

**FINANCIAL  
REGULATIONS**

**MARCH 2021**

## **FINANCIAL REGULATIONS**

The Fire Services Act 1947 gave provision for a Combination Scheme Order and the subsequent setting up of a Fire and Rescue Authority as a body corporate. Local Government Acts and other regulations or codes of practice are quoted in these Financial Regulations where they are applicable in accordance with the Combination Scheme or have been adopted by the Fire and Rescue Authority ('the Authority'). The Service shall, at all times, endeavour to secure the best value for money while achieving the quality and standards in line with the Authority's policies.

These Regulations outline the system of financial administration to be operated by the Service, and it shall be the responsibility of the Authority, the Treasurer and the Chief Fire Officer/Chief Executive to ensure that they are observed.

Where the Authority has allocated powers to the Chief Fire Officer/Chief Executive these shall be exercised in accordance with the Financial Regulations.

Financial Regulations shall be deemed to be part of Standing Orders in so far as they relate to the conduct of business.

## INDEX

<u>Financial Regulation</u>	<u>Page No</u>
1. Introduction	1
2. Staffing	2
3. Financial Information Systems	2
4. Internal Audit	3
5. Accounting	3
6. Budget Procedures	4
7. Budgetary Control	4
8. Orders for Goods, Works and Services	6
9. Payment of Accounts	6
10. Payment of Salaries, Wages and Pensions	7
11. Income	8
12. Banking Arrangements	8
13. Imprest Accounts	8
14. Borrowing, Investments and Trust Funds	9
15. Security of Assets	11
16. Estates	12
17. Protection Programme/Insurance	12
18. Ex-Gratia Payments	13
19. Travelling and Subsistence	13
20. Voluntary and Unofficial Funds	13
21. Annual Statement of Accounts	13

22.	Breach	13
	Appendix A	15

## 1. Introduction

- 1.1 The Authority is required under Section 112 of the Local Government Finance Act 1988, to make arrangements for the proper administration of its financial affairs, and the Treasurer of the Fire Authority is the designated officer for this purpose. Furthermore, under Section 114 of the Local Government Finance Act 1988, the Treasurer is required to make a report regarding unlawful expenditure and ensuring compliance with the latest Accounts and Audit Regulations. Extracts from the relevant legislation are shown at Appendix A.
- 1.2 The Treasurer shall be the chief financial adviser to the Authority and shall keep the Authority informed of the financial implications of all new policies and changes of policy.
- 1.3 The Financial Regulations set out are issued to assist the Chief Fire Officer/Chief Executive/Chief Executive in carrying out his/her responsibilities. If the Chief Fire Officer/Chief Executive wishes to seek to implement different procedures then provided the Treasurer is satisfied that all necessary financial controls are met, such procedures may be agreed.
- 1.4 The Treasurer and Chief Fire Officer/Chief Executive will jointly review these Regulations from time to time to maintain currency and reflect any changes agreed by the Authority.
- 1.5 Where the Chief Fire Officer/Chief Executive delegates powers to staff in accordance with a scheme of delegated financial management, a record including appropriate authorisation of such delegation shall be maintained and held by the Service's Treasurer.
- 1.6 The nature and format of all accounting procedures and financial records shall be prepared by the Chief Fire Officer/Chief Executive and approved by the Treasurer. Such best practice will normally be taken as that defined through, inter alia:
  - International Financial Reporting Standards (IFRS)
  - The Chartered Institute of Public Finance (CIPFA) Code of Practice on Local Authority Accounting and the Statement of Recommended Practice (SORP) and the SORP Guidance Notes Issued by the International Accounting Standards Board
  - Service Reporting Code of Practice (SERCOP) Issued by CIPFA
  - Accounts and Audit Regulations 2015 (England) – amended in 2020 due to the pandemic

1.7 Nothing in these regulations shall prevent the Chief Fire Officer/Chief Executive incurring expenditure essential to meet the needs of an emergency or disaster subject to a report by the Chief Fire Officer/Chief Executive to the Authority at the earliest opportunity, such reports to be jointly presented by the Chief Fire Officer/Chief Executive and the Treasurer where there is a likelihood of being unable to contain the additional expenditure within the overall approved budget for the Service.

## 2. Staffing

2.1 Within the total financial provision approved by the Authority, the Chief Fire Officer/Chief Executive shall be entitled to vary the numbers and composition of uniformed staff and non-uniformed staff in order to meet service requirements provided such variations do not commit the Authority to increased expenditure in future years.

2.2 The Chief Fire Officer/Chief Executive must adhere to the mandatory aspects of the Authority's Human Resources Policies and Practices including the proper use of appointment procedures, the proper use of job evaluation or other agreed system for determining remuneration, and the method used to make payments to staff including those falling within a devolved management scheme.

2.3 The Chief Fire Officer/Chief Executive must adhere to all Central Government rules and regulations as they relate to personnel and training.

2.4 The Chief Fire Officer/Chief Executive shall ensure that personnel information is maintained in a form necessary to comply with the Authority's Human Resources Policies and Practices and to ensure that any system(s) used to process personnel data or remuneration is properly maintained.

## 3. Financial Information Systems

3.1 The Authority's agreed Information Systems Strategy guidelines shall be followed by the Chief Fire Officer/Chief Executive.

3.2 The Chief Fire Officer/Chief Executive shall be responsible for the control of systems in operation within the Service and the security of data necessary to accord with the General Data Protection Regulation (GDPR) and the Data Protection Act 2018 (updated 2020). When assessing systems external to the Service, the Chief Fire Officer/Chief Executive will also be responsible for ensuring that agreed procedures are followed.

4. Internal Audit

- 4.1 The Treasurer shall be responsible for putting in place adequate and effective internal audit arrangements. The agents for carrying out internal audit shall have the authority to:
- a. Visit all Fire and Rescue Service establishments and premises to carry out audits of their activities.
  - b. Access at all times to all property, documents and records considered relevant.
  - c. Require any information and explanation considered necessary for the audit.
  - d. Require any employee of the Authority to produce cash, stores or any other property of the Authority or property of persons for whom the Authority is responsible under their control.

5. Accounting

- 5.1 The Chief Fire Officer/Chief Executive is responsible for the operation of financial processes within the Service and shall ensure that adequate controls, to the satisfaction of the Treasurer, are in place.
- 5.2 The nature and format of all accounting systems, financial accounts and supporting records shall be prepared by the Chief Fire Officer/Chief Executive and approved by the Treasurer so as to meet the Latest Accounts and Audit Regulations(England). It shall be the responsibility of the Chief Fire Officer/Chief Executive to ensure that such accounts and systems are kept up to date either through the staff under his control or other appointed agents.
- 5.3 The Chief Fire Officer/Chief Executive shall ensure that the principles of internal control within all operations are maintained at least to a standard agreed with the Treasurer. In particular, the following principles shall be observed in connection with accounting systems:
- a. The duties of providing information regarding sums due to or from the Authority and of calculating, checking and recording those sums shall be separated as completely as possible from the duty of collecting or disbursing them.
  - b. Officers charged with the duty of examining and checking the accounts of financial transactions shall not themselves be engaged in any of these transactions.
  - c. Immediately there is any suspicion of Irregularity affecting income, expenditure, cash, stores or any other resources of

the Authority, the matter shall be reported by the relevant officer in accordance with the Service's Anti-Fraud, Bribery and Corruption Policy.

- 5.4 The Chief Fire Officer/Chief Executive and Treasurer shall conduct a review, at least once a year, on the effectiveness of the Service's system of internal control and shall include an Annual Governance Statement in the Authority's annual Statement of Accounts. It is likely that this review will be undertaken by Internal Auditors.

## 6. Budget Procedures

- 6.1 The Chief Fire Officer/Chief Executive and Treasurer shall prepare annual estimates for both revenue and capital expenditure for presentation to the Authority at such time as may be determined by the Authority. The Treasurer shall ensure that the estimates are presented in a technically correct format and linked with the Authority's Strategic Objectives, in accordance with any criteria set by the Authority.
- 6.2 Taking into account the meeting dates of the council tax billing local authorities, the budget and council tax for the Authority for the next financial year commencing in April, will be set no later than the end of February.
- 6.3 Not later than 28 February each year the Treasurer, duly authorised by the Authority, shall give notice to each billing authority of the amount of its precept in the next financial year.
- 6.4 Capital projects shall be incorporated in a Capital Programme for consideration by the Authority, at the time of the annual estimates, detailing the full year revenue cost associated with each project. The proposed Programme shall have due regard to the concepts of prudence and affordability as outlined in the Prudential Code.
- 6.5 Prior to the approval by the Authority of a capital programme each year, the Treasurer and the Corporate Management Team member requesting the project, shall prepare full financial appraisals of all projects to be put forward for inclusion in the capital programme, demonstrating the contribution each project is making to the Authority's Strategic Objectives.

## 7. Budgetary Control

### 7.1 **Revenue Budget**

- 7.1.1 The Chief Fire Officer/Chief Executive shall be responsible for managing and directing resources to achieve the objectives of the budget. This will involve the monitoring of expenditure and income and the regular review of



performance, which will be reported to the Authority. In circumstances where variations are such that it is unlikely that they can be contained within overall budget provision, then such reports shall be joint with the Treasurer. Where budgets are delegated to financial managers ('budget managers'), the budget managers have the same responsibility to the Chief Fire Officer/Chief Executive.

- 7.1.2 For each budget head within the revenue budget as presented to the Authority, up to £100,000 may be transferred in each financial year from one heading to another by the Chief Fire Officer/Chief Executive. All other transfers will require the approval of the Authority, unless they are deemed "Technical virements" that the Treasurer has approval to authorise.
- 7.1.3 Unless approved by the Authority no transfer will be permitted if the Authority is thereby committed to additional expenditure in future years.
- 7.1.4 Where the budget is delegated to budget managers, transfers may be made from one head to another as approved by the delegated revenue budget management arrangements scheme.
- 7.1.5 The Treasurer, in consultation with the Chief Fire Officer/Chief Executive, will report on the outturn of expenditure and income to the Authority as soon as practicable after the end of the financial year.

## 7.2 **Capital Programme**

- 7.2.1 Capital expenditure shall be considered as part of the capital programme where items fall within Statement of Recommended Practice definitions or as directed by the Secretary of State, and exceed a minimum threshold value (ie are not de minimus). The threshold will be agreed with the external auditors from time to time.
- 7.2.2 No expenditure shall be incurred on capital projects which are not included in the approved capital programme and no contracts entered into or tender accepted unless the Authority is satisfied that the necessary borrowing powers or other resources have been received.
- 7.2.3 Any significant alteration to the size, content, specification or timing of a capital scheme which increases the cost by more than 10% must be reported to the Authority. Any overall forecast in total capital expenditure which exceeds the limit for which authority has been given should be reported to the Authority immediately.
- 7.2.4 The final cost of each capital scheme chargeable against the capital programme shall be reported by the Chief Fire Officer/Chief Executive/Treasurer to the Authority as soon as possible after completion, together with explanations for variances from the estimated cost.

7.2.5 The Treasurer, in consultation with the Chief Fire Officer/Chief Executive, will report on the outturn of capital expenditure to the Authority as soon as practicable after the end of the financial year.

8. Orders for Good, Works and Services

- 8.1 The Chief Fire Officer/Chief Executive shall be responsible for the safe custody and proper issue of official orders by the Service. He/she shall maintain a list of all officers authorised to sign on his behalf.
- 8.2 Official orders must not be issued for purchases of a private nature for employees.
- 8.3 The Procurement Policy and Procedures fully detail the rules regarding contracts and the procurement of goods, works and services.

9. Payment of Accounts

- 9.1 All payments for goods, supplies and services should be supported by an invoice or proper account. These will be checked in the section concerned before certification by the Chief Fire Officer/Chief Executive or authorised officer. Certification by an authorised officer means:
  - a. that the expenditure has been properly incurred, is legal and that there is relevant budget provision;
  - b. that the goods, supplies and services have been received or carried out, examined as to quantity and quality and approved;
  - c. that appropriate entries have been made in inventories or stores records;
  - d. that the prices, discounts and other allowances are correct;
  - e. that the payment is lawful and in accordance with the Authority's policy and instructions and complies with the Authority's Standing Orders and other regulations;
  - f. that the account is arithmetically correct;

- g. that the account has not previously been paid; and
- h. that VAT has been properly accounted for.

9.2 The authorised officer shall not be the person who ordered or received the goods and no officer shall certify an invoice or claim for reimbursement of expenditure to themselves.

9.3 The Chief Fire Officer/Chief Executive/Treasurer shall ensure that all invoices, vouchers and other records are retained and stored in a secure way and are readily available for inspection by authorised persons.

#### 10. Payment of Salaries, Wages and Pensions

10.1 The payment of all salaries, wages, pensions, compensation and other emoluments to all employees or former employees shall be made under arrangements approved by the Chief Fire Officer/Chief Executive.

10.2 The Chief Fire Officer/Chief Executive shall ensure that the appointment of all employees is made in accordance with the regulations of the Authority, the approved budgets, grades and rates of pay.

10.3 The Chief Fire Officer/Chief Executive shall maintain a record of authorised officers, and their signatures, able to certify relevant pay documents and time records.

#### 11. Income

11.1 The arrangements for the collection of all income due to the Authority shall be approved by the Chief Fire Officer/Chief Executive/Treasurer.

11.2 An officer authorised to raise an account shall not be permitted to amend or cancel accounts raised by him/her.

11.3 Any amounts received by the Chief Fire Officer/Chief Executive shall be maintained in a secure environment, and be banked promptly intact. Personal cheques may not be cashed out of money held on behalf of the Authority. On handing cash to another person, all officers shall ensure that they receive a suitable acknowledgement.

- 11.4 Each officer who banks money, must enter on the paying-in-slip the amount of each cheque and sufficient information to identify the transaction and enter on the reverse of each cheque sufficient detail to identify the section or establishment.
- 11.5 Every sum received by an officer of the Authority shall be acknowledged immediately by the issue of an official receipt, ticket or licence.
- 11.6 The write-off of an individual debt up to £2,500 may be authorised by the Treasurer. The write-off of debt in excess of £2,500, but not exceeding £5,000, shall be authorised by the Chief Fire Officer/Chief Executive. Any debt write-offs above £5,000 must be presented to the Authority for approval if there are any.

A record of debts written off shall be maintained by the Treasurer and reported to the Authority at least once a year where over £2,500.

- 11.7 The Chief Fire Officer/Chief Executive or Treasurer shall, at least once a year, review all fees and charges for services provided by the Authority.

## 12. Banking Arrangements

- 12.1 The Authority shall approve all banking contract terms and conditions, following advice from the Chief Fire Officer/Chief Executive and the Treasurer.
- 12.2 All cheques shall be ordered on the authority of the Chief Fire Officer/Chief Executive who shall make proper arrangements for their safe custody. Corporate credit cards and Government Purchasing cards may only be issued to the Chief Fire Officer/Chief Executive or other officers with delegated authority.
- 12.3 Payments drawn on the Authority's main banking account shall bear the signature of the Treasurer and the Chief or Deputy Fire Officer.

## 13. Imprest Accounts

- 13.1 The Treasurer shall approve such imprest accounts as he/she considers appropriate to enable minor items of expenditure to be incurred.

- 13.2 Payments shall be supported by a receipted voucher. In particular vouchers will be required for all payments which include VAT.
- 13.3 Proper records of account shall be maintained by imprest holders in accordance with arrangements approved by the Chief Fire Officer/Chief Executive. Regular claims for reimbursement shall be submitted.
- 13.4 No income received on behalf of the Authority may be paid into an imprest account but must be banked in accordance with instructions contained elsewhere in these regulations.
- 13.5 A certificate of the imprest account shall be provided on request by the Chief Fire Officer/Chief Executive, and in any case, a certificate as at 31 March each year shall be provided by all imprest holders.
- 13.6 On leaving the employment of the Authority or ceasing to be entitled to hold an imprest, an officer shall account to the Chief Fire Officer/Chief Executive for the full amount advanced to him or her.

14. Borrowing, Investments and Trust Funds

- 14.1 Approval of the Capital Programme and associated Treasury Strategy by the Authority shall constitute authority to borrow in respect of projects to be financed from loan.
- 14.2 There will be a Treasury Strategy and Treasury Management Practices (TMPs), based on the 'Treasury Management in Local Authorities Code of Practice and Guide for Chief Finance Officers' issued by CIPFA, which shall be reported to the Authority by the Treasurer.
- 14.3 The Treasurer shall recommend annual levels to the Authority and report on performance on the following, as detailed in the latest edition of the Prudential Code:
  - a. Authorised Limit;
  - b. Maximum gross borrowing position during the year;
  - c. Operational Boundary;
  - d. Average gross borrowing position;

e. Financing costs as a proportion of net revenue stream.

14.4 The Treasurer, in consultation with the Chief Fire Officer/Chief Executive, is authorised to borrow all monies within the approved borrowing limit, in the Authority's name, to meet its needs on the most economic terms, subject to the guidelines in the Treasury Policy and Strategy Statement including a prudent assessment of risk. Borrowing or lending or investing of monies not within delegated powers will not be permitted without the approval of the Authority.

14.5 The Treasurer, in consultation with the Chief Fire Officer/Chief Executive, shall make arrangements for the investment and management of all trust and other funds, subject to the Authority's directions.

14.6 The Authority has adopted CIPFA's Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes (the Code), and specifically adopts the key recommendations as described in Section 5 of the Code.

1. The Authority 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 manner in which it will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

The content of the policy statement and TMPs will follow the recommendations contained in Sections 6 and 7 of the Code, subject only to amendment where necessary to reflect the particular circumstances of this Fire and Rescue Authority. Such amendments will not result in the Authority materially deviating from the Code's key principles.

2. The Fire and Rescue Authority will receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its year end, in the form prescribed in its TMPs.

3. The Fire and Rescue Authority delegates responsibility for the implementation and regular monitoring of its treasury management policies and the execution and administration of treasury management decisions to the Treasurer, who will act in accordance with the Council's policy statement and TMPs and CIPFA's Standard of Professional Practice on Treasury Management.

15. Security of Assets

- 15.1 The Chief Fire Officer/Chief Executive shall ensure that property security is maintained at all times for all vehicles, buildings, furniture, equipment, stocks, stores, cash etc under his/her control.
- 15.2 All securities, the property of, or in the name of the Authority or its nominees, and the title deeds of all property in its ownership shall be held in the custody of the Chief Fire Officer/Chief Executive or the Authority's banker *or* under such other arrangements as are approved by the Chief Fire Officer/Chief Executive.
- 15.3 Inventories shall be kept of all items of moveable furniture, equipment, vehicles and plant. Where appropriate security marking shall be used. The value of items to be included in an inventory shall be prescribed by the Chief Fire Officer/Chief Executive.
- 15.4 The Chief Fire Officer/Chief Executive is responsible for the receipt, care, safe custody and issue of stocks and stores. Stores records shall be kept in a form agreed by the Chief Fire Officer/Chief Executive.
- 15.5 The Chief Fire Officer/Chief Executive shall arrange for periodic independent checks and verification of stocks and recorded stores, at least once a year. No deficiency which occurs in excess of £10,000 shall be written off without the prior approval of the Authority. Variations below this figure may be written off by the Chief Fire Officer/Chief Executive and Treasurer and the appropriate record of such action maintained.
- 15.6 Stocks shall generally be maintained at minimum levels consistent with operational requirements. A certificate of the value of stocks held as at 31 March each year shall be provided to the Treasurer.
- 15.7 Where equipment or materials become unusable or obsolete, the Chief Fire Officer/Chief Executive may arrange for it to be written off. Where equipment or materials have a scrap value or resale value, disposal shall be at the best price obtainable following the approved procedure.
- 15.8 The Authority's property shall not be removed otherwise than in accordance with the ordinary course of business or used otherwise than for the Authority's purposes except in accordance with specific directions issued by the Chief Fire Officer/Chief Executive.
- 15.9 Keys to safes and similar receptacles must be carried on the person of those responsible at all times. The loss of any such keys must be reported to the Treasurer immediately.

16. Estates

16.1 The Chief Fire Officer/Chief Executive shall be responsible for maintaining a terrier of all properties owned by the Authority, recording the location, extent, plan reference, purchase details, nature of the interest, tenancies granted, rents payable, and purpose for which the property is held.

17. Protection Programme/Insurance

17.1 The Chief Fire Officer/Chief Executive shall effect all necessary insurance cover, having taken advice from The Treasurer on the safeguarding of assets, and the assessment of risk, and negotiate all claims, in consultation with other officers where necessary.

17.2 All appropriate employees of the Authority shall be included in a suitable fidelity guarantee insurance.

17.3 The Treasurer shall, at least annually, review all insurances/protection programmes.

17.4 The Chief Fire Officer/Chief Executive shall be responsible for carrying out a continual assessment of risk and shall take appropriate steps to ensure that potential liabilities are minimised.

18. Ex-Gratia Payments

18.1 The Chief Fire Officer/Chief Executive may authorise ex-gratia payments up to £5,000 in a single transaction/payment. Ex-gratia payments in excess of £5,000 may be made with the approval of the Authority (FRA Executive).

18.2 No ex-gratia payments in excess of £5,000 approved by the Authority (FRA Executive) shall be made without compliance with any statutory provision.

18.3 A complete record of ex-gratia payments made shall be maintained.



19. Travelling and Subsistence

- 19.1 All claims by employees for payment of car allowances shall be submitted in the on-line form and at such intervals as approved by the Chief Fire Officer/Chief Executive. Payment of car allowances, and other travelling and subsistence allowances, will be made upon receipt of the appropriate form, duly certified by an authorised officer, through the payroll system.
- 19.2 Certification of a claim shall be taken to mean that the journeys were authorised and the expenses properly and necessarily incurred and that the allowances are properly payable by the Authority in accordance with nationally agreed rates.

20. Voluntary and Unofficial Funds

- 20.1 The Chief Fire Officer/Chief Executive is responsible for ensuring that all voluntary and unofficial funds held, where money and/or assets are handled by an employee in the course of their employment or office, which have not been issued by the Authority, are properly administered and audited annually. Where cash is held in a bank account or building society account or such similar arrangements a record must be maintained and approved by the Chief Fire Officer/Chief Executive.

21. Annual Statement of Accounts

- 21.1 Each year an annual Statement of Accounts for the Service shall be prepared by the Treasurer, in consultation with the Chief Fire Officer/Chief Executive, and shall be presented to the Authority for approval. The annual Statement of Accounts shall be completed as soon as practicable after the year end but no later than as prescribed in the regulations.

22. Breach

- 22.1 The Standing Orders/Financial Regulations apply to all Fire and Rescue Authority Members, Co-opted Members and officers, and employees and officers of the Fire and Rescue Service, where relevant.
- 22.2 It is the duty of Fire Authority Members, Co-opted Members and officers, and employees of the Fire and Rescue Service to ensure compliance with these Standing Orders/Financial Regulations, where applicable.
- 22.3 It is the responsibility of all Members and officers to familiarise themselves with the provisions of Standing Orders/Financial Regulations and for officers to take appropriate steps to bring them to the attention of their staff.

- 22.4 For employees/officers, a breach of the provisions of these Standing Orders/Financial Regulations may result in disciplinary action being taken in accordance with the Service's Disciplinary Procedure.
- 22.5 For Authority Members and Co-opted Members, a breach of the provisions of these Standing Orders/Financial Regulations could, depending on the circumstances, result in action being taken under the provisions of the Authority's Code of Conduct.

**LOCAL GOVERNMENT FINANCE ACT 1988**

**Section 112**

This Section places a duty on each Fire Authority to make arrangements for the proper administration of its financial affairs and to ensure that one of its officers - that is the Treasurer to the Fire Authority - has the responsibility for the administration of these affairs.

**Section 114**

The Treasurer shall make a report under this Section if it appears to him/her that the Authority, Committee or officer of the Authority, or a Joint Committee on which the Authority is represented:

- a. has made or is about to make a decision which involves or would involve the Authority incurring expenditure which is unlawful;
- b. has taken or is about to take a course of action which, if pursued to its conclusion, would be unlawful and likely to cause a loss or deficiency on the part of the Authority; or
- c. is about to enter an item of account the entry of which is unlawful.

The Treasurer shall make a report under this Section if it appears to him/her that the expenditure of the Authority incurred (including expenditure it proposes to incur) in a financial year is likely to exceed the resources (including sums borrowed) available to it to meet that expenditure.

**THE LATEST ACCOUNTS AND AUDIT REGULATIONS**  
**Extract**

PART 2

Internal control

**Responsibility for internal control**

3. A relevant authority must ensure that it has a sound system of internal control which—
- (a) facilitates the effective exercise of its functions and the achievement of its aims and objectives;
  - (b) ensures that the financial and operational management of the authority is effective; and
  - (c) includes effective arrangements for the management of risk.

**Accounting records and control systems**

- 4.—(1) Subject to paragraphs (3) and (4), and, in so far as they are not in conflict with those paragraphs, to any instructions given by a relevant authority to its responsible financial officer, that officer must determine, on behalf of the authority—
- (a) the form of its accounting records and supporting records; and
  - (b) its financial control systems.
- (2) The responsible financial officer for a relevant authority must ensure on behalf of that authority that the financial control systems determined by that officer in accordance with subparagraph (1)(b) are observed and that the accounting records of the authority are kept up to date.
- (3) The accounting records must, in particular, contain—
- (a) entries from day to day of all sums of money received and expended by the authority and the matters to which its income and expenditure or receipts and payments relate; and
  - (b) a record of the assets and liabilities of the authority.
- (4) The financial control systems determined in accordance with paragraph (1)(b) must include—
- (a) measures—
    - (i) to ensure that the financial transactions of the authority are recorded as soon as, and as accurately as, reasonably practicable;
    - (ii) to enable the prevention and the detection of inaccuracies and fraud, and the

- reconstitution of any lost records; and
- (iii) to ensure that risk is appropriately managed;
- (b) identification of the duties of officers dealing with financial transactions and division of responsibilities of those officers.

### **Internal audit**

**5.—(1)** A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.

(2) Any officer or member of a relevant authority must, if required to do so for the purposes of the internal audit—

- (a) make available such documents and records; and
  - (b) supply such information and explanations;
- as are considered necessary by those conducting the internal audit.

(3) In this regulation “documents and records” includes information recorded in an electronic form.

### **Review of internal control system**

**6.—(1)** A relevant authority must, each financial year—

- (a) conduct a review of the effectiveness of the system of internal control required by regulation 3; and
- (b) prepare an annual governance statement;

(2) If the relevant authority referred to in paragraph (1) is a Category 1 authority, following the review, it must—

- (a) consider the findings of the review required by paragraph (1)(a)—
  - (i) by a committee; or
  - (ii) by members of the authority meeting as a whole; and
- (b) approve the annual governance statement prepared in accordance with paragraph (1)(b) by resolution of—
  - (i) a committee; or
  - (ii) members of the authority meeting as a whole.

(3) If the relevant authority referred to in paragraph (1) is a Category 2 authority, following the review it must—

(a) consider the findings of the review by members of the authority meeting as a whole; and

(b) approve the annual governance statement prepared in accordance with paragraph (1)(b) by resolution of members of the authority meeting as a whole.

(4) The annual governance statement, referred to in paragraph (1)(b) must be—

(a) approved in advance of the relevant authority approving the statement of accounts in accordance with regulations 9(2)(b) or 12(2)(b) (as the case may be); and

(b) prepared in accordance with proper practices in relation to accounts(a).