

SCOTTISH POLICE
AUTHORITY

Meeting	Public SPA Board Meeting
Date	22 March 2017
Location	Stirling Court Hotel, Stirling
Title of Paper	SPA Financial Regulations
Item Number	7
Presented By	John Foley
Recommendation to Members	For Approval.
Appendix Attached	Yes

PURPOSE

This document sets out the SPA and Police Scotland financial regulations, translating these regulations into their practical application.

The financial regulations provide a framework within which a system of internal control may operate. They seek to make certain the responsibilities to ensure financial management is well controlled.

The paper is submitted for Board approval.

1. BACKGROUND

- 1.1 In order to provide a strong basis for good financial governance the SPA Board is asked to formerly approve the Financial Regulations which will apply to both the SPA and Police Scotland. The proposed Financial Regulations have been reviewed by both the SPA Finance Committee and SPA Audit Committee.

2. FURTHER DETAIL ON THE REPORT TOPIC

- 2.1. The financial regulations are a key document and outline how the financial matters of the organisation will be managed.

The proposed Financial Regulations within the attached appendix contain:

- Introduction
- Roles and Responsibilities
- Financial Management and Planning
- Risk Management and Systems of Internal Control
- Financial Systems and Procedures.

- 2.2 The financial regulations have been reviewed by both Finance and Procurement functions in addition to a wider corporate review.

- 2.3 Once approved, compliance with the Financial Regulations is compulsory for all members and employees of the organisation. Any failure to adhere to the Financial Regulations can be treated as a disciplinary matter.

- 2.4 The Financial Regulations will be made available to all employees on the intranets of both the SPA and Police Scotland.

- 2.5 The financial regulations may be revised 12 months from Board approval or thereafter as necessary.

3. FINANCIAL IMPLICATIONS

- 3.1 There are no direct financial implications in this report.

4. PERSONNEL IMPLICATIONS

- 4.1 The Financial Regulations place responsibilities upon all employees of the organisation, Board Members, the Accountable Officer, Chief Constable and the Chief Financial Officer.

5. LEGAL IMPLICATIONS

5.1 There no legal implications associated with this paper.

6. REPUTATIONAL IMPLICATIONS

6.1 There are no reputational implications associated with this paper.

7. SOCIAL IMPLICATIONS

7.1 There are no social implications associated with this paper.

8. COMMUNITY IMPACT

8.1 There are no community implications associated with this paper.

9. EQUALITIES IMPLICATIONS

9.1 There are no equality implications associated with this paper.

10. ENVIRONMENT IMPLICATIONS

10.1 There are no equality implications associated with this paper.

RECOMMENDATIONS

Members are requested to approve the proposed Financial Regulations for adoption by the Organisation.

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Financial Regulations of the Scottish Police Authority and Police Service of Scotland

Contents

1. Introduction
2. Roles and Responsibilities
3. Financial Management and Planning
4. Risk Management and Systems of Internal Control
5. Financial Systems and Procedures

Appendix 1 – Documents referred to within Financial Regulations

Appendix 2 – Abbreviations

1. Introduction

- 1.1. The main purpose of the Financial Regulations is to ensure effective financial governance of the Organisation which consists Scottish Police Authority (SPA) Corporate, Police Service of Scotland (PSoS) and SPA Forensic Services.
- 1.2. The SPA was formed under the Police and Fire Reform Act (Scotland) 2012, established as a corporate body with the status of an Other Significant Public Body.
- 1.3. In order to conduct its business efficiently, the Organisation must have sound financial management policies that are strictly adhered to. These management policies also reflect the requirements of the Government Financial Reporting Manual (FReM), the Scottish Public Finance Manual (SPFM) and International Financial Reporting Standards.
- 1.4. The FReM is the technical accounting guide to the preparation of financial statements. It complements guidance on the handling of public funds published separately by the Scottish Government, the SPFM. The SPFM sets out the relevant statutory, parliamentary and administrative requirements, and emphasises the need for economy, efficiency and effectiveness, and promotes good practice and high standards of propriety.
- 1.5. The Board of SPA consists of the Chair and a minimum of 10 members appointed by Scottish Ministers for a set period of time. The Chair and Members have decision-making authority in respect of financial matters and in doing so will challenge and scrutinise the work of PSoS Finance to ensure the Organisational objectives are met and that these are in line with the overall Organisational strategy in respect of financial matters.
- 1.6. The SPA Accountable Officer is the SPA Chief Executive who holds overall financial responsibility for SPA. The Accountable Officer is personally answerable to the Scottish Parliament for the exercise of their functions under the Public Finance and Accountability (Scotland) Act 2000. The Memorandum to Accountable Officers of Other Public Bodies details the statutory responsibilities of the Accountable Officer and their responsibilities which are consistent with this set of Financial Regulations.
- 1.7. The Accountable Officer and the Chief Constable have the responsibility to work within the financial resources provided annually.
- 1.8. These financial regulations should be read in conjunction with the documents listed within Appendix 1 and 2.

2. Roles and Responsibilities of the SPA

2.1. Scope of Financial Regulations

- 2.1.1. The financial regulations provide the framework for managing the Organisation's financial affairs. They apply to every Board member and officer of SPA and anyone acting on its behalf. Additionally, all Board members and officers have a general responsibility to ensure that the use of the Organisation's resources is efficient, effective and provide value for money.
- 2.1.2. The Financial Regulations should be read in conjunction with the SPA Governance Manual, The Governance and Accountability Framework Document, the SPA and PSoS Scheme of Delegation, the Code of Conduct for Board Members of Public Bodies and the Financial Protocol between SPA and PSoS.
- 2.1.3. Failure to comply with the SPA Financial Regulations could result in disciplinary action.
- 2.1.4. The Financial Regulations do not override any legal or statutory requirements.

2.2. Overview of Financial Arrangements

- 2.2.1. The SPA is a corporate body, incorporated under the Police and Fire Reform (Scotland) Act 2012 and receives funding from the Scottish Government for allocation to the Police Service of Scotland, SPA Forensic Services and SPA Corporate.
- 2.2.2. SPA hold all the assets of the Organisation. These assets are used to deliver an overall Policing Service and are recognised in the accounts at fair value.
- 2.2.3. The Accountable Officer holds overall financial responsibility for the financial management of the SPA which includes the finances of PSoS.
- 2.2.4. The Accountable Officer responsibilities are exercised and delegated to PSoS through a Financial Protocol between the SPA and PSoS which is contained within the SPA Governance Manual.
- 2.2.5. It is not the policy of SPA to either borrow or invest funds.
- 2.2.6. The Board and SPA Accountable Officer require the Chief Financial Officer to manage cash balances within the cash requirement.
- 2.2.7. The SPA should manage its budget in line with the Scottish Government Budget and Monitoring Procedures.
- 2.2.8. The Head of Governance and Risk is responsible for the purchase of appropriate insurance products as is required for the delivery of Policing services.
- 2.2.9. Underlying processes and procedures must be put in place to support the Financial Regulations.

2.3. The SPA Board

- 2.3.1. The Board consists of the Chair and other members appointed by the Scottish Ministers in line with the Code of Practice for Ministerial Public Appointments in Scotland. The Board is free to establish its own committee structure and delegate responsibilities to such committees (as well as to staff of the Authority) as it considers fit. As a minimum, the Board will establish an Audit Committee to advise the Board and the Accountable Officer. The Audit Committee should ensure that sufficient arrangements are in place to provide assurance on risk management, governance and internal systems of control.

2.3.2. The Audit Committee should consist of the Chair of the committee and no more than 2 other Board members. At least one of the committee members should have recent and relevant financial experience. The terms of reference of the audit committee, including its role and any authority delegated to it by the Board, should be made available publicly.

2.4. Chair of the Board

2.4.1. The Chair is accountable to the Scottish Ministers for the Organisation's performance and strategic leadership. He or she, together with the other Board members should have received appropriate knowledge/training on financial management, regulatory and reporting requirements.

2.5. Individual Board Members

2.5.1. The Board must ensure SPA has processes and systems in place to ensure compliance with the SPFM.

2.5.2. Board members should also be aware of the need for the Organisation to continually secure best value in the performance of its functions.

2.5.3. The principles contained within the Code of Conduct for Board Members of Public Bodies also governs the actions of Board Members and should also be referred to.

2.6. SPA Accountable Officer

2.6.1. Under the terms of Sections 15 of the Public Finance and Accountability (Scotland) Act 2000 the Principal Accountable Officer for the Scottish Administration has designated the Accountable Officer for the SPA. The Accountable Officer is responsible for the propriety and regularity of public finances used by the SPA in an economical, efficient and effective manner. That the use of resources by the Organisation, and any decisions taken by it, comply with public sector accountability standards, both through advice to the Board and in decisions taken on his/her own authority.

2.6.2. The specific responsibilities of the Accountable Officer of the SPA, in terms of the Public Finance and Accountability (Scotland) Act 2000 are referenced in the Memorandum for Accountable Officers of Other Public Bodies. The Accountable Officer holds personal responsibility for the finances of the SPA, is responsible for signing the SPA Annual Report and Accounts and is thereby held accountable by the Public Audit Committee of the Scottish Parliament.

2.6.3. It is incumbent upon the Accountable Officer to combine their duties as Accountable Officer with their duty to the SPA Board, to whom they are responsible, and from whom they derive their authority.

2.7. Chief Financial Officer

2.7.1. The Chief Financial Officer is responsible for the management of PSoS's financial services and for the administration of all financial affairs. The CFO will advise the Accountable Officer on all financial matters in line with the Financial Protocol set out between the SPA and PSoS.

2.7.2. The Chief Financial Officer is responsible for maintaining a continuous review of the Financial Regulations, including the financial limits contained within the Specific

Financial Delegated Authority and the PSoS Scheme of Delegation and submitting any changes to the Board for approval and consultation.

2.7.3. The Chief Financial Officer is also responsible for issuing procedures, guidance and advice to underpin the Financial Regulations, for investigating any breach of the Regulations and involving the Fraud Liaison Officer as appropriate. Guidance can be found at :

<https://spi.spnet.local/policescotland/news/Pages/Integrity-Matters.aspx>

2.7.4. Any member of the Organisation can use the procedures for Whistleblowing processes to report activity which they consider to either contravene these Regulations or where there is a suspicion of fraudulent activity.

2.7.5. Any breach of the Regulations that is deemed to be significant must be brought to the attention of the Accountable Officer or reported through the Organisations Whistleblowing procedures.

2.8. Senior Management Group (SMG) within SPA and PSoS Force Executive

2.8.1. Members of the SMG and PSoS Force Executive are responsible for ensuring that all staff within their areas are aware of and comply with the Financial Regulations.

2.8.2. Any breach or non-compliance must, on discovery, be reported immediately to the Accountable Officer.

2.9. Financial Responsibilities

2.9.1. The SPA have a requirement to manage its budget in line with the Scottish Government Budget and Monitoring Procedures against the allocated Resource budget annually.

2.9.2. SPA will be held accountable to the Scottish Parliament through the Public Audit and Post-Legislative Scrutiny Committee as and when required.

2.10. Annual Budgets

2.10.1. Prior to the start of each financial year the Chief Financial Officer will, on behalf of the Accountable Officer, prepare and submit budgets for the forthcoming financial year. These budgets will be:

2.10.1.1. Consistent with the Strategic Policing Plan and Annual Policing Plan;

2.10.1.2. In line with the Scottish Governments Budget and Monitoring Procedures;

2.10.1.3. Consider appropriate manpower and service levels required of SPA and appropriate ministerial commitments;

2.10.1.4. Produced following appropriate discussion and agreement with budget holders; and

2.10.1.5. Identify risks and uncertainties.

2.10.2. The Chief Financial Officer will report to the SPA Board throughout the year on the progress of the actual expenditure against the budget.

2.10.3. The Chief Constable, Accountable Officer, PSoS Executive Team and SPA SMG will ensure budget holders provide information to enable budgets to be developed. Budget holders are responsible for the delivery of their budgets within the limits which have been set.

2.11. Scottish Government

2.11.1. The Accountable Officer will report to the Scottish Government monthly on the financial position of the Organisation.

2.12. Scottish Ministers

2.12.1. The Scottish Ministers are accountable to the Scottish Parliament and ultimately to the public for the financial activities of the Organisation. This includes use of resources, determining objectives and funding, and being kept apprised of any significant financial issues affecting the Organisation through the Budget and Monitoring process.

3. Financial Management and Planning

3.1. General Accounting Framework

- 3.1.1. The Financial Protocol between SPA and PSoS directs the Chief Financial Officer to ensure that adequate systems of accounting control are maintained throughout the Organisation.
- 3.1.2. The Chief Financial Officer must ensure that there are appropriate financial systems in place which enable robust management reporting, provide a clear breakdown and analysis of income and expenditure and support the creation of the SPA Annual Report and Accounts.
- 3.1.3. Systems of accounting control must ensure that as far as possible;
 - 3.1.3.1. All income due to the SPA is properly collected and recorded,
 - 3.1.3.2. All expenditure of SPA and PSOS is properly incurred, authorised and checked,
 - 3.1.3.3. All cash, stocks and other assets of the SPA and PSOS are secured and controlled.
- 3.1.4. It is the responsibility of the Chief Financial Officer to ensure that appropriate procedures and instructions are issued for:
 - 3.1.4.1. Preparing the annual and medium term resource and capital budgets
 - 3.1.4.2. Budget monitoring
 - 3.1.4.3. Producing financial management information
 - 3.1.4.4. Completion of the Annual Statement of Accounts.

3.2. Budgetary Control

- 3.2.1. Budgetary control will be applied within SPA and PSoS to ensure there is a system of budgetary control which if deviated from should ensure appropriate investigation of variances is carried out as documented within the Financial Operating Procedure: Budget Monitoring.
- 3.2.2. The Chief Financial Officer will keep the Board updated on the financial consequences of any change in policy and legislative changes which have an impact on the statutory accounts.
- 3.2.3. The Chief Financial Officer will maintain and ensure appropriate financial monitoring of the Organisations income and expenditure is carried out, this should extend to:
 - 3.2.3.1. Regular management reports on financial performance for the SPA Board.
 - 3.2.3.2. Forecast of assumed year end resource revenue position, being reforecast throughout the financial year.
 - 3.2.3.3. Full analysis of resource revenue position against budget on a regular basis across pay and non-pay expenditure categories provided through variance analysis and management commentary of material variances.
 - 3.2.3.4. Capital resource budget analysis to show projected expenditure against plan.
 - 3.2.3.5. Clear actions being identified and planned to address areas of budget overspend.
 - 3.2.3.6. Accurate financial information being issued in a timely manner.
 - 3.2.3.7. The monitoring of actions taken to resolve any areas of concern across both pay and non-pay budgets.
 - 3.2.3.8. Budget virements being tracked to provide transparency for SPA members.
- 3.2.4. Budget holders are responsible for ensuring:

- 3.2.4.1. Any overspend of budget or reduction in income which cannot be managed through appropriate budget virement is not incurred without prior consent of either the PSoS Executive Team of the SPA Senior Management Group.
 - 3.2.4.2. Overspends or income reductions should be reported in the financial monitoring reports submitted to the Board.
 - 3.2.4.3. Allocated budgets are only used for the purposes intended and approved when the budget is set and not for any other purpose unless specifically authorised.
 - 3.2.4.4. No employees are appointed which exceed the budgeted establishment without prior consent of the SPA Board.
- 3.2.5. The SPA and PSoS Force Executive teams are responsible for identifying and implementing cost improvements and income generation initiatives.

3.3. Advice to the Board

- 3.3.1. All reports to Board and Committees must identify any financial implications.
- 3.3.2. The report must clearly identify any savings, costs or income that would arise in the current and future financial years, whether these are of a capital or revenue nature, and whether or not such resources are included in the Budget. If budgetary provision has not been made, the report must indicate how and from where it is proposed that such financial resources be obtained.
- 3.3.3. Where a report contains financial implications it must include confirmation that the Chief Financial Officer has agreed and signed off on the accuracy and completeness report content.

3.4. Short, Medium and Long Term Financial Strategy

- 3.4.1. The short term financial strategy represents current year and 2 following years, medium term being the between 3 and 5 years and long term being up to 10 years.
- 3.4.2. The financial strategies will be the responsibility of the Accountable Officer and the Police Scotland Executive team being maintained by the Chief Financial Officer.
- 3.4.3. The Accountable Officer is responsible for ensuring the Financial Strategy is approved by the Board.

3.5. Resource Budget Preparation

- 3.5.1. The detailed form and timetable to be followed in respect of the Resource Budget will be determined by the Chief Financial Officer in consultation with the Accountable Officer.
- 3.5.2. The Chief Financial Officer, on behalf of the Accountable Officer – in line with the Financial Protocol between SPA and PSoS, is responsible for ensuring that a resource budget is presented annually to the Board for approval and is in line with the Scottish Government Budget and Monitoring process.

3.6. Capital Budget Preparation

- 3.6.1. The Chief Financial Officer on behalf of the Accountable Officer – in line with the Financial Protocol between SPA and PSoS, is responsible for ensuring that a rolling 3-year capital programme is presented annually to the Board for approval.
- 3.6.2. The annual capital budget must include the total estimated capital cost of the project(s) including fees, consultants, capitalised employee costs, furniture and equipment and other ancillary costs and should highlight estimated future resource implications or savings.
- 3.6.3. Any material change in the Capital Programme must be approved by the Board.

3.6.4. The funding of capital projects is contained within the Organisation's Departmental Expenditure Limit (DEL) advised by the Scottish Government. Transfer of capital funding to revenue budget during the financial year is possible but should only be considered in exceptional circumstances and would always be subject to Scottish Government approval, but not vice versa.

3.6.5. Any additional sources of capital funding will be subject to Scottish Government approval.

3.7. Delegated Authority

3.7.1. The SPA Delegated Financial Authority is set out in the Governance and Accountability Framework Document. The SPA will obtain the Scottish Government's prior written approval before entering into any undertaking to incur any expenditure that falls outside these delegations or which is not provided for in the SPA's annual budget allocated by the Scottish Ministers.

3.7.2. The SPA will require prior approval from the Scottish Government before incurring expenditure for any purpose that is or might be considered novel, contentious, repercussive or which has or could have significant future cost implications.

3.8. Authorisation to Incur Expenditure

3.8.1. Approval of the Resource or Capital budget for any particular year confers upon the Accountable Officer and Chief Constable the necessary authority to incur expenditure, subject to compliance with public procurement regulations, as outlined within the Standing Orders Relating to Contracts; compliance with the financial procedures and controls contained within these Regulations; and is limited by the provisions of the all Schemes of Delegation.

3.8.2. The Accountable Officer requires PSoS to maintain Standing Orders Relating to Contracts, changes to which must be approved by the SPA Board. All national, regional and local contracts should adhere to these standing instructions.

3.8.3. The Accountable Officer is responsible for ensuring that any expenditure incurred is within the legal powers of the Board.

3.9. Devolved Budget Holders

3.9.1. Financial responsibility will be devolved to budget holders in order to achieve effective control of financial resources.

3.9.2. All budget holders will have authority to incur expenditure included in the approved resource budget for the services for which he or she is responsible up to the level of the allocated budget provision. The Chief Financial Officer is required to keep an up to date list of the financial delegations held within the Organisation. These delegation thresholds must be consistent with the scheme of delegation.

3.10. Budget Monitoring – Scottish Government

3.10.1. Under the direction of the Scottish Ministers the Accountable Officer is responsible for ensuring that the timely forecasts and financial monitoring information are provided to the Scottish Government. Scottish Government are notified promptly of any material over or underspends that are likely to occur and what corrective action is to be taken.

3.11. Statement of Annual Report and Accounts

3.11.1. In line with the SPA and PSoS Financial Protocol the Chief Financial Officer is responsible for the preparation of the Annual Report and Accounts, for each financial year ended 31 March which must comply with the Scottish Government's Financial

Reporting Manual (FReM), the Scottish Public Finance Manual, appropriate international financial accounting standards and any financial objectives or targets set by the Scottish Government and should be reported on within the Accounts.

- 3.11.2. The Chief Financial Officer is responsible for ensuring that all statutory reporting requirements and deadlines are met.
- 3.11.3. The Accountable Officer must arrange for the draft Annual Report and Accounts to be submitted in draft format to the Scottish Government for comment before signing.
- 3.11.4. The Accountable Officer will present the draft audited Annual Report and Accounts to the SPA Audit Committee who hold responsibility for recommending approval of the report and accounts to the SPA Board.
- 3.11.5. The SPA Board hold responsibility for approving the draft audited Annual Report and Accounts before presentation to Scottish Ministers by the Accountable Officer.
- 3.11.6. Scottish Ministers are responsible for laying the signed Annual Report and Accounts before the Scottish Parliament.
- 3.11.7. Once the Annual Report and Accounts has been laid in Parliament the Accountable Officer will be responsible for their publication.

4. Risk Management and Systems of Internal Control

4.1. Internal Control

- 4.1.1. The Accountable Officer must ensure an appropriate control environment and effective internal controls which provide reasonable assurance of effective and efficient operations, financial stewardship, probity and compliance with law and regulations are in existence within PSoS.
- 4.1.2. The Audit Committee has a responsibility to ensure that effective risk management including a risk management strategy are in place, assurance around the systems of internal control are considered as part of a sound system of corporate governance. The Audit Committee Terms of Reference reflect these requirements.
- 4.1.3. The Accountable Officer is responsible for developing and maintaining the SPA and PSoS Risk Registers in accordance with the Risk Management Strategy.

4.2. Custody and Security of Assets

- 4.2.1. The controls to safeguard the Organisation's accommodation will be the responsibility of the Accountable Officer. The Accountable Officer should ensure there are appropriate policies and procedures in place to enable this.
- 4.2.2. Financial records and information will be held in accordance with retention periods as per the approved Records Management Policy and in compliance with legislative requirements in relation to Data Protection, Freedom of Information and HMRC.
- 4.2.3. The Chief Financial Officer will maintain an accurate and up-to-date record of its current and non-current assets.
- 4.2.4. All title deeds held by SPA under secure arrangements agreed by the Accountable Officer.
- 4.2.5. The Chief Financial Officer will determine the maximum limit of cash holding permitted at each location.
- 4.2.6. The handling of all cash on SPA premises must be in accordance with cash handling procedures issued by the Chief Financial Officer.
- 4.2.7. The Accountable Officer has overall stewardship for the assets of the Organisation. Employees must use assets in accordance with relevant processes and procedures.

4.3. Capital Expenditure

- 4.3.1. Comprises expenditure in excess of £5,000 (including VAT). The detail of the accounting for Capital Expenditure is contained within the Capital Accounting Policy published on the intranet

4.4. Stores

- 4.4.1. Stores, defined in terms of controlled stores and departmental stores (for immediate use) should be:
 - 4.4.1.1. Kept to a minimum compatible with safe operation of services;
 - 4.4.1.2. Subjected to at least one annual stocktake;
 - 4.4.1.3. Valued at the lower of current cost and net realisable value.
- 4.4.2. The Head of Procurement shall set out procedures and systems to regulate the stores including records for receipt of goods, issues, and returns to stores, and losses. This will include computerised systems and are contained in the Procurement Manual
- 4.4.3. Stock records will also be maintained for all stores.

4.5. Goods Received

- 4.5.1. The processes and procedures regarding Goods Received are all detailed in the Procurement Manual.

4.6. Disposal of Assets

- 4.6.1. Fixed assets deemed surplus to requirements by the PSoS Force Executive can be considered for disposal.
- 4.6.2. Fixed asset disposal should be in accordance with the SPA Scheme of Delegation, in line with the SPA and PSoS Financial Protocol and also the SPFM guidance on the Disposal of Property, Plant and Equipment.
- 4.6.3. The Accountable Officer, in line with the SPA and PSoS Financial Protocol, should ensure that assets sold on the open market should normally be disposed of at market value as defined in the Royal Institution of Chartered Surveyors Appraisal and Valuation Standards and for non-heritable assets sold by public auction or tender.
- 4.6.4. The proceeds received from the sale of fixed assets should be returned to Scottish Government unless the Accountable Officer has received prior approval to reinvest such funds through an increase to the annual Capital Budget.

4.7. Banking Arrangements

- 4.7.1. In line with the SPA and PSoS Financial Protocol, the Chief Financial Officer is responsible for ensuring that arrangements are made for the provision of banking services for SPA and PSOS and that they comply with the Scottish Government requirements.
- 4.7.2. The Accountable Officer, CFO and senior finance staff are permitted to open bank accounts in the name of the SPA. They will advise the bankers in writing of the conditions under which each account will be operated, the limits to be applied to any overdraft and any limitation on single signatory payments. All funds will be held in accounts in the name of SPA.
- 4.7.3. The CFO will advise the bankers in writing of any alteration in the conditions of operation of accounts.

4.8. Investments

- 4.8.1. Cash management should ensure cash surpluses are held in SPA bank accounts are managed to the benefit of the Organisation.
- 4.8.2. Constituent parts of the Scottish Administration must not deliberately invest resources outside the public sector. Where sponsored bodies have powers to invest resources set out in their enabling legislation, they should ensure that appropriate arrangements covering the application of these powers are included in the relevant framework document. These arrangements should exclude investments of a speculative nature.

4.9. Non-Exchequer Funds

- 4.9.1. Confiscation Bank Accounts will be operated under the same banking arrangements agreed by the CFO.

4.10. Authorised Signatories

- 4.10.1. The Chief Financial Officer is responsible for ensuring that an up to date list of authorised signatories is maintained, together with specimen signatures, in relation to the authorising of expenditure.

4.11. Internal Audit

- 4.11.1. An independent internal audit service, under the independent control and direction of the Audit Committee, will be arranged to carry out a continuous review and

appraisal of the internal controls of the Organisation and prepare such reports on these as may be required or appropriate.

4.11.2. The Accountable Officer will make arrangements to forward promptly to the Scottish Government the audit charter, strategy, periodic audit plans and annual audit assurance report, including the Organisation's Head of Internal Audit's opinion on risk management, control and governance and other relevant reports as requested.

4.11.3. The Head of Internal Audit will report directly to the Accountable Officer and is also able to report to the Chair of the Audit Committee.

4.11.4. An annual audit plan will be presented to the Audit Committee for endorsement. It will be derived from consultation with the Accountable Officer, SPA SMG, PSoS Executive Team, External Auditors and the Organisation's current strategic requirements together with any additional reviews of strategic audit risks which are considered necessary.

4.11.5. The Accountable Officer will ensure that, working with the Audit Committee, an SPA Internal Audit Team is resource is always maintained.

4.12. Irregularities

4.12.1. Whenever any matter arises which involves, or is thought to involve, irregularities concerning cash, stores or other property of SPA or any suspected irregularity in the exercise of any function of a pecuniary nature, the CFO will be notified immediately and investigate as deemed necessary.

4.12.2. After notification of an alleged financial crime, consultation will take place between the Fraud Liaison Officer and appropriate officers from the Board, acting on behalf of the Accountable Officer, and Counter Fraud Services to determine who should undertake the investigation. Any investigation should comply with the process as detailed in the Fraud Policy of the Board.

4.13. External Audit

4.13.1. The Auditor General for Scotland (AGS) will audit, or appoint auditors to audit, the SPA's annual accounts. Once the accounts have been audited the Accountable Officer will pass these accounts to the Scottish Ministers who will lay them before the Scottish Parliament, together with the auditor's report and any report prepared by AGS. For the purpose of audit the auditors will have a statutory right to access documents and information held by relevant persons.

4.14. Prevention of Fraud, Corruption and Bribery

4.14.1. The Accountable Officer is responsible for identifying and managing the risk of fraud and corruption, for ensuring that appropriate risk management, internal control, and governance arrangements are in place, and for ensuring that best value is achieved.

4.14.2. The SPA should adopt and implement policies and practices to safeguard itself against fraud and theft.

4.14.3. Whenever any matter arises which involves, or is thought to involve, irregularities concerning cash, stores, equipment or other property of SPA or any suspected irregularity in the exercise of the functions of the Organisation, the Accountable Officer will immediately notify the Head of Internal Audit who will take such steps as may be considered necessary by way of investigation and report.

4.14.4. The Accountable Officer, in line with the SPA and PSoS Financial Protocol, will make arrangements to keep records of, and prepare and forward promptly to the Scottish Government an annual report on fraud and theft suffered by the Organisation and notify the Scottish Government at the earliest opportunity of any unusual or major incidents.

4.14.5. All employees will be required to comply with the Organisations Fraud Policies.

4.15. Cash Security

4.15.1. The Chief Financial Officer must be advised of all new circumstances within the Organisation where cash is held or is otherwise under the control of officers of the Organisation. The Chief Financial Officer will ensure that the minimum level of cash is held subject to the practicalities of individual circumstances and will ensure controls are in place to safeguard cash holdings.

4.16. Borrowing

4.16.1. Any borrowing by SPA will be from Scottish Ministers, with the prior approval of the Scottish Government, in accordance with guidance in the Borrowing, Lending and Investment section of the SPFM.

4.16.2. The Organisation will not make any financial investments without prior approval of the Scottish Government.

4.16.3. Any lending by SPA will adhere to the guidance in the Borrowing, Lending and Investment section of the SPFM on undertaking due diligence and seeking to establish a security.

4.16.4. Unless covered by a specific delegated limit the SPA will not, without the Scottish Government's prior approval, lend money, charge any asset or security, give any guarantee or indemnity or letter of comfort, or incur any other contingent liability, whether or not in a legally binding form.

4.17. Hospitality

4.17.1. The Accountable Officer and the Chief Constable will be entitled to extend hospitality, subject to adequate Resource Budget provision, in accordance with the Scheme of Delegation.

4.17.2. Any gift given to an employee as a representative of SPA is deemed to automatically belong to SPA and will not be retained for personal use unless with the explicit written consent of the Accountable Officer.

4.17.3. Hospitality or gifts received by members of the Board must be dealt with in accordance with the Code of Conduct for Board Members of Public Bodies and must be recorded in a register kept for this purpose by the Accountable Officer.

5. Financial Systems and Procedures

5.1. Income - sources

- 5.1.1. The SPA derive the majority of funding from Grant in Aid provided by the Scottish Government (grant in aid does not qualify as income). This funding is provided annually to support the provision of PSoS. Other income is derived from sales of police services, licences and other smaller specific grants.
- 5.1.2. The SPA gain other income through charging for the provision of goods and services in respect of events and other policing services. Such charges must be reviewed and approved annually by the SPA Finance Committee with the Chief Financial Officer holding responsibility for updating the annual charges in line with inflation to ensure the required full cost recovery of expenditure is achieved.
- 5.1.3. Other grant income which the SPA receives may be subject to a grant claim process, the Chief Financial Officer is responsible for providing the required financial documentation within the required time frames to enable such grant income to be received.
- 5.1.4. Novel or contentious proposals for new sources of income or methods of fundraising must be approved by the Scottish Government.

5.2. Income Collection

- 5.2.1. The Chief Financial Officer is responsible for designing and implementing systems for the raising of invoices and collection of income due, such systems must adhere to best accounting practice ensuring there is appropriate segregation of duties between invoice raising and recording and banking of income received.
- 5.2.2. All employees have a duty to inform the Chief Financial Officer of sales/transactions which they have initiated for which the SPA should derive income such as any contracts, lease agreements, tenancy agreements or transactions for which an invoice can be raised.
- 5.2.3. The Chief Financial Officer will provide to the SPA Finance Committee all irrecoverable debts where there is no reasonable prospect of recovery for approval to write off. Once formally written off, no active pursuit of the debt will normally be undertaken. An audit trail of information will be maintained.
- 5.2.4. Debts over £25,000 may only be written off after due consideration by, and written approval of Scottish Government.

5.3. Salaries and Pensions

- 5.3.1. The Chief Financial Officer is responsible for ensuring appropriate arrangements are in place for processing and payment of all salaries, pensions, compensation and other emoluments to all employees, former employees, and other beneficiaries.

5.4. Allowances and Expenses

- 5.4.1. The Chief Financial Officer is responsible for ensuring appropriate arrangements are in place for the payment of authorised travelling, subsistence and other expenses to employees and Board members.
- 5.4.2. As far as practicable, all claims for expenses will be reimbursed through the payroll system.

5.5. Orders for Goods, Works and Services

5.5.1. General

- 5.5.1.1. The Head of Procurement shall prepare Standing Orders Relating to Contracts detailing the process and operational controls to be adhered to in the attainment of supplies, services and works, incorporating the thresholds set by

the SPA and PSoS Scheme of Delegation in the arrangements for purchasing, contracting and tendering.

- 5.5.1.2. Where national, regional or local contracts (hereinafter also referred to as framework agreements, dynamic purchasing systems or design contests) exist, the overriding principle is that use of these contracts is mandatory. Expenditure approved by the Accountable Officer should be reported to the Finance Committee on a quarterly basis by the Accountable Officer.

5.5.2. Delegated Authority and Thresholds

- 5.5.2.1. Should be adhered to for all procurement and be in line with the limits as set by the SPA Board and consistent with the delegated authority matrix.

5.6. Payment of Invoices

- 5.6.1. Apart from petty cash payments and other payments of advances, the normal method of payment of money due from the SPA and PSOS will be by BACS transfer.

Authorisation of electronic funds transfer will be the responsibility of the finance team.

- 5.6.2. The Government's Better Payment Practice Code aims for payment of all undisputed invoices within 10 working days.

- 5.6.3. All invoices must be certified by an authorised signatory.

5.7. Lease Arrangements

- 5.7.1. Unless covered by a specific delegated financial limit as defined in the Governance and Accountability Framework, the SPA will not, without the Scottish Government's prior approval enter into a lease arrangement.

5.8. Petty Cash

- 5.8.1. The Chief Financial Officer may provide petty cash at various locations for the purpose of defraying petty expenses that will be secured and operated in accordance with cash handling procedures issued by the Chief Financial Officer.

Appendix 1

Documents referred to within the Financial Regulations

Below are the links to the documents referred to within the Financial Regulations.

Document	Link
Scottish Public Finance Manual	SPFM: Legislative Background and Applicability
Finance Reporting Manual	https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/497855/2016-17_FReM_December_2015.pdf
SPA Governance and Accountability Framework	http://www.spa.police.uk/assets/128635/293617/FrameworkDocument
Scheme of Delegation	http://www.spa.police.uk/assets/128635/293617/scheme-of-delegation-mar-2014
Code of Conduct for Board Members	http://www.gov.scot/Resource/0044/00442087.pdf
SPA Standing Orders	http://www.spa.police.uk/assets/128635/293617/standing-orders-mar-2014
SPA Procurement Manual	https://spi.spnet.local/policescotland/org-support/corp-services/physical-resources/Procurement/Documents/PDF%2020150825%20-%20Police%20Scotland%20Procurement%20Manual%20(2012%20Regs%20Version)%20-%20October%202014.pdf
Scheme of Administration between SPA and PSoS	http://www.spa.police.uk/assets/128635/SchemeofAdministration
Standing Orders Relating to Contracts	http://www.scotland.police.uk/assets/pdf/138327/327595/standing-orders-relating-to-contracts

Finance Policies, procedures, guidance and forms	https://spi.spnet.local/commonservices/finance/Policies-procedures-guidance-and-forms/Pages/default.aspx
Memorandum to Accountable Officers	http://www.gov.scot/Topics/Government/Finance/spfm/Accountability/aomemo
SPA Financial Protocol	http://www.spa.police.uk/assets/126884/373840/item10new
The Procurement (Scotland) Regulations 2016	http://www.legislation.gov.uk/ssi/2016/145/pdfs/ssi_20160145_en.pdf
Consultancy Procedures	http://www.gov.scot/Resource/0041/00413130.pdf
Devolved Budget Holder Policy	Document subject to revision
Delegated Authority Matrix	https://spi.spnet.local/commonservices/finance/Policies-procedures-guidance-and-forms/Pages/default.aspx
Fraud and Economic Crime	https://spi.spnet.local/policescotland/guidance/Standard%20Operating%20Procedures/Fraud%20and%20Economic%20Crime%20PSoS%20SOP.pdf
Employee Handbook	https://spi.spnet.local/commonservices/people-and-development/Documents-and-toolkit/Documents/Interim%20Staff%20Handbook.pdf
Capital Accounting Policy	Link to be added
Records Management Policy	https://spi.spnet.local/policescotland/guidance/Standard%20Operating%20Procedures/Forms/Records%20Retention%20%20Management.aspx
Integrity Matters	https://spi.spnet.local/policescotland/news/Pages/Integrity-Matters.aspx

Appendix 2

Abbreviations

Below are the list of abbreviations contained within the Financial Regulations.

Abbreviation	In Full
SPA	Scottish Police Authority
PSoS	Police Service of Scotland
FReM	Financial Reporting Manual
SPFM	Scottish Public Finance Manual
ACCOUNTABLE OFFICER	Accountable Officer
CFO	Chief Financial Officer