) financial statements are prepared which present **fairly a true and fair view of** the financial position of the Authority and its expenditure and income.

### Responsibilities of the Chief Financial Officer

- 1.28** To select suitable accounting policies and to ensure that they are applied consistently. The accounting policies are set out in the statement of accounts, which is prepared at 31<sup>st</sup> March each year, and covers such items as:
- (a) separate accounts for capital and revenue transactions;
  - (b) the basis on which debtors and creditors at year end are included in the accounts;
  - (c) details on substantial provisions and reserves;
  - (d) fixed assets;
  - (e) depreciation;
  - (f) capital charges;
  - (g) work in progress;
  - (h) stocks and stores;
  - (i) deferred charges;
  - (j) accounting for value added tax;
  - (k) government grants;
  - (l) leasing; and
  - (m) pensions.

### Responsibilities of the Chief Fire Officer

- 1.29** To adhere to the accounting policies and guidelines approved by the Chief Financial Officer.



## ACCOUNTING RECORDS AND RETURNS

### Why is this important?

- 1.30** Maintaining proper accounting records is one of the ways in which the Authority discharges its responsibility for stewardship of public resources. The Fire Authority has a statutory responsibility to prepare its annual accounts to present **fairly a true and fair view of** its operations during the year. These are subject to external audit. This audit provides assurance that the accounts are prepared properly, that proper accounting practices have been followed and that quality arrangements have been made for securing economy, efficiency and effectiveness in the use of the Authority's resources.

### Key Controls

- 1.31** The key controls for accounting records and returns are:
- (a) all Directors, budget managers and finance staff operate within the required accounting standards and timetables;
  - (b) all the Authority'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 reconstituted in the event of systems failure;
  - (d) reconciliation procedures are carried out to ensure transactions are correctly recorded; and
  - (e) prime documents are retained in accordance with legislative and other requirements.

### Responsibilities of the Chief Financial Officer

- 1.32** To determine the accounting procedures and records for the Fire Authority.
- 1.33** To arrange for the compilation of all accounts and accounting records under his direction.
- 1.34** To comply with the following principles when allocating accounting duties:
- (a) separating the duties of providing information about sums due to or from the Authority and calculating, checking and recording these sums from the duty of collecting or disbursing them; and
  - (b) employees with the duty of examining or checking the accounts of cash transactions must not themselves be engaged in these transactions.
- 1.35** To make proper arrangements for the audit of the Authority's accounts in accordance with the Accounts and Audit Regulations ~~1996~~ **2006**.
- 1.36** To ensure that all claims for funds including grants are made by the due date.

- 1.37** To prepare and publish the audited accounts of the Authority for each financial year, in accordance with the statutory timetable and with the requirement for the Authority to approve the statement of accounts before 30<sup>th</sup> June.
- 1.38** To administer the Authority's arrangements for under and overspendings on devolved budgets to be carried forward to the following financial year.
- 1.39** To ensure the proper retention of financial documents in accordance with the legislative and operational requirements.

#### **Responsibilities of the Chief Fire Officer**

- 1.40** To consult and obtain the approval of the Chief Financial Officer before making any changes to accounting records and procedures.
- 1.41** To comply with the principles outlined in paragraph 1.34 when allocating accounting duties.
- 1.42** To maintain adequate records to provide a management trail leading from the source of income/expenditure through to the accounting statements.
- 1.43** To supply information required to enable the statement of accounts to be completed in accordance with guidelines issued by the Chief Financial Officer.

## THE ANNUAL STATEMENT OF ACCOUNTS

### Why is this important?

- 1.44** The Fire Authority has a statutory responsibility to prepare its own accounts to present **fairly a true and fair view of** its operations during the year. The Fire Authority is responsible for approving the statutory annual statement of accounts.

### Key Controls

- 1.45** The key controls for the annual statement of accounts are:
- the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of these affairs. In this Authority, that officer is the Treasurer to the Authority; and
  - the Authority's statement of accounts must be prepared in accordance with proper practices as set out in the *Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice* (the SORP) (CIPFA/LASAAC).

### Responsibilities of the Chief Financial Officer

- 1.46** To select suitable accounting policies and to apply them consistently.
- 1.47** To make judgements and estimates that are reasonable and prudent.
- 1.48** To comply with the SORP.
- 1.49** To sign and date the statement of accounts, stating that it presents **fairly a true and fair view of** the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31<sup>st</sup> March.
- 1.50** To draw up the timetable for final accounts preparation and to advise staff and external auditors accordingly.

### Responsibilities of the Chief Fire Officer

- 1.51** To comply with accounting guidance provided by the Chief Financial Officer and to supply the Chief Financial Officer with information when required.

# Financial Planning

## PERFORMANCE CORPORATE PLANS

### Why is this important?

- 2.01** ~~Each Fire Authority has a statutory responsibility to publish various performance plans, e.g. Best Value Performance plans. The purpose of performance plans is to explain overall priorities and objectives, current performance, and proposals for further improvement. The Authority is required to publish annually the best value performance plan (BVPP), which summarises its performance and position in relation to best value. The BVPP is a key element in the Authority's programme of engaging with the public. External audit is required to report on whether the Authority has complied with statutory requirements in respect of the preparation and publication of the BVPP.~~

The Authority publishes an annual Corporate Plan called 'The Plan' highlighting priorities and objectives and an Annual Report detailing past performance. In line with the Public Involvement in Health Act 2007, the Authority must still take into account and demonstrate the principles of best value and this is done through the ongoing development and review of the Corporate Plan and performance across the Authority. The Corporate Plan and Annual Report is a key element in the Authority's programme of engaging with the public.

### Key Controls

- 2.02** The key controls for performance plans are:
- (a) to ensure that all relevant plans are produced and that they are consistent;
  - (b) to produce plans in accordance with statutory requirements;
  - (c) to meet the timetables set;
  - (d) to ensure that all performance information is accurate, complete and up to date; and
  - (e) to provide improvement targets which are meaningful, realistic and challenging.

### Responsibilities of the Chief Financial Officer

- 2.03** To advise and supply the financial information that needs to be included in performance plans in accordance with statutory requirements and agreed timetables.
- 2.04** To contribute to the development of corporate and service targets and objectives and performance information.
- 2.05** To ensure that systems are in place to measure activity and collect accurate information for use as performance indicators.
- 2.06** To ensure that performance information is monitored sufficiently frequently to allow corrective action to be taken if targets are not likely to be met.

## **Responsibilities of the Chief Fire Officer**

- 2.07** To contribute to the development of performance plans in line with statutory requirements.
- 2.08** To contribute to the development of corporate and service targets and objectives and performance information.

## **BUDGETING**

### **Format of the Budget**

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

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

#### **Key Controls**

- 2.10** The key controls for the budget format are:
- (a) the format complies with all legal requirements;
  - (b) the format complies with CIPFA's *Best Value Accounting – Code of Practice*; and
  - (c) the format reflects the accountabilities of service delivery.

## **Responsibilities of the Chief Financial Officer**

- 2.11** To advise the Corporate Board on the format of the budget that is approved by the Fire Authority.

## **Responsibilities of the Chief Fire Officer**

- 2.12** To comply with accounting guidance provided by the Chief Financial Officer.

### **Revenue Budget Preparation, Monitoring and Control**

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

- 2.13** Budget management ensures that once the budget has been approved by the Authority, resources allocated are used for their intended purposes and are properly accounted for. Budgetary control is a continuous process, enabling the Authority to review and adjust its budget allocations during the financial year. It also provides the mechanism that calls to account managers responsible for defined elements of the budget.
- 2.14** By continuously identifying and explaining variances against budgetary targets, the Authority can identify changes in trends and resource requirements at the earliest opportunity. The Authority itself operates within an annual cash limit, approved when setting the overall budget. To ensure that the Authority in total does not overspend, each functional area is required to manage its own expenditure within the cash-limited budget allocated to it.

- 2.15** For the purposes of budgetary control by managers, a budget will normally be the planned income and expenditure for a functional area or cost centre. However, budgetary control may take place at a more detailed level if this is required by the Chief Fire Officer's scheme of delegation.

### **Key Controls**

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

- (a) there is a nominated budget manager for each cost centre or account code heading;
- (b) budget managers accept accountability for their budgets and the level of service to be delivered and understand their financial responsibilities;
- (c) budget managers follow an approved certification process for all expenditure;
- (d) income and expenditure are properly recorded and accounted for; and
- (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 Chief Financial Officer**

- 2.17** To establish an appropriate framework of budgetary management and control that ensures that:

- (a) budget management is exercised within annual cash limits;
- (b) The Chief Fire Officer has available timely information on receipts and payments on each budget which is sufficiently detailed to enable 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) each cost centre or account code has a single named manager, determined by the relevant Director. As a general principle, budget responsibility should be aligned as closely as possible to the decision-making processes that commits expenditure; and
- (f) significant variances from approved budgets are investigated and reported by budget managers regularly.

- 2.18** To administer the Authority's scheme of virement.

- 2.19** To submit reports to the Corporate Board and to the Fire Authority, in consultation with the Chief Fire Officer, where a Director is unable to balance expenditure and resources within existing approved budgets under his/her control.

- 2.20** To prepare and submit reports on the Authority's projected income and expenditure compared with the budget on a regular basis to the Fire Authority (and Executive Committee where appropriate).

## **Responsibilities of the Chief Fire Officer**

- 2.21** To maintain budgetary control within the Fire Service, in adherence to the principles in 2.17, and to ensure that all income and expenditure are properly recorded and accounted for.
- 2.22** To ensure that an accountable budget manager is identified for each item of income and expenditure under the control of the Chief Fire Officer (grouped together in a series of cost centres). As a general principle, budget responsibility should be aligned as closely as possible to the decision-making that commits expenditure.
- 2.23** To ensure that budgets are set on a value for money basis to support the service delivery level required.
- 2.24** To ensure that spending remains within the Service's overall cash limit, and that individual budget heads are not overspent, by monitoring the budget and taking appropriate corrective action where significant variations from the approved budget are forecast.
- 2.25** To ensure that a monitoring process is in place to review performance levels/levels of service in conjunction with the budget and is operating effectively.
- 2.26** To prepare and submit to the Fire Authority reports on the Fire Service's projected expenditure compared to its budget, in consultation with the Chief Financial Officer.  
  
To ensure prior approval by the Authority for new proposals, of whatever amount, that:
  - (a) create financial commitments in future years;
  - (b) change existing policies, initiate new policies or cease existing policies; and
  - (c) materially extend or reduce the Authority's services.
- 2.27** To ensure compliance with the scheme of virement.
- 2.28** To determine with the relevant Director where it appears that a budget proposal, including a virement proposal, may impact materially on another functional area or Director's level of service activity.

## BUDGETS AND MEDIUM-TERM PLANNING

### Why is this important?

- 2.29** The Authority is a complex organisation responsible for delivering a wide variety of services. It needs to plan effectively and to develop systems to enable scarce resources to be allocated in accordance with carefully weighed priorities. The budget is the financial expression of the Authority's plans and policies.
- 2.30** The revenue budget must be constructed so as to ensure that resource allocation properly reflects the service plans and priorities of the Authority. Budgets (spending plans) are needed so that the Authority can plan, authorise, monitor and control the way money is allocated and spent. It is illegal for an authority to budget for a deficit.
- 2.31** Medium-term planning (or a three to five-year planning system) involves a planning cycle in which managers develop their own plans. As each year passes, another future year will be added to the medium-term plan. This ensures that the Authority is always preparing for events in advance.

### Key Controls

- 2.32** The key controls for budgets and medium-term planning are:
- (a) specific budget approval for all expenditure;
  - (b) budget managers are consulted in the preparation of the budgets for which they will be held responsible and accept accountability within delegations set by the Corporate Board for their budgets and the level of service to be delivered; and
  - (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 Chief Financial Officer

- 2.33** To prepare and submit reports on budget prospects to the Corporate Board and the Fire Authority, including resource constraints set by the Government. Reports should take account of medium-term prospects, where appropriate.
- 2.34** To determine the detailed form of revenue estimates and the methods for their preparation, consistent with the budget approved by the Authority, and after consultation with the Corporate Board.
- 2.35** To prepare and submit reports to the Fire Authority on the spending plans of the Fire Service and on the resources available to fund them, identifying, where appropriate, the implications for the level of council tax to be levied.
- 2.36** To advise on the medium-term implications of spending decisions.
- 2.37** To encourage the best use of resources and value for money by working with the Chief Fire Officer to identify opportunities to improve economy, efficiency and effectiveness, and by encouraging good practice in conducting financial appraisals of development or savings options, and in developing financial aspects of service planning.



- 2.38** To advise the Fire Authority on Corporate Board proposals in accordance with his responsibilities under section 151 of the Local Government Act 1972.

**Responsibilities of the Chief Fire Officer**

- 2.39** To prepare estimates of income and expenditure, in consultation with the Chief Financial Officer, to be submitted to the Corporate Board and the Fire Authority.
- 2.40** To prepare budgets that are consistent with the Authority's annual budget cycle and any relevant cash limits. The format should be prescribed by the Chief Financial Officer in accordance with the Fire Authority's general directions.
- 2.41** To integrate financial and budget plans into service planning, so that budget plans can be supported by financial and non-financial performance measures.
- 2.42** In consultation with the Chief Financial Officer and in accordance with the laid-down guidance and timetable, to prepare detailed draft revenue and capital budgets for consideration by the Fire Authority.
- 2.43** When drawing up draft budget requirements, to have regard to:
- (a) spending patterns and pressures revealed through the budget monitoring process;
  - (b) legal requirements;
  - (c) policy requirements as defined by the Authority in the approved policy framework;
  - (d) initiatives already under way; and
  - (e) efficiency targets.

## RESOURCE ALLOCATION

### Why is this important?

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

### Key Controls

- 2.45** The key controls for resource allocation are:
- (a) resources are acquired in accordance with the law and using an approved authorisation process;
  - (b) resources are used only for the purpose intended, to achieve the approved policies and objectives, and are properly accounted for;
  - (c) resources are securely held for use when required; and
  - (d) resources are used with the minimum level of waste, inefficiency or loss for other reasons.

### Responsibilities of the Chief Financial Officer

- 2.46** To advise on methods available for the funding of resources, such as grants from central government and borrowing requirements.
- 2.47** To assist in the allocation of resources to budget managers.

### Responsibilities of the Chief Fire Officer

- 2.48** To work within budget limits and to utilise resources allocated, and further allocate resources, in the most efficient, effective and economic way to ensure value for money.
- 2.49** To identify opportunities to minimise or eliminate resource requirements or consumption without having a detrimental effect on service delivery, thereby contributing to Fire Service efficiency targets.

## Capital Programmes

### Why is this important?

- 2.50** Capital expenditure involves acquiring or enhancing fixed assets with a long-term value to the 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.

- 2.51** The Government places strict controls on the financing capacity of the Authority. This means that capital expenditure should form part of an investment strategy and should be carefully prioritised in order to maximise the benefit of scarce resources.

### **Key Controls**

- 2.52** The key controls for capital programmes are:

- (a) specific approval by the Fire Authority for the programme of capital expenditure;
- (b) expenditure on any capital scheme, irrespective of funding stream (i.e. borrowing approval, grant, revenue), is subject to the approval of the Corporate Board and the 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 each capital project, for approval by the Corporate Board and Fire Authority;
- (d) the development and implementation of asset management plans;
- (e) accountability for each proposal is accepted by a named Manager; and
- (f) monitoring of progress in conjunction with expenditure and comparison with approved budget.

### **Responsibilities of the Chief Financial Officer**

- 2.53** To prepare capital estimates jointly with the Chief Fire Officer and to report them to the Corporate Board for approval. The Corporate Board will make recommendations on the capital estimates and on any associated financing requirements to the Fire Authority.
- 2.54** To prepare and submit reports to the Corporate Board and Fire Authority on the projected income, expenditure and resources compared with the approved estimates.
- 2.55** To issue guidance concerning capital schemes and controls, for example, on project appraisal techniques. The definition of 'capital' will be determined by the Chief Financial Officer, having regard to government regulations and accounting requirements.
- 2.56** To prepare regular reports reviewing the capital programme for the Authority as a whole, highlighting any associated financial issues and remedial action required.

### **Responsibilities of the Chief Fire Officer**

- 2.57** To comply with guidance concerning capital schemes and controls issued by the Chief Financial Officer.
- 2.58** To ensure that all capital proposals have undergone a project appraisal in accordance with guidance issued by the Chief Financial Officer.

- 2.59** To prepare regular reports reviewing the capital programme provisions for the Fire Service and also prepare a monthly return of estimated final costs of schemes in the approved capital programme for submission to the Chief Financial Officer.
- 2.60** To ensure that adequate records are maintained for all capital contracts.
- 2.61** To proceed with projects only when there is adequate provision in the capital programme and with the agreement of the Chief Financial Officer.
- 2.62** To prepare and submit reports, jointly with the Chief Financial Officer, to the Executive Committee of any variation in contract costs greater than the approved limits.
- 2.63** To prepare and submit reports, jointly with the Chief Financial Officer, to the Executive Committee, on completion of all contracts where the final expenditure exceeds the approved contract sum by more than the specified amount.
- 2.64** To ensure that credit arrangements, such as leasing agreements, are not entered into without the prior approval of the Chief Financial Officer and, if applicable, approval of the scheme through the capital programme.
- 2.65** To consult with the Chief Financial Officer and to seek Executive Committee approval where the Chief Fire Officer proposes to bid for supplementary credit approvals to be issued by government departments to support expenditure that has not been included in the current year's capital programme.

## MAINTENANCE OF RESERVES

### Why is this important?

- 2.66** The Fire Authority must decide the level of general reserves it wishes to maintain before it can decide the level of council tax. Reserves are maintained as a matter of prudence. They enable the Authority to provide for unexpected events and thereby protect it from overspending, should such events occur. Reserves for specific purposes may also be maintained, such as the purchase or renewal of capital items.

### Policy on the Level and Nature of Reserves

- 2.67** The level of general reserves should not be allowed to fall below the lower of 2.5% of the Authority's annual net revenue budget or £2.5 million. The Chief Financial Officer, in considering the corporate risks facing the Authority, will make particular reference to the forecast level of general reserves during the Authority's annual budget setting process and report on the actual level of balances during the closedown of accounts process.

Earmarked reserves will be maintained to meet specific purposes as determined by the Chief Financial Officer and reported to the Authority as part of the closedown of accounts process.

### Key Controls

- 2.68** To maintain reserves in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice* (CIPFA/LASAAC) and agreed accounting policies.
- 2.69** For each reserve established, the purpose, usage and basis of transactions should be clearly identified.
- 2.70** Authorisation and expenditure from reserves by the Chief Fire Officer in consultation with the Chief Financial Officer.

### Responsibilities of the Chief Financial Officer

- 2.71** To advise the Corporate Board and the Fire Authority on prudent levels of reserves for the Authority, and to take account of the advice of the external auditor in this matter.

### Responsibilities of the Chief Fire Officer

- 2.72** To ensure that resources are used only for the purposes for which they were intended.

# ***Audit, Risk Management and Internal Control***

## **RISK MANAGEMENT**

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

- 3.01** 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 management is the planned and systematic approach to the identification, evaluation and control of risk. Its objectives are to secure the assets of the organisation and to ensure the continued financial and organisational well being of the organisation. In essence it is, therefore, an integral part of good business practice. Risk management is concerned with evaluating the measures an organisation already has in place to manage identified risks and then recommending the action the organisation needs to take to control these risks effectively.
- 3.02** It is the overall responsibility of the Fire Authority to approve the Authority's risk management strategy, and to promote a culture of risk management awareness throughout the authority.

### **Key Controls**

- 3.03** The key controls for risk management are:
- (a) procedures are in place to identify, assess, prevent or contain material known risks, and these procedures are operating effectively throughout the Authority;
  - (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) managers know that they are responsible for managing relevant risks and are provided with relevant information on risk management initiatives;
  - (d) provision is made for losses that might result from the risks that remain;
  - (e) procedures are in place to investigate claims within required timescales;
  - (f) acceptable levels of risk are determined and insured against where appropriate; and
  - (g) the Authority has identified business continuity plans for implementation in the event of a disaster that results in significant loss or damage to its resources.

### **Responsibilities of the Chief Financial Officer**

- 3.04** To prepare and promote the Authority's risk management policy statement.
- 3.05** To develop risk management controls in conjunction with the Chief Fire Officer.
- 3.06** To effect corporate insurance cover, through external insurance and internal funding, and to negotiate all claims in consultation with other officers, where necessary.
- 3.07** To provide for the provision of a professional advisory and co-ordinating services to the Chief Fire Officer on the management of risk within the Fire Authority. The Chief Fire Officer should provide the Chief Financial Officer with such information as is required for the carrying out of this responsibility.
- 3.08** To effect all insurance cover in a manner he determines and shall carry out all negotiations and pay claims in consultation with the Chief Fire Officer where necessary. Such insurance will include suitable fidelity guarantee insurance.

### **Responsibilities of the Chief Fire Officer**

- 3.09** In accordance with the Authority's own Corporate Governance agenda and Risk Management Strategy, to take responsibility for the identification, assessment and management of risk within the Fire Service, with a view to ensuring that all threats to the Services' objectives are minimised and controlled, leading to the reduction of costs associated with risk and the continuance of service provision.
- 3.10** To prepare and maintain a risk register, identifying each risk, its likelihood of occurrence and the impact on service delivery/resources.
- 3.11** To ensure that there are regular reviews of risk within their service areas and to include the management of risk specifically within the Service Business Planning process, so that risk related threats/weaknesses are addressed within action plans included within individual unit business plans.
- 3.12** To notify the Chief Financial Officer immediately of any loss, liability or damage that may lead to a claim against the Fire Authority, together with any information or explanation required by the Chief Financial Officer or the authority's insurers.
- 3.13** To ensure that sound arrangements for the security and continuity of service in the event of disaster are in place.
- 3.14** To ensure that the recommendations of the Risk Manager are actioned within the Fire Service and will ensure that support is given to the Chief Financial Officer in the role of furthering the Risk Management Strategy of the Fire Authority.
- 3.15** To ensure that claims information is passed to the Chief Financial Officer within a reasonable time. The Chief Fire Officer will be responsible for any costs incurred as a result of delays in passing information to the Chief Financial Officer. Such costs could be incurred as a result of failure to comply with the Civil Procedure Rules in respect of liability claims.

- 3.16** To ensure that the Chief Financial Officer is notified promptly of all new risks, property, vehicle and other assets which require to be insured and of any alterations or deletions affecting insurance cover.
- 3.17** To ensure that records are properly maintained and securely held.
- 3.18** To prepare and maintain a record of all assets under their control in accordance with procedures laid down by the Chief Financial Officer, and shall supply such information as required to enable the Chief Financial Officer to fulfil his/her responsibilities to effect necessary insurance arrangements.
- 3.19** To consult the Chief Financial Officer and the head of Sandwell Legal Services on the terms of any indemnity that the Fire Authority is requested to give.
- 3.20** To ensure that employees, or anyone covered by the Authority's insurances, do not admit liability or make any offer to pay compensation that may prejudice the assessment liability in respect of any insurance claim.



## INTERNAL CONTROLS

### Why is this important?

- 3.21** The Authority is complex and beyond the direct control of individuals. It therefore requires internal controls to manage and monitor progress towards strategic objectives.
- 3.22** The Authority has statutory obligations, and therefore requires internal controls to identify, meet and monitor compliance with these obligations.
- 3.23** The Authority faces a wide range of financial, administrative and commercial risks, both from internal and external factors, which threaten the achievement of its objectives. Internal controls are necessary to manage these risks.
- 3.24** The system of internal controls is established in order to provide measurable achievement of:
- (a) efficient and effective operations;
  - (b) reliable financial information and reporting;
  - (c) compliance with laws and regulations; and
  - (d) risk management.

### Key Controls

- 3.25** The key controls and control objectives for internal control systems are:
- (a) key controls should be reviewed on a regular basis and the Authority should make a formal statement annually to the effect that it is satisfied that the systems of internal control are operating effectively;
  - (b) managerial control systems, including defining policies, setting objectives and plans, monitoring financial and other performance and taking appropriate anticipatory and remedial action. The key objective of these systems is to promote ownership of the control environment by defining roles and responsibilities;
  - (c) financial and operational control systems and procedures, which include physical safeguards for assets, segregation of duties, authorisation and approval procedures and information systems; and
  - (d) an effective internal audit function that is properly resourced. It should operate in accordance with the principles contained in the Auditing Practices Board's auditing guideline *Guidance for Internal Auditors*, CIPFA's *Code of Practice for Internal Audit in Local Government in the United Kingdom* and with any other statutory obligations and regulations.

### **Responsibilities of the Chief Financial Officer**

- 3.26** To assist the Authority to put in place an appropriate control environment and effective internal controls which provide reasonable assurance of effective and efficient operations, financial stewardship, probity and compliance with laws and regulations.
- 3.27** To prepare and complete the annual Statement of Internal Control to comply with the Audit Commission's Corporate Governance requirements.

### **Responsibilities of the Chief Fire Officer**

- 3.28** To manage processes to check that established controls are being adhered to and to evaluate their effectiveness, in order to be confident in the proper use of resources, achievement of objectives and management of risks.
- 3.29** To review existing controls in the light of changes affecting the Authority and to establish and implement new ones in line with guidance from the Chief Financial Officer.
- 3.30** To ensure staff have a clear understanding of the consequences of lack of control.

## AUDIT REQUIREMENTS

### Internal Audit

#### Why is this important?

- 3.31** 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 ~~1996 (SI 1996/590), regulation 5~~ 2006, more specifically require that a “relevant body ~~shall~~ **must** maintain an adequate and effective system of internal audit of ~~their~~ **its** accounting records and ~~control systems~~ **of its system of internal control in accordance with proper practice in relation to internal controls**”.
- 3.32** Accordingly, internal audit is an independent and objective appraisal function established by the 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.

#### Key Controls

- 3.33** The key controls for internal audit are:
- (a) that it is independent in its planning and operation;
  - (b) the head of internal audit has direct access to all levels of management and to elected Members; and
  - (c) the internal auditors comply with the Auditing Practices Board’s guideline *Guidance for Internal Auditors*, as interpreted by CIPFA’s *Code of Practice for Internal Audit in Local Government in the United Kingdom*.

#### Responsibilities of the Chief Financial Officer

- 3.34** To carry out an internal audit on whatever basis he determines of the financial and related operations of the Authority and its Services and Officers. In determining the manner in which the Audit is undertaken, the chief financial officer will have regard to his/her statutory responsibilities 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.
- 3.35** To ensure that internal auditors have the authority to:
- (a) access Authority 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 of the Authority to account for cash, stores or any other Authority asset under his control;
  - (e) access records belonging to third parties, such as contractors, when required; and

- (f) directly access the Chief Fire Officer and the Fire Authority.
- 3.36** To approve the strategic and annual audit plans prepared by the internal Audit Services Manager (Sandwell MBC), which take account of the characteristics and relative risks of the activities involved.
- 3.37** To ensure that effective procedures are in place to investigate promptly any fraud or irregularity.
- 3.38** To prepare reports to the Chief Fire Officer setting out the audit work carried out in the relevant service areas during the previous financial year. To prepare an annual report covering the audit work carried out in all service areas for submission to the Fire Authority.

### **Responsibilities of the Chief Fire Officer**

- 3.39** To ensure that internal auditors are given access at all reasonable times to premises, personnel, documents and assets that the auditors consider necessary for the purposes of their work.
- 3.40** To ensure that auditors are provided with any information and explanations that they seek in the course of their work.
- 3.41** To consider audit reports promptly and reply to recommendations, unless otherwise requested within four weeks of the date of the audit report.
- 3.42** To ensure that agreed audit recommendations are implemented, including the identification of an appropriate officer responsible for implementation and the timescale required.
- 3.43** To notify the Chief Financial Officer immediately of any suspected fraud, theft, irregularity, improper use or misappropriation of the Authority's property or resources. Pending investigation and reporting, the Chief Fire Officer should take all necessary steps to prevent further loss and to secure records and documentation against removal or alteration.
- 3.44** To ensure that new systems for maintaining financial records, or records of assets, or changes to such systems, are discussed with and agreed by the audit services Manager and Chief Financial Officer prior to implementation.

## EXTERNAL AUDIT

### Why is this important?

- 3.45** The Local Government Finance Act 1982 set up the Audit Commission, which is responsible for appointing external auditors to each local authority in England and Wales. The external auditor has rights of access to all documents and information necessary for audit purposes.
- 3.46** The basic duties of the external auditor are defined in the Audit Commission Act 1998 and the Local Government Act 1999. In particular, section 4 of the 1998 Act requires the Audit Commission to prepare a code of audit practice, which external auditors follow when carrying out their duties. The code of audit practice issued in ~~March 2000~~ 2010 sets out the auditor's objectives to review and report upon:
- (a) the financial aspects of the audited body's corporate governance arrangements;
  - (b) the audited body's financial statements; and
  - (c) ~~aspects of the audited body's arrangements to manage its performance, including the preparation and publication of specified performance information and compliance in respect of the preparation and publication of the BVPP.~~ Whether the audited body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources – this conclusion is the VFM conclusion.
- 3.47** The Authority's accounts are scrutinised by external auditors, who must be satisfied that the statement of accounts 'presents fairly a true and fair view of' the financial position of the Authority and its income and expenditure for the year in question and complies with the legal requirements.

### Key Controls

- 3.48** External auditors are appointed by the Audit Commission normally for a minimum period of five years. The Audit Commission prepares a code of audit practice, which external auditors follow when carrying out their audits.

### Responsibilities of the Chief Financial Officer

- 3.49** To ensure that external auditors 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.
- 3.50** To ensure there is effective liaison between external and internal audit.
- 3.51** To work with the external auditor and advise the Members and the Chief Fire Officer on their responsibilities in relation to external audit.

### Responsibilities of the Chief Fire Officer

- 3.52** To ensure that external auditors are given access at all reasonable times to premises, personnel, documents and assets which the external auditors consider necessary for the purposes of their work.

**3.53** To ensure that all records and systems are up to date and available for inspection.

## PREVENTING FRAUD AND CORRUPTION

### Why is this important?

- 3.54** The Authority is totally committed to creating an environment where fraud and corruption are not tolerated whether from inside or outside the Authority and has approved an Anti-Fraud and Corruption policy. Where fraud or corruption are found firm action will be taken against the instigator(s).
- 3.55** The Authority'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.
- 3.56** The Authority also expects that individuals and organisations (e.g. suppliers, contractors, service providers) with whom it comes into contact will act towards the Authority with integrity and without thought or actions involving fraud and corruption.

### Key Controls

- 3.57** The key controls regarding the prevention of financial irregularities are that:
- (a) the Authority has an effective anti-fraud and anti-corruption policy and maintains a culture that will not tolerate fraud or corruption;
  - (b) all Members and staff act with integrity and lead by example;
  - (c) Senior managers are required to deal swiftly and firmly with those who defraud or attempt to defraud the Authority or who are corrupt;
  - (d) high standards of conduct are promoted amongst Members by the Standards Committee;
  - (e) the maintenance of a register of interests in which any hospitality or gifts accepted must be recorded;
  - (f) whistle blowing procedures are in place and operate effectively; and
  - (g) legislation including the Public Interest Disclosure Act 1998 is adhered to.

### Responsibilities of the Chief Financial Officer

- 3.58** To develop and maintain an anti-fraud and anti-corruption policy.
- 3.59** To maintain adequate and effective internal control arrangements.
- 3.60** To ensure that all irregularities are reported to the Audit Services Manager, the Chief Fire Officer, and the Fire Authority.
- 3.61** To ensure that where financial impropriety is discovered and where sufficient evidence exists to believe that a criminal offence may have been committed, the police are called in to determine with the Crown Prosecution Service whether any prosecution will take place. The Chief Financial Officer shall inform the Chief Fire Officer of the decision to involve the police in any investigation.

### **Responsibilities of the Chief Fire Officer**

- 3.62** To ensure that all suspected irregularities are reported to the Audit Services Manager.
- 3.63** To instigate the Authority's disciplinary procedures where the outcome of an audit investigation indicates improper behaviour.
- 3.64** To maintain a register of interests.



## ASSETS

### Security and Control

#### Why is this important?

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

#### Key Controls

**3.66** 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 Authority and are properly accounted for;
- (b) resources are available for use when required;
- (c) resources no longer required are disposed of in accordance with the law and the regulations of the Authority so as to maximise benefits;
- (d) an asset register is maintained for the Authority. Assets are recorded when they are acquired by the Authority and this record is updated as changes occur with respect to the location and condition of the asset;
- (e) all staff are aware of their responsibilities with regard to safeguarding the Authority's assets and information, including the requirements of the Data Protection Act and software copyright legislation; and
- (f) all staff are aware of their responsibilities with regard to safeguarding the security of the Authority's computer systems, including maintaining restricted access to the information held on them and compliance with the Authority's computer and internet security policies.

#### Responsibilities of the Chief Financial Officer

**3.67** To ensure that an asset register is maintained in accordance with good practice for all fixed assets with a value in excess of ~~£5,000~~ £10,000. The function of the asset register is to provide the Authority with information about fixed assets so that they are:

- safeguarded
- used efficiently and effectively
- adequately maintained.

**3.68** To receive the information required for accounting, costing and financial records from each chief officer.

- 3.69** To ensure that assets are valued in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice* (CIPFA/LASAAC).

### **Responsibilities of the Chief Fire Officer**

- 3.70** The appropriate Director shall maintain a property database in a form approved by the Chief Financial Officer for all land and buildings currently owned or used by the Authority. Any use of property by a service or establishment other than for direct service delivery should be supported by documentation identifying terms, responsibilities and duration of use.
- 3.71** To ensure that lessees and other prospective occupiers of land owned by the Authority are not allowed to take possession or enter the land until a lease or agreement, in a form approved by the Chief Fire Officer in consultation with the Chief Financial Officer, has been established as appropriate.
- 3.72** To ensure the proper security of all buildings and other assets under their control.
- 3.73** Where land or buildings are surplus to requirements, a recommendation for sale should be the subject of a joint report by the Chief Fire Officer and the Chief Financial Officer.
- 3.74** To pass title deeds to the appropriate Director who is responsible for custody of all title deeds.
- 3.75** To ensure that no Authority asset is subject to personal use by an employee without proper authority.
- 3.76** To ensure the safe custody of vehicles, equipment, furniture, stock, stores and other property belonging to the Authority.
- 3.77** To ensure that the service maintains a register of moveable assets in accordance with arrangements defined by the Chief Financial Officer.
- 3.78** To ensure that assets are identified, their location recorded and that they are appropriately marked as Fire Brigade property and insured.
- 3.79** To consult the Chief Financial Officer in any case where security is thought to be defective or where it is considered that special security arrangements may be needed.
- 3.80** To consult the Chief Financial Officer in any case where security of cash is concerned and to ensure cash holdings on premises are kept within limits agreed with the Chief Financial Officer.
- 3.81** To ensure that keys to safes and similar receptacles are kept secure at all times; loss of any such keys must be reported to the Chief Financial Officer as soon as possible.
- 3.82** To ensure the disposal of assets is normally by competitive tender or public auction, unless, following consultation with the Chief Financial Officer, the Corporate Board agrees otherwise.

- 3.83** To arrange for the valuation of assets for accounting purposes to meet requirements specified by the Chief Financial Officer.
- 3.84** To ensure that all employees are aware that they have a personal responsibility with regard to the protection and confidentiality of information, whether held in manual or computerised records. Information may be sensitive or privileged, or may possess some intrinsic value, and its disclosure or loss could result in a cost to the Authority in some way.

### **Responsibilities of the Chief Fire Officer – Inventories**

- 3.85** To maintain inventories in a manner agreed with the Chief Financial Officer. Inventories are to record an adequate description (including serial number where possible) of non-operational equipment e.g. furniture, fittings, computer equipment, plant and machinery above ~~£50~~ £100 in value. Items below this value may be included where it is felt that they are particularly attractive or desirable.
- 3.86** To carry out an annual check of all items on the inventory in order to verify location, review, condition and to take action in relation to surpluses or deficiencies, annotating the inventory accordingly. Attractive and portable items such as computers, cameras and video recorders should be identified with security markings as belonging to the Authority.
- 3.87** Any surplus or deficiency revealed by the Annual Inventory check shall be notified to the appropriate Director who shall take such action as is deemed necessary.
- 3.88** To make sure that property is only used in the course of the Authority's business, unless the Chief Fire Officer has given permission otherwise.
- 3.89** To ensure obsolete items are disposed of in accordance with Authority's Regulations as per section 3.107.

### **Responsibilities of the Chief Fire Officer – Stocks and Stores**

- 3.90** To make arrangements for the care, custody, physical control and security of stocks and stores in the service and for the maintenance of a proper stores control system and stores records.
- 3.91** To ensure stocks are maintained at reasonable levels and are subject to a regular independent physical check. All discrepancies should be investigated and pursued to a satisfactory conclusion. Records of stocks checked and discrepancies found are to be kept.
- 3.92** To certify the quantity and value of the stocks and stores in his service and forward a copy of the certification to the Chief Financial Officer at least annually.
- 3.93** To investigate and remove from the Authority's records (i.e. write off) discrepancies as necessary, or to obtain Authority approval if they are in excess of a predetermined limit. The Chief Financial Officer is to be notified of discrepancies written off.

- 3.94** To authorise or write off disposal of redundant stocks and equipment. Procedures for disposal of such stocks and equipment should be by competitive quotations or auction (~~see Section 3.107~~), unless, following consultation with the Chief Financial Officer, the Executive Committee approves otherwise in a particular case.
- 3.95** To keep all stores accounts and records in connection with the accounting stocks in such a manner and form as may be approved by the Chief Financial Officer.
- 3.96** The Chief Financial Officer, in collaboration with the appropriate officers, is to:
- determine the method to be followed in the valuation of stores for the purposes of charging out stores for evaluating stock in hand at the end of the financial year; and
  - determine and review the appropriate rate(s) of overhead charge arising from stocks and stores.
- 3.97** To supply the Chief Financial Officer with such returns about stores under his control as the Chief Financial Officer may require.
- 3.98** To designate suitable officers who shall be responsible for:
- (a) custody of stocks and stores;
  - (b) the maintenance of stores and accounting records;
  - (c) authorising the issue of stocks and stores; and
  - (d) carrying out the stocktaking of all stores.

Except with the agreement of the Chief Financial Officer, no officer shall be responsible for more than one of the functions of (a), (b), (c) or (d) above.

## Intellectual Property

### Why is this important?

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

### Key Controls

- 3.101** In the event that the Authority decides to become involved in the commercial exploitation of inventions, the matter should proceed in accordance with Standing Order 2/12.

### Responsibilities of the Chief Financial Officer

- 3.102** To develop and disseminate good practice through the Authority's intellectual property procedures.

## **Responsibilities of the Chief Fire Officer**

- 3.103** To ensure that controls are in place so that staff do not carry out private work in Authority time and that staff are aware of an employer's rights with regard to intellectual property.

## ASSET DISPOSAL

### Why is this important?

- 3.104** It would be uneconomic and inefficient for the cost of assets to outweigh their benefits. Obsolete, non-repairable or unnecessary resources should be disposed of in accordance with the law and the regulations of the Authority.

### Key Controls

- 3.105** Assets for disposal are identified and are disposed of at the most appropriate time, and only when it is in the best interests of the Authority, and best price is obtained.
- 3.106** Procedures protect staff involved in the disposal from accusations of personal gain.

### Responsibilities of the Chief Financial Officer

- 3.107** To issue advice/guidelines representing best practice for disposal of assets.
- 3.108** To ensure appropriate accounting entries are made to remove the value of disposed assets from the Authority's records and to include the sale proceeds if appropriate.

### Responsibilities of the Chief Fire Officer

- 3.109** To ensure that the sale of scrap or old materials or obsolete items of stock or equipment is made only after quotations or tenders have been invited in accordance with Standing Orders for Contracts unless otherwise agreed by the Chief Finance Officer and where the estimated value exceeds ~~£5,000~~ £10,000 disposal is to be by tender and the invitation to tender is by advertisement in appropriate newspapers and periodicals. Payments for scrap by the successful tenderer shall be made in cash before delivery is taken, unless otherwise agreed by the Chief Financial Officer.
- 3.110** To ensure that income received for the disposal of an asset is properly banked and coded.

### Trust Funds and Funds held for Third Parties

### Responsibilities of the Chief Fire Officer

- 3.111** To have overall responsibility for the financial management and investment of all monies of Trust Funds in the name of the Authority, including instances where the day to day management of a fund is devolved to other Directors.
- 3.112** To maintain the accounting records of all Trust Funds in the name of the Authority and make arrangements for the safe custody of cash, stock certificates and other documents of title issued in connection with the investment of funds.
- 3.113** To ensure that trust funds are operated within any relevant legislation and the specific requirements for each trust.

## Imprest Accounts

### Responsibilities of the Chief Financial Officer

- 3.114** To provide employees of the Authority with cash or bank imprest accounts to meet minor expenditure on behalf of the Authority and to prescribe rules for operating these accounts.
- 3.115** To determine the petty cash limit and to maintain a record of imprests issued, and periodically to review the arrangements for the safe custody and control of these imprests.
- 3.116** To reimburse imprest holders as often as considered appropriate to restore the imprests.

### Responsibilities of the Chief Fire Officer

- 3.117** To ensure that employees operating an imprest account:
- (a) limit payments from the account to such minor items of expenditure as the Chief Financial Officer may approve and obtain and retain receipted vouchers to support each payment from the imprest account. Where appropriate, an official receipted VAT invoice must be obtained;
  - (b) make adequate arrangements for the safe custody of the account (cash and records);
  - (c) produce upon demand by the Chief Financial Officer cash and all vouchers to the total value of the imprest amount;
  - (d) record transactions promptly;
  - (e) reconcile and balance the account at least monthly; reconciliation sheets to be signed and retained by the imprest holder;
  - (f) provide the Chief Financial Officer with a certificate of the value of the account held at 31st March each year;
  - (g) ensure that the float is never used to cash personal cheques or to make personal loans and that the only payments into the account are the reimbursement of the float and change relating to purchases where an advance has been made;
  - (h) on leaving the Authority's employment or otherwise ceasing to be entitled to hold an imprest advance, an employee shall account to the Chief Financial Officer for the amount advanced to him or her;
  - (i) no income received on behalf of the Authority is to be paid into the imprest without the specific authorisation of the Chief Financial Officer; and
  - (j) statement of imprest account shall be certified as correct and forwarded with all vouchers to the Chief Financial Officer with a claim for reimbursement.

**3.118** Where the Chief Financial Officer considers it appropriate, an account shall be opened with the Authority's bankers or ~~National Giro~~ suitable alternative Bank/Building Society for use by an imprest holder who shall not cause such an account to be overdrawn.

#### Treasury Management

**3.119** ~~All~~ Investments and borrowing shall be made ~~on~~ by the Fire Authority's behalf by Sandwell MBC, and shall be subject to appropriate financial regulations of that Authority. in accordance with the approved Treasury Management Strategy and Service Level Agreement with Sandwell MBC.



# ***Financial Systems and Procedures***

## **GENERAL**

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

- 4.01** The Fire Service has many systems and procedures relating to the control of the Authority's assets, including purchasing, costing and management systems. The Service is increasingly reliant on computers for its financial management information. The information must therefore 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.
- 4.02** The Chief Financial Officer has a professional responsibility to ensure that the Authority's financial systems are sound and should therefore be notified of any new developments or changes.

### **Key Controls**

- 4.03** The key controls for systems and procedures are:
- (a) basic data exists to enable the Authority's objectives, targets, budgets and plans to be formulated;
  - (b) performance is communicated to the appropriate 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; and
  - (e) appropriate division of duties.

### **Responsibilities of the Chief Financial Officer**

- 4.04** To make arrangements for the proper administration of the Authority's financial affairs, including to:
- (a) issue advice, guidance and procedures for officers and others acting on the Authority's behalf;
  - (b) determine the accounting systems, form of accounts and supporting financial records;
  - (c) establish arrangements for audit of the Authority's financial affairs;
  - (d) approve any new financial systems to be introduced; and
  - (e) approve any changes to be made to existing financial systems.

## Responsibilities of the Chief Fire Officer

- 4.05** To ensure that financial and accounting records are properly maintained and held securely in accordance with arrangements approved by the Chief Financial Officer.
- 4.06** To ensure that vouchers and documents with financial implications are not destroyed, except in accordance with arrangements approved by the Chief Financial Officer. No prime documents or records should be disposed of until the completion of the audit of the Authority's accounts by the external auditor for the year to which the records relate.

Generally, all accounting and financial records shall be retained for 6 complete financial years. ~~Except for income vouchers (e.g. receipt books), banking records (bank statements and paying in slips) and inventories, only the latest 3 years records need to be kept in prime document form — then remaining 3 years can be kept in microfilm form.~~

These arrangements are subject to any overriding statutory or government requirement and any alternative arrangements agreed with the Chief Financial Officer.

- 4.07** To ensure that a complete management trail, allowing financial transactions to be traced from the accounting records to the original document, and vice versa, is maintained.
- 4.08** To incorporate appropriate controls to ensure that, where relevant:
- (a) all input is genuine, complete, accurate, timely and not previously processed;
  - (b) all processing is carried out in an accurate, complete and timely manner; and
  - (c) output from the system is complete, accurate and timely.
- 4.09** To ensure that the organisational structure provides an appropriate division of duties to provide adequate internal controls and to minimise the risk of fraud or other malpractice.
- 4.10** To ensure there is a documented and tested disaster recovery plan to allow information system processing to resume quickly in the event of an interruption.
- 4.11** To ensure that systems are documented and staff trained in operations.
- 4.12** To consult with the Chief Financial Officer before changing any existing system or introducing new systems.
- 4.13** To establish a scheme of delegation identifying officers authorised to act upon the Chief Fire Officer's behalf in respect of payments, income collection and placing orders, including variations, and showing the limits of their authority.
- 4.14** To supply lists of authorised officers, with specimen signatures and delegated limits, to the Chief Financial Officer, together with any subsequent variations.
- 4.15** To ensure that effective contingency arrangements, including back-up procedures, exist for computer systems. Wherever possible, back-up information should be securely retained in a fireproof location, preferably off site or at an alternative location within the building.

- 4.16** To ensure that, where appropriate, computer systems are registered in accordance with data protection legislation and that staff are aware of their responsibilities under the legislation.
- 4.17** To ensure that relevant standards and guidelines for computer systems issued by the Chief Fire Officer are observed.
- 4.18** To ensure that computer equipment and software are protected from loss and damage through theft, vandalism, etc.
- 4.19** To comply with the copyright, designs and patents legislation and, in particular, to ensure that:
- (a) only software legally acquired and installed by the authority is used on its computers;
  - (b) staff are aware of legislative provisions; and
  - (c) in developing systems, due regard is given to the issue of intellectual property rights.
- 4.20** To ensure employees are aware of the national code of conduct for local government employees.

## INCOME AND EXPENDITURE

### Income

#### Why is this important?

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

#### Key Controls

- 4.22** The key controls for income are:

- (a) all income due to the Authority is identified and charged correctly, in accordance with an approved charging policy, which is regularly reviewed;
- (b) all income is collected from the correct person, at the right time, using the correct procedures and the appropriate stationery;
- (c) all money received by an employee on behalf of the Authority is paid without delay to the Chief Financial Officer or, as he or she directs, to the Authority's bank ~~or National Giro account~~, and is properly recorded. The responsibility for cash collection should be separated from that:
  - for identifying the amount due; and
  - for reconciling the amount due to the amount received.
- (d) effective action is taken to pursue non-payment within defined timescales;
- (e) formal approval for debt write-off is obtained;
- (f) appropriate write-off action is taken within defined timescales;
- (g) appropriate accounting adjustments are made following write-off action;
- (h) all appropriate income documents are retained and stored for the defined period in accordance with the document retention schedule; and
- (i) money collected and deposited is reconciled to the bank account by a person who is not involved in the collection or banking process.

#### Responsibilities of the Chief Financial Officer

- 4.23** To agree arrangements for the collection of all income due to the Authority and to approve the procedures, systems and documentation for its collection.
- 4.24** To order and supply to services all receipt forms, books or tickets and similar items and to satisfy himself or herself regarding the arrangements for their control. To approve all other documents which acknowledge the receipt of money.

- 4.25 To arrange for bank reconciliation statements to be regularly prepared for all bank accounts and for all matters arising from the reconciliations to be cleared as soon as practicable.
- 4.26 To approve all debts to be written off in consultation with the relevant Director and to keep a record of all sums written off up to the approved limit and to adhere to the requirements of the Accounts and Audit Regulations ~~1996~~ 2006.
- 4.27 To obtain the approval of the Authority in consultation with the relevant Director for writing off debts in excess of the approved limit.
- 4.28 To ensure that appropriate accounting adjustments are made following write-off action.
- 4.29 To establish and initiate appropriate recovery procedures, including legal action where necessary, for debts that are not paid promptly.

#### **Responsibilities of the Chief Fire Officer**

- 4.30 To establish a charging policy for the supply of goods or services, including the appropriate charging of VAT, and to review it regularly, in line with corporate policies.
- 4.31 To designate, in respect of all income arising from services under his control, suitable officers who shall be responsible for:
- (a) determining and recording all amounts due;
  - (b) the collection, custody and deposit of cash including the preparation of an accurate and chronological account of all monies received and deposited; and
  - (c) the maintenance of accounting records.

Except with the express authority of the Chief Financial Officer, no officer shall be responsible for more than one of the functions, (a), (b) or (c) above.

- 4.32 To establish and initiate where so approved by Chief Financial Officer, appropriate recovery procedures, including legal action where necessary, for debts that are not paid promptly.
- 4.33 To ensure that every sum received by an officer of the Fire Service is immediately acknowledged by the issue of an official receipt or voucher, or other authorised record except where other arrangements are agreed with the Chief Financial Officer. All receipts (other than those issued by receipting machines) shall be signed by the officer issuing them in his own name as on behalf of the Chief Financial Officer.
- 4.34 Where payment is received by cheque and the payer does not require a receipt, such special arrangements as are approved by the Chief Financial Officer shall operate. ~~To ensure that at least two employees are present when post is opened so that money received by post is properly identified and recorded.~~
- 4.35 To hold securely receipts, tickets and other records of income for the appropriate period.
- 4.36 To lock away all income to safeguard against loss or theft, and to ensure the security of cash handling.

- 4.37** To ensure that income is paid fully and promptly into the appropriate Authority bank account in the form in which it is received. Appropriate details should be recorded on to paying-in slips to provide an audit trail. Each officer who banks cheques shall enter on the Authority's copy of the paying in slip a reference to the related debt (such as receipt number, account number, name of debtor) or otherwise indicate the origin of the cheque; on the reverse of each cheque the officer shall enter the name of his service centre or establishment. Money collected and deposited must be reconciled to the bank account on a regular basis.
- 4.38** To ensure income is not used to cash personal cheques or other payments.
- 4.39** To supply the Chief Financial Officer with details relating to work done, goods supplied, services rendered or other amounts due, to enable the Chief Financial Officer to record correctly the sums due to the Authority and to ensure accounts are sent out promptly. The Chief Fire Officer has a responsibility to assist the Chief Financial Officer in collecting debts that they have originated, by providing any further information requested by the debtor, and in pursuing the matter on the Authority's behalf. Only up to approved levels of cash can be held on the premises.
- 4.40** To keep a record of every transfer of money between employees of the Authority. The receiving officer must sign for the transfer and the transferor must retain a copy.
- 4.41** To recommend to the Chief Financial Officer all debts to be written off and to keep a record of all sums written off up to the approved limit. Once raised, no bona fide debt may be cancelled, except by full payment or by its formal writing off. A credit note to replace a debt can only be issued to correct a factual inaccuracy or administrative error in the calculation and/or billing of the original debt.
- 4.42** To ensure that income and Value Added Tax are correctly coded to the appropriate head of account in accordance with arrangements approved by the Chief Financial Officer.
- 4.43** To notify the Chief Financial Officer of outstanding income relating to the previous financial year as soon as possible after 31<sup>st</sup> March in line with the timetable determined by the Chief Financial Officer and not later than 30<sup>th</sup> April.

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

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

- 4.44** Public money should be spent with demonstrable probity and in accordance with the Authority's policies. The Authority has a statutory duty to achieve best value in part through economy and efficiency. The Authority's procedures should help to ensure that services obtain value for money from their purchasing arrangements. These procedures should be read in conjunction with the Authority's code of practice on tenders and contracts as specified in Brigade Standing Order 1/8.

## General

- 4.45** Every officer and Member of the Authority 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 Authority, in accordance with appropriate codes of conduct.
- 4.46** Official Orders must be in a form approved by the Chief Financial Officer. Official orders must be issued for all work, goods or services to be supplied to the Authority, except for supplies of utilities, periodic payments such as rent or rates, petty cash purchases or other exceptions specified by the Chief Financial Officer. Orders shall show the quantities and terms of the transaction. Copy Orders shall also show quoted or estimated prices and details of any discounts available. Copy orders shall be retained in safe custody and kept available for audit and record purposes. Goods and services obtained urgently by telephone or verbal Orders shall be confirmed by an Official Order marked "confirmation" within four working days.
- 4.47** Each order must conform to the guidelines approved by the Authority on central purchasing and the standardisation of supplies and materials. Standard terms and conditions must not be varied without the prior approval of the Chief Financial Officer.
- 4.48** Apart from petty cash, the normal method of payment from the Authority shall be by BACS Transfer, cheque or other instrument or approved method, drawn on the Authority's bank account ~~or National Giro~~ account by the Chief Financial Officer. The use of direct debit shall require the prior agreement of the Chief Financial Officer.
- 4.49** Official Orders must not be raised for any personal or private purchases, nor must personal or private use be made of Authority contracts.

## Key Controls

- 4.50** 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 Authority's code of practice for tenders and contracts unless they are purchased from sources within the Authority;
  - (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 by the Authority to 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;

- (g) all expenditure, including VAT, is accurately recorded against the right budget and any exceptions are corrected; and
- (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 Chief Financial Officer**

- 4.51** To ensure that all the Authority's financial systems and procedures are sound and properly administered.
- 4.52** To approve any changes to existing financial systems and to approve any new systems before they are introduced.
- 4.53** To approve the form of Official Orders and associated terms and conditions.
- 4.54** To make payments from the Authority's funds on the Chief Fire Officer's authorisation that the expenditure has been duly incurred in accordance with financial regulations and procedures.
- 4.55** To make payments, whether or not provision exists within the estimates, where the payment is specifically required by statute or is made under a court order.
- 4.56** To make payments to contractors on the certificate of the appropriate Director which must include details of the value of work, retention money, amounts previously certified and amounts now certified.
- 4.57** To provide advice on making payments by the most economical means to ensure that all payments are despatched direct to creditors unless specific alternative arrangements are agreed by an authorised officer.
- 4.58** To ensure that a budgetary control system is established that enables commitments incurred by placing orders to be shown against the appropriate budget allocation so that they can be taken into account in budget monitoring reports.

### **Responsibilities of the Chief Fire Officer**

#### Ordering

- 4.59** 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~~ the Authority's Procurement Procedures.
- 4.60** To utilise the services provided by central purchasing that have been established by the Chief Financial Officer in putting purchases out to competitive tender/quotations.
- 4.61** To ensure that uniquely pre-numbered Official Orders are used for all goods and services, other than the exceptions specified in 4.46.
- 4.62** 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.



- 4.63** To ensure that only those staff authorised by ~~him~~ the Chief Fire Officer sign orders and to maintain and forward a copy to the Chief Financial Officer 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.
- 4.64** Orders are to be ~~signed in manuscript~~ approved by ~~the~~ an authorised officer on behalf of the Chief Fire Officer. Facsimile signature stamps should not be used on Official Orders.

#### Delivery

- 4.65** 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 by Chief Financial Officer and entries made in inventories or stores records.

#### Payment

- 4.66** To ensure that the service maintains and reviews periodically a list of staff approved to certify invoices. Names of authorising officers together with specimen signatures and details of the limits of their authority shall be forwarded to the Chief Financial Officer.
- 4.67** To ensure that invoices for payment are ~~signed in manuscript~~ approved by an authorised officer on behalf of the Chief Fire Officer. By agreement with the Chief Financial Officer, such authorisation of invoices can be carried out in batches.
- 4.68** Before certifying an invoice, the certifying officer shall, save to the extent the Chief Financial Officer may otherwise determine, have satisfied himself or herself that:
- (a) the goods have been received and are satisfactory in respect of quantity, quality and compliance with specification;
  - (b) the work done or services rendered have been satisfactorily performed and comply with specification;
  - (c) grants, awards, allowances and gratuitous payments are in accordance with official scales and the authority for payment given by the Authority;
  - (d) the prices, extensions, totals, calculations, trade discounts, other allowances, credits and value added tax are correct;
  - (e) the expenditure has been properly incurred and is within the estimated provision;
  - (f) appropriate entries have been made in inventories, stores records or stock books as required;

- (g) the invoice has been cross-referenced to the Official Order and has not previously been passed for payment and is a proper legal liability of the Authority;
  - (h) the expenditure and value added tax have been correctly coded to the appropriate head of account; and
  - (i) all payments to sub-contractors in the construction industry have the appropriate category for Income Tax indicated on the authorisation slip and the income tax deduction where appropriate, shown and coded.
- 4.69** 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.
- 4.70** To ensure, in collaboration with the Chief Financial Officer, 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. In particular:
- (a) divide between designated officers the responsibilities for the various acts of certification set out in 4.68.
  - (b) divide between designated officers the following functions of the on-line invoice process:
    - (i) input of invoices;
    - (ii) batch authorisation of invoices; and
    - (iii) creation of creditor reference numbers.
  - (c) maintain subsidiary records and retain in safe custody all copy Orders, delivery notes, goods received sheets, etc.
- 4.71** To ensure that all requests for the payment of monies is processed on a form approved by the Chief Financial Officer. The form should contain a standard grid completed to indicate that the various acts of certification set out in ~~4.67~~ 4.68 have been completed. Requests for payment must not be made, otherwise than with the express consent of the Chief Financial Officer, where only one officer has been involved in the acts of certification set out in ~~4.67~~ 4.68. Supplies of payment forms, costing and authorisation slips and other such documents shall be obtained from the Chief Financial Officer. All other documents used for the payment of money shall be in a form approved by the Chief Financial Officer.
- 4.72** To ensure that any amendment to an invoice is made indelibly and initialled by the officer making it stating briefly the reasons where they are not self-evident. Under no circumstances should the amount of VAT be altered. Where the VAT element is incorrect adjusted invoices or credit notes should be obtained from the supplier.
- 4.73** 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. The authorisation slip attached to copy invoices should be endorsed with a copy invoice stamp supplied by the Chief Financial Officer and brief details should be noted on the stamping as to why a copy document is being processed.

- 4.74** To encourage suppliers of goods and services to receive payment by the most economical means for the Authority. It is essential, however, that payments made by direct debit have the prior approval of the Chief Financial Officer.
- 4.75** To ensure that loans, leasing or rental arrangements are not entered into without prior agreement from the Chief Financial Officer. This is because of the potential impact on the Authority's borrowing powers, to protect the Authority against entering into unapproved credit arrangements, **correct accounting treatment** and to ensure that value for money is being obtained.
- 4.76** To notify the Chief Financial Officer of outstanding expenditure relating to the previous financial year as soon as possible after 31<sup>st</sup> March in line with the timetable determined by the Chief Financial Officer.
- 4.77** To notify the Chief Financial Officer immediately of any expenditure to be incurred as a result of statute/court order where there is no budgetary provision.
- 4.78** 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.
- 4.79** To maintain, in a form agreed by the Chief Financial Officer:
- (a) a Periodical Payments Register recording the amounts paid by the Authority at recurring intervals under contracts, leases and other agreements; and
  - (b) a Property Payments Register recording the amounts paid by the Authority for gas, electricity, water, and telephones (other than reimbursement of officers telephone expenses).
- 4.80** To arrange after certification for the processing of invoices and payment requests on-line to the creditor payments system on the mainframe computer. In order to take account of the Fire Authority's cashflow needs, invoices should be processed so that payment is made on the contract settlement date. Where no settlement date is stated, it is to be assumed the date is 30 days after the invoice date.

#### Payments to Employees and Members

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

- 4.81** Staff costs are the largest item of expenditure for most Authority services. It is therefore important that payments are accurate, timely, made only where they are due for services to the Authority and that payments accord with individuals' conditions of employment. It is also important that all payments are accurately and completely recorded and accounted for and that Members' allowances are authorised in accordance with the scheme adopted by the Authority.

## Key Controls

**4.82** The key controls for payments to employees and Members are:

- (a) proper authorisation procedures are in place and that there is adherence to corporate timetables in relation to:
  - starters;
  - leavers;
  - variations;
  - enhancements; and
  - and that payments are made on the basis of **timesheets** **contracts** or claims.
- (b) frequent reconciliation of payroll expenditure against approved budget and bank account;
- (c) all appropriate payroll documents are retained and stored for the defined period in accordance with the document retention schedule;
- (d) that all statutory legislation relating to payroll and pension regulations is complied with; and
- (e) Proper Division of Duties.

## Responsibilities of the Chief Financial Officer

- 4.83** To arrange and control secure and reliable payment of salaries, wages, compensation or other emoluments to existing and former employees, in accordance with procedures prescribed by him, on the due date.
- 4.84** To record and make arrangements for the accurate and timely payment of tax, superannuation and other deductions.
- 4.85** To make arrangements for payment of all travel and subsistence claims or financial loss allowance upon receiving the prescribed form, duly completed and authorised.
- 4.86** To make arrangements for paying Members travel or other allowances upon receiving the prescribed form, duly completed and authorised.
- 4.87** To provide advice and encouragement to secure payment of salaries and wages by the most economical means.
- 4.88** To ensure that there are adequate arrangements for administering superannuation matters on a day-to-day basis.

## Responsibilities of the Chief Fire Officer

- 4.89** To ensure appointments are made in accordance with the regulations of the Authority and approved establishments, grades and scale of pay and that adequate budget provision is available.

- 4.90** To notify the Chief Financial Officer of all appointments, terminations or variations which may affect the pay or pension of an employee or former employee, in the form and to the timescale required by the Chief Financial Officer.
- 4.91** To ensure that adequate and effective systems and procedures are operated, so that:
- payments are only authorised to bona fide employees;
  - payments are only made where there is a valid entitlement;
  - conditions and contracts of employment are correctly applied; and
  - employees' records listed on the payroll are checked at regular intervals to verify accuracy and completeness.
- 4.92** To send an up-to-date list of the names of officers authorised to sign pay documents to the Chief Financial Officer, together with specimen signatures. Pay documents are to be ~~signed in manuscript~~ approved by the authorised officer on behalf of the Chief Fire Officer. The certification of the pay documents shall mean that:
- the person has worked the period stated on the document;
  - the rates of pay and other emoluments shown on the document are correct; and
  - any other matters affecting entitlement to pay is correct.
- 4.93** To ensure that payroll transactions are processed only through the payroll system. Directors should give careful consideration to the employment status of individuals employed on a self-employed consultant or subcontract basis. ~~The Inland Revenue~~ HM Revenues and Customs applies a tight definition for employee status and, in cases of doubt, advice should be sought from the Chief Financial Officer.
- 4.94** To certify travel and subsistence claims and other allowances. Certification is taken to mean that journeys were authorised and expenses properly and necessarily incurred, and that allowances are properly payable by the Authority, ensuring that cost-effective use of travel arrangements is achieved. Due consideration should be given to tax implications and that the Chief Financial Officer is informed where appropriate.
- 4.95** To ensure that the Chief Financial Officer is notified of the details of any employee benefits in kind, to enable full and complete reporting within the income tax self-assessment system.
- 4.96** To ensure that all appropriate payroll documents are retained and stored for the defined period in accordance with the document retention schedule.
- 4.97** To ensure all pay documents and records are in a form approved by the Chief Financial Officer.
- 4.98** To ensure that all staff are aware of procedures and entitlement to payment for subsistence, travelling and incidental expenses. The Chief Fire Officer should ensure that his/her staff have access to the appropriate documentation available in respect of personnel policy guidelines and the procedures for the claiming of car allowances etc.

- 4.99** To ensure that all claims for payment of subsistence, travelling and incidental expenses are submitted to the Chief Financial Officer duly certified on a form supplied by him/her, except for those categories of officers and types of travelling expenses for which alternative arrangements are approved by the Chief Financial Officer.
- 4.100** To ensure salaries and wages in advance is not made except in the case of persons leaving the service before the day on which their salary or wage is normally paid or at the discretion of the Chief Financial Officer.

#### **Responsibilities of Members**

- 4.101** To submit claims for Members' travel and subsistence allowances on a monthly basis and, in any event, within one month of the year end.

## TAXATION

### Why is this important?

**4.102** Like all organisations, the Fire Authority is responsible for ensuring its tax affairs are in order. Tax issues are often very complex and the penalties for incorrectly accounting for tax are severe. It is therefore very important for all officers to be aware of their role.

### Key Controls

**4.103** The key controls for taxation are:

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

### Responsibilities of the Chief Financial Officer

**4.104** To complete all ~~Inland Revenue~~ HM Revenue and Customs returns regarding PAYE and NI.

**4.105** To complete a monthly return of VAT inputs and outputs to HM Revenue and Customs ~~and Excise~~.

**4.106** To provide details to ~~the Inland Revenue~~ HM Revenues and Customs regarding the construction industry tax deduction scheme.

### Responsibilities of the Chief Fire Officer

**4.107** To ensure that the correct VAT liability is attached to all income due and that all VAT recoverable on purchases complies with HM Revenue and Customs ~~and Excise~~ regulations.

**4.108** To ensure that, where construction and maintenance works are undertaken, the contractor fulfils the necessary construction industry tax deduction requirements.

**4.109** To ensure that all persons employed by the Authority are added to the Authority's payroll and tax deducted from any payments, except where the individuals are bona fide self-employed or are employed by a recognised staff agency.

# ***External Arrangements***

## **PARTNERSHIPS**

### **Why is it important?**

- 5.01** Partnerships are likely to play a key role in delivering community strategies and in helping to promote and improve the well-being of the area. Authorities are working in partnership with others – public agencies, private companies, community groups and voluntary organisations. Authorities still deliver some services, but their distinctive leadership role is to bring together the contributions of the various stakeholders. They therefore need to deliver a shared vision of services based on user wishes.
- 5.02** Authorities will mobilise investment, bid for funds, champion the needs of their areas and harness the energies of local people and community organisations. Authorities will be measured by what they achieve in partnership with others.

### **General**

- 5.03** The main reasons for entering into a partnership are:
- (a) to provide new and better ways of delivering services;
  - (b) the desire to find new ways to share risk;
  - (c) the ability to access new resources; and
  - (d) to forge new relationships.
- 5.04** A partner is defined as either:
- (a) an organisation (private or public) undertaking, part funding or participating as a beneficiary in a project;
- or
- (b) a body whose nature or status give it a right or obligation to support the project.
- 5.05** Partners participate in projects by:
- (a) acting as a project deliverer or sponsor, solely or in concert with others;
  - (b) acting as a project funder or part funder; and
  - (c) being the beneficiary group of the activity undertaken in a project.
- 5.06** Partners have common responsibilities:
- (a) to be willing to take on a role in the broader programme appropriate to the skills and resources of the partner organisation;
  - (b) to act in good faith at all times and in the best interests of the partnership's aims and objectives;



- (c) be open about any conflict of interests that might arise;
- (d) to encourage joint working and promote the sharing of information, resources and skills between public, private and community sectors;
- (e) to hold confidentially any information received as a result of partnership activities or duties that is of a confidential or commercially sensitive nature; and
- (f) to act wherever possible as ambassadors for the project.

## **Key Controls**

**5.07** The key controls for Authority partners are:

- (a) if appropriate, to be aware of their responsibilities under the Authority's financial regulations and the code of practice on tenders and contracts;
- (b) to ensure that risk management processes are in place to identify and assess all known risks;
- (c) to ensure that project appraisal processes are in place to assess the viability of the project in terms of resources, staffing and expertise;
- (d) to agree and accept formally the roles and responsibilities of each of the partners involved in the project before the project commences;
- (e) to communicate regularly with other partners throughout the project so that problems can be identified and shared to achieve their successful resolution; and
- (f) To undertake evaluation to determine the effectiveness of the project.

## **Responsibilities of the Chief Financial Officer**

**5.08** To advise on effective controls that will ensure that resources are not wasted.

**5.09** To advise on the key elements of funding a project. They include:

- (a) a scheme appraisal for financial viability in both the current and future years;
- (b) risk appraisal and management ;
- (c) resourcing, including taxation issues;
- (d) audit, security and control requirements; and
- (e) carry-forward arrangements.

**5.10** To ensure that the accounting arrangements are satisfactory.

## **Responsibilities of the Chief Fire Officer**

**5.11** To maintain a register of all contracts entered into with external bodies in accordance with procedures specified by the Chief Financial Officer.

**5.12** To ensure that, before entering into agreements with external bodies, a risk management appraisal has been prepared for the Chief Financial Officer.

- 5.13** To ensure that such agreements and arrangements do not impact adversely upon the services provided by the Authority.
- 5.14** To ensure that all agreements and arrangements are properly documented.
- 5.15** To provide appropriate information to the Chief Financial Officer to enable a note to be entered into the Authority's statement of accounts concerning material items.

## EXTERNAL FUNDING

### Why is this important?

- 5.16** External funding is potentially 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 Authority. Fire Authorities are increasingly encouraged to provide seamless service delivery through working closely with other agencies and private service providers. Funds from external agencies such as the National Lottery ~~and the single regeneration budget~~ provide additional resources to enable the Authority to deliver services to the local community. ~~However, in some instances, although the scope for external funding has increased, such funding is linked to tight specifications and may not be flexible enough to link to the Authority's overall plan.~~

### Key Controls

- 5.17** The key controls for external funding are:
- (a) to ensure that key conditions of funding and any statutory requirements are complied with and that the responsibilities of the accountable body are clearly understood;
  - (b) to ensure that funds are acquired only to meet the priorities approved in the policy framework by the Authority; and
  - (c) to ensure that any match-funding requirements are given due consideration prior to entering into long-term agreements and that future revenue budgets reflect these requirements.

### Responsibilities of the Chief Financial Officer

- 5.18** To ensure that all funding notified by external bodies is received and properly recorded in the Authority's accounts.
- 5.19** To ensure that the match-funding requirements are considered prior to entering into the agreements and that future revenue budgets reflect these requirements.
- 5.20** To ensure that audit requirements are met.

### Responsibilities of the Chief Fire Officer

- 5.21** To ensure that all claims for funds are made by the due date.
- 5.22** To ensure that Members are informed how the proposed external funding fulfils the Authority's policies and desires prior to any bid being submitted for external funding.
- 5.23** To ensure that the project progresses in accordance with the agreed project and that all expenditure is properly incurred and recorded.
- 5.24** To comply with the rules of the funding body, especially re documentation of grant claims.

## WORK FOR THIRD PARTIES

### Why is this important?

- 5.25** Current legislation enables the Authority to provide a range of services to other bodies. Such work may enable a unit to maintain economies of scale and existing expertise. Arrangements should be in place to ensure that any risks associated with this work is minimised and that such work is intra vires.

### Key Controls

- 5.26** The key controls for working with third parties are:
- (a) to ensure that proposals are costed properly in accordance with guidance provided by the Chief Financial Officer;
  - (b) to ensure that contracts are drawn up using guidance provided by the Chief Financial Officer and that the formal approvals process is adhered to; and
  - (c) to issue guidance with regard to the financial aspects of third party contracts and the maintenance of the contract register.

### Responsibilities of the Chief Financial Officer

- 5.27** To issue guidance with regard to the financial aspects of third party contracts and the maintenance of the contract register.

### Responsibilities of the Chief Fire Officer

- 5.28** To ensure that the approval of the Authority is obtained before any negotiations are concluded to work for third parties.
- 5.29** To maintain a register of all contracts entered into with third parties in accordance with procedures specified by the Chief Financial Officer.
- 5.30** To ensure that appropriate insurance arrangements are made.
- 5.31** To ensure that the Authority is not put at risk from any bad debts.
- 5.32** To ensure that no contract is subsidised by the Authority.
- 5.33** To ensure that, wherever possible, payment is received in advance of the delivery of the service.
- 5.34** To ensure that the service/unit has the appropriate expertise to undertake the contract.
- 5.35** To ensure that such contracts do not impact adversely upon the services provided for the Authority.
- 5.36** To ensure that all contracts are properly documented.
- 5.37** To provide appropriate information to the Chief Financial Officer to enable a note to be entered into the statement of accounts.