



MANAGEMENT STATEMENT / FINANCIAL MEMORANDUM FOR THE NIPB

Management statement

1. INTRODUCTION

1.1 This document

1.1.1 This *Management Statement and Financial Memorandum (MS/FM)* has been drawn up by the Department of Justice (DOJ) in consultation with the Northern Ireland Policing Board (NIPB), Waterside Tower, 31 Clarendon Road Clarendon Dock, Belfast BT1 3BG. The document is based on a model prepared by the Department of Finance and Personnel (DFP).

1.1.2 The terms and conditions set out in the combined *Management Statement and Financial Memorandum* may be supplemented by guidelines or directions issued by the DOJ/Minister in respect of the exercise of any individual functions, powers and duties of the NIPB.

1.1.3 A copy of the MS/FM for the NIPB should be given to all newly appointed Board Members, senior NIPB executive staff and DOJ sponsor staff on appointment. Amendments made to the MS/FM should also be brought to the attention of Board members on a timely basis.

1.1.4 Subject to the legislation noted below, this *Management Statement* sets out the broad framework within which the NIPB will operate, in particular:

- The NIPB's overall aim[s], objectives and targets in support of the DOJ's wider strategic aims and the outcomes and targets contained in its current Public Service Agreement (PSA);
- the rules and guidelines relevant to the exercise of the NIPB's functions, duties and powers;

- the conditions under which any public funds are paid to the NIPB;
- how the NIPB is to be held to account for its performance.

1.1.5 The associated *Financial Memorandum* sets out in greater detail certain aspects of the financial provisions which the NIPB shall observe. However, the *Management Statement* and *Financial Memorandum* do not convey any legal powers or responsibilities.

1.1.6 The document shall be periodically reviewed by the DOJ..

1.1.7 The NIPB, the DOJ, or the Minister, may propose amendments to this document at any time. Any such proposals by the NIPB shall be considered in the light of evolving departmental policy aims, operational factors and the track record of the NIPB itself. The guiding principle shall be that the extent of flexibility and freedom given to the NIPB shall reflect both the quality of its internal controls to achieve *performance and its operational needs*. The DOJ shall determine, in agreement with the NIPB, what changes, if any, are to be incorporated in the document. Legislative provisions shall take precedence over any part of the document. Significant variations to the document shall be cleared with DFP Supply after consultation with the NIPB, as appropriate. (The definition of "significant" will be determined by the DOJ in consultation with DFP).

1.1.8 The *MS/FM* is approved by DFP Supply, and signed and dated by the DOJ and the NIPB's Chief Executive.

1.1.9 Any question regarding the interpretation of the document shall be resolved by the DOJ after consultation with the NIPB and, as necessary, with DFP Supply.

1.1.10 Copies of this document and any subsequent substantive amendments shall be placed in the Library of the Assembly. (Copies shall also be made available to members of the public on the NIPB's website).

1.2 Founding legislation; status

1.2.1 The NIPB is established under the Police (Northern Ireland) Act 2000, as amended by the Police (Northern Ireland) Act 2003. The constitution of the NIPB is set out in Part III of Schedule 1 to the Police (Northern Ireland) Act 2000, as amended. The NIPB does not carry out its functions on behalf of the Crown.

1.3 The functions, duties and powers of the NIPB

- 1.3.1 The Police (Northern Ireland) Act 2000, as amended, gives the NIPB the following:

The NIPB is an independent public body established under the Police (Northern Ireland) Act 2000. The NIPB is responsible for securing the maintenance of the police in Northern Ireland, and has a key role in ensuring the provision of an effective, efficient, impartial and accountable police service which will enjoy the support of all sections of the community. The NIPB also holds the Chief Constable to account for the exercise of his functions and those of the police.

The NIPB is responsible for a range of other duties, including approval of an Estate Strategy prepared by the Chief Constable, joint sponsorship with the DOJ of PCSPs, preparation and publication of an annual Policing Plan, reflecting the DOJ's long term policing objectives, and for monitoring the performance of the police in general, and particularly in relation to compliance with the Human Rights Act and the extent to which membership of the police and support staff is representative of the community.

1.4 Classification

- 1.4.1 For policy/administrative purposes the NIPB is classified as an executive non-departmental public body.
- 1.4.2 For national accounts purposes the NIPB is classified to the central government sector
- 1.4.3 References to the NIPB include, (where they exist), all its subsidiaries and joint ventures that are classified to the public sector for national accounts purposes. If such a subsidiary or joint venture is created, there shall be a document setting out the arrangements between it and the NIPB (paragraphs 66 – 67 of the *Financial Memorandum refer*).

2. AIMS, OBJECTIVES AND TARGETS

2.1 Overall aims

- 2.1.1 The Minister has approved the overall aim for the NIPB as follows:

To seek all opportunities to ensure for all the people of Northern Ireland the delivery of an effective, efficient, impartial, representative and accountable police service which will secure the confidence of the whole community by reducing crime and the fear of crime.

2.2 Objectives and key targets

- 2.2.1 The DOJ determines the NIPB's performance framework in the light of the Department's wider strategic aims and current PSA objectives and targets (paragraph 1.1.4). The Minister has agreed the following objectives, key targets and performance measures within the NIPB's corporate and business plans (Section 4 below);

THEME 1: SETTING STRATEGIC DIRECTION AND PRIORITIES – the Board will ensure that both it and the PSNI have the leadership, capacity and capability needed to deliver good quality service outcomes on behalf of the public.

OBJECTIVE 1.1: Secure the strategic direction, finance and leadership of the PSNI and the Board.

OBJECTIVE 1.2: Ensure the highest possible professional and ethical standards are set and maintained for the PSNI and the Board.

OBJECTIVE 1.3: Set clear and ambitious priorities for policing.

OBJECTIVE 1.4: Communicate in a timely manner which adds value to policing in Northern Ireland.

THEME 2: SCRUTINISING PERFORMANCE OUTCOMES – the Board will ensure that it is effective in scrutinising and ensuring that the PSNI delivers the priority services that matter to local people.

OBJECTIVE 2.1: Hold the Chief Constable to account and effectively scrutinise the performance of the PSNI.

OBJECTIVE 2.2: Ensure continuous improvement of the PSNI and the Board through focus on strategic issues and outcomes.

OBJECTIVES 2.3: Ensure compliance with Human Rights legislation to secure improvements in policing.

THEME 3: ACHIEVING RESULTS THROUGH COMMUNITY ENGAGEMENT AND PARTNERSHIPS – the Board will achieve results through community engagement and partnerships to deliver its ambitions and strategic priorities.

OBJECTIVE 3.1: Increase public confidence and satisfaction in the PSNI, the Board and District Policing Partnerships/Policing and Community Safety Partnerships.

OBJECTIVE 3.2: Secure improvements in policing and public safety through effective engagement and partnership working.

THEME 4: ENSURING VALUE FOR MONEY AND PRODUCTIVITY – the Board will ensure a clear and sustained focus on value for money to secure a good deal for the public.

OBJECTIVE 4.1: Secure and ensure that there is robust and cost effective management of the human, financial and physical resources of the PSNI and the Board.

OBJECTIVE 4.2: Ensure the Board is outcome focused to add value to policing.

3. RESPONSIBILITIES AND ACCOUNTABILITY

3.1 The Minister

3.1.1 The Minister is accountable to the Assembly for the activities and performance of the NIPB. His/Her responsibilities include:

- agreeing the NIPB's strategic objectives and the policy and performance framework within which the NIPB will operate (as set out in this Management Statement and Financial Memorandum and associated documents);
- keeping the Assembly informed about the NIPB's performance;
- approving the amount of grant-in-aid funds to be paid to the NIPB, and securing Assembly approval; and
- carrying out responsibilities specified in the Police (Northern Ireland) Act 2000, as amended by the Police (Northern Ireland) Act 2003 and any subsequent legislation, including *appointments of independent members to the Board, approving the terms and conditions of Board members, approval of terms and conditions of staff.*

3.2 The Accounting Officer of the DOJ

3.2.1 The Permanent Secretary, as the DOJ's principal Accounting Officer (the 'departmental Accounting Officer'), is responsible for the overall organisation, management and staffing of the DOJ and for ensuring that there is a high standard of financial management in the Department as a whole. The departmental Accounting Officer is accountable to the Assembly for the issue of any grant-in-aid to the NIPB. The departmental Accounting Officer designates the Chief Executive of the NIPB as the NIPB's Accounting Officer, and may withdraw the accounting officer designation if he/she believes that the incumbent is no longer suitable for the role.

3.2.2 In particular, the departmental Accounting Officer of the DOJ shall ensure that:

- the NIPB's strategic aim(s) and objectives support the DOJ's wider strategic aims and current PSA objectives and targets;
- the financial and other management controls applied by the DOJ to the NIPB are appropriate and sufficient to safeguard public funds and for ensuring that the NIPB's compliance with those controls is effectively monitored ("public funds" include not only any funds granted to the NIPB by the Assembly but also any other funds falling within the stewardship of the NIPB);
- the internal controls applied by the NIPB conform to the requirements of regularity, propriety and good financial management; and
- any grant-in-aid to the NIPB is within the ambit and the amount of the Request for Resources and that Assembly authority has been sought and given.

3.2.3 The responsibilities of a departmental Accounting Officer are set out in more detail in Chapter 3 of Managing Public Money Northern Ireland (MPMNI).

3.3 The sponsoring team in the Department

3.3.1 Within the DOJ, Policing Policy and Strategy Division (PPSD) is the sponsoring team for the NIPB. The Team, in consultation as necessary with the relevant departmental Accounting Officer, is the primary source of advice to the Minister on the discharge of his/her responsibilities in respect of the NIPB, and the primary point of contact for the NIPB in dealing with the DOJ. The sponsoring team shall carry out its duties under the management of a senior officer, who shall

have primary responsibility within the team for overseeing the activities of the NIPB.

3.3.2 The sponsoring team shall advise the Minister on:

- an appropriate framework of objectives and targets for the NIPB in the light of the Department's wider strategic aims and current PSA objectives and targets; and
- an appropriate budget for the NIPB in the light of the Department's overall public expenditure priorities;
- how well the NIPB is achieving its strategic objectives and whether it is delivering value for money.

3.3.3 In support of the departmental Accounting Officer, the sponsoring team shall:

on performance and risk management -

- monitor the NIPB's activities on a continuing basis through an adequate and timely flow of information from the NIPB on performance, budgeting, control, and risk management, including early sight of the NIPB's Statement on Internal Control;
- address in a timely manner any significant problems arising in the NIPB, whether financial or otherwise, making such interventions in the affairs of the NIPB as the DOJ judges necessary to address such problems;
- periodically carry out a risk assessment of the NIPB's activities to inform the DOJ's oversight of the NIPB; strengthen these arrangements if necessary; and amend the Management Statement and Financial Memorandum accordingly. The risk assessment shall take into account the nature of the NIPB's activities; the public monies at stake; the body's corporate governance arrangements; its financial performance; internal and external auditors' reports; the openness of communications between the body and the DOJ; and any other relevant matters;

on communication with the NIPB -

- inform the NIPB of relevant Executive/government policy in a *timely manner*; if necessary, advise on the interpretation of that policy; and issue specific guidance to the NIPB as necessary;
- bring concerns about the activities of the NIPB to the attention of the Accounting Officer, and require explanations and assurances from the Board that appropriate action has been taken.

3.4 The Policing Board

3.4.1 The Policing Board Members are appointed as follows:

- Members of the Policing Board are appointed under Part III of Schedule 1 of the Police (Northern Ireland) Act 2000 (as amended).
- The Policing Board consists of 19 members; made up of 10 political members and 9 independent members.
- Independent Members may not be appointed for a term of more than 4 years at a time.
- Political membership of the Policing Board is subject to paragraph 2 (3) of Part I of Schedule 1 to the Police (NI) Act 2000 (as amended) and paragraph 7 of Part III of Schedule 1 to the Police (NI) Act 2000 (as amended).

Appointment of Independent Members:

- Is made in line with the Code of Practice issued by the Commissioner for Public Appointments Northern Ireland.
- Is made as far as possible with the aim of finding a group of individuals representative of the community as a whole.

Appointment of Political members:

- At the request of the Minister of Justice, the nominating officer of the political party for which the d'Hondt formula gives the highest figure may nominate a person as a member of the Board who-
 - a) Is a member of that party and of the Assembly; and
 - b) Is not disqualified for membership of the Board.

3.4.2 The Board members have corporate responsibility for ensuring that the organisation fulfils the aims and objectives set by the DOJ and agreed by the Minister, and for promoting the efficient, economic and effective use of staff and other resources by the organisation. To this end, and in pursuit of its wider corporate responsibilities, the Board shall:

- establish the overall strategic direction of the organisation within the policy and resources framework determined by the DOJ Minister and Department;
- constructively challenge the organisation's executive team in their planning, target setting and delivery of performance;
- ensure that the DOJ is kept informed of any changes which are likely to impact on the strategic direction of the organisation or on the attainability of its targets, and determine the steps needed to deal with such changes;
- ensure that any statutory or administrative requirements for the use of public funds are complied with; that the NIPB operates within the limits of its statutory authority and any delegated authority agreed with the DOJ, and in accordance with any other conditions relating to the use of public funds; and that, in reaching decisions, the organisation takes into account all relevant guidance issued by DFP and the DOJ;
- receive and review regular financial information concerning the management of the organisation; is informed in a timely manner about any concerns about the activities of the NIPB; and provides positive assurance to the DOJ that appropriate action has been taken on such concerns;
- demonstrate high standards of corporate governance at all times, including using the independent audit committee, (see paragraph 4.7) to help the NIPB to address the key financial and other risks facing the organisation; and
- appoint, with DOJ approval a Chief Executive to the NIPB and, set performance objectives and remuneration terms linked to these objectives for the Chief Executive, which give due weight to the proper management and use of public monies.

3.4.3 Individual Policing Board Members shall act in accordance with their wider responsibilities as Members of the Board – namely to:

- comply at all times with the Code of Practice (see paragraph 3.5.5) that is adopted by the NIPB and with the rules and guidance relating to the use of public funds and to conflicts of interest;
- not misuse information gained in the course of their public service for personal gain or for political profit, nor seek to use the opportunity of public service to promote their private interests or those of connected persons or organisations; and to declare publicly and to the board any private interests that may be perceived to conflict with their public duties;
- comply with the Board's rules on the acceptance of gifts and hospitality, and of business appointments; and
- *act in good faith and in the best interests of the NIPB.*

3.4.4 The DOJ shall have access to all Board meeting minutes

3.5 The Chair and Vice-Chair of the NIPB

3.5.1 The chair and vice-chair are appointed as follows:

- The chair and vice-chair of the Policing Board are appointed under Part III of Schedule 1 of the Police (Northern Ireland) Act (as amended).
- Appointments to the office of chair and vice-chair are made by the Policing Board from among its members.
- *Chair and vice-chair of the Policing Board may not be appointed for a term of more than 4 years at a time.*

3.5.2 The chair shall ensure that the NIPB's policies and actions support the wider strategic policies of the Minister; and that the NIPB's affairs are conducted with probity. The chair shares with other Board members the corporate responsibilities set out in paragraph 3.4.2, and in particular for ensuring that the NIPB fulfils the aims and objectives set by the DOJ and agreed by the Minister.

3.5.3 The chair has a particular leadership responsibility on the following matters:

- formulating the Board's strategy;

- ensuring that the Board, in reaching decisions, takes proper account of guidance provided by the Minister or the DOJ;
- promoting the efficient, economic and effective use of staff and other resources;
- encouraging and delivering high standards of regularity and propriety;
- representing the views of the Board to the general public; and
- ensuring that the Board meets at regular intervals throughout the year and that the minutes of meetings accurately record the proceedings and decisions taken.

3.5.4 The chair shall also:

- ensure that all members of the Board, when taking up office, are fully briefed on the terms of their appointment and on their duties, rights and responsibilities, and receive appropriate induction training, including on the financial management and reporting requirements of public sector bodies and on any differences which may exist between private and public sector practice;
- advise the Department of the needs of the NIPB when Board vacancies arise, with a view to ensuring a proper balance of professional and financial expertise; and
- assess the performance of independent Board Members. Independent Board Members will be subject to ongoing performance appraisal, with a formal assessment being completed by the chair of the Board at the end of each year and prior to any re - appointment of individual Members taking place. Members will be made aware that they are being appraised, the standards against which they will be appraised, and will have an opportunity to contribute to and view their report. The chair of the Board will also be appraised on an annual basis by the Departmental Accounting Officer or a senior official acting on his or her behalf.

3.5.5 The chair shall also ensure that a Code of Practice for Board Members is in place, based on the Cabinet Office's *Code of Practice for Board Members of Public Bodies*, (FD (DFP) 03/06 refers). The Code shall commit the chair and other Board Members to the Nolan "seven principles of public life", and shall include a requirement for a comprehensive and publicly available register of Board Members' interests.

3.5.6 Communications between the Board and, the Minister shall normally be through the chair. The chair shall ensure that the other Board Members are kept informed of such communications on a timely basis.

3.6 The Chief Executive's role as Accounting Officer

3.6.1 The Chief Executive of the NIPB is designated as the NIPB's Accounting Officer of the DOJ.

3.6.2 The Accounting Officer of the NIPB is personally responsible for safeguarding the public funds for which he/she has charge; for ensuring propriety and regularity in the handling of those public funds; and for the day-to-day operations and management of the NIPB.

3.6.3 As Accounting Officer, the Chief Executive shall exercise the following responsibilities in particular:

on planning and monitoring -

- establish, in agreement with the DOJ, the NIPB's corporate and business plans in support of the Department's wider strategic aims and current PSA objectives and targets;
- inform the DOJ of the NIPB's progress in helping to achieve the Department's policy objectives and in demonstrating how resources are being used to achieve those objectives;
- ensure that timely forecasts and monitoring information on performance and finance are provided to the DOJ; that the DOJ is notified promptly if overspends or underspends are likely and that corrective action is taken; and that any significant problems, whether financial or otherwise, and whether detected by internal audit or by other means, are notified to the DOJ in a timely fashion;

on advising the Board -

- advise the Board on the discharge of its responsibilities as set out in this document, in the Police (Northern Ireland) Act 2000 and in any other relevant instructions and guidance that may be issued from time to time by DFP or the DOJ;
- advise the Board on the NIPB's performance compared with its aims and objectives;

- ensure that financial considerations are taken fully into account by the Board at all stages in reaching and executing its decisions, and that standard financial appraisal techniques are followed appropriately;
- take action in accordance with Section 3.8 of MPMNI if the Board, or its chair, is contemplating or is minded to instruct the Accounting Officer to carry out a course of action involving a transaction which the Chief Executive considers would infringe the requirements of propriety or regularity, or does not represent prudent or economical administration, efficiency or effectiveness;

on managing risk and resources -

- ensure that a system of risk management is maintained to inform decisions on financial and operational planning and to assist in achieving objectives and targets;
- ensure that an effective system of programme and project management and contract management is maintained;
- ensure compliance with the Northern Ireland Public Procurement Policy;
- ensure that all public funds made available to the NIPB including any income or other receipts are used for the purpose intended by the Assembly, and that such monies, together with the NIPB's assets, equipment and staff, are used economically, efficiently and effectively;
- ensure that adequate internal management and financial controls are maintained by the NIPB, including effective measures against fraud and theft;
- maintain a comprehensive system of internal delegated authorities that are notified to all staff, together with a system for regularly reviewing compliance with these delegations;
- ensure that effective Human Resources management policies are maintained;

on accounting for the NIPB's activities-

- *ensure that the NIPB carries out its full responsibility as Police Pension Scheme Administrator. It shall provide the Department, as scheme manager, on a quarterly basis assurance and supporting evidence that all scheme administrator functions are carried out and that the scheme is fully compliant with relevant government guidance.*

- sign the accounts and be responsible for ensuring that proper records are kept relating to the accounts and that the accounts are properly prepared and presented in accordance with any directions issued by the Minister, the DOJ, or DFP;
- sign a Statement of Accounting Officer's responsibilities, for inclusion in the annual report and accounts;
- sign a Statement on Internal Control regarding the NIPB's system of internal control, for inclusion in the annual report and accounts;
- ensure that effective procedures for handling complaints about the NIPB are established and made widely known within the NIPB;
- act in accordance with the terms of this document and with the instructions and relevant guidance in MPMNI and other instructions and guidance issued from time to time by the DOJ and DFP - in particular, Chapter 3 of MPMNI and the Treasury document Regularity and Propriety and Value for Money (a copy of which the Chief Executive shall receive on appointment). Section IX of the Financial Memorandum refers to other key guidance;
- give evidence, normally with the Accounting Officer of the DOJ, if summoned before the Public Accounts Committee on the use and stewardship of public funds by the NIPB;
- ensure that an Equality Scheme is in place, reviewed and equality impact assessed as required by the Equality Commission.
- ensure that Lifetime Opportunities is taken into account; and
- ensure that the requirements of the Data Protection Act 1998 and the Freedom of Information Act 2000 are complied with.

3.7 The Chief Executive's role as Consolidation Officer

3.7.1 For the purposes of Whole of Government Accounts, the Chief Executive of the NIPB is normally appointed by DFP as the NIPB's Consolidation Officer.

3.7.2 As the NIPB's Consolidation Officer, the Chief Executive shall be personally responsible for preparing the consolidation information, which sets out the financial results and position of the NIPB; for arranging for its audit; and for sending the information and the audit report to the Principal Consolidation Officer nominated by DFP.

3.7.3 As Consolidation Officer, the Chief Executive shall comply with the requirements of the NIPB Consolidation Officer Letter of Appointment as issued by DFP and shall, in particular:

- ensure that the NIPB has in place and maintains sets of accounting records that will provide the necessary information for the consolidation process; and
- prepare the consolidation information (including the relevant accounting and disclosure requirements and all relevant consolidation adjustments) in accordance with the consolidation instructions and directions ["Dear Consolidation Officer" (DCO) and "Dear Consolidation Manager" (DCM) letters] issued by DFP on the form, manner and timetable for the delivery of such information.

3.8 Delegation of duties

3.8.1 The Chief Executive may delegate the day-to-day administration of his/her Accounting Officer and Consolidation Officer responsibilities to other employees in the NIPB. However, he/she shall not assign absolutely to any other person any of the responsibilities set out in this document.

3.9 The Chief Executive's role as Principal Officer for Ombudsman cases

3.9.1 The Chief Executive of the NIPB is the Principal Officer for handling cases involving the Northern Ireland Commissioner for Complaints. As Principal Officer, he/she shall inform the Permanent Secretary of the DOJ of any complaints about the NIPB accepted by the Ombudsman for investigation, and about the NIPB's proposed response to any subsequent recommendations from the Ombudsman.

3.10 Consulting Customers

- 3.10.1 The NIPB will work in partnership with its stakeholders and customers to deliver the services/programmes, for which it has responsibility, to agreed standards. It will consult regularly to develop a clear understanding of citizens' needs and expectations of its services, and to seek feedback from both stakeholders and customers and will work to deliver a modern, accessible service.

4. PLANNING, BUDGETING AND CONTROL

4.1 The corporate plan

- 4.1.1 Consistent with the timetable for the NI Executive's Budget process reviews, the NIPB shall submit to the DOJ a draft of the NIPB's corporate plan **[normally]** covering three years ahead. **[NOTE: The sponsor Department should agree a timeframe or specific dates for the submission and agreement of the corporate plan].** The NIPB shall have agreed with the DOJ the issues to be addressed in the plan and the timetable for its preparation.
- 4.1.2 DFP reserves the right to ask to see and agree the NIPB's corporate plan.[NOTE: if other arrangements apply these should be specified.]
- 4.1.3 The plan shall reflect the NIPB's statutory duties and, within those duties, the priorities set from time to time by the Minister. In particular, the plan shall demonstrate how the NIPB contributes to the achievement of the Department's strategic aims and PSA objectives and targets.
- 4.1.4 The corporate plan shall set out:
- The Northern Ireland Policing Board's key Themes and Objectives for the three years the plan covers, including its strategy for achieving those objectives, and;
 - how the organisation will review the performance achieved against each of the key themes and objectives:

A formal review of the Northern Ireland Policing Board's performance will be undertaken twice each year across the 3 year period of the plan, and this will be published. Achievement against the objectives will be measured through the annual business planning procedure and comparisons can be made across the three years of the corporate plan.

- 4.1.5 The main elements of the plan, including the key performance targets, shall be agreed between the DOJ and the NIPB in the light of the DOJ's decisions on policy and resources taken in the context of the Executive's wider policy and spending priorities and decisions.

4.2 The business plan

- 4.2.1 Each year of the corporate plan shall form the basis of the business plan for the relevant forthcoming year. *The DOJ shall agree a timeframe for the submission and agreement of the business plan.* The business plan shall include key targets and milestones for the year immediately ahead and shall be linked to budgeting information so that resources allocated to achieve specific objectives can readily be identified by the DOJ.

- 4.2.2 DFP reserves the right to ask to see and agree the NIPB's annual business plan. [NOTE: *if other arrangements apply these should be specified*]

- 4.2.3 Business plans will be formally agreed by the Minister.

4.3 Publication of plans

- 4.3.1 The corporate and business plans shall be published on the NIPB's website and made available to staff.

4.4 Reporting performance to the DOJ

- 4.4.1 The NIPB shall operate management information and accounting systems which enable it to review in a timely and effective manner its financial and non-financial performance against the budgets and targets set out in its agreed corporate and business plans.

- 4.4.2 The NIPB shall take the initiative in informing the DOJ of changes in external conditions, which make the achievement of objectives more or less difficult, or which may require a change to the budget or objectives as set out in the corporate or business plans.

- 4.4.3 The NIPB's performance including the achievement of key objectives, shall be reported to and formally reviewed by the Department through the Quarterly Governance Meetings. The Minister shall meet the Board chair and vice-chair formally each year to discuss the NIPB's

performance, its current and future activities, and any policy developments relevant to those activities.

- 4.4.4 The NIPB's performance against key targets shall be reported in its annual report and accounts [see Section 5.1 below]. [Arrangements for the validation of reported performance will be agreed between the NIPB and the sponsoring department.]

4.5 Budgeting procedures

- 4.5.1 The NIPB's budgeting procedures are set out in the *Financial Memorandum*.

4.6 Internal audit

- 4.6.1 The NIPB shall establish and maintain arrangements for internal audit in accordance with the Government Internal Audit Standards (GIAS).

- 4.6.2 The NIPB as an arm's length body of the DoJ shall make arrangements in line with the guidance issued in DAO (DFP) 0/10 for the Internal Audit of the organisation.

In particular the Department will:

- have input to NIPB planned internal audit coverage;
- *ensure that arrangements are in place for the receipt of audit reports, assignment reports, the Head of Internal Audit's annual report and opinion etc;*
- *ensure that there are arrangements for the completion of Internal and External Assessments of the NIPB internal audit function against GIAS including advising that the DOJ reserves a right of access to carry out its own independent reviews of internal audit in the NIPB;*
- *ensure that a right of access to all documents prepared by the NIPB's internal auditor is maintained, including where the service is contracted out. Where the NIPB's audit service is contracted out the NIPB should stipulate this requirement when tendering for the services.*
- *ensure attendance of a departmental representative at NIPB's Audit and Risk Management Committee meetings as an observer.*

4.6.3 The NIPB shall consult the DOJ to ensure that the latter is satisfied with the competence and qualifications of the Head of Internal Audit and that the requirements for approving the appointment are in accordance with GIAS and relevant DFP guidance.

4.6.4 The DOJ will review the NIPB's terms of reference for internal audit service provision. The NIPB shall notify the DOJ of any subsequent changes to internal audit's terms of reference.

4.7 Audit Committee

4.7.1 The NIPB shall maintain an independent audit committee as a committee of its Board, in accordance with the Cabinet Office's *Guidance on Codes of Practice for Public Bodies* (FD (DFP) 03/06 refers) and in line with the Audit Committee Handbook DAO (DFP) 07/07.

4.7.2 The DOJ has determined that it shall :-

- *Ensure attendance by departmental representatives at NIPB Audit and Risk Management Committee;*
- *Be provided with access required to the Audit Committee papers and minutes;*
- *Require input on occasion from the NIPB Audit Committee to the Department's own Audit Committee.*

4.7.3 The DOJ will review the NIPB's audit committee terms of reference. The NIPB shall notify the DOJ of any subsequent changes to the audit committee's terms of reference.

4.8 Fraud

4.8.1 The NIPB shall report immediately to the DOJ all frauds (proven or suspected), including attempted fraud. The DOJ shall then report the frauds immediately to DFP and the C&AG. In addition the NIPB shall forward to the DOJ the annual fraud return, commissioned by DFP, on fraud and theft suffered by the NIPB.

4.8.2 The DOJ will review the NIPB's Anti Fraud Policy and Fraud Response Plan. The NIPB shall notify the DOJ of any subsequent changes to the policy or response plan.

4.9 Additional Departmental access to the NIPB

- 4.9.1 In addition to the right of access referred to in paragraph 4.6.2 above, the DOJ shall have a right of access to all relevant NIPB records and personnel for purposes such as sponsorship audits and operational investigations. (See also paragraphs 3.4.4 and 4.7.2 access to Board and Audit Committee minutes).

5. EXTERNAL ACCOUNTABILITY

5.1 The annual report and accounts

- 5.1.1 After the end of each financial year the NIPB shall publish as a single document an annual report of its activities together with its audited annual accounts. The report shall also cover the activities of any corporate bodies under the control of the NIPB. A draft of the report shall be submitted to the DOJ as soon as possible before the proposed publication date although it is expected that the department and the NIPB will have had extensive pre publication discussion on the content of the report prior to formal submission to the department. *[NOTE: The DOJ may wish to agree a timeframe or specific dates for the publication of the annual report and accounts].*
- 5.1.2 The report and accounts shall comply with the most recent version of the Government Financial Reporting Manual (FReM) issued by DFP. (NOTE: This guidance is updated every year). The accounts shall be prepared in accordance with any relevant statutes and the specific Accounts Direction issued by the DOJ.
- 5.1.3 The report and accounts shall outline the NIPB's main activities and performance during the previous financial year and set out in summary form the NIPB's forward plans. Information on performance against key financial targets shall be included in the notes to the accounts, and shall therefore be within the scope of the audit.
- 5.1.4 The report and accounts shall be laid before the Assembly and made available, in accordance with the guidance on the procedures for presenting and laying the combined annual report and accounts as prescribed in the relevant FD letter issued by DFP.
- 5.1.5 Due to the potential accounting and budgetary implications, any changes to accounting policies or significant estimation techniques underpinning the preparation of annual accounts, requires the prior written approval of the DOJ.

5.2 External Audit

5.2.1 *[5.2.1 – 5.2.3 are for NDPBs including Non Profit Making Companies, which are audited by the C&AG]* The Comptroller and Auditor General (C&AG) audits the NIPB's annual accounts and lays them before the Assembly, together with the NIPB's annual report. For the purpose of audit the C&AG has a statutory right of access to relevant documents as provided for in Articles 3 and 4 of the Audit and Accountability (Northern Ireland) Order 2003.

5.2.2 The C&AG will liaise with the NIPB on the arrangements for completing the audit of the NIPB's accounts. This will either be undertaken by staff of the NIAO or a private sector firm appointed by the C&AG to undertake the audit on his/her behalf. The final decision on how such audits will be undertaken rests with the C&AG, who retains overall responsibility for the audit.

5.2.3 The C&AG has agreed to share with sponsor Departments relevant information identified during the audit process including the Report To Those Charged With Governance at the end of the audit. This shall apply, in particular, to issues which impact on the Department's responsibilities in relation to financial systems within the NIPB. The C&AG will also consider, where asked, providing Departments and other relevant bodies with reports which Departments may request at the commencement of the audit and which are compatible with the independent auditor's role.

5.3 VFM examinations

5.3.1 The C&AG may carry out examinations into the economy, efficiency and effectiveness with which the NIPB has used its resources in discharging its functions. For the purpose of these examinations the C&AG has statutory access to documents as provided for under Articles 3 and 4 of the Audit and Accountability (Northern Ireland) Order 2003. Where making payment of a grant, or drawing up a contract, the NIPB should ensure that it includes a clause which makes the grant or contract conditional upon the recipient or contractor providing access to the C&AG in relation to documents relevant to the transaction. Where subcontractors are likely to be involved, it should also be made clear that the requirements extend to them.

6. STAFF MANAGEMENT

6.1 General

6.1.1. Within the arrangements approved by the Minister and DFP the NIPB shall have responsibility for the recruitment, retention and motivation of its staff. To this end the NIPB shall ensure that:

- its rules for the recruitment and management of staff create an inclusive culture in which diversity is fully valued; where appointment and advancement is based on merit; and where there is no discrimination on grounds of gender, marital status, domestic circumstances, sexual orientation, race, colour, ethnic or national origin, religion, disability, community background or age;
- the level and structure of its staffing, including grading and numbers of staff, are appropriate to its functions and the requirements of efficiency, effectiveness and economy;
- the performance of its staff at all levels is satisfactorily appraised and the NIPB's performance measurement systems are reviewed from time to time;
- its staff are encouraged to acquire the appropriate professional, management and other expertise necessary to achieve the NIPB's objectives;
- proper consultation with staff takes place on key issues affecting them;
- adequate grievance and disciplinary procedures are in place;
- whistle blowing procedures consistent with the Public Interest (Northern Ireland) Order 2003 are in place; and
- a code of conduct for staff is in place based on Annex 5A of Public Bodies: A Guide for NI Departments (available at www.afmdni.gov.uk).

6.1.2 The NIPB shall establish arrangements for compliance with all relevant Health and Safety legislation including the development of appropriate policies, the appointment of competent persons to manage and control risk and ensure appropriate training for staff. Any major incidents shall be reported

7. REVIEWING THE ROLE OF THE NIPB

7.1 The NIPB shall be reviewed periodically, in accordance with the business needs of the DOJ and the NIPB. Reference should be made to Chapter 9 of the Public Bodies: a Guide for Northern Ireland Departments.

7.2 In the event of the NIPB being wound up the DOJ shall, in good time:

- ensure that procedures are in place in the NIPB to gain independent assurance on key transactions, financial commitments, cash flows and other information needed to handle the wind-up effectively and to maintain the momentum of work that is to be inherited by any residuary body;
- ensure that any HR issues relating to directly recruited staff are actioned in accordance with paragraph 45 of the NIPB Financial Memorandum or other appropriate measures.

- specify the basis for the valuation and accounting treatment of the NIPB's assets and liabilities at wind-up, distinguishing between actual and potential assets and liabilities, in order to provide a clear basis for assessing the NIPB's financial legacy; and

- if necessary, secure representation on the NIPB to ensure that the wind-up is conducted in a proper and satisfactory manner.

7.3 The NIPB shall provide the DOJ with full details of all agreements where the NIPB or its successors have a right to share in the financial gains of developers. It should also pass to the department details of any other forms of claw back due to the NIPB.

Financial Memorandum

I. INTRODUCTION

- 1 This *Financial Memorandum* sets out certain aspects of the financial framework within which the Board is required to operate.
- 2 The terms and conditions set out in the combined *Management Statement* and *Financial Memorandum* may be supplemented by guidelines or directions issued by the DOJ in respect of the exercise of any individual functions, powers and duties of the Board.
- 3 The Board shall satisfy the conditions and requirements set out in the combined document, which may be supplemented by guidelines or directions issued by the Department/Minister in respect of the exercises of any individual functions, powers and duties of the Board.

II. THE BOARD'S INCOME AND EXPENDITURE

The Departmental Expenditure Limit (DEL)

- 4 The Board's current and capital expenditure form part of the DOJ's Resource Departmental Expenditure Limits (DEL) and Capital DEL respectively.

Expenditure not proposed in the budget

- 5 The Board shall not, without prior written Departmental approval, enter into any undertaking to incur any expenditure which falls outside the Board's delegations or which is not provided for in the Board's annual budget as approved by the DOJ.

Procurement

- 6 The Board's procurement policies shall reflect the public procurement policy adopted by the Northern Ireland Executive in May 2002 (- refreshed May 2009); Procurement Guidance Notes; and any other guidelines or guidance issued by Central Procurement Directorate (CPD) and the Procurement Board. The Board's procurement activity should be carried out by means of the Departments Service Level Agreement with CPD – this should ensure compliance with relevant UK, EU and international procurement rules.

7 Governance information is provided on a regular basis to the DOJ.

Competition

8 Contracts shall be awarded on a competitive basis and tenders accepted from suppliers who provide best value for money overall.

9 Single tender action is the process where a contract is awarded to an economic operator (i.e. supplier, contractor) without competition. In light of their exceptional nature, Accounting Officers should consult with the Departmental Accounting Officer before approving any single tender actions. It is advisable that the Board seek an assurance from CPD/CoPE, or their legal adviser, to provide assurance for the Accounting Officer that the use of single tender action is legitimate in a particular case. Further information is published in Procurement Guidance Note 02/10 on the 'Award of Contracts without a Competition'. www.cpdni.gov.uk/index/guidance-for-purchasers/guidance-notes.htm

10 Contract details will be passed to the DOJ as part of the Governance return, provided on a regular basis.

Best value for money

11 Procurement by the Board, of works, supplies and services shall be based on best value for money, ie the optimum combination of whole life cost and quality (or fitness for purpose) to meet the Board's requirements. Where appropriate, a full option appraisal shall be carried out before procurement decisions are taken.

Timeliness in paying bills

12 The Board shall collect receipts and pay all matured and properly authorised invoices in accordance with Chapter 4.5 and 4.6 of *Managing Public Money Northern Ireland* and any guidance issued by DFP or the DOJ.

Novel, contentious or repercussive proposals

13 The Board shall obtain the approval of the DOJ, and DFP, before:

- incurring any expenditure for any purpose which is or might be considered novel or contentious, or which has or could have significant future cost implications, including on staff benefits;
- making any significant change in the scale of operation or funding of any initiative or particular scheme previously approved by the DOJ;

- making any change of policy or practice which has wider financial implications (e.g. because it might prove repercussive among other public sector bodies) or which might significantly affect the future level of resources required.

Risk management/Fraud

- 14 The Board shall ensure that the risks it faces are dealt with in an appropriate manner, in accordance with relevant aspects of best practice in corporate governance, and shall develop a risk management strategy, in accordance with the Treasury guidance *Management of Risk: A Strategic Overview (The "Orange Book")*.
- 15 The Board shall take proportionate and appropriate steps to assess the financial and economic standing of any organisation or other body with which it intends to enter into a contract or to which it intends to give grant or grant-in-aid.
- 16 The Board shall adopt and implement policies and practices to safeguard itself against fraud and theft, in line with DFP's guide *Managing the Risk of Fraud*.
- 17 All cases of attempted, suspected or proven fraud shall be reported to the DOJ who shall report it to DFP and the NIAO (see section 4.8 in the Management Statement) as soon as they are discovered, irrespective of the amount involved.

Stewardship Reporting

- 18 Stewardship reporting enables the Departmental Accounting Officer to satisfy him/herself that all prescribed management practices are being adhered to throughout the Department, the Agencies and Arms Length Bodies. The Accounting Officer shall complete and sign a stewardship report twice yearly or when requested, to tie in with the Department's own assurance processes and return to the Director of Policing in the DOJ.

Wider markets

- 19 The Board shall seek to maximise receipts from non-Consolidated Fund sources, provided that this is consistent with (a) the Board's main

functions (b) its corporate plan as agreed with the DOJ. The DOJ will confirm with the DFP Supply Officer that such proposed activity is appropriate.

Fees and charges

- 20 Fees or charges for any services supplied by the Board shall be determined in accordance with Chapter 6 of MPMNI.

III. INCOME

Grant-in-aid

- 21 Grant-in-aid will be paid to the Board in instalments, on the basis of a written application from the Board showing evidence of need. The application shall certify that the conditions applying to the use of grant-in-aid have been observed to date and that further grant-in-aid is now required for purposes appropriate to the Board's functions.
- 22 The Board should have regard to the guidance in DAO (DFP) 04/03 and to the general principle enshrined in Annex 5.1 of *Managing Public Money Northern Ireland* that it should seek grant-in-aid according to need.
- 23 Cash balances accumulated during the course of the year shall be kept at the minimum level consistent with the efficient operation of the Board. Grant-in-aid not drawn down by the end of the year shall lapse. However, where draw-down of grant-in-aid is delayed to avoid excess cash balances at year-end, the DOJ will make available in the next financial year (subject to approval by the Assembly of the relevant Estimates provision) any such grant-in-aid required to meet any liabilities at year end, such as creditors.

Fines and taxes as receipts

- 24 Most fines and taxes (including some levies and licences) do not provide additional DEL spending power and should be surrendered to the DOJ.

Receipts from sale of goods or services

- 25 Receipts from the sale of goods and services (including certain licences), rent of land and dividends normally provide additional DEL

spending power. If a body wishes to retain a receipt or utilise an increase in the level of receipts, it must gain the prior approval of DOJ.

- 26 If there is any doubt about the correct classification of a receipt, the Board shall consult the DOJ which may consult DFP as necessary.

Interest earned

- 27 Depending on the budgeting treatment of this receipt, and its impact on the Board's cash requirement, it may lead to commensurate reduction of grant-in-aid or be required to be surrendered to the NI Consolidated Fund via the Department. If the receipts are used to finance additional expenditure by the Board, the DOJ will need to ensure it has the necessary budget cover.

Unforecast changes in in-year income

- 28 If the negative DEL income realised or expected to be realised in-year is less than estimated, the Board shall, unless otherwise agreed with the DOJ, ensure a corresponding reduction in its gross expenditure so that the authorised provision is not exceeded. [NOTE: For example, if the NDPB is allocated £100 resource DEL provision by its DOJ and expects to receive £10 of negative DEL income, it may plan to spend a total of £110. If income (on an accruals basis) turns out to be only £5 the NDPB will need to reduce its expenditure to £105 to avoid breaching its budget. If the NDPB still spends £110 the DOJ will need to find £5 of savings from elsewhere within its total DEL to offset this overspend.]
- 29 If the negative DEL income realised or expected to be realised in the year is more than estimated, the Board may apply to the DOJ to retain the excess income for specified additional expenditure within the current financial year without an offsetting reduction to grant-in-aid. The DOJ shall consider such applications, taking account of competing demands for resources, and will consult with DFP in relation to any significant amounts. If an application is refused, any grant-in-aid shall be commensurately reduced or the excess receipts shall be required to be surrendered to the NI Consolidated Fund via the Department.

Build-up and draw-down of deposits

- 30 The Board shall comply with the rules that any DEL expenditure financed by the draw-down of deposits counts within DEL and that the build-up of deposits may represent a saving to DEL (if the related receipts are negative DEL in the relevant budgets).
- 31 The Board shall ensure that it has the necessary DEL provision for any expenditure financed by draw-down of deposits.

Proceeds from disposal of assets

- 32 Disposals of land and buildings are dealt with in Section VI below.

Gifts and bequests received

- 33 The Board will comply with the relevant Departmental Gifts & Hospitality Policy. These may be capitalised at fair value on receipt and must be notified to the DOJ. [NOTE: A release from the donated assets reserve should offset depreciation in the operating cost statement. The latest FReM requirements should be applied.]
- 34 Before accepting a gift, bequest, or similar donation, the Board shall consider if there are any associated costs in doing so or any conflicts of interests arising. The Board shall keep a written record of any such gifts, bequests and donations and of their estimated value and whether they are disposed of or retained.

Borrowing

- 35 The Board shall observe the principles set out in Chapter 5 and the associated annexes of MPMNI when undertaking borrowing of any kind. The Board shall seek the approval of the Department and, where appropriate, DFP, to ensure that it has any necessary authority and budgetary cover for any borrowing or the expenditure financed by such borrowing.

IV. EXPENDITURE ON STAFF

Staff costs

- 36 Subject to its delegated levels of authority the Board shall ensure that the creation of any additional posts does not incur forward commitments which will exceed its ability to pay for them.

Pay and conditions of service

- 37 The staff of the Board, whether on permanent or temporary contract, shall be subject to levels of remuneration and terms and conditions of service within the general NICS pay structure as approved by the DOJ and DFP. The Board has no delegated power to amend these terms and conditions.
- 38 Civil service terms and conditions of service apply to the rates of pay and non-pay allowances paid to the Board's staff and to any other party entitled to payment in respect of travelling expenses or other allowances. Payment shall be made in accordance with the Civil service Management Code except where prior approval has been given by the DOJ and DFP to vary such rates.
- 39 Annual pay increases of staff must be in accordance with the annual FD letter on Pay Remit Approval Process and Guidance issued by DFP. Therefore, all proposed pay awards must have prior approval of the DOJ and the Minister for Finance before implementation.
- 40 The Board's travel and subsistence policy is taken directly from the Northern Ireland Civil Service (NICS) Travel Policy and all travel relating to the business of the Board is arranged through the Board Administrative staff. Board Members are expected to adhere to the NIPB Travel Policy and will be expected to use the most cost effective means of travel ensuring value for money to the public purse. Payments for travel and incidental expenses will be made monthly and up to three months in arrears.
- 41 The Board shall operate a performance-related pay scheme which shall form part of [the annual aggregate pay budget approved by the DOJ] [the general pay structure approved by the DOJ] and DFP.
- 42 The Board shall comply with the EU directive on contract workers (Prevention of Less Favourable Treatment)].

Pensions; redundancy/compensation

- 43 The Board staff shall normally be eligible for a pension provided by membership of the Principal Civil Service Pension Scheme (Northern Ireland ((PCSPS(NI))).
- 44 Staff may opt out of the occupational pension scheme provided by the Board. The employee may select to participate in a stakeholder pension scheme to which the employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member).

- 45 Any proposal by the Board to move from the existing pension arrangements, or to pay any redundancy or compensation for loss of office, requires the approval of the DOJ and DFP. Proposals on severance payments must comply with DAO (DFP) 17/05. Where the PCSPS(NI) is the relevant pension scheme, the Board must conform with the procedures for early retirement/severance which apply to the DOJ and ensure that the level of benefits are the standard applicable under the Civil Service Compensation Scheme (Northern Ireland) (CSCS(NI)) rules. The DOJ is responsible for ensuring that the Board does this.
- 46 The DOJ is responsible for ensuring that the Board continues to meet the criteria for membership of the PCSPS(NI), where this is the pension scheme applicable.

V. NON-STAFF EXPENDITURE

Economic appraisal

- 47 The Board is required to apply the principles of economic appraisal, with appropriate and proportionate effort, to all decisions and proposals concerning spending or saving public money, including European Union (EU) funds, and any other decisions or proposals that involve changes in the use of public resources. For example, appraisal must be applied irrespective of whether the relevant public expenditure or resources:
- a. involve capital or current spending, or both;
 - b. are large or small;
 - c. are above or below delegated limits (see Appendix A).
- 48 Appraisal itself uses up resources. The effort that should go into appraisal and the detail to be considered is a matter for case-by-case judgement, but the general principle is that the resources to be devoted to appraisal should be in proportion to the scale or importance of the objectives and resource consequences in question. Judgement of the appropriate effort should take into consideration the totality of the resources involved in a proposal.
- 49 General guidance on economic appraisal that apply to the Board can be found in:
- Dip's on-line guide *The Northern Ireland Guide to Expenditure Appraisal and Evaluation* ("NIGEAE", 2009). See <http://www.dfpni.gov.uk/eag>

- The HM Treasury Guide, *the Green Book: Appraisal and Evaluation in Central Government* (2003).

Capital expenditure

- 50 Subject to being above an agreed capitalisation threshold, all expenditure on the acquisition or creation of fixed assets shall be capitalised on an accruals basis in accordance with relevant accounting standards. Expenditure to be capitalised shall normally include the (a) acquisition, reclamation or laying out of land; (b) acquisition, construction, preparation or replacement of buildings and other structures or their associated fixtures and fittings; and (c) acquisition, installation or replacement of movable or fixed plant, machinery, vehicles and vessels.
- 51 Proposals for large-scale individual capital projects or acquisitions will normally be considered within the Board's corporate and business planning process. Subject to paragraph 55, applications for approval within the corporate/business plan by the DOJ and, DFP if necessary, shall be supported by formal notification that the proposed project or purchase has been examined and duly authorised by the Board. Regular reports on the progress of projects shall be submitted to the DOJ.
- 52 Approval of the corporate/business plan does not obviate the Board's responsibility to abide by the economic appraisal process.
- 53 Within its approved overall resources limit the Board shall, as indicated in the attached Appendix on delegations, have delegated authority to spend up to £100k on any individual capital project or acquisition. Beyond that delegated limit, the DOJ's and where necessary, DFP's prior authority must be obtained before expenditure on an individual project or acquisition is incurred.

Transfer of funds within budgets

- 54 Unless financial provision is subject to specific Departmental or DFP controls (e.g. where provision is ring-fenced for specific purposes) or delegated limits, transfers between budgets within the total capital budget, or between budgets within the total revenue budget, do not need Departmental approval. The one exception to this is that, due to HM Treasury controls, any movement into, or out, of depreciation and impairments within the resource budget will require departmental and possibly DFP approval. [NOTE: Under resource budgeting rules, transfers from capital to resource budgets are not allowed.]

Lending, guarantees, indemnities; contingent liabilities; letters of comfort

55 The Board shall not, without the DOJ's and where necessary, DFP's prior written consent, lend money, charge any asset or security, give any guarantee or indemnities or letters of comfort, or incur any other contingent liability (as defined in Annex 5.5 of MPMNI), whether or not in a legally binding form.

Grant or loan schemes

56 Unless covered by a delegated authority, all proposals to make a grant or loan to a third party, whether one-off or under a scheme, together with the terms and conditions under which such grant or loan is made shall be subject to prior approval by the DOJ, and where necessary DFP. If grants or loans are to be made under a continuing scheme, statutory authority is likely to be required.

57 The terms and conditions of a grant or loan to a third party shall include a requirement on the receiving organisation to prepare accounts and to ensure that its books and records in relation to the grant or loan are readily available for inspection by the Northern Ireland Policing Board, the DOJ and the C&AG.

58 See also below under the heading *Recovery of grant-financed assets* (paragraphs 80 - 82).

Gifts made, write-offs, losses and other special payments

59 Proposals for making gifts or other special payments (including issuing write-offs) outside the delegated limits set out in the Appendix A of this document must have the prior approval of the DOJ and where necessary DFP.

60 Losses shall not be written off until all reasonable attempts to make a recovery have been made and proved unsuccessful.

61 Gifts by management to staff are subject to the requirements of DAO (DFP) 05/03 and DAO (DFP) 10/06.

Leasing

- 62 Prior Departmental approval must be secured for all property and finance leases. The Board must have capital DEL provision for finance leases and other transactions which are, in substance, borrowing (paragraph 35 above).
- 63 Before entering into any lease (including an operating lease) the Board shall demonstrate that the lease offers better value for money than purchase.

Public/Private Partnerships

- 64 The Board shall seek opportunities to enter into Public/Private Partnerships where this offers better value for money than conventional procurement. Where cash flow projections may result in delegated spending authority being breached, the Board shall consult the DOJ. The Board should also ensure that it has the necessary budget cover.
- 65 Any partnership controlled by the Board shall be treated as part of the Northern Ireland Policing Board in accordance with guidance in the FReM and consolidated with it [subject to any particular treatment required by the FReM]. Where the judgment over the level of control is difficult the DOJ will consult DFP (who may need to consult with the Office of National Statistics over national accounts treatment).

Subsidiary companies and joint ventures

- 66 The Board shall not establish subsidiary companies or joint ventures without the express approval of the DOJ and DFP. In judging such proposals the DOJ will have regard to the Department's wider strategic aim[s] objective and current Public Service Agreement.
- 67 Any subsidiary company or joint venture controlled or owned by the Board shall be consolidated with it in accordance with guidance in the FReM subject to any particular treatment required by the FReM. Where the judgment over the level of control is a close one, the DOJ will consult DFP (who may need to consult with the Office of National Statistics over national accounts treatment). Unless specifically agreed with the DOJ and DFP, such subsidiary companies or joint ventures shall be subject to the controls and requirements set out in this *Management Statement* and *Financial Memorandum*, and to the further provisions set out in supporting documentation.

Financial investments

- 68 The Board shall not make any investments in traded financial instruments without the prior written approval of the DOJ, and where appropriate DFP, nor shall it build up cash balances or net assets in excess of what is required for operational purposes. Equity shares in ventures which further the objectives of the Board shall equally be subject to Departmental and DFP approval unless covered by a specific delegation.

Unconventional financing

- 69 The Board shall not enter into any unconventional financing arrangement without the approval of the DOJ and DFP.

Commercial insurance

- 70 The Board shall not take out any insurance without the prior approval of the DOJ and DFP, other than third party insurance required by the Road Traffic (NI) Order 1981 (as amended) indemnity insurance for Board Members and any other insurance which is a statutory obligation or which is permitted under Annex 4.5 of MPMNI.
- 71 In the case of a major loss or third-party claim the DOJ shall liaise with the Board about the circumstances in which an appropriate addition to budget out of the DOJ's funds and/or adjustment to the Board's targets might be considered. The DOJ will liaise with DFP Supply where required in such cases.

Payment/Credit Cards

- 72 The Board, in consultation with the DOJ, shall ensure that a comprehensive set of guidelines on the use of payment cards (including credit cards) is in place. Reference should be made to DAO (DFP) 24/02.

Hospitality

- 73 The Board, in consultation with the DOJ, shall ensure that a comprehensive set of guidelines on the provision of hospitality is in place. Reference should be made to DAO (DFP) 10/06 Revised.

Use of Consultants

- 74 The Board shall adhere to the guidance issued by DFP, as well as any produced by the DOJ in relation to the Use of Consultants. Please see the delegated limits set out in Appendix A.
- 75 The Board will provide the DOJ with an annual statement on the status of all consultancies completed and/or started in each financial year.
- 76 **Care should be taken to avoid actual, potential, or perceived conflicts of interest when employing consultants.**

VI. MANAGEMENT AND DISPOSAL OF FIXED ASSETS

Register of assets

- 77 The Board shall maintain an accurate and up-to-date register of its fixed assets.

Disposal of assets

- 78 The Board shall dispose of assets which are surplus to its requirements. Assets shall be sold for best price, taking into account any costs of sale. Generally assets shall be sold by auction or competitive tender [unless otherwise agreed by the DOJ], and in accordance with the principles in MPMNI.
- 79 All receipts derived from the sale of assets (including grant financed assets, see below) must be declared to the DOJ, which will consult with DFP on the appropriate treatment.

Recovery of grant-financed assets

- 80 Where the Board has financed expenditure on capital assets by a third party, the Board shall set conditions and make appropriate arrangements to ensure that any such assets individually above a value of £10k are not disposed of by the third party without the Board's prior consent.

81 The Board shall therefore ensure that such conditions and arrangements are sufficient to secure the repayment of the NI Consolidated Fund's due share of the proceeds of the sale, in order that funds may be surrendered to the DOJ.

82 The Board shall ensure that if the assets created by grants made by the Board cease to be used by the recipient of the grant for the intended purpose, a proper proportion of the value of the asset shall be repaid to the Board for surrender to the DOJ. The amounts recoverable under the procedures in paragraphs 80-81 above shall be calculated by reference to the best possible value of the asset and in proportion to the NI Consolidated Fund's original investment(s) in the asset.

VII. BUDGETING PROCEDURES

Setting the annual budget

83 Each year, in the light of decisions by the DOJ on the Board's corporate business plan:

- a formal statement of the annual budgetary provision allocated by the DOJ in the light of competing priorities across the DOJ and of any forecast income approved by the DOJ; and
- *a statement of any planned change in policies affecting the Board.*

84 The Board's approved annual business plan will take account both of its approved funding provision and of any forecast receipts, and will include a resource budget of estimated payments and receipts together with a profile of expected expenditure and of draw-down of any DOJ funding and/or other income over the year. These elements will form part of the approved corporate plan for the period in question (Section 4.1 of the *Management Statement*.)

85 Any grant-in-aid provided by the DOJ for the year in question will be voted in the DOJ's Estimate and will be subject to Assembly control.

General conditions for authority to spend

86 Once the Board's budget has been approved by the DOJ [and subject to any restrictions imposed by Statute/the Minister /this MSFM], the Board shall have authority to incur expenditure approved in the budget without further reference to the DOJ, on the following conditions:

- *the Board shall comply with the delegations set out in Appendix A of this document. These delegations shall not be altered without the prior agreement of the DOJ and DFP;*
- *the Board shall comply with the conditions set out in paragraph 13 above regarding novel, contentious or repercussive proposals;*
- *inclusion of any planned and approved expenditure in the Board's budget shall not remove the need to seek formal Departmental [and where necessary, DFP] approval where such proposed expenditure is above the delegated limits set out in Appendix A or is for new schemes not previously agreed; and*
- *the Board shall provide the DOJ with such information about its operations, performance individual projects or other expenditure as the DOJ may reasonably require (see paragraph 90 below); and*
- *the Board shall comply with NI Procurement Policy and carry out procurement via CPD if the contract value is greater than the delegated limit.*

Providing monitoring information to the DOJ

87 The Board shall provide the DOJ with, as a minimum, information on a monthly basis which will enable the satisfactory monitoring by the DOJ of:

- *the Board's cash management;*
- *its draw-down of any grant-in-aid;*
- *the expenditure for that month;*
- *forecast outturn by resource headings; and*
- *other data required for the DFP Outturn and Forecast Outturn Return*

VIII. BANKING

Banking arrangements

88 The Board's Accounting Officer is responsible for ensuring that the Board's banking arrangements are in accordance with the requirements of Annex 5.7 of *MPMNI*. In particular, he/she shall ensure that the arrangements safeguard public funds and that their implementation ensures efficiency, economy and effectiveness.

89 He/she shall therefore ensure that:

- the Board is part of the departmental banking pool;
- the Board's banking arrangements shall be kept separate and distinct from those of any other person or organisation; and
- adequate records are maintained of payments and receipts and adequate facilities are available for the secure storage of cash.

IX. COMPLIANCE WITH INSTRUCTIONS AND GUIDANCE

Relevant documents

90 The Board shall comply with the following general guidance documents:

- Both the *Financial Memorandum* and the *Management Statement*;
- *Managing Public Money Northern Ireland (MPMNI)*;
- *Public Bodies - a Guide for NI Departments* issued by DFP;
- *Government Internal Audit Standards*, issued by DFP;
- The document *Managing the Risk of Fraud* issued by DFP;
- The Treasury document *The Government Financial Reporting Manual (FReM)* issued by DFP;
- Relevant DFP *Dear Accounting Officer* and *Finance Director* letters;
- Relevant *Dear Consolidation Officer* and *Dear Consolidation Manager* letters issued by DFP;
- *Regularity, Propriety and Value for Money*, issued by Treasury;
- The Consolidation Officer Letter of Appointment, issued by DFP;

- Other relevant instructions and guidance issued by the central Departments (DFP/OFMDFM) including Procurement Board and CPD Guidance;
- Specific instructions and guidance issued by the DOJ;
- Recommendations made by the Public Accounts Committee, or by other Assembly authority, which have been accepted by the Government and which are relevant to the Board.

X. REVIEW OF FINANCIAL MEMORANDUM

91 The Board shall be reviewed periodically in accordance with the business needs of the DOJ and the Board.

92 DFP Supply will be consulted on any significant variation proposed to the *Management Statement* and *Financial Memorandum*.

Signed: Edgar F. Jones Date: 15-11-2011

On behalf of the Board

Signed: Peter May Date: 15/11/11

on behalf of the Department

APPENDIX A

DELEGATED EXPENDITURE LIMITS

General

These delegated expenditure limits have been agreed by the Department and the Department of Finance and Personnel.

1. PURCHASING ALL GOODS, SERVICES AND WORKS

Table 1 Delegated Authority for the Purchase of Goods, Services and Works

(All costs exclude VAT)

THRESHOLDS *	NUMBER/TYPE OF TENDER REQUIRED	AUTHORISATION
Up to £1,500	2 written Quotations should be obtained	Office Procurement policy applies.
> £1,500 < £10,000	4 Selected Tenders	Office Procurement policy applies.
> £10,000 < £30,000	5 Selected Tenders	Office Procurement policy applies.
> £30,000 < EU Thresholds	Publicly advertised tender competition	Office Procurement policy applies.

*Note: Thresholds are as per CPD Guidance Note 02/10.

Economic Appraisal

The principles of economic appraisal should be applied in all cases where expenditure is proposed, whether the proposal involves capital or current expenditure, or both. The effort put into economic appraisal should be commensurate with the size or importance of the needs or resources under consideration. However, the Northern Ireland Policing Board should undertake a comprehensive business case of all projects involving expenditure of £250k and over.

2. DELEGATED LIMITS FOR CASE/INCIDENT REQUIRING DFP APPROVAL

Details	Footnote
Fraud – any departure from immediate reporting (FD 10/10 and FD 10/08 and further DFP Guidance at: Fraud Management Guidance (FMG): FIAP Publications AASDNI)	1
Estimates – form and content of Main and Supplementary Estimates, Vote on Account, Statement of Excess and virement	
Banking – Proposals to open foreign currency accounts.	
Banking – Requests for indemnities from a bank other than “formal undertakings”	
Economic appraisals for spending proposals above delegated limits in line with FD 20/09.	
Assets - Transfer of assets at less than best consideration reasonably obtainable	
Assets – to appropriate any sums realised as a result of selling an asset	
Assets – to allow an NDPB to retain receipts arising from the sale of assets funded by grant or grant-in-aid	
Insurance – decision to use commercial insurance	
Payments – advance payments	
Receipts – repayment of CFERs from the Northern Ireland Consolidated Fund	
Interdepartmental Transactions – where the transaction may require legislative procedures or where DFP agreement is required under statute	
Chargeable Services – as set out in existing guidance on fees and charges.	
Loans – proposals to make voted loans.	
Loans – on borrowing from the Northern Ireland Consolidated Fund	
Loans- write offs	
Loans – premature repayment.	
Borrowing on terms more costly than those usually available to government.	
Borrowing – foreign borrowing.	
Liabilities – Depts seeking statutory authority to accept liabilities should consult DFP.	
Letters of comfort & general statements of support.	
Reporting a contingent liability in confidence	
Reporting a liability outside Assembly sessions	
Uninsured losses – where expenditure to replace or repair an asset or meet a claim falls outside the department's delegated limits	
Banking – Any proposed changes to Banking pool arrangements.	
Banking – Proposals to open accounts with commercial banks other than approved UK clearing banks.	
Any proposals to negotiate contracts in foreign currencies other than the euro, yen or US \$.	
Recoupment of overpayments of grants	
Losses due to failure to make adequate charges for the use of public property or services.	
Waiving recovery of a collective overpayment.	
All PFI/PPP projects.	
Appointment of an Accounting Officer for a trading fund (TF).	
Appointment of an Accounting Officer for a departmental estimate, Additional Accounting Officers for RfRs and any Accounting Officer for “joined-up government” operations.	
The letter of appointment to posts which will carry the responsibilities of an agency Accounting Officer.	
Accounts Directions on form & content of statement of accounts and annual	

Details	Footnote
reports for NDPBs	
All Management Statements and Financial Memorandums (MSFM)	
The termination of an NDPB	
Agency framework documents and the methods of financing an agency	
Remuneration and allowances of an assessor	2
The establishment and operation of a Trading Fund	

1) FD 10/10 and FD 10/08 and further DFP Guidance at: Fraud Management Guidance (FMG): FIAP Publications | A A S D N I

2) Schedule 12(7) of the Criminal Justice Act 1988

3. DELEGATED LIMITS PER CASE/INCIDENT REQUIRING DOJ APPROVAL

<i>Details</i>	<i>Delegated Limit (£)</i>
All gifts	100
Non-statutory guarantees and liabilities	0
Foreign Exchange transactions, where these are to be channelled through any institution other than the Northern Bank.	0
Use of consultants by departments.	10,000
IT projects	100,000
Extra Statutory and extra-regulatory payments.	0
Recoupment of overpayments of pay, pensions and allowances.	10,000
Waived or Abandoned claims.	10,000
Individual extra-contractual and ex-gratia payments.	0
Individual compensation claims settled out of court unless legal advice is that the department will not win the case if contested in court.	10,000
Individual compensation claims settled out of court where the legal advice is that the department will not win the case if contested in court.	10,000
Individual compensation payments made as a result of court decision.	10,000
Consolatory Payments.	500
All expenditure under the EU Programmes for which the Special EU Programmes Body is responsible – currently Peace II and Interreg IIIa.	0
Consultancy assignments co-sponsored by the Strategic Investment Board.	0
All other losses, write offs and special payments not covered elsewhere in this letter.	5,000
All other capital projects (non IT) including purchase of land & property	100,000
Legal Fees	50,000
Financial support to bodies not covered by a specific delegation	10,000

Contract Variations	The lower of 5% of contract value or £25,000
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