

CHARITABLE DONATIONS

AND BEQUESTS

Annual Report

to 31 March 2016

Charitable Donations and Bequests

for the year ended 31 March 2016

*Laid before the Northern Ireland Assembly
under Section 34 of the Charities Act (Northern Ireland) 1964
by the Department for Communities*

20 July 2017



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Any enquiries regarding this document should be sent to us at:

NI Central Investment Fund for Charities,
Level 5, Causeway Exchange
1-7 Bedford Street
Belfast
BT2 7EG

or email: colin.alderdice@communities-ni.gov.uk

Charitable Donations and Bequests Accounts for the year ended 31 March 2016

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CHARITABLE DONATIONS AND BEQUESTS ACCOUNT

Foreword

Under the Charities Act (NI) 1964 and the Charities Order 1987 the Department for Communities (DfC), formerly the Department for Social Development acts as trustee to some 300 charities in the following circumstances:

- (i) where donations are transferred by the existing charity trustees under Section 15 of the 1964 Act;
- (ii) when there is uncertainty concerning the continued operation of the charity concerned;
- (iii) where the trusteeship of the Commissioners of Charitable Donations and Bequests was transferred to the then Ministry of Finance in 1922 on the setting up of the Northern Ireland Government.

It is the Department's policy to invest the capital of these charities in the Northern Ireland Central Investment Fund for Charities (NICIFC) unless prevented by the charity's governing instruments. Dividends from the NICIFC are received into the Charitable Donations and Bequests Account and paid over to local administrators to distribute on the Department's behalf.

DSD was one of 12 NI Departments. It was established in 1999 by the Departments (Northern Ireland) Order 1999. Under the Stormont House Agreement, DSD became part of the Department for Communities (DfC) from 9 May 2016.

Statement of Responsibilities of the Accounting Officer

As Accounting Officer for the Department for Communities I am responsible for the preparation of the financial statements relating to Charitable Donations and Bequests. The accounts are prepared on a cash basis and must properly present the receipts and payments for the financial year and securities held at the year end.

The relevant responsibilities of the Department's Accounting Officer, including his responsibility for the propriety and regularity of the finances for which he is answerable and for keeping of proper records are set out in the Accounting Officer's Memorandum issued by the Department of Finance and Personnel (Northern Ireland) and published in *Managing Public Money Northern Ireland*.

I also confirm that the annual report and accounts as a whole are fair, balanced and understandable and takes personal responsibility for the annual report and accounts and the judgements required for determining that it is fair, balanced and understandable.

Leo O'Reilly



Accounting Officer
27 January 2017

GOVERNANCE STATEMENT

1 Introduction

This Governance Statement is a key feature of the DSD Annual Report and Accounts. It provides details of how the Permanent Secretary, as Accounting Officer, ensured effective management and control of resources during the 2015-16 year and the action taken to ensure effective risk management and a high standard of corporate governance.

Throughout the period the Department operated under the direction and control of the Minister. The Permanent Secretary for DSD was the main policy advisor to the Minister on all matters relating to the Department. The Minister approved the Department's Corporate and Business Plans and Programme for Government commitments from which all corporate risks are derived. He was provided with regular reports on all aspects of the Department's performance, including a formal quarterly progress report which highlighted any significant deviation from achievement of targets in the Department's Business Plan, financial implications and any emerging risk.

The Permanent Secretary was also responsible for ensuring a high standard of financial management in the Department as a whole, including a duty to be satisfied that the Social Security Agency and the arm's length bodies, which were sponsored by the Department, had adequate systems and procedures in place to promote the proper conduct of their businesses.

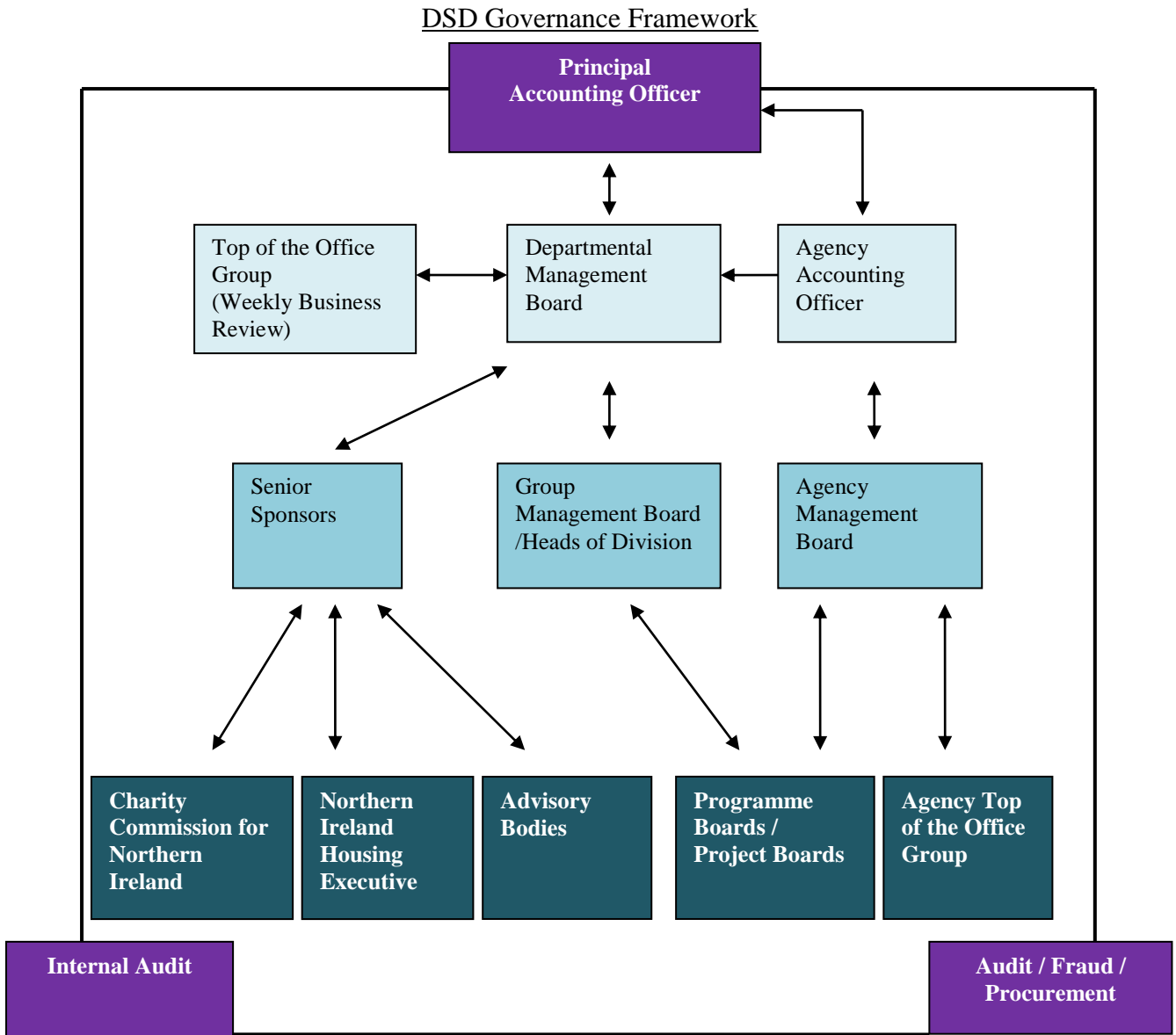
The Chief Executive of the Social Security Agency (SSA) was appointed as the Agency's Accounting Officer by the Permanent Secretary. During the period he was accountable for the maintenance and operation of systems of good governance in the Agency which provided the Permanent Secretary with assurance that governance arrangements and controls were operating effectively.

The Permanent Secretary also appointed the Chief Executives of the Northern Ireland Housing Executive (NIHE) and the Charity Commission for Northern Ireland (CCNI) as Accounting Officers. These Chief Executives are responsible for the maintenance and operation of a governance system in their respective organisations and provided the Permanent Secretary with quarterly assurance statements to confirm that arrangements were operating effectively. The resignation of the NIHE Chief Executive was accepted on 27 May 2015. The post was vacant until Mr Clark Bailie was appointed as acting as Chief Executive from 22 June 2015. Following a recruitment exercise by NIHE, Mr Bailie was appointed as permanent Chief Executive on 1 September 2015.

The Department's relationship with its sponsored bodies was overseen by the Deputy Secretary of the Resources and Social Policy Group (RSPG) and the Deputy Secretary of the Urban Regeneration and Community Development Group (URCDG).

2 The Department's Governance Framework

A governance framework was in place for DSD and was published on the internet. The DSD framework provided the system of direction and control for the organisation, confirmed the scope of the arrangements and explained the importance placed on organisational structures, policies, plans and review arrangements which had been established to properly manage the Department's affairs.



2.1 Compliance with the ‘Corporate Governance in Central Government Departments: Code of Good Practice NI 2013’

The Department’s governance arrangements, including the operation of the Departmental Management Board and Board sub-committees, were substantially compliant with the HM Treasury guidelines on *Corporate Governance in Central Government Departments: Code of Good Practice 2013*, as confirmed by the recent Internal Audit evaluation of the Department’s Corporate Governance and Risk Management, which indicated that these arrangements operated at a satisfactory level.

2.2 Departmental Management Board

The Departmental Management Board for the Department for Social Development (DSD) was chaired by Andrew Hamilton, acting as Temporary Permanent Secretary, and included the Deputy Secretary for URCDG, the Acting Deputy Secretary for RSPG, the Chief Executive of the SSA, the Director of Financial Management(FMD) and two Independent Board Members. The Board supported the delivery of effective corporate governance across the Department.

The Board met on eight occasions during 2015-16 and attendance is set out in the table below:

Board Members	Board Meetings Attended
Andrew Hamilton (Chair)	8
Tommy O’Reilly (Chief Executive SSA)	6
Tracy Meharg (Deputy Secretary URCDG)	5
Ian Snowden (Acting Deputy Secretary RSPG)	7
Deborah Brown (Director of Finance)	8
Roy Keenan (Independent Board Member)	7
Deep Sagar (Independent Board Member)	5

Issues reserved for the Board’s attention were scheduled at the start of the year in an annual planner; these were then assigned to specific meetings throughout the year.

The Board had a number of standing agenda items which it scrutinised, these included:

- Financial and Budgetary Reports and Corporate Risks;
- High level Human Resource issues including the Voluntary Exit Scheme and Attendance Management;
- Key Risks in Arm’s Length Bodies; and
- Reviewing Performance against Business Plan commitments and Programme for Government milestones.

Two of these meetings were strategic planning events at which the Board discussed high level issues and challenges facing the Department.

The Board also regularly discussed key strategic issues; these included Housing Reform, Reform of Local Government, Welfare Reform, spending reductions, the Child Maintenance Service (CMS), the reduction in the number of government departments and the

establishment of the Department for Communities (DfC). Various Heads of Directorates and Arm's Length Bodies were invited to the meetings to brief the Management Board on achievements against targets.

The minutes of the Board meetings were recorded and all minutes were made available on the intranet and internet. All action points were recorded and an update on their progress received at every meeting.

2.3 Quality of Data

The Board obtained assurance relating to the quality of information it received through a variety of measures including:

- assurance ratings from Internal Audit reviews;
- statistical information produced by the Department's statisticians; and
- financial information prepared from internal and external finance systems validated by qualified accountants.

2.4 Conflicts of Interest

The Department maintained a Register of Interests for all Board members to ensure that potential conflicts of interest could be addressed in advance of meetings. The register was formally revisited on an annual basis. Any conflicts of interest were recorded in the Board minutes; no conflicts of interest were recorded during 2015-16.

2.5 Board Effectiveness

In accordance with the *Code of Good Practice on Corporate Governance in Central Government Departments* and the DMB Terms of Reference, an annual evaluation of its effectiveness was completed. In general there was an overall improvement from the 2014-15 review. There was a slight improvement in satisfaction with board discussions and with the timeliness of the receipt of documentation. The introduction of paperless meetings in 2015, devoted to strategic thinking, planning and policy discussion, was also welcomed.

2.6 Ministerial Directions

Arrangements exist to respond to a situation where an Accounting Officer believes that he/she is being asked by a Minister to take a course of action that could potentially result in irregular expenditure, impropriety, or poor value for money. In such circumstances, the Accounting Officer may seek a formal Ministerial Direction to proceed. During 2015-16 there were no Ministerial Directions sought or given.

2.7 Board Committees

Audit and Risk Assurance Committee

The Board was supported and advised by a Departmental Audit and Risk Assurance Committee (DARAC) which provided assurances on risk management, control and governance within the Department. The Committee, which was chaired by a non executive member of the Board, met four times during 2015-16. The quorum for committee meetings

was for at least two members to be in attendance. All meetings were quorate and attendance was as follows:

Audit Committee Members	Committee Meetings Attended
Roy Keenan (Chair)	3
Lianne Patterson (Member)	4
Julie Thompson (Member) replaced Diarmuid McLean 22 April 2015	4

The Committee's annual report to the Board provided the Permanent Secretary with assurance that good governance existed in the Department. Where any improvements were necessary action was taken to address specific issues.

DMB had responsibility for ensuring that an effective risk management process was in place and was regularly reviewed. It was supported in discharging this responsibility by DARAC and the Department's Internal Audit Team. The Chair of DARAC is privy to discussions in relation to departmental risk at Board meetings. This arrangement, in conjunction with written and verbal updates provided at each meeting, ensured DARAC was kept fully informed of the Department's risk profile to enable it to undertake its responsibilities effectively.

The Committee was satisfied that the Department's risk management arrangements and those of its Arm's Length Bodies were in line with HM Treasury 'Orange Book' and that its risk registers, including the Arm's Length Bodies risk registers, were reviewed by the Board.

The Committee's work programme was developed in line with *the Audit Committee Handbook*. It was also informed by the need for assurance in particular areas, emerging issues and risks and through meetings with the Accounting Officer and Internal and External Audit. Focus sessions with senior staff in the Department also provided important information to the Committee on key issues. The Committee held specific focus sessions on Manpower Planning, Social Housing Reform and Review of Governance Arrangements in the NIHE. It also noted the preparations for DfC. The Committee was content that appropriate governance structures were in place for effective oversight of all programmes.

During the year the Audit & Risk Assurance Forum met on two occasions. The first meeting, in April 2015, focussed on the key challenges for DSD Internal Audit and cultural changes in the amalgamation of NIHE Internal Audit and Corporate Assurance. The second meeting, in October 2015, focussed on the key concerns and challenges for DSD and the creation of the NICS Group Internal Audit and Fraud Investigation Services.

The Committee was aware of the major changes going forward such as the introduction of DfC, further budget reductions and Welfare Reform. It was also aware of emerging issues including Reclassification of Housing Associations (HAs).

In its self assessment exercise the Committee identified the continuing need for focus sessions and Audit & Risk Forums to enable understanding of the key issues of business in DfC to ensure ongoing good governance. It also recognised the need for a review of its skill set as new areas of responsibility are added in the new Department.

Fraud Sub-Committee (FSC)

The Departmental Management Board was advised by a Fraud Sub-Committee (FSC), which, was chaired by the Deputy Secretary of Resources & Strategic Policy Group (RSPG) and attended by representatives from the Single Investigations Service, Corporate Investigations Unit (CIU), CMS, NIHE, Housing Group and URCDG.

Procurement Sub-Committee

This Sub-Committee provided strategic oversight of the procurement processes within the Department and its Arm's Length Bodies. It was chaired by the Finance Director and included senior staff representing each business area. The Sub-Committee advised the Accounting Officer on the compliance and consistency of approach for the implementation of Public Procurement Policy.

3 Risk and Control Framework

Risk management is an important aspect of good governance. It helps the achievement of objectives by constraining threats to acceptable levels and by exploiting opportunities. The Accounting Officer has ultimate responsibility for ensuring that an effective risk management process is in place. The risk management process adopted by the Department is detailed in the Department's Risk Management Framework.

During the year the Departmental Management Board considered the Department's risk appetite. Following discussions in October and November 2015, it was agreed by the Board that the Department was cautious in its approach to most categories of risk but that going forward it should move to a more open approach. The risk appetite was approved by the Board in January 2016.

Work continued on assurance mapping and looking at examples of best practice. The integrated assurance approach used by the Department of Business Innovation & Skills (BIS) was investigated and their Performance & Risk Manager was invited to speak to senior staff about the BIS experience. This work will be taken forward in DfC.

3.1 Key Risks

The Department undertook risk management by identifying and assessing risks to the achievement of departmental objectives. DMB agreed the risks to be included in the Department's Corporate Risk Register (CRR) and ownership of each risk. The risk management process was integrated with normal management processes and informed the annual business planning cycle linking to risk management and internal control with the Department's ability to fulfil its business objectives.

Risk registers capture all relevant information on risks – the Department maintains risk registers at branch, divisional and corporate levels and adopted an escalation methodology informed by the significance of the risk. The Corporate Risk Register was scrutinised by the DMB at every meeting and decisions were made regarding the appropriateness of existing risks and whether new risks needed to be captured.

At the start of the year there were nine risks identified on the Corporate Risk Register relating to:

- The Voluntary Exit Scheme (VES);
- Poor planning for the Reform of Local Government (RLG);
- The Social Housing Reform Programme (SHRP);
- Mismanagement of finance and/or the development process within Housing Associations and NIHE;
- Data Security;
- Mismanagement of operations in NIHE;
- Management of financial reductions;
- Welfare Reform; and
- Legislation concerning RLG.

In September, the Board added a new risk to the risk register concerning resource investment to various DfC workstreams impacting on the Departments achievement of its Business as Usual (BAU) objectives.

3.2 Assurances

A key element of the departmental risk management processes is the provision of regular assurances. All business areas across the Department provided quarterly and annual assurance statements that effective risk management arrangements are in place.

The Chief Executives of the Department's sponsored bodies provided the Permanent Secretary with quarterly Stewardship Statements and also submitted their risk registers to the Departmental Management Board for review on a quarterly basis and the Departmental Audit and Risk Assurance Committee bi-annually.

In addition, assurance on the effectiveness of the departmental risk management processes was provided from the work of the Department's Internal Audit Unit. The Head of Internal Audit provided an objective evaluation of, and opinion on, the overall adequacy and effectiveness of the Department's framework of governance, risk management and control. For 2015-16, the Head of Internal Audit provided an overall satisfactory opinion on the framework of governance, risk management and control in the Department. The Audit and Risk Assurance Committee was regularly updated on progress against the audit plan and the findings of audits and a database was used to monitor the implementation of outstanding internal audit recommendations from those reports providing a limited or unacceptable opinion.

Enterprise Shared Services

The Permanent Secretary drew assurance from the audit opinion received from the Head of Internal Audit in the Department of Finance and Personnel (DFP) on the various components of Enterprise Shared Services. These included Account NI which was responsible for the Department's transaction processing, HR Connect, which was responsible for the Department's human resource management arrangements, and IT Assist, which provided IT support services. It is noted that the Head of Internal Audit in the Department of Finance and Personnel has provided a satisfactory audit opinion on Enterprise Shared Services overall.

Limited Audit Opinions

Six audit assignments which had previously been attributed a “Limited” audit opinion during 2014-15 were followed up by Internal Audit during 2015-16. All six follow up audits resulted in the audit opinion being raised to “Satisfactory” as a result of the actions taken by management to implement the recommendations contained within each audit report. The follow up audits completed during 2015-16 were:

- the Central Investment Fund for Charities;
- Government Procurement Cards;
- CMS Choices;
- SSA Income Support;
- Northern Region;
- CMS Case Closure and Transition Actions; and
- SSA Mail Opening Scanning and Image Circulation (MOSIAC).

4 Significant issues faced during 2015-16

Administering the Northern Ireland Investment Fund for Charities

The Department is responsible for administering the Northern Ireland Central Investment Fund for Charities and is currently investigating an issue in relation to the administration of the Fund. The Northern Ireland Central Investment Fund for Charities is classified as a charity and would therefore be required to register with the Charity Commission for Northern Ireland. The Commission aims to register all Northern Ireland charities on a phased basis over the next few years. The Department is the sponsor body for the Commission and, because of this, the Commission has stated that there would be a conflict of interest in terms of its regulatory remit which makes registration of the Fund problematic whilst the Department is a Trustee. A memorandum of understanding has been drafted and issued to CCNI in December 2016. It is anticipated that with a set protocol in place CCNI would permit the Fund to register when called forward.

5 Conclusion

I am satisfied that DSD had an effective governance structure and operated to a high standard of integrity and probity. In signing this report I have taken assurances from DSD’s Temporary Permanent Secretary, Andrew Hamilton, and the Departmental Audit and Risk Assurance Committee. I will continue to monitor Internal Audit, Northern Ireland Audit Office and Public Accounts Committee recommendations to ensure that all issues are addressed.

Leo O’Reilly



Accounting Officer
28 June 2016

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE NORTHERN IRELAND ASSEMBLY

I certify that I have audited the accounts of the Charitable Donations and Bequests for the year ended 31 March 2016 under the Charities Act (Northern Ireland) 1964. These comprise the Receipts and Payments Account, Statement of Balances and related notes. These accounts have been prepared under the accounting policies set out within them.

Respective responsibilities of Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the accounts and for being satisfied that they properly present the receipts and payments during the year. My responsibility is to audit, certify and report on the accounts in accordance with the Charities Act (Northern Ireland) 1964. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the accounts

An audit involves obtaining evidence about the amounts and disclosures in the accounts sufficient to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Charitable Donations and Bequests' circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Charitable Donations and Bequests; and the overall presentation of the accounts. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited accounts and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the receipts and payments recorded in the accounts have been applied to the purposes intended by the Assembly and the financial transactions recorded in the accounts conform to the authorities which govern them.

Opinion on regularity

In my opinion, in all material respects the receipts and payments recorded in the accounts have been applied to the purposes intended by the Assembly and the financial transactions recorded in the accounts conform to the authorities which govern them.

Opinion on accounts

In my opinion:

- the accounts properly presents the receipts and payments of Charitable Donations and Bequests for the year then ended and the cash balances as held at 31 March 2016; and
- the accounts have been properly prepared in accordance with the Charities Act (Northern Ireland) 1964 and Department of Finance directions issued thereunder.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the accounts to be audited are not in agreement with the accounting records; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with Department of Finance and Personnel's guidance.

Report

I have no observations to make on these accounts.

A handwritten signature in black ink that reads "K J Donnelly". The signature is written in a cursive style with a long horizontal stroke at the end.

KJ Donnelly
Comptroller and Auditor General
Northern Ireland Audit Office
106 University Street
Belfast
BT7 1EU

14 February 2017

**Account of Receipts and Payments for the year ended 31 March 2016 of
the Department for Communities in connection with the administration of
Charitable Donations and Bequests.**

	2015-16	2014-15
	£	£
<u>Receipts</u>		
Repayment of temporary investments in Consolidated Fund	503	538
Consolidated Stock interest	92	184
Northern Ireland Central Investment Fund for Charities dividends	279,367	260,311
Consolidated Fund interest	1	3
	279,963	261,036
<u>Payments</u>		
Payments to trustees, social administrators, beneficiaries and others	276,338	275,504
	276,338	275,504
Excess of receipts over payments/(excess of payments over receipts)	3,625	(14,468)
<u>Statement of Balances</u>		
Opening Bank balance	2,485	16,953
Excess of receipts over payments/(excess of payments over receipts)	3,625	(14,468)
Closing Bank balance	6,110	2,485

NOTES TO THE ACCOUNT

1. Accounting Basis

1.1 This account has been prepared on a cash basis.

2. Receipts

2.1 Receipts comprise dividends received in respect of investment in the Northern Ireland Central Investment Fund for Charities and repayment of temporary investments in the Northern Ireland Consolidated Fund.

2.2 Interest is also received on balances deposited with the Consolidated Fund and from Consolidated Stock.

3. Payments

3.1 Payments comprise dividends paid to investors on a bi-annual basis (June and December).

4. Securities held

The following securities were held at 31 March 2016 in connection with the administration of charitable donations and bequests:

4.1 Consolidated Fund balance £266.00 (31 March 2015: £768.92)

4.2 Northern Ireland Central Investment Fund for Charities 649,690 shares with a value of £7,152,307.27 (31 March 2015: £7,618,329.91).

4.3 2 ½ % Consolidated Stock was redeemed by the Treasury in April 2015. The nominal value (£7,372.67) has been placed in the deposit account of the Supreme Court of Judicature (Northern Ireland) until further direction from the courts.

5. Suspended Dividends

5.1 On the advice of Voluntary & Community Policy & Innovation Unit dividend payments are suspended where the original nature of the donation or bequest has ceased to exist. The capital remains invested in the Fund and the dividends are not paid out until VCU Policy & Innovation Unit carry out a cy-pres scheme and advise the Department of the outcome. There are currently three charities whose funds are suspended (31 March 2015 two charities suspended).

	2015-16	2014-15
	£	£
Opening Balance	1,719.50	16,190.21
Dividends Paid Out (conclusion of cy-pres scheme)		(5,831.73)
Reinvested into the Fund		(9,730.82)
Additions (June & December Dividends)	1,985.53	1,091.84
Money returned from suspended fund bank account	1,725.58	
Closing Balance	<u>5,430.61</u>	<u>1,719.50</u>