

# **Hereford & Worcester Fire Authority and Shropshire & Wrekin Fire Authority**

## **FINANCIAL REGULATIONS**

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## 1.1 OVERVIEW

- 1.1.1 Public sector accounting is covered by a range of government legislation and accounting standards that are designed to ensure proper accountability for public funds.
- 1.1.2 The principal statutory framework within which the Fire and Rescue Authorities will operate is:
- Fire and Rescue Services Act 2004 (FRSA04, the Act)
  - Civil Contingencies Act 2004
  - Regulatory Reform (Fire Safety) Order 2005
  - Fire and Rescue National Framework for England
- 1.1.3 The Fire Authority is required to appoint, a Chief Fire Officer, a Chief Executive, a Monitoring Officer, and a Chief Finance Officer (the Treasurer).
- 1.1.4 To conduct their business effectively, the 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 to adopt and implement Financial Regulations. The Regulations contained herein have been drawn up in such a way as to ensure that the financial matters of the Fire Authority are conducted properly and in compliance with all necessary requirements.
- 1.1.5 The Regulations are designed to establish overarching financial responsibilities, to confer duties, rights and powers upon the Fire Authority and its officers and to provide clarity about the financial accountabilities of groups or individuals. They apply to every member and officer of the Authority and anyone acting on their behalf.
- 1.1.6 Every member of staff is expected to read and understand the Financial Regulations and any related documents. They are expected to seek clarification on any areas they do not understand with either their line manager or other relevant person.
- 1.1.7 A modern organisation should also be committed to innovation, within the regulatory framework, providing that the necessary risk assessment and approval safeguards are in place.

## **1.2 STATUS**

- 1.2.1 These Financial Regulations should not be seen in isolation, but rather as part of the overall regulatory and governance framework that includes the, codes of conduct and the rest of the Corporate Governance framework.
- 1.2.2 The Fire Authority and all employees have a general duty to take reasonable action to provide for the security of assets under their control and for ensuring that the use of these resources is legal, properly authorised, provides value for money and achieves best value.
- 1.2.3 The Fire Authority is responsible for approving or amending Financial Regulations after consultation with the Chief Fire Officer/Chief Executive and Treasurer, and the Treasurer is responsible for maintaining a review of Financial Regulations and submitting any additions or amendments to the Fire Authority.
- 1.2.5 More detailed financial instructions to supplement these Regulations, shall be issued by the Treasurer after consultation with the Chief Fire Officer/Chief Executive.
- 1.2.6 The Chief Fire Officer/Chief Executive is responsible for ensuring that all employees, contractors and agents are aware of the existence and content of these Financial Regulations and that they are complied with.
- 1.2.7 Breaches of Financial Regulations of a serious nature may result in disciplinary proceedings and, potentially, criminal action. Such cases shall be reported to the Treasurer who shall determine, after consulting with the Monitoring Officer, action to be taken.

## **1.3 DEFINITIONS WITHIN THE REGULATIONS**

- 1.3.1 To ensure commonality the following definitions are used throughout these Regulations and where a function has been delegated individually in each Authority this is shown in Appendix 3

Fire Authority:

- Shropshire & Wrekin Fire Authority and, where delegated, its Committees
- Hereford & Worcester Fire Authority and, where delegated, its Committees

- 1.3.2 Chief Fire Officer/Chief Executive: the individual appointed by the relevant Fire Authority as its Chief Fire Officer and Chief Executive Where appropriate this individual may delegate functions.
- 1.3.3 Treasurer: the individual appointed by the relevant Fire Authority in accordance with the provisions of the relevant Acts. Usually known as the S151 Officer. Where appropriate this individual may delegate functions.
- 1.3.4 Monitoring Officer: the individual appointed by the relevant Fire Authority. Where appropriate this individual may delegate functions.
- 1.3.5 'Employees' when referred to as a generic term shall refer to employees, volunteers and other contractors or agents.
- 1.3.6 The expression 'authorised officer' refers to employees authorised through the scheme of delegation.
- 1.3.7 The expression 'contract' refers to any commitment (including purchase orders, memoranda of understanding, leases and service level agreements) to acquire, purchase or sell goods, services or building works made on behalf of the Fire Authority or their affiliated bodies.
- 1.3.8 The expression 'best value for money' shall mean the most cost effective means of meeting the need and takes account of whole life costs.
- 1.3.9 The expression 'he' shall refer to both male and female.
- 1.3.10 The terms Chief Fire Officer/Chief Executive, Monitoring Officer and Treasurer include any member of staff, contractors or agents to whom particular responsibilities may be delegated. However, the level of such delegated responsibility must be evidenced clearly, made to an appropriate level and the member of staff given sufficient authority, training and resources to undertake the duty in hand.

## **2.1 FINANCIAL MANAGEMENT**

### **The Fire Authority**

- 2.1.1 The Fire Authority has a statutory duty to ensure an efficient and effective service on behalf of the public.
- 2.1.2 The Fire Authority shall appoint a Chief Financial Officer (the Treasurer) to be responsible for the proper administration of the Authority's financial affairs. It shall also appoint a Chief Executive and a Monitoring Officer.
- 2.1.3 The Fire Authority is responsible for approving the policy framework and budget, monitoring financial outcomes and the approval of medium term financial plans in consultation with the Chief Fire Officer/Chief Executive and Treasurer. In relation to these Financial Regulations this includes:
- Community/Integrated Risk Management Plan
  - Medium Term Financial Plan
  - Annual revenue budget
  - Reserves Strategy
  - Capital programme
  - Treasury management strategy, including the annual investment strategy
  - Asset management strategies
  - Risk management strategy
  - Capital Strategy
  - Governance policies
- 2.1.4 The Fire Authority is responsible for approving procedures for agreeing variations to approved budgets, plans and strategies forming the policy framework.
- 2.1.5 The Fire Authority shall provide the Treasurer with such staff, accommodation and other resources as are sufficient to allow his duties under this section to be performed.

## **The Chief Fire Officer/Chief Executive**

- 2.1.6 The Chief Fire Officer/Chief Executive is responsible to the public and accountable to the Fire Authority for the delivery of efficient and effective fire and rescue services, management of resources and expenditure by the fire and rescue service.
- 2.1.7 To help ensure the effective delivery of fire and rescue services the Chief Fire Officer/Chief Executive has day to day responsibility for financial management of the Fire and Rescue Service within the framework of the agreed budget allocation and levels of authorisation issued by the Fire Authority.
- 2.1.8 The Chief Fire Officer/Chief Executive must ensure that the financial management of the Fire and Rescue Service's allocated budget remains consistent with the objectives and conditions set by the Fire Authority and will be held to account for the effective financial management of the Service. The Chief Fire Officer/Chief Executive will discharge this through the Treasurer who will lead for the Fire and Rescue Service on financial management.
- 2.1.9 When the Chief Fire Officer/Chief Executive intends to make changes of policy with financial implications or seeks to move significant sums of their budget then the approval of the Fire Authority should be sought.
- 2.1.10 The Chief Fire Officer/Chief Executive is responsible for the leadership and general administration of the Fire Authority and is the designated Head of Paid Service.

## **The Treasurer**

- 2.1.11 The Treasurer is the Fire Authority's Chief Finance Officer with responsibility for proper financial administration and a personal fiduciary responsibility to the local council taxpayer.
- 2.1.12 The Treasurer's statutory responsibilities are set out in:
- Section 114 Local Government Finance Act 1988 (formal powers to safeguard lawfulness and propriety in expenditure)
  - S151 of the Local Government Act 1972
  - Local Government Act 2003
  - The Accounts and Audit Regulations 2015
- 2.1.13 The Treasurer is the Fire Authority's professional adviser on financial matters relating to Fire Authority and shall be responsible for:

- ensuring that the financial affairs of the Fire Authority are properly administered and that financial regulations are observed and kept up to date;
- ensuring regularity, propriety and Value for Money (VfM) in the use of public funds;
- reporting to the Fire Authority and to the external auditor;
  - any unlawful, or potentially unlawful, expenditure
  - when it appears that any expenditure is likely to exceed the resources available to it to meet that expenditure;
- advising the Fire Authority on the robustness of the estimates and the adequacy of financial reserves;
- preparing the annual Statement of Accounts
- ensuring the provision of an effective internal audit service
- securing the treasury management function, including loans and investments;
- advising, in consultation with the Chief Fire Officer/Chief Executive on the safeguarding of assets, including risk management and insurance
- arranging for the determination and issue of the precept;
- liaising with the external auditor; and

2.1.14 The Treasurer, in consultation with the Chief Fire Officer/Chief Executive and Monitoring Officer, as appropriate, shall be given powers to institute any proceedings or take any action necessary to safeguard the finances.

2.1.15 The Treasurer has certain statutory duties which cannot be delegated, namely, reporting any potentially unlawful decisions by the Fire Authority on expenditure and preparing, in accordance with proper practices, the Fire Authority's annual Statement of Accounts.

2.1.16 The Treasurer is the Fire Authority's professional adviser on financial matters. To enable the fulfilment of these duties and to ensure the Fire Authority is provided with adequate financial advice the Treasurer:

- must be a key member of senior management team, working closely with the Chief Fire Officer/Chief Executive helping the team to develop and implement strategy and to resource and deliver the Fire Authority's strategic objectives sustainably and in the public interest;
- must be actively involved in, and able to bring influence to bear on, all strategic business decisions, of the Fire Authority, to ensure that the financial aspects of immediate and longer term implications, opportunities and risks are fully considered, and alignment with the financial strategy;

- must lead the promotion and delivery by the Fire Authority of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively; and
- must ensure that the finance function is resourced to be fit for purpose.

2.1.17 It must be recognised that financial regulations cannot foresee every eventuality. The Treasurer shall be responsible for interpreting these regulations so as to ensure the efficient and effective operation of services.

### **The Monitoring Officer**

2.1.18 Appointed by the Fire Authority under section 5(1) of the Local Government and Housing Act 1989.

2.1.19 The monitoring officer is responsible for:

- ensuring the legality of the actions of Fire Authority and its employees;
- ensuring that procedures for recording and reporting key decisions are operating effectively;
- advising the Fire Authority and officers about who has authority to take a particular decision;
- advising the Fire Authority about whether a decision is likely to be considered contrary or not wholly in accordance with the policy framework;
- advising the Fire Authority on matters relating to standards of conduct.

## **2.2 FINANCIAL MANAGEMENT STANDARDS**

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

2.2.1 The Fire Authority and all employees have a duty to abide by the highest standards of probity (i.e. honesty, integrity and transparency) in dealing with financial issues. This is facilitated by ensuring that everyone is clear about the standards to which they are working and the controls that are in place to ensure that these standards are met.

### **Responsibilities of the Treasurer**

2.2.2 To ensure the proper administration of the financial affairs of the Fire Authority.

2.2.3 To ensure that proper practices are adhered to.

- 2.2.4 To advise on the key strategic controls necessary to secure sound financial management.
- 2.2.5 To ensure that all staff are aware of, and comply with, proper financial management standards, including these Financial Regulations.
- 2.2.6 To ensure that all staff are properly managed, developed, trained and have adequate support to carry out their financial duties effectively.

## **2.3 ACCOUNTING RECORDS AND RETURNS**

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

- 2.3.1 Maintaining proper accounting records is one of the ways in which the Fire Authority will discharge its responsibility for stewardship of public resources. The Fire Authority has a statutory responsibility to prepare annual accounts to present fairly its operations during the year. These are subject to External Audit. This audit provides assurance that the separate sets of accounts have been prepared properly, that proper accounting practices have been followed and that quality arrangements have been made for securing economy, efficiency and effectiveness in the use of resources.

### **Responsibilities of the Treasurer**

- 2.3.2 To determine the accounting procedures and records, in accordance with recognised accounting practices, and approve the strategic accounting systems and procedures. All employees shall operate within the required accounting policies and published timetables.
- 2.3.3 To make proper arrangements for the audit of the Fire Authority's accounts in accordance with the Accounts and Audit Regulations 2015.
- 2.3.4 To ensure that all claims for funds including grants are made by the due date.
- 2.3.5 To ensure that bank reconciliations and other key control accounts are reconciled on a timely and accurate basis.
- 2.3.6 To prepare and publish the accounts in accordance with the statutory timetable.
- 2.3.7 To make any fundamental changes to accounting records and procedures or accounting systems.
- 2.3.8 To ensure that all transactions, material commitments and contracts and other essential accounting information are recorded completely, accurately and on a timely basis.

- 2.3.9 To maintain adequate records to provide a management trail leading from the source of income and expenditure through to the accounting statements.

## **2.4 THE ANNUAL STATEMENT OF ACCOUNTS**

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

- 2.4.1 The Fire Authority has a statutory responsibility to prepare its annual accounts to present fairly their operations during the year. They must be prepared in accordance with proper practices as set out in the Code of Practice on Local Authority Accounting in the United Kingdom (the Code). The accounts will comprise a separate statement for the Fire Authority, as well as group accounts if appropriate
- 2.4.2 The accounts are subject to detailed independent review by the external auditor. This audit provides assurance that the accounts are prepared correctly, that proper accounting practices have been followed and that arrangements have been made for securing economy, efficiency and effectiveness in the use of resources.

### **Responsibilities of the Treasurer**

- 2.4.3 To agree and publish the timetable for final accounts preparation, in consultation with the external auditor and to share this with the appropriate employees.
- 2.4.4 To select suitable accounting policies and apply them consistently.
- 2.4.5 To make judgements and estimates that are reasonable and prudent.
- 2.4.6 To prepare, sign and date the Statement of Accounts, stating that they present fairly the financial position in accordance with requirements of the prevailing Accounts and Audit Regulations 2015 and to present them the Fire Authority for approval.
- 2.4.7 To publish the approved audited accounts each year, in accordance with the statutory timetable.

## **3.1 FINANCIAL PLANNING**

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

- 3.1.1 The Fire Authority is a complex organisation, responsible for delivering a range of services and related activities. It needs to develop systems to enable resources to be allocated in accordance with priorities. Financial planning is essential if they are to function effectively.
- 3.1.2 The financial planning process should be directed by the approved policy framework, the business planning process and the need to meet key objectives.
- 3.1.3 The planning process should be continuous and the planning period should cover at least 5 years. The process should include a more detailed annual plan - the budget, covering the forthcoming financial year.
- 3.1.4 It is recognised that the impact of financial planning will be constrained by the quantity and quality of information made available by central government on resource allocation.

### **Financial Strategy**

- 3.1.5 The financial strategy explains how the Fire Authority will structure and manage its finances to support delivery of its aims and, and to ensure sound financial management and good stewardship of public money.

### **Responsibilities of the Treasurer**

- 3.1.6 To review and update, on an annual basis, the financial strategy.

### **Responsibilities of the Fire Authority**

- 3.1.7 To agree, in consultation with the Chief Fire Officer/Chief Executive and Treasurer a medium term financial plan (MTFP) which includes funding and spending plans for both revenue and capital.
- 3.1.8 When considering the MTFP the Fire Authority shall have due regard to:
  - Community/Integrated Risk Management Plan
  - the national framework for fire
  - CIPFA's Prudential Code for Capital Finance in Local authorities

- The Capital and Reserves Strategies
- potential implications for local taxpayers

### **Responsibilities of the Treasurer**

- 3.1.9 To determine the format and timing of the MTFP to be presented to the Fire Authority.
- 3.1.10 To prepare a medium term financial plan as defined in 3.1.3 in consultation with the Chief Fire Officer/Chief Executive, Fire Authority and other stakeholders and partners.

### **Annual Revenue Budget**

- 3.1.11 The revenue budget provides an estimate of the annual income and expenditure requirements for the Fire Authority and sets out the financial implications of its strategic policies.

### **Responsibilities of the Treasurer**

- 3.1.12 To determine the format of the revenue budget to be presented to the Fire Authority
- 3.1.13 To submit a report to the Fire Authority on:
- the robustness of the estimates and the adequacy of reserves and
  - the suite of prudential indicators for the next three years, arising from the Prudential Code for Capital Finance in Local Authorities.
- 3.1.14 Upon approval of the annual budget, to submit the precept demands to Billing Authorities in accordance with the legal requirement.
- 3.1.15 To produce and publish on the website, in accordance with statutory requirements and best practice, council tax information.

## **3.2 BUDGETARY CONTROL**

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

- 3.2.1 Budget management ensures that once the Fire Authority has approved the budget, resources allocated are used for their intended purpose and are properly accounted for.

Budgetary control is a continuous process, enabling the Fire Authority to review and adjust their budget targets during the financial year. It also provides the mechanism that calls to account managers responsible for defined elements of the budget.

By continuously identifying and explaining variances against budgetary targets, the Fire Authority can identify changes in trends and resource requirements at the earliest opportunity.

- 3.2.2 The key controls for managing and controlling the revenue budget are that:
- a) there is a nominated budget manager for each cost centre heading who is accountable for all spending, income and contracts associated with the budgets under his direct control; and
  - b) the management of budgets must not be seen in isolation. It should be measured in conjunction with service outputs and performance measures.

### **Responsibilities of the Treasurer**

- 3.2.3 To provide appropriate financial information on an accurate and timely basis to enable budgets to be monitored effectively.
- 3.2.4 To ensure that the Chief Fire Officer/Chief Executive has delegated a nominated budget manager for each element of income or expenditure to take responsibility for that part of the budget. Budget responsibility should be aligned as closely as possible to the decision making process that commits expenditure.
- 3.2.5 To submit a budget monitoring report to the Senior Management Board/Service Management Team and the Fire Authority on a regular basis throughout the year, containing the most recently available financial information.

### **Responsibility of Budget Holders**

- 3.2.6 To ensure they are aware of, and comply with, proper financial management standards, including these Financial Regulations.

- 3.2.7 To ensure that total spending remains within the overall allocation of resources they have received and take corrective action where significant variations are forecast.

Where total projected expenditure exceeds the total allocation of resources after corrective action has been taken, both the Treasurer and Chief Fire Officer/Chief Executive shall be alerted immediately and proposals for remedy should be put forward as part of the regular reporting process Fire Authority.

### **Virement**

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

- 3.2.8 A virement is an approved reallocation of resources between budget lines approved by the Fire Authority. The scheme of virement is intended to enable proper financial management at service and organisational level with a degree of flexibility within the overall policy framework determined by the Fire Authority and, therefore, to provide the opportunity to optimise the use of resources to emerging needs.
- (1) Virement is the movement of budget between budget heads, and a budget head is as defined by the Fire Authority in its annual budget.
  - (2) Virement for recurring expenditure will require approval of the Authority, and must be incorporated within the budget setting process
  - (3) Virements from revenue to capital (revenue funding of capital) are permitted
  - (4) Virement from Capital to Revenue is not permitted
  - (5) Virement involving the use of ear-marked reserves which is in accordance with their intended purpose, does not require additional approval.
  - (6) Virement involving the allocation of pay or prices contingencies does not require prior approval
  - (7) All virements between budget heads shall be reported to the Authority as part of the agreed budget monitoring cycle.

Virement limits are given in Appendix 1

### **3.3 CAPITAL PROGRAMME**

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

- 3.3.1 Capital expenditure involves acquiring, enhancing or disposing of fixed assets with a long-term value such as land, buildings, and major items of plant, equipment or vehicles. Capital planning supports the way services are delivered in the long term and may create long term financial commitments in the form of financing costs and revenue running costs.
- 3.3.2 The organisation is able to undertake capital investment providing the spending plans are affordable, prudent and sustainable. CIPFA's Prudential code sets out the framework under which the Fire Authority will consider their spending plans.
- 3.3.3 The capital programme is part of the approved medium term financial plan.

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

- 3.3.4 To develop asset management plans.
- 3.3.5 Ensure accountability of budget managers for capital spend under their control.

#### **Responsibilities of the Treasurer**

- 3.3.6 To prepare a capital strategy for consideration and approval by the Fire Authority in consultation with the Chief Fire Officer/Chief Executive and having due regard to the issues set out in 3.3.2.

#### **Responsibilities of the Fire Authority**

- 3.3.7 To approve the asset management strategy.
- 3.3.8 To approve the annual capital budget and medium term capital programme.

### **Medium Term Capital Programme**

#### **Responsibilities of the Treasurer**

- 3.3.9 To prepare a capital programme in accordance with the agreed Asset Management Strategy for approval by the Fire Authority.

- 3.3.10 To ensure each capital scheme has a named budget manager.  
Arrangement for scheme management, monitoring progress, ensuring completion and post implementation review will vary dependent on the nature of the scheme
- 3.3.11 To identify, and consider the application of, in consultation with Chief Fire Officer/Chief Executive, available sources of funding for the capital programme, including the identification of potential capital receipts from disposal of property.
- 3.3.12 All schemes within the capital projects plan should incorporate realistic estimates of future price inflation, and any revenue budget consequences in addition to capital financing costs
- 3.3.13 Approval of the capital programme budget by the Fire Authority in February each year authorises the Treasurer to seek planning permissions, incur professional fees and preliminary expenses as appropriate, commit expenditure against approved schemes.
- 3.3.14 No leases may be entered into by the Chief Fire Officer/Chief Executive or other officers without the prior written approval of the Treasurer.
- 3.3.15 To make recommendations to the Fire Authority on the most appropriate level of revenue support, application of reserves, and appropriate levels of borrowing under the Prudential Code, and other funding, to support the capital budget.

### **Responsibilities of the Fire Authority**

- 3.3.16 To approve a fully funded medium term capital budget.

### **Monitoring of Capital Expenditure**

### **Responsibilities of the Treasurer**

- 3.3.17 To ensure that adequate records are maintained for all capital contracts, in conjunction with the contract manager
- 3.3.18 To monitor expenditure throughout the year against the approved budget.
- 3.3.19 To submit capital monitoring reports to both Senior Management Board/Service Management Team and the Fire Authority on a regular basis throughout the year. These reports are to be based on the most recently available financial information.

- 3.3.24 Where relevant to ensure that an appropriate and proportional business case is prepared for all new capital schemes for submission to the Fire Authority. Amendments to the programme increasing its overall cost must demonstrate how such changes are to be funded.
- 3.3.25 To report on the outturn of capital expenditure as part of the annual report on the statutory accounts.
- 3.3.26 As part of the annual revenue budgeting process to review the funding proposals for the capital programme to take account of the current economic circumstances and if necessary make revised funding proposals to the Fire Authority.

## **3.4 RESERVES & BALANCES**

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

- 3.4.1 The Fire Authority must approve a Reserves Strategy as part of the annual precept setting process.
- 3.4.2 The proposed use of reserves will be specified in the budget and should form part of regular budget monitoring reports.

### **Responsibilities of the Treasurer**

- 3.4.3 To advise the Fire Authority on appropriate levels of balances and reserves to reflect long term financial risks faced.
- 3.4.4 To report to Fire Authority on the adequacy of reserves and balances before it approves the annual budget and council tax.
- 3.4.5 To approve appropriations to and from each earmarked reserve.
- 3.4.7 To make proposals for the creation, closure or conversion of new earmarked reserves.

### **Responsibilities of the Fire Authority**

- 3.4.8 To approve the Reserves Strategy.
- 3.4.9 To approve the creation of new earmarked reserve. The purpose, usage and basis of transactions should be clearly identified for each reserve established.
- 3.4.10 To approve the allocation of monies to and from reserves as part of the annual budget setting process.

## **4.1 RISK MANAGEMENT AND BUSINESS CONTINUITY**

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

- 4.1.1 It is essential that robust, integrated systems are developed and maintained for identifying and evaluating all potential significant corporate and operational risks. This should include the proactive participation of all those associated with planning and delivering services.
- 4.1.2 All organisations, whether private or public sector, face risks to people, property and continued operations. Risk is the chance or possibility of loss, damage, injury or failure to achieve objectives caused by an unwanted or uncertain action or event. Risk cannot be eliminated altogether. However, risk management is the planned and systematic approach to the identification, evaluation and control of risk. Its objectives are to secure the assets of the organisation and to ensure its continued corporate and financial well-being. In essence it is, therefore, an integral part of good business practice.

### **Responsibilities of the Fire Authority and Chief Fire Officer / Chief Executive**

- 4.1.3 The Fire Authority and Chief Fire Officer/Chief Executive are jointly responsible for approving the risk management policy statement and strategy, and for reviewing the effectiveness of risk management.

### **Responsibilities of Chief Officer/Chief Executive (SWFA – CFO prepares, CFA approves)**

- 4.1.4 To prepare the risk management policy statement and for promoting a culture of risk management awareness and reviewing risk as an ongoing process.
- 4.1.5 To implement procedures to identify, assess, prevent or contain material known risks, with a monitoring process in place to review regularly the effectiveness of risk reduction strategies and the operation of these controls. The risk management process should be formalised and conducted on a continuing basis.
- 4.1.6 To ensure that appropriate business continuity plans are developed, implemented and tested on a regular basis.
- 4.1.10 To ensure that claims made against insurance policies are made promptly.
- 4.1.11 To make all appropriate employees aware of their responsibilities for managing relevant risks.

4.1.12 To ensure that employees, or anyone covered by our insurance, are instructed not to admit liability or make any offer to pay compensation that may prejudice the assessment of liability in respect of any insurance claim.

4.1.13 To ensure that a comprehensive risk register is produced updated regularly, and that corrective action is taken at the earliest possible opportunity to either transfer, treat, tolerate or terminate the identified risk.

4.1.14 To regularly report the risk register to the Fire Authority.

4.1.15 To regularly review the risk management process and risk register,

### **Responsibilities of the Treasurer**

4.1.6 To advise the Fire Authority and Chief Fire Officer/Chief Executive on appropriate arrangements for insurance. Acceptable levels of risk should be determined and insured against where appropriate. Activities leading to levels of risk assessed as unacceptable should not be undertaken. (SWFA – CFO/CE advises CFA on insurance cover, delegated to Risk Manager. HoHR&A responsible for arrangement of appropriate insurance cover)

4.1.7 To ensure that appropriate insurance cover is provided.

### **Responsibilities of the Monitoring Officer**

4.1.8 To evaluate and authorise any terms of indemnity that we are requested to give by external parties.

## **4.2 INTERNAL CONTROL SYSTEM**

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

- 4.2.1 Internal control refers to the systems of control devised by management to help ensure objectives are achieved in a manner that promotes economical, efficient and effective use of resources and that assets and interests are safeguarded.
- 4.2.2 The organisation is complex and requires an internal control framework to manage and monitor progress towards strategic objectives. The organisation has statutory obligations, and, therefore, requires a system of internal control to identify, meet and monitor compliance with these obligations.
- 4.2.3 The organisation faces a wide range of financial, administrative and commercial risks, both from internal and external factors, which threaten the achievement of its objectives. A system of internal control is necessary to manage these risks. The system of internal control is established in order to provide achievement of:
- efficient and effective operations
  - reliable financial information and reporting
  - compliance with laws and regulations
  - risk management

### **Responsibilities of the Treasurer**

- 4.2.4 To implement effective systems of internal control to ensure compliance with relevant statutes and regulations, and other relevant statements of best practice. They shall ensure that public resources are properly safeguarded and used economically, efficiently and effectively.
- 4.2.5 To ensure that effective key controls are operating in managerial control systems, including defining policies, setting objectives and plans, monitoring financial and other performance information and taking appropriate anticipatory and remedial action where necessary. The key objective of these control systems is to define roles and responsibilities.
- 4.2.6 To ensure that effective key controls are operating in financial systems and procedures. This includes physical safeguard of assets, segregation of duties, authorisation and approval procedures and robust information systems.

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

- 4.2.7 To produce an Annual Governance Statement for consideration and approval by the Fire Authority. Following approval, the Annual Governance Statement should be signed by the Chief Executive/Chief Fire Officer and the, Chair of the Fire Authority. (SWFA – delegated to Risk Manager)

## **4.3 AUDIT REQUIREMENTS**

### **Internal Audit**

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

- 4.3.1 Internal audit is an assurance function that provides an independent and objective opinion to the organisation on the control environment, by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.
- 4.3.2 The requirement for an internal audit function for local authorities is either explicit or implied in the relevant local government legislation (section 114 of the Local Government Finance Act 1988), which requires that authorities "make arrangements for the proper administration of their financial affairs". In the Fire and Rescue Service the Treasurer is required to maintain an effective audit of their affairs by virtue of the Accounts and Audit Regulations 2015 (as amended) which state that a "relevant body must maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control". The guidance accompanying the legislation states that proper internal control practices for internal audit are those contained in the Public Sector Internal Audit Standards and associated Local Government Application note.
- 4.3.3 In fulfilling this requirement the Fire Authority should have regard to the Public Sector Internal Audit Standards and associated Local Government Application Note. In addition, the Statement on the Role of the Head of Internal Audit in Public Service Organisations issued by CIPFA sets out best practice and should be used to assess arrangements to drive up audit quality and governance arrangements.
- 4.3.4 In addition to enabling Fire Authority to fulfil its requirements in relation to the relevant Accounts and Audit Regulations, Internal Audit is needed:

- to satisfy the Fire Authority that effective internal control systems are in place; and
- to satisfy the external auditor that financial systems and internal controls are effective and that the Fire Authority is managed so as to secure value for money.

### **Audit Committee:**

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

4.3.5 The purpose of an audit committee\* is to provide those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes. By overseeing internal and external audit it makes an important contribution to ensuring that effective assurance arrangements are in place.

\*H&WFRS – Audit and Standards Committee  
 SWFA – Standards, Audit and Performance Committee  
 (These committees carry out these functions alongside others)

#### **Responsibilities of the Fire Authority**

- 4.3.6 To appoint members of the Committee.
- 4.3.7 To establish the Committee's Terms of Reference.
- 4.3.8 To receive and act upon the annual report from the Committee.

#### **Responsibilities of the Audit Committee**

- 4.3.9 To approve the terms of reference within which internal audit operates. In terms of internal audit the terms of reference will include the following key activities and responsibilities:
  - approving (but not directing) the internal audit annual programme;
  - overseeing and giving assurance to the Fire Authority on the provision of an adequate and effective internal audit service; receiving progress reports on the internal audit work plan and ensuring appropriate action is taken in response to audit findings, particularly in areas of high risk;

- considering the Head of Internal Audit's Annual Report and annual opinion on the internal control environment for the Fire Authority; ensuring appropriate action is taken to address any areas for improvement.
- reviewing and monitoring the effectiveness of policies on fraud, irregularity and corruption;
- scrutinising the draft statement of accounts and annual governance statements prior to publication.
- signing the annual letter of representation for submission to the external auditor.
- approving the annual work plan and fee.
- receiving and respond to the audit results report.
- receiving the annual audit letter.
- establishing appropriate audit arrangements in line with current practices

4.3.10 To approve the internal audit strategy, which sets out:

- internal Audit objectives and outcomes;
- how the Head of Internal Audit will form and evidence his opinion on the control environment to support the Annual Governance Statement;
- how Internal Audit's work will identify and address significant local and national issues and risks, and;
- the resources and skills required to deliver the strategy.

#### **Responsibilities of the Fire Authority, delegated to the Treasurer and Chief Finance Officer**

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

4.3.12 To ensure that internal auditors have the authority to:

- access premises at any time;
- access all assets, records, documents, correspondence, control systems and appropriate personnel;
- receive any information and explanation considered necessary concerning any matter under consideration;
- require any employee to account for cash, stores or any other asset under their control;
- access records belonging to contractors, when required.

4.3.13 Internal Audit shall have direct access to all appropriate officers, managers and staff.

4.3.14 Internal Audit shall have access to the Audit Committee and the Fire Authority, independent of the Treasurer and the Chief Fire Officer.

#### **Responsibilities of the Head of Internal Audit**

4.3.15 To prepare, in consultation with the Chief Fire Officer and Treasurer and Chief Finance Officer - an Internal Audit Strategy and Plan that conforms to the CIPFA Code of Practice, for consideration by the Audit Committee.

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

4.3.17 To present an annual report to the Joint Audit Committee, including an opinion on the effectiveness of the internal control environment.

#### **Responsibilities of all service managers**

4.3.18 To consider and respond promptly to control weaknesses, issues and recommendations in audit reports and ensure that all critical or significant agreed actions arising from the audit are carried out in accordance with the agreed action plan included in each report.

#### **Responsibilities of the Treasurer and Chief Finance Officer**

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

4.3.20 To notify the relevant officer\* immediately of any suspected fraud, theft, irregularity, improper use or misappropriation of property or resources. Pending investigation and reporting, the Treasurer should take all necessary steps to prevent further loss and to secure records and documentation against removal or alteration. Investigation of internal financial irregularities shall normally be carried out by the Head of Internal Audit as appropriate. At the conclusion of the investigation the Head of Internal Audit shall review the case to identify any internal control weaknesses that allowed the financial irregularity to happen and shall make recommendations to ensure that the risk of recurrence is minimised. The operation of this Regulation shall be in accordance with the agreed protocol between the Treasurer and the Head of Internal Audit.

\*SWFA – line manager or a senior manager, who will refer to Treasurer H&WFRS – Head of Finance (or Treasurer or other officer as stated in the policy

## **External Audit**

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

- 4.3.21 The external auditor has rights of access to all documents and information necessary for audit purposes.
- 4.3.22 The basic duties of the external auditor are governed by a code of audit practice, which will, in future, be produced by the National Audit Office. The code of audit practice sets out the auditor's objectives to review and report upon:
- the financial aspects of the audited body's corporate governance arrangements;
  - the audited body's financial statements;
  - aspects of the audited body's arrangements to secure Value for Money.

### **Responsibilities of the Treasurer and Chief Finance Officer**

- 4.3.23 To liaise with the external auditor and advise the Fire Authority and Chief Fire Officer on their responsibilities in relation to external audit and ensure there is effective liaison between external and internal audit.
- 4.3.24 To ensure that for the purposes of their work the external auditors are given the access to which they are statutorily entitled in relation to premises, assets, records, documents, correspondence, control systems and personnel.
- 4.3.25 To respond to draft action plans and to ensure that agreed recommendations are implemented in a timely manner.

## **4.4 ANTI- FRAUD AND ANTI-CORRUPTION**

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

- 4.4.1 The organisation will not tolerate fraud or corruption in the administration of its responsibilities, whether from internal or external sources.
- 4.4.2 The Fire Authority, Chief Fire Officer/Chief Executive and employees at all levels will lead by example in ensuring adherence to legal requirements, rules, procedures and practices.
- 4.4.3 The organisation also expects that individuals and organisations (e.g. suppliers, contractors, and service providers) with whom it comes into contact will act with honesty and integrity.

### **Responsibilities of the Fire Authority and Chief Fire Officer/Chief Executive**

- 4.4.4 To approve and adopt a policy on registering of interests and the receipt of hospitality and gifts.
- 4.4.5 To maintain an effective anti-fraud, anti-corruption and anti-money laundering policy.
- 4.4.6 To ensure that adequate and effective internal control arrangements are in place.

### **Responsibilities of the Monitoring Officer**

- 4.4.7 To maintain a policy and register for the registering of interests and the receipt of hospitality and gifts including Fire Authority Members, fire officers and staff including where gifts and hospitality have been declined.
- 4.4.8 To maintain a whistle blowing policy to provide a facility that enables employees, the general public and contractors to make allegations of fraud, misuse and corruption in confidence, and without recrimination, to an independent contact. Procedures shall ensure that allegations are investigated robustly as to their validity, that they are not malicious and that appropriate action is taken to address any concerns identified. The Chief Fire Officer/Chief Executive shall ensure that all employees are aware of any approved whistle blowing policy.

### **Responsibilities of the Treasurer and Chief Finance Officer**

- 4.4.9 To implement and maintain a clear internal financial control framework setting out the approved financial systems to be followed by all elected or appointed representatives and employees.

## **4.5 ASSETS**

### **Security**

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

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

#### **Context**

4.5.2 The Fire Authority owns and funds all assets regardless of whether they are used solely by the Fire Authority or shared with partners.

4.5.3 The Chief Fire Officer/Chief Executive is responsible for the direction and control of the Fire and Rescue Service and will therefore have day-to-day direction and control of these assets.

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

4.5.4 The Chief Fire Officer/Chief Executive will produce an Asset Management Strategy involving a full assessment of the assets required to meet operational requirements, including in terms of human resources, infrastructure, land, property and equipment.

4.5.5 To ensure that:

- a) an asset register is maintained to provide information about fixed assets so that they are safeguarded, used efficiently and effectively, adequately maintained and valued in accordance with statutory and management requirements;
- b) assets and records of assets are properly maintained and securely held and that contingency plans for the security of assets and continuity of service in the event of disaster or system failure are in place;
- c) lessees and other prospective occupiers of our land are not allowed to take possession or enter the land until a lease or agreement has been established as appropriate;

- d) title deeds to property are held securely;
- e) no asset is subject to personal use by an employee without proper authority;
- f) valuable and portable items such as computers, cameras and video recorders are identified with security markings as belonging to the organisation;
- g) all employees are aware of their responsibilities with regard to safeguarding assets and information, including the requirements of the Data Protection Act and software copyright legislation;
- h) assets no longer required are disposed of in accordance with the law and the regulations of the organisation;
- i) all employees are aware of their responsibilities with regard to safeguarding the security of ICT systems, including maintaining restricted access to the information held on them and compliance with the information and security policies.
- j) An ICT strategy is produced and presented to the Fire Authority for consideration and endorsement. This will form part of the development of the capital programme and annual budget process.
- k) A fleet management strategy is produced and presented to the Fire Authority for consideration and endorsement. This will form part of the development of the capital programme and annual budget process.
- l) The property portfolio is managed in accordance with the agreed estates asset management plan and within budgetary provisions, in consultation with the Treasurer as appropriate.
- m) To ensure that an estates strategy is produced and presented to the Fire Authority for approval. This will form part of the development of the capital programme and annual budget process.

### **Responsibilities of the Fire Authority**

#### **4.5.6 To approve the**

- Asset Management Strategy
- Vehicle Strategy
- Estates Strategy
- ICT Strategy

## **Valuation**

### **Responsibilities of the Treasurer**

- 4.5.7 To maintain an asset register for all fixed assets with a value in excess of the limits shown in Section 7. Assets are to be recorded when they are acquired. Assets shall remain on the asset register until disposal. Assets are to be valued in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom* and the requirements specified by the Treasurer.

## **Inventories**

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

- 4.5.8 To ensure that inventories are maintained in a format approved, as appropriate, by the Treasurer that record an adequate description of items with a value in line with Section 7. Other items of equipment should also be recorded if they are deemed to be both desirable and portable (e.g. laptops).

## **Stocks and Stores**

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

- 4.5.9 To make arrangements for the care, custody and control of the stocks and stores and to maintain detailed stores accounts.
- 4.5.10 To undertake a complete stock check at least once per year either by means of continuous or annual stock take.
- 4.5.11 Discrepancies between the actual level of stock and the book value of stock may be written-off, in line with the values agreed in Section 7.
- 4.5.12 To write-off obsolete stock.

## **Intellectual Property**

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

- 4.5.13 Intellectual property is a generic term that includes inventions and the written word.
- 4.5.14 It is policy that if any intellectual property is created by the employee during the course of employment, then, as a general rule, this will belong to the employer, not the employee. Various acts of Parliament cover different types of intellectual property. Certain activities undertaken may give rise to works that could attract intellectual property rights, for example, software.

4.5.15 In the event that the organisation decides to become involved in the commercial exploitation of inventions, the matter should proceed in accordance with an intellectual property policy. Matters should only proceed after advice from the Monitoring Officer

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

4.5.16 To ensure that employees are aware of these procedures.

4.5.17 To prepare an intellectual property policy, guidance on procedures and ensuring that employees are aware of these procedures.

#### **Responsibilities of the Fire Authority**

4.5.18 To approve the intellectual property policy (if required)

#### **Asset Disposal**

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

4.5.19 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 these regulations.

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

4.5.20 To dispose of assets at the appropriate time and at the most advantageous price. Where this is not the highest offer, this can only be done with the agreement of the Fire Authority following consultation with the Treasurer and Monitoring Officer.

4.5.21 All asset disposals shall be recorded in the asset register or inventory as appropriate.

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

4.5.23 To ensure that appropriate accounting entries are made to remove the value of disposed assets from the records and to include the sale proceed if appropriate.

## **4.6 TREASURY MANAGEMENT AND BANKING ARRANGEMENTS**

### **Treasury Management**

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

- 4.6.1 The Fire Authority handle millions of pounds in each financial year. It is important that money is managed properly, in a way that balances risk with return, but with the prime consideration being given to the security of invested monies.
- 4.6.2 The organisation will create and maintain, as the cornerstones for effective treasury management:
- a treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities;
  - suitable Treasury Management Practices (TMPs) setting out the way in which the organisation will seek to achieve those policies and objectives and prescribing how it will manage and control those activities.

#### **Responsibilities of the Fire Authority**

- 4.6.3 To adopt the key recommendations of CIPFA's Treasury Management in the Public Services: Code of Practice (the Code).
- 4.6.4 To approve the annual treasury management policy and annual investment strategy.
- 4.6.5 To receive and approve regular treasury management performance monitoring reports.

#### **Responsibilities of the Treasurer**

- 4.6.6 To implement and monitor treasury management policies and practices in line with the CIPFA Code and other professional guidance.
- 4.6.7 To prepare reports on the Fire Authority's treasury management policies, practices and activities, including, as a minimum, an annual strategy, half yearly performance monitoring reports and an annual report.
- 4.6.8 To execute and administer treasury management in accordance with the CIPFA Code and the approved policy.
- 4.6.9 To arrange borrowing and investments, in compliance with the CIPFA Code.

## **Banking Arrangements**

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

- 4.6.11 A secure approach to banking services is essential in order to achieve optimum performance from our bankers and the best possible value for money.

### **Responsibilities of the Treasurer**

- 4.6.12 To have overall responsibility for the banking arrangements.
- 4.6.13 To authorise the opening and closing of all bank accounts. No other employee shall open a bank account. .
- 4.6.14 To ensure bank reconciliations are undertaken on a timely and accurate basis.
- 4.6.15 To maintain a record of approved signatories on all bank accounts.

## **Imprest Accounts / Petty Cash**

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

- 4.6.16 Cash advances may be made to an individual in a department / establishment in order that relatively small incidental payments may be made quickly. A record of disbursements from the account should be maintained to control the account and so that the expenditure may be substantiated, accurately reflected in the accounts and correctly reimbursed to the account holder.

### **Responsibilities of the Treasurer**

- 4.6.17 To provide appropriate employees with cash, bank imprests, pre-paid cash cards or procurement cards to meet minor expenditure on behalf of the organisation. The Treasurer and Chief Fire Officer/Chief Executive shall determine reasonable petty cash limits and maintain a record of all transactions and petty cash advances made, and periodically review the arrangements for the safe custody and control of these advances.
- 4.6.18 To prepare detailed Financial Instructions for dealing with petty cash, and these shall be issued to all appropriate employees.

## **Anti-Money Laundering**

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

- 4.6.19 The organisation is alert to the possibility that it may become the subject of an attempt to involve it in a transaction involving the laundering of money.
- 4.6.20 Suspicious cash deposits in any currency in excess of £10,000 (or equivalent) should be reported to the National Crime Agency (NCA) or a successor body.
- 4.6.21 The organisation will monitor its internal control procedures to ensure they are reliable and robust.

### **Responsibilities of the Treasurer**

- 4.6.22 To be the nominated Money Laundering Reporting Officer (MLRO).
- 4.6.23 Upon receipt of a disclosure to consider, in the light of all information, whether it gives rise to such knowledge or suspicion.
- 4.6.24 To disclose relevant information to the National Crime Agency (NCA) or a successor body.
- 4.6.28 To prepare and review the anti-money laundering policy.

### **Responsibilities of Chief Fire Officer/Chief Executive**

- 4.6.29 To undertake appropriate checks to ensure that all new suppliers and counterparties are bona fide.

### **Responsibilities of employees**

- 4.6.30 To notify the Treasurer as soon as they receive information which may result in them knowing or having reasonable grounds for knowing or suspecting money laundering, fraud or use of the proceeds of crime.  
  
Not to accept cash payment exceeding £2,000 without prior consultation with the Treasurer
- 4.6.31 Not to accept cash payments from a single source exceeding £5,000 in any circumstances.

## **4.7 STAFFING**

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

4.7.1 Staffing costs form the largest element of the annual budget.

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

- 4.7.2 To ensure that their employees and those under their direction and control are appointed, employed and dismissed in accordance with relevant statutory regulations, national agreements and personnel policies, budgets and strategies.
- 4.7.3 To match the staffing numbers and approved budget provision and varying the provision as necessary within policy constraints in order to meet changing operational needs.
- 4.7.4 To have systems in place to record all matters affecting payments to staff, including appointments, resignations, dismissals, secondments, suspensions, transfers and all absences from work.
- 4.7.5 To approve policy arrangements for premature retirements on grounds of ill-health or efficiency and redundancy arrangements for all staff.
- 4.7.6 To produce and publish the annual Pay Policy Statement, and to ensure compliance with its provisions.
- 4.7.7 To produce and publish the annual Gender Pay Gap Report.

## **4.9 GIFTS, LOANS AND SPONSORSHIP**

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

- 4.9.1 The Fire Authority may decide to accept gifts of money and gifts or loans of other property or services (e.g. car parking spaces) if they will enable the Fire Authority either to enhance or extend the service which they would normally be expected to provide. The terms on which gifts or loans are accepted may allow commercial sponsorship of some Fire Authority activities.

### **Context**

- 4.9.2 Gifts, loans and sponsorship are particularly suitable for multi-agency work such as fire prevention, community relations work, and victim support schemes.
- 4.9.3 Gifts, loans and sponsorship can be accepted from any source which has genuine and well-intentioned reasons for wishing to support specific projects. In return, the provider may expect some publicity or other acknowledgement. It is acceptable to allow the provider to display the organisation's name or logo on publicity material, provided this does not dominate or detract from the purpose of the supported project.

Gifts, loans and sponsorship should not be accepted where there is a risk of offending the integrity or propriety of the Fire and Rescue Service:

- in a competing market it could be perceived to distort or give an unfair advantage to any one company;
  - to influence the direction of a particular policy or operation;  
or
  - where activities are supported which cannot readily be discontinued, since they can be withdrawn at any time on the initiative of the donor.
- 4.9.4 Priority shall be given to meeting the needs of the Authority rather than those of the sponsor. Care should be taken to avoid the following:
- potentially sensitive associations with inappropriate sponsors;
  - potentially sensitive associations with companies already in a contractual arrangement to provide goods or services to the Authority or with prospective suppliers, which could be construed by competitors as preferential treatment;
  - projects which could distract effort from tackling agreed priorities;

- projects of dubious or limited benefit;
- offers of gifts, loans or sponsorship with conditions attached;
- offers of equipment which is incompatible; and
- inadequate contractual arrangements.

4.9.5 The total value of gifts, loans and sponsorship accepted, should not exceed 1% of the gross expenditure budget annually.

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

4.9.6 To propose a policy on gifts, loans and sponsorship.

#### **Responsibilities of the Fire Authority**

4.9.7 To approve the policy on gifts, loans and sponsorship.

#### **Responsibilities of the Treasurer**

4.9.8 To accept gifts, loans or sponsorship within agreed policy guidelines.

4.9.9 To refer gifts, loans and sponsorship to the Fire Authority for approval before they are accepted, where they exceed £10,000, or market equivalent, or where there would be public sensitivity over acceptance of the gift, loan or sponsorship.

4.9.10 To present an annual report to the Fire Authority listing all gifts, loans and sponsorship exceeding £10,000

4.9.11 In conjunction with the Monitoring Officer, to maintain a central register of all sponsorship initiatives and agreements including their true market value, and to provide an annual certified statement of all such initiatives and agreements.

4.9.12 To bank cash from sponsorship activity in accordance with normal income procedures.

## 5.1 SYSTEMS & PROCESSES

### Why is this important?

- 5.1.1 There are many systems and procedures relating to the control of assets, including purchasing, costing and management systems. The organisation is reliant on computers for financial management information. This information must be accurate and the systems and procedures sound and well administered. They should contain controls to ensure that transactions are properly processed and errors detected promptly.
- 5.1.2 The Treasurer has a statutory responsibility to ensure that financial systems are sound; no proposed developments or changes may be made without prior approval of the Treasurer

### Responsibilities of the Treasurer

- 5.1.3 To make arrangements for the proper administration of financial affairs, including to:
- issue advice, guidance and procedures for officers and others acting on behalf of the organisation;
  - determine the accounting systems, form of accounts and supporting financial records; and their retention;
  - establish arrangements for the audit of financial affairs;
  - approve any new financial systems to be introduced;
  - approve any changes to existing financial systems.
- 5.1.4 To ensure, in respect of systems and processes, that:
- systems are secure, adequate internal control exists and accounting records (e.g. invoices, income documentation) are properly maintained and held securely. This is to include an appropriate segregation of duties to minimise the risk of error, fraud or other malpractice;
  - appropriate controls exist to ensure that all systems input, processing and output is genuine, complete, accurate, timely and not processed previously;
  - a complete audit trail is maintained, allowing financial transactions to be traced from the accounting records to the original document and vice versa;
  - systems are documented and staff trained in operations.
- 5.1.5 To ensure that there is a documented and tested business continuity plan to allow key system processing to resume as appropriate. Effective contingency arrangements, including back up procedures, are to be in place in the event of a failure in computer systems.

- 5.1.6 To establish separate schemes of delegation, from the Fire Authority and the Chief Fire Officer/Chief Executive to their own staff identifying staff authorised to act on their behalf in respect of income collection, placing orders, making payments and employing staff.

## **5.2 INCOME**

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

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

### **Context**

- 5.2.2 S19 of the Fire and Rescue Services Act 2004 allows Fire and Rescue Services/Authorities to charge for some services in certain circumstances.
- 5.2.3 The Fire Authority and Chief Fire Officer/Chief Executive should ensure that there are arrangements in place to ensure that expected charges are clearly identified in their budgets and that costs are accurately attributed and charged. When considering budget levels the Fire Authority and the Chief Fire Officer/Chief Executive, on the advice of the Treasurer, should ensure that ongoing resource requirements are not dependant on a significant number of uncertain or volatile income sources and should have due regard to sustainable and future year service delivery.
- 5.2.4 When specifying resource requirements the annual budget plan and the MTFP will identify the expected income from charging, if material.

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

- 5.2.5 To produce a Charging Strategy, identifying those elements that the Fire Authority is recommended to charge for and those that it is not, setting out the reasoning as appropriate.

### **Responsibilities of the Treasurer**

- 5.2.6 To make arrangements for the collection of all income due and approve the procedures, systems and documentation for its collection, including the correct charging of VAT.
- 5.2.7 To agree a charging rates for the supply of goods and services, including the appropriate charging of VAT, and to review it regularly in line with corporate policies.

- 5.2.8 To ensure that all income is paid fully and promptly into the Fire Authority Bank Account. Appropriate details should be recorded on to paying-in slips to provide an audit trail.
- 5.2.9 To ensure income is not used to cash personal cheques or make other payments.
- 5.2.10 To order and supply to appropriate employees all receipt forms, books or tickets and similar items and be satisfied as to the arrangements for their control. Official receipts or other suitable documentation shall be issued for all income received.
- 5.2.11 To operate effective debt collection procedures.
- 5.2.12 To initiate, in consultation with the Chief Fire Officer/Chief Executive, appropriate debt recovery procedures, including legal action where necessary.
- 5.2.13 To arrange the write-off of bad debts, in accordance with the limits outlined in Section 7. Proposals for write-offs should be supported by the reason(s) for the write-off.
- 5.2.14 To prepare detailed Financial Instructions for dealing with income, and to issue them to all appropriate employees.

### **Responsibilities of the Fire Authority**

- 5.2.15 To approve the Charging Strategy  
To approve the charge rates

## **5.3 ORDERING AND PAYING FOR WORK, GOODS AND SERVICES**

### **Why is this required?**

- 5.3.1 Public money should be spent in accordance with the financial and regulatory framework and policies. The organisation has a statutory duty to ensure financial probity and best value. The Fire Authority's financial regulations and purchasing procedures help to ensure that the public can receive value for money. These procedures should be read in conjunction with Contract Standing Orders

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

- 5.3.2 To maintain Contract Standing Orders covering the principles to be followed for the purchase of goods and services.

- 5.3.3 To issue official orders for all work, goods or services to be supplied, except for supplies of utilities, periodic payments such as rent or rates, petty cash purchases or other exceptions approved by the Treasurer. Orders must be placed before the supply of goods or services and be generated from the Authority's Financial Management System
- 5.3.4 Official orders must not be raised for any personal or private purchases, nor must personal or private use be made of the organisation's contracts.
- 5.3.5 Goods and services ordered must be appropriate and there must be adequate budgetary provision.
- 5.3.6 Payments are not to be made other than in accordance with any official order or contract.
- 5.3.7 To ensure that payments are made to the correct person, for the correct amount, on time, and are recorded properly, regardless of the method of payment.
- 5.3.8 Payment by BACS is the preferred method of payment.
- 5.3.9. To ensure that there is appropriate segregation of duties between the raising and authorising of orders and the receipt of goods and services.
- 5.3.10 To ensure that VAT is recovered where appropriate.
- 5.3.11 To ensure that all expenditure, including VAT, is accurately recorded against the right budget and any exceptions are corrected.
- 5.3.12 To ensure that all purchases made follow the rules, regulations and procedures, as set out in this document, and any relevant organisational procedures including contract financial regulations.
- 5.3.13 To prepare detailed Financial Instructions for dealing with the ordering and payment of goods and services, and to issue these to all appropriate employees.

## **5.4 PAYMENTS TO EMPLOYEES**

### **Why is this required?**

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

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

- 5.4.2 To ensure the secure and reliable payment of salaries, overtime, pensions, compensation and other emoluments to existing and former employees.
- 5.4.3 To ensure that tax, pension and other deductions are made correctly and paid over at the right time to the relevant bodies.
- 5.4.4 To pay all valid travel and subsistence claims or financial loss allowance.
- 5.4.5 To pay salaries, wages, pensions and reimbursements by the most economical means.
- 5.4.6 To ensure that payroll transactions are processed only through the payroll system. Payments to individuals employed on a self-employed consultant or subcontract basis shall only be made in accordance with HM Revenue & Customs (HMRC) requirements. The HMRC applies a tight definition of employee status, and in cases of doubt, advice should be sought from them.
- 5.4.7 To ensure that full records are maintained of payments in kind and properly accounted for in any returns to the HMRC.
- 5.4.8 To prepare detailed Financial Instructions for dealing with payments to employees and these shall be issued to all appropriate employees.

## **5.5 TAXATION**

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

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

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

- 5.5.2 To ensure the timely completion and submission of all HM Revenue & Customs (HMRC) returns relating to payroll regarding PAYE and National Insurance and that due payments are made in accordance with statutory requirements.
- 5.5.3 To ensure that appropriate technical staff have access to up to date guidance notes and professional advice

### **Responsibilities of the Treasurer**

- 5.5.4 To ensure the timely completion and submission of VAT claims, inputs and outputs to HMRC.
- 5.5.5 To ensure that the correct VAT liability is attached to all income due and that all VAT receivable on purchases complies with HMRC regulations.
- 5.5.6 To provide details to the HMRC regarding the construction industry tax deduction scheme.
- 5.5.7 To ensure that appropriate technical staff have access to up to date guidance notes and professional advice.

## **5.6 PURCHASING CARDS AND CORPORATE CREDIT CARDS**

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

- 5.6.1 Purchase cards are an alternative method of buying and paying for relatively low value goods, which generate a high volume of invoices. This should generate an efficiency saving from lower transaction costs (i.e. fewer invoices processed and paid for through the integrated accounts payable system), as well as reducing the number of petty cash transactions.
- 5.6.2 Credit cards provide an effective method for payment for designated officers who, in the course of their official business, have an immediate requirement for expenditure which is relevant to the discharge of their duties.

### **Responsibilities of the Treasurer**

- 5.6.3 To provide detailed financial instructions to card holders.
- 5.6.4 To authorise and maintain control over the issue of cards.
- 5.6.5 To reconcile the purchase card account to the ledger on a monthly basis.
- 5.6.6 To maintain a list of all purchase/ credit card holders.

### **Responsibilities of Card Holders**

- 5.6.7 Purchase Card holders are responsible for ordering and paying for goods and services in accordance with the Authority's Contract Standing Orders, and all procedures laid down by the Treasurer and Chief Finance Officer.
- 5.6.8 To ensure that purchases are in accordance with approved policies.
- 5.6.9 To provide receipted details of all payments made by corporate credit card each month, including nil returns, to ensure that all expenditure is correctly reflected in the accounts and that VAT is recovered.

## 6.1 JOINT WORKING ARRANGEMENTS

### Why is this important?

6.1.1 Public bodies are increasingly encouraged to provide seamless service delivery through working closely with other public bodies, local authorities, agencies and private service providers.

6.1.2 Joint working arrangements can take a number of different forms, each with its own governance arrangements. These are grouped under the following headings:

- Partnerships
- Consortia
- Collaboration

6.1.3 Partners engaged in joint working arrangements have common responsibilities:

- to act in good faith at all times and in the best interests of the partnership's aims and objectives;
- to be willing to take on a role in the broader programme, appropriate to the skills and resources of the contributing organisation;
- to be open about any conflicts that might arise;
- to encourage joint working and promote the sharing of information, resources and skills;
- to keep secure any information received as a result of partnership activities or duties that is of a confidential or commercially sensitive nature;
- to promote the project.

6.1.4 In all joint working arrangements the following key principles must apply:

- before entering into the agreement, a risk assessment has been prepared;
- such agreements do not impact adversely upon the services provided;
- project appraisal is in place to assess the viability of the project in terms of resources, staffing and expertise;
- all arrangements are properly documented;
- regular communication is held with other partners throughout the project in order to achieve the most successful outcome;
- audit and control requirements are satisfied;
- accounting and taxation requirements, particularly VAT, are understood fully and complied with;
- an appropriate exit strategy has been produced.

- 6.1.5 The Authority's element of all joint working arrangements must comply with these Financial Regulations.

## **PARTNERSHIPS**

- 6.1.6 The term partnership refers to groups where members work together as equal partners with a shared vision for a geographic or themed policy area, and agree a strategy in which each partner contributes towards its delivery. A useful working definition of such a partnership is where the partners:

- are otherwise independent bodies;
- agree to co-operate to achieve a common goal; and
- achieve it to create an organisational structure or process and agreed programme, and share information, risks and rewards

- 6.1.7 The number of partnerships, both locally and nationally, is expanding in response to central government requirements and local initiatives. This is in recognition of the fact that partnership working has the potential to:

- deliver strategic objectives;
- improve service quality and cost effectiveness;
- ensure the best use of scarce resources; and
- deal with issues which cut across agency and geographic boundaries, and where mainstream programmes alone cannot address the need.

## **Responsibilities of Managers**

- 6.1.8 To follow the guidance manual for local partnerships, ensuring appropriate arrangements for the management of partnership arrangements and related contracts and service level agreements.
- 6.1.9 To consult, as early as possible, and always before reaching any agreements, the Treasurer to ensure the development of appropriate business cases, correct treatment of taxation and other accounting arrangements.
- 6.1.10 To produce a Memorandum of Understanding (MOU) setting out the appropriate financial and operational arrangements for the project. This document should be signed by the Chief Executive/Chief Fire Officer and Treasurer.

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

- 6.1.11 To keep a register of statutory and other legally formalised partnerships, consortia and collaboration agreements

## **CONSORTIUM ARRANGEMENTS**

- 6.1.12 A consortium is a long-term joint working arrangement with other bodies, operating with a formal legal structure approved by the Fire Authority

### **Responsibilities of Managers**

- 6.1.13 To contact the Chief Fire Officer/Chief Executive before entering into a formal consortium agreement, to establish the correct legal framework.
- 6.1.14 To consult, as early as possible and always before reaching any agreements the Treasurer to ensure the correct treatment of taxation and other accounting arrangements.
- 6.1.15 To produce a business case to show the full economic benefits to be obtained from participation in the consortium.
- 6.1.16 To produce an MOU setting out the appropriate governance and financial arrangements for the project. This document should be signed by the Chief Fire Officer/Chief Executive and Treasurer

### **Responsibilities of the Fire Authority**

- 6.1.17 To approve participation in the consortium arrangement.

## **COLLABORATION**

- 6.1.18 The Policing and Crime Act 2017 places a duty to collaborate on Fire and Rescue Authorities and the emergency services.
- 6.1.19 The Fire Authority shall hold the Chief Fire Officer/Chief Executive to account for any collaboration in which his service is involved.
- 6.1.20 Any such proposal must be discussed with the Treasurer in the first instance, to ensure it delivers value for money.

## **6.2 EXTERNAL FUNDING**

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

- 6.2.1 External funding can be a very important source of income, but funding conditions need to be carefully considered to ensure that they are compatible with the aims and objectives of the organisation. Funds from external agencies may provide additional resources to enable the Fire Authority to deliver its objectives. Funds may or may not be subject to conditions requiring them to be spent in specific ways. All such funding is paid into the Fire Authority budget.

### **Responsibilities of Chief Fire Officer/Chief Executive**

- 6.2.2 To pursue actively any opportunities for additional funding where this is considered to be in the interests of the organisation.
- 6.2.3 To ensure that the match-funding requirements and exit strategies are considered prior to entering into the agreements and that future medium term financial forecasts reflect these requirements.
- 6.2.4 To ensure that all funding notified by external bodies is received and properly accounted for, and that all claims for funds are made by the due date and that any audit requirements specified in the funding agreement are met.
- 6.2.5 To sign off funding applications
- 6.2.6 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.
- 6.2.7 To ensure that any conditions in relation to external funding are in accordance with the approved policies of the Fire Authority

## **6.3 WORK FOR EXTERNAL BODIES**

### **Why is this required?**

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

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

- 6.3.2 To ensure that proposals are appropriately costed,
- 6.3.3 To ensure that appropriate insurance arrangements are in place.
- 6.3.4 To ensure that all contracts are properly documented.
- 6.3.5 To ensure that such contracts do not impact adversely on services.

## 7. SUMMARY OF DELEGATED LIMITS

### **Asset valuation**

- 7.1.1 To maintain an asset register for all fixed assets with a value in excess of the limits shown below, in a form approved by the Treasurer. ~~Assets are to be recorded when they are acquired. (SWFA annual exercise)~~ Assets shall remain on the asset register until disposal. Assets are to be valued in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice* and the requirements specified by the Treasurer

<i>Land &amp; Buildings</i>	<i>All values</i>
<i>Vehicles</i>	<i>All values</i>
<i>ICT hardware</i>	<i>All values</i>
<i>Plant &amp; Equipment</i>	<i>£10,000 the de minimis capital level</i>

### **Responsibilities of the Treasurer**

#### **Inventories**

- 7.1.2 To ensure that inventories are maintained in a format approved by the Treasurer that record an adequate description of items with a value in excess of £1,000. Other items of equipment should also be recorded if they are deemed to be both desirable and portable (e.g. laptops).

#### **Money Laundering**

- 7.1.3 Suspicious cash deposits in any currency in excess of £10,000 (or equivalent) should be reported to the Serious Organised Crime Agency (SOCA).
- 7.1.4 Large cash bankings from a single source over £10,000 should be reported to the Treasurer.

#### **Gifts, Loans and Sponsorship**

- 7.1.5 To refer all gifts, loans and sponsorship above £10,000 to the Fire Authority for approval before they are accepted.

#### **Income**

- 7.1.6 To approve the write-off of bad debts, obsolete stock and stock discrepancies up to the level shown below. .

<i>Up to £2,000</i>	<i>Head of Finance (SWFA only)</i>
<i>Up to £20,000</i>	<i>Treasurer</i>
<i>Over £20,000</i>	<i>Fire Authority</i>

## **Appendix 1**

### **Revenue Virement Limits:**

#### **Hereford & Worcester Fire Authority**

1. Virement of up to £100,000 (in total in any year) between budget heads can be made by agreement between the Treasurer and Chief Fire Officer/Chief Executive.
- 2.. Virement between budget heads of £100,000 - £150,000 can be made by the Treasurer and Chief Fire Officer/Chief Executive after consultation with the Chair and Vice-Chair of the Fire Authority
3. Virement exceeding £150,000 will require approval of the Fire Authority.
4. Virement reflecting internal reorganisation of responsibility, without a change of strategy, is permitted with approval of the Treasurer and Chief Fire Officer/Chief Executive, with no limit.

#### **Shropshire & Wrekin Fire Authority**

1. Virement of up to £10,000 (in total in any year) between budget heads can be made by agreement between the Head of Finance and the Budget-holder.
2. Virement between £10,000 and £100,000 (in total in any year) between budget heads can be made by agreement between the Treasurer (delegated to the Head of Finance) and Chief Fire Officer/Chief Executive.
3. Virement exceeding £100,000 will require approval of the Fire Authority.
4. Virement reflecting internal reorganisation of responsibility, without a change of strategy, is permitted with approval of the Treasurer (delegated to the Head of Finance) and Chief Fire Officer/Chief Executive, with no limit