

SELF ASSESSMENT OF THE CHIEF FINANCE OFFICER**REPORT OF JOINT CHIEF FINANCE OFFICER**

1. Purpose of the Report

- 1.1. A self-assessment that best practice financial governance arrangements have been in place during the financial year 2014/15 has been completed by the Chief Finance Officer for the purposes of the Annual Governance Statement in accordance with the CIPFA Statement on the Role of the Chief Financial Officer of the Police and Crime Commissioner and the Chief Finance Officer of the Chief Constable (2014).

2. Background

- 2.1. The Chief Finance Officer (CFO) occupies a critical position in any organisation, holding the financial reins of the business and ensuring that resources are used wisely to secure positive results. While the austerity cuts and economic downturn have made these tasks even more challenging, they have also underlined the fundamental importance of the role. Achieving value for money and securing stewardship are key components of the CFO's role in public service organisations, a duty enshrined in legislation for the CFOs appointed by PCC's and Chief Constable's.
- 2.2. The purpose of the CIPFA Statement on the Role of the Chief Financial Officer of the Police and Crime Commissioner and the Chief Finance Officer of the Chief Constable (2014) (The Statement) is to support CFOs in the fulfilment of their duties and to ensure that the PCC and CC have access to effective financial advice at the highest level.
- 2.3. The CIPFA Statement has a five key principles as follows:
1. The Chief Finance Officer of the PCC and CC is a key member of the Leadership Team, helping it to develop and implement strategy and to resource and deliver the PCC's strategic objectives sustainably and in the public interest.
 2. The CFO must be actively involved in, and able to bring influence to bear on, all material business decisions (subject to the operational responsibilities of the Chief Constable) to ensure immediate and longer term implications, opportunities and risks are fully considered, and align with the overall financial strategy.
 3. The CFO must lead and encourage the promotion and delivery of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently, and effectively.

4. The CFO must lead and direct, (as explained in this principle), a finance function that is resourced to be fit for purpose.
 5. The CFO must be professionally qualified and suitably experienced.
- 2.4. The Statement also sets out the governance requirements, CFO responsibilities and other skills and controls expected in detail for each of the five principles.
 - 2.5. There is a 'comply or explain' requirement in the Annual Governance Statement in relation to the requirements of this CIPFA Statement.
 - 2.6. A detailed line-by-line self-assessment review of the Statement has been undertaken and can be found in Appendix 1.

3. Findings

- 3.1. The review has identified the following:
- 3.2. The Statement requires that both the PCC and CC appoint separate CFOs. Where under existing arrangements a joint CFO has been appointed the reasons should be explained publicly in the authority's Annual Governance Report, together with an explanation of how this arrangement delivers the same impact. (Point 1.2 Appendix A).
- 3.3. CIPFA also stated in their covering letter to the revised 2014 Statement that "Those areas looking to appoint a single CFO will need to reassure themselves that any potential conflicts of interest could be appropriately handled."
- 3.4. The 2013/14 Annual Governance Statement included reference to the joint role as follows:

With effect from 29th March 2013 the Chief Constable's Director of Finance has also acted as Treasurer to the PCC. These positions both include ensuring the lawfulness and financial prudence of decision-making; providing advice, particularly on financial impropriety, publicity and budget issues and giving financial information. It also extends to ensuring the financial arrangements in place conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer of the Police and Crime Commissioner and the Chief Finance Officer of the Chief Constable (2012).

- 3.5. A recent Internal Audit review recommended setting out further reasoning and justification for the joint role to help to meet the requirements as set out in Principles 1 to 5 of the CIPFA Statement. The following revised explanation is suggested for 2014/15:

"The Police and Crime Commissioner for Northumbria and the Chief Constable agreed to appoint a joint CFO for both organisations with effect from 29th March 2013. The reasoning was that a joint CFO role would provide both the Chief Constable and PCC with an efficient, effective, economic and better coordinated finance lead. The joint role is subject to the requirements,

standards and controls as set out in the CIPFA Statement on the Role of the Chief Financial Officer of the Police and Crime Commissioner and the Chief Finance Officer of the Chief Constable (2014).

The joint arrangement has now been in place for two full financial years. A detailed self-assessment to the Statement has been completed and has found the role to be working well. Two best practice findings have been highlighted as follows:

[List]

- 3.6. Ensure that consideration has been given to nominated deputy provision if either CFO is unable to discharge his/her responsibilities. As there is a single CFO the nomination between two does not apply. However, best practice would suggest that a suitable deputy is nominated.
- 3.7. Ensure that capital projects are managed with post completion reviews. (Point 3.25 Appendix A). Financial Regulations do not currently include this requirement but it can be included in due course.
- 3.8. No other areas of non-compliance have been identified and therefore need to be disclosed in the AGS.

4. Recommendations

- 4.1. The Committee is requested to note and endorse the findings of this report for inclusion within the Annual Governance Statement.