



JOINT CHIEF FINANCE OFFICER Safeguards Protocol

Introduction

1. This document has been produced by the Office of the Police and Crime Commissioner (OPCC) to give assurance to the Joint Audit Committee, and the public, about the role of the Chief Finance Officer.
2. The Police and Crime Commissioner receives the Police Grant from the Home Office, and is responsible for setting the police budget and holding the Constabulary to account. His Chief Finance Officer is responsible for advising him on those processes.
3. Therefore there is potential for a conflict of interest if his Chief Finance Officer, and the Constabulary's Chief Finance Officer, is the same person. However there are also potential benefits, and this is the arrangement that the PCC has chosen. Therefore the PCC's office has put in place safeguards to manage the risk that the Chief Finance Officer might be conflicted. This document sets out those safeguards.

Rationale for Arrangement

4. The PCC's primary responsibility is to secure the maintenance of an effective and efficient police force. He has established the role of Joint Chief Finance Officer (CFO) to assist him. The joint role brings ongoing financial and operational benefits, including:
 - More effective, streamlined decision making;
 - The provision of consistent expert advice;
 - Reduced costs, by having one full time equivalent member of staff fulfil both roles.
5. The Chief Finance Officer is also the Section 151 Officer (cf. Local Government Act 1972) for both the PCC and the Chief Constable, responsible for the proper administration of their financial affairs.

Risk and Mitigation

6. The PCC's Chief Finance Officer might face a conflict of interest, because he is also the Chief Finance Officer to the Chief Constable. The most obvious theoretical manifestation of this would be **an inability to provide independent**

advice, particularly on holding the Chief Constable to account on financial matters.

7. In looking to mitigate the impact of this risk, the OPCC has (with advice from Internal Audit) developed an extensive Control Framework which is linked to relevant legislation.

8. **The PCC has considered the risk alongside this Control Framework and considers that the benefits outweigh the risks, once the Control Framework is taken into account.** Its elements are set out below.

Control Framework

- I. The Strategic responsibilities of both the PCC and CC are set out in the **Policing Protocol Order 2011**. This makes it clear that the PCC is ultimately accountable to the public for the management of the police fund while the CC has day to day responsibility for managing their allocated budgets.
- II. The OPCC and Durham Constabulary **Scheme of Governance** sets out how powers and delegations will be exercised by the Joint CFO, Chief of Staff and the Chief Constable. It acts as an important safeguard and form of assurance for the PCC in preventing the CC from committing expenditure or carrying out certain activity which the PCC may otherwise not wish to be involved in.
- III. **Job descriptions**, as defined within the Scheme of Governance, have been developed in accordance with Section 4 of the Home Office Financial Management Code of Practice for the Police Service in England and Wales and are in place for each role.
- IV. **S36 of the Police Reform and Social Responsibility Act 2011 requires the CC to give all relevant information to the PCC as needed.** In ensuring this requirement is fulfilled, the S151 status of the CFO requires him to act in the public interest should he consider that undue pressure is being placed on him to act in a manner which is unprofessional. Internal whistleblowing procedures (Bad Apple) are in place to protect the CFO in this regard. Section 114 of the Local Government Finance Act 1998 requires the Section 151 Officer to issue a report if there is likely to be unlawful expenditure or an unbalanced budget.
- V. In addition to the legislative requirements identified above, the “Role of the Chief Financial Officer in Local Government”, a publication by the **Chartered Institute of Public Finance and Accountancy outlines five principles** which the Joint CFO as a professionally qualified Accountant should adhere to. All of the principles within the document are underpinned by the need for the Joint CFO to act ethically i.e. with: integrity, objectivity, professional competence and due care, confidentiality, with professional behaviour and with impartiality.
- VI. The CFO is employed by the CC. Work undertaken for the PCC is delivered through an agreement for the provision of services, **reporting through the Chief of Staff**. This means that advice from the CFO to the PCC can be

checked and challenged by the Chief of Staff before it reaches the PCC – and the PCC can be provided with additional advice if necessary.

- VII. Finance is a standing item on the **Executive Board Agenda** (Membership: PCC, CC, Chief of Staff and CFO) and either a verbal or written report is presented by the joint CFO, outlining the current and future financial position of both the PCC and CC along with any necessary decisions and actions that need to be made. This ensures an open discussion and joint agreement for any decisions. All decisions taken are recorded.
- VIII. The Business Manager in the Office of the PCC is a Qualified Accountant. He is an employee of the PCC and reports directly to the Chief of Staff. The respective roles and responsibilities of the CFO and Business Manager include the provision of Budget / Financial information. Establishment of **the Business Manager's position within the OPCC provides additional assurance** to the robustness of financial information that is provided to the PCC.
- IX. A **Dispute Resolution Process** using Informal and Formal Mediation is in place to provide additional support to the PCC in holding the CC to account. In addition to the various internal controls outlined above the PCC or CC can request external advice from a third party, such as another PCC/CC CFO, should they not be satisfied with the advice that they have received from the Joint CFO. Alternatively, they could request advice from HMIC. Under S54 of the Police Act 1996, a PCC can request HMIC carry out an inspection on any aspect of the force's operations, including obtaining information.
- X. The PCC can access **Internal Audit** to confirm that checks and balances exist to ensure high standards of governance and adequate risk management is in place. Similarly they can take assurance from External Audit in ensuring overall financial probity as auditors of both the PCC and CC. They could also be used to offer an external opinion should the PCC or CC be concerned as to any lack of transparency or independence by the joint CFO.
- XI. Ultimately at any point either the PCC, CC or Joint Chief Finance Officer can terminate this agreement. This would result in the PCC needing to appoint another CFO, which the Chief of Staff would advise him on.

Contact

Enquiries about this protocol should be directed to the Office of the Police and Crime Commissioner at enquiries@durham-pcc.gov.uk