



AGENDA ITEM 12

**Meeting:** Joint Audit Committee

**Date:** 24 September 2021

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**Report Title: Review of Financial Regulations**

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**1. Purpose of Report**

1.1 The purpose of this report is to support the Joint Audit Committee oversight of the Police, Fire and Crime Commissioner's (PFCC's) Financial Regulations, by providing and overview of the proposed changes.

**2. Recommendations**

- 3.1. That the Joint Audit Committee reviews proposed changes to the PFCC's Financial regulations
- 3.2. That the Joint Audit Committee notes the content of this report and recommends approval, subject to amendments as necessary, of the Financial Regulations.

**3. Background**

- 3.3. Financial Regulations document has been reviewed as part of the PFCC's Constitution review.
- 3.4. The proposed changes have been reviewed by the PFCC's senior management team, formed part of the discussion between Chief Constable and the PFCC and, subject to the final recommendations from COG and JAC, will be presented to the Police Fire and Crime Panel on 21 October.
- 3.5. Financial Regulations with tracked changes are accompanying this paper
- 3.6. What has changed

*General changes:*

- “Treasurer” replaced by “Head of Finance”
- Office of PFCC – PFCC
- Force – Chief Constable (where refers to legal entity)
- Force’s CFO – Chief Constable’s (CC’s) CFO

*Other changes:*

- Para 1.1.8 (p.2 of the document) – added “... Chief Constable can enter into **contracts on behalf of PFCC**”, to reflect the fact that all contracts belong to PFCC and what happens in reality
- 1.2.1 – added “**This scheme also includes the Contract Standing Orders**”
- A3.3 – A3.5 (p.12) – made some changes to responsibilities in respect of annual statement of accounts. Some to be in line with the Financial management code of practice, others to reflect current practice.
- B2.3 (p.15) – added “... **working alongside with the Strategic Head of Performance and Resources**”:
- B6 (p19-20) Virements. Deleted chapter on Technical virements – all virements should follow the same principles regardless. Made some changes in the wording of the key controls. Added B.6.7 “**Virements are permissible, however the Chief Constable’s CFO in consultation with the Chief Constable and the PFCC or the Head of Finance in consultation with the Chief Constable and the PFCC, can withdraw the ability for virement in any year should they feel it is prudent to do so**”. DM is sighted.
- D3 (p.44-45) – See below a separate section 3.4 on changes to section D3. “Ordering and Paying for Goods and Services” – I included more detail on the responsibilities of CC and PFCC in connection with the Procurement
- G2.2. (p.81) – put a cap on the size of the Chief Constable’s carry forward reserve (achieved a compromise with Debbie). “The Chief Constable, with due regard to advice from the Chief Constable’s CFO may carry forward any under spends on the net operational budget in any financial year to the following financial **year up to £500,000 on the condition that the total reserve does not exceed the following amount: £750,000**”
- G3.1 (p.82) Clarified wording on the limits: “Virements to a specific budget line approved within these limits, but with a cumulative value exceeding £250,000, shall be approved **by the Chief Executive in consultation with the Head of Finance. If the cumulative value of the virement exceeds £500,000, it will require the PFCC approval. Virement analysis should be presented as part of the Financial Monitoring Report with the split between virements requiring and not requiring approval from PFCC and/or PFCC statutory officers**”.
- Appendix 1 – deleted detailed authorisation levels document as covered by CSOs

3.7. Changes to Section D3:

**D.3 ORDERING AND PAYING FOR WORK, GOODS AND SERVICES**

D.3.1 Public money should be spent in accordance with the PFCC’s policies. The PFCC and the Chief Constable have a statutory duty to ensure financial probity and best value. The PFCC’s and Chief Constable’s Financial Regulations and purchasing procedures help to ensure that the public receive value for money. These procedures should be read in conjunction with the **Section F, Contract Standing Orders**.

D.3.2. The Chief Constable is responsible for preparing a procurement policy covering the principles to be followed for the purchase of goods and services. The PFCC is responsible for approving the procurement policy.

D.3.3 Responsibilities of the Head of Finance and Chief Constable's CFO

- i) To ensure that the Force's procurement policy is adhered to.
- ii) To ensure that official orders for all work, goods or services to be supplied to the Chief Constable and the PFCC are in line with the Force's procurement policy. Exceptions include supplies of utilities, periodic payments such as rent or rates, petty cash purchases or other exceptions approved by the Head of Finance and the Chief Constable's CFO. Orders must be in a form approved by the Head of Finance and Chief Constable's CFO.
- iii) Official orders must not be raised for any personal or private purchases, nor must personal or private use be made of the PFCC
- iv) To ensure that goods and services ordered are appropriate and that there is an adequate budgetary provision. Quotations or tenders must be obtained where necessary, in accordance with the Contract Standing Orders within the limits shown in Section F.
- v) Payments are not to be made unless goods and services have been received at the correct price, quantity and quality in accordance with any official order.
- vi) To ensure that payments are made to the correct person, for the correct amount, on time (i.e. with 28 days) and are recorded properly, regardless of the method of payment.
- vii) To ensure that VAT is recovered where appropriate.
- viii) To ensure that all commitments incurred by placing orders and expenditure, including VAT, are accurately recorded against the right budget and any exceptions are corrected.
- ix) To ensure that all purchases made through e-procurement follow the rules, regulations and procedures, as set out in the Section F and in accordance with the scheme of delegation and consent Only authorised officers and staff can raise e-requisitions / orders and therefore an authorised signatory list will be maintained.
- x) The Chief Constable's CFO shall prepare, in consultation with the Head of Finance, detailed Financial Instructions for dealing with the ordering and payment of goods and services, and to issue these to all appropriate employees.