

**Joint Chief Finance Officer Safeguards Protocol**

**October 2019**

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# Introduction

1. This document has been produced by the Office of the Durham Police, Crime and Victims’ Commissioner (OPCVC) to give assurance to the Joint Independent Audit Committee, and the public, about the role of the Chief Finance Officer.
2. The Police, Crime and Victims’ Commissionerreceives 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. A conflict of interest could arise 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 PCVC has chosen. Therefore the PCVC’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

1. The PCVC’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.
2. The Chief Finance Officer is also the Section 151 Officer (cf. Local Government Act 1972) for both the PCVC and the Chief Constable, responsible for the proper administration of their financial affairs.

*Risk and Mitigation*

1. The PCVC’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.**
2. In looking to mitigate the impact of this risk, the OPCVC has (with advice from Internal Audit) developed an extensive Control Framework which is linked to relevant legislation.

## The PCVC 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**

1. The Strategic responsibilities of both the PCVC and CC are set out in the **Policing Protocol Order 2011**. This makes it clear that the PCVC 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.
2. The OPCVC and Durham Constabulary **Scheme of Governance** sets out how powers and delegations will be exercised by the Joint CFO, Chief Executive and the Chief Constable. It acts as an important safeguard and form of assurance for the PCVC in preventing the CC from committing expenditure or carrying out certain activity which the PCVC may otherwise not wish to be involved in.
3. **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.
4. **S36 of the Police Reform and Social Responsibility Act 2011 requires the CC to give all relevant information to the PCVC 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.
5. 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.
6. The CFO is employed by the CC. Work undertaken for the PCVC is delivered through an agreement for the provision of services, **reporting through the Chief Executive.** This means that advice from the CFO to the PCVC can be checked and challenged by the Chief Executive before it reaches the PCVC – and the PCVC can be provided with additional advice if necessary.
7. Finance is a standing item on the **Executive Board Agenda** (Membership: PCVC, CC, Chief Executive 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 PCVC 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.
8. The Business Manager in the Office of the PCVC is a Qualified Accountant. He is an employee of the PCVC and reports directly to the Chief Executive. 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 OPCVC provides additional assurance** to the robustness of financial information that is provided to the PCVC.
9. A **Dispute Resolution Process** using Informal and Formal Mediation is in place to provide additional support to the PCVC in holding the CC to account. In addition to the various internal controls outlined above, the PCVC or CC can request external advice from a third party, such as another PCVC/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 PCVC can request HMIC carry out an inspection on any aspect of the force’s operations, including obtaining information.
10. The PCVC 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 PCVC and CC. They could also be used to offer an external opinion should the PCVC or CC be concerned as to any lack of transparency or independence by the joint CFO.
11. Ultimately at any point either the PCVC, CC or Joint Chief Finance Officer can terminate this agreement. This would result in the PCVC needing to appoint another CFO, which the Chief Executive would advise him on.
12. Three potential reasons have been identified which could lead to a change in the current position:
13. Future legislation could remove the opportunity to have a Joint Chief Finance Officer (although we have no indication that such legislation is forthcoming);
14. If the current post-holder were to leave (due to the level of trust, built up over time, which helps to facilitate the post’s effective operation);
15. The growth of the PCVC’s responsibilities, interest and influence across the rest of the Criminal Justice System, and consequent increased volume of commissioned services for supporting victims, reducing reoffending and improving rehabilitation (meaning that the likelihood of a conflict of interest between the Constabulary and PCVC in financial decision-making is potentially greater).

## Contact

Enquiries about this protocol should be directed to the Office of the Police, Crime and Victims’ Commissioner at General.EnquiriesPCVC@durham.pcc.pnn.gov.u1k